Recent Economic Performance in Africa and Prospects for 2007

African countries still face the critical challenge of raising the rate of GDP growth and sustaining high growth rates over an extended period in order to accelerate progress towards meeting the Millennium Development Goals (MDGs). While growth has recovered over the past few years, very few countries have achieved and maintained the growth rates necessary to reduce poverty. Africa still tails behind other regions in most measures of human development. The continent is plagued by shocks from the vagaries of international markets and climatic changes as well as the expansion of the HIV/AIDS pandemic. To improve the situation, it is clear that African countries need to become more innovative in terms of resource mobilization and in the design of pro-growth and pro-poor policies to tackle the problems of mass unemployment, persistent poverty, and pervasive inequality. Such innovative policies are critical for sustaining the current growth momentum on the continent.

This chapter provides a survey of recent growth performance both at the continental and subregional level. It discusses developments at the sectoral level and progress and challenges in human development, closing with a brief exposition of the prospects for 2007.

2.1 Growth performance

This section examines recent economic performance at the continental and subregional levels. It discusses disparities in growth performance and the factors behind the observed disparities across countries and subregions. The analysis pays particular attention to structural factors such as endowment in natural resources, the role of policies and institutions as well as non-policy drivers of growth, including exogenous factors such as natural calamities, geography, and civil conflicts. The discussion highlights key constraints to growth in Africa and strategies to address these constraints.

African economies continue to sustain the growth momentum

African economies continued to sustain the growth momentum of previous years, recording an overall real GDP growth rate of 5.7 per cent in 2006 compared to 5.3

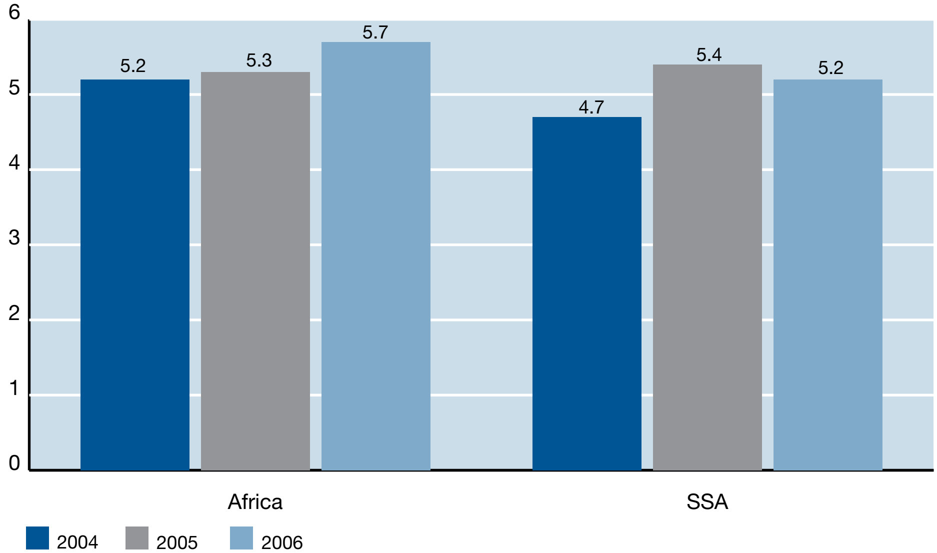
per cent in 2005 and 5.2 per cent in 2004 (figure 2.1). For the second consecutive year, Africa's growth rate remains higher than that of Latin America (4.8 per cent) but lower than that of developing Asia (8.7 per cent). As many as 28 countries recorded improvements in growth in 2006 relative to 2005. Only one country – Zimbabwe - recorded a negative growth rate in 2006.

"28 countries recorded improvements in growth in 2006 relative to 2005"

Africa's growth performance in 2006, as in previous years, was underpinned by improvement in macroeconomic management in many countries, and by strong global demand for key African export commodities, resulting in high export prices, especially for crude oil, metals and minerals (see chapter 1). This explains the very high growth rates recorded by oil-rich countries (see figure 2.3).

Figure 2.1

Real GDP growth rate in Africa, 2004-2006 (per cent)



***Source**: EIU, January 2007.*

However, for most African countries, real growth rates remain low relative to their development goals. From 1998 to 2006, 25 per cent of African countries achieved a real GDP growth rate of less than 3 per cent per annum. Only five countries achieved an average real GDP growth rate of 7 per cent or more during this period (table 2.1). At this pace, few countries are positioned to achieve the MDGs by 2015. Hence, the continent faces the challenge of increasing growth rates and sustaining these high growth rates over an extended period. Besides sustaining reforms to maintain macroeconomic stability and further improve the domestic investment climate to promote private sector activity, a more strategic approach to growth policy is needed, to effectively address the binding constraints to growth.

Table 2.1
Summary of growth performance 1998-2006

GDP growth rate	Number of countries	Share of total (%)
Less than 3%	13	25.0
Between 3% and 5%	25	48.1
Greater than 5% and less than 7%	9	17.3
7% or more	5	9.6
Total*	52	100.0

Source: EIU, January 2007.
** **Note**: Excluding Somalia due to lack of data.*

Subregional growth performance varies substantially

Growth performance exhibits substantial disparities across the five subregions (see figure 2.2).[1] North Africa recorded the highest acceleration in GDP growth, from 5.2 per cent in 2005 to 6.4 per cent in 2006, followed by Southern Africa, from 5.6 to 5.9. There was a notable deceleration in growth momentum in West Africa, from 5.4 per cent in 2005 to 4.2 per cent in 2006. Heavy dependence on primary commodities remains a common feature of production, exports and growth in all subregions. This exposes the continent to external shocks and makes economic diversification a top priority for growth policies on the continent.

"The continent faces the challenge of increasing growth rates and sustaining these high growth rates over an extended period"

Stronger growth performance in North Africa was mainly the result of higher oil prices, especially for Algeria, Libya, Sudan, and Mauritania. Mauritania achieved the highest increase in GDP growth rate (from 5.4 per cent in 2005 to 14.1 per cent in 2006) owing to the start of commercial exploitation of crude oil in 2006. Also steady growth in secondary and tertiary sectors (especially tourism) continued to help economic performance in North Africa. Adequate management of oil revenue is needed for the subregion to sustain the growth momentum.

Growth in Southern Africa improved in 2006 largely because of economic recovery in Malawi and Lesotho and sustained good performance in most other countries of the subregion. With increased public spending and high FDI flows, South Africa maintained the same growth rate of 2005 through 2006 although private consumption declined due to higher oil prices. Notwithstanding the slowdown in oil production, Angola remains the fastest growing economy in Southern Africa (17.6 per cent) followed by Mozambique (7.9 per cent), Malawi (6.9 per cent) and Zambia (6 per cent). Zimbabwe, though still on the negative side (-4.4 per cent in 2006 from –7.1 per cent in 2005), and Malawi recorded the largest improvements in growth, thanks to favourable weather conditions and commodity markets, although recovery from the 2005 drought is still incomplete. Growth in Mauritius also improved considerably despite stiff competition from Asia in the textile market, thanks to increased investment and notable growth in the service sector. Growth in Lesotho picked up in 2006 as a result of increased investment in manufacturing and mining, resulting

1 Subregional growth rates are calculated using the GDP of individual countries as weights.

in higher textile and diamond exports. Swaziland continued to record a low growth rate (1.2 per cent), owing to drought and a decline in the textile industry.

> *Heavy dependence on primary commodities remains a common feature of production, exports and growth in all subregions*

Growth in Central Africa was underpinned by higher oil prices – Republic of Congo (7.5 per cent), Equatorial Guinea (5.4 per cent), Cameroon (3.8 per cent) and Chad (1.0 per cent). In spite of sustained increases in oil prices, Chad and Equatorial Guinea experienced the greatest decline in GDP growth in 2006, followed by the Republic of Congo, because of slowdown in crude oil production. Oil production declined in Chad in 2006 because of technical problems. Cameroon, Central African Republic, and São Tomé and Príncipe were the only three countries in the subregion with higher growth rates in 2006 than in 2005, thanks to the improved prices for such agricultural commodities as coffee and cocoa (up to 2nd Quarter of 2006).

In East Africa, weather conditions as well as export commodity prices remained largely favourable despite sporadic drought in the Horn of Africa. East Africa was the best performing subregion in 2004 and 2005 but experienced a slight decline in growth rate in 2006. Higher oil prices were the main factor that prevented the subregion from achieving a higher growth rate as all the countries of East Africa are oil importers. Economic performance remained robust in Ethiopia (8.5 per cent), Kenya (5.5 per cent), Tanzania (5.8 per cent), and Uganda (5.0 per cent) owing to higher commodity prices, especially tea and coffee. The Democratic Republic of Congo (DRC), Burundi and Rwanda achieved higher growth rates in 2006 (6.4, 3.8, and 4.2 per cent, respectively), thanks to growth in construction, trade and manufacturing, as economic activity is benefiting from the gradual restoration of peace in the region. The mining sector also contributed significantly to growth in DRC.

Although improving, economic performance remains low in Comoros (1.2 per cent), due to low revenue from vanilla exports and a decline in the tourism sector. Eritrea also recorded low growth (2 per cent), owing to low investment and other adverse effects of border conflicts. Seychelles recorded a notable improvement in economic performance (from –1.5 per cent in 2005 to 1.0 per cent in 2006) owing to a gradual recovery from the adverse effects of the tsunami of 2005 and the decline in tourism and tuna exports in the previous two years.

West Africa experienced the greatest decline in GDP growth in 2006 due to a decline in growth in Nigeria from (6.0 per cent in 2005 to 4.2 per cent in 2006) as a result of social unrest in the Niger delta. Growth remained low in Côte d'Ivoire (1.2 per cent) due to political instability, which disrupted agriculture and industry. Among non-oil economies, growth in Senegal (4.0 per cent), though still strong, slowed down because of weaker industrial performance as a consequence of high oil prices and failure to renew the country's fishing accord with the EU.[2] Liberia sustained its strong post-conflict growth recovery. Gambia achieved 5.3 per cent growth rate in 2006 compared to

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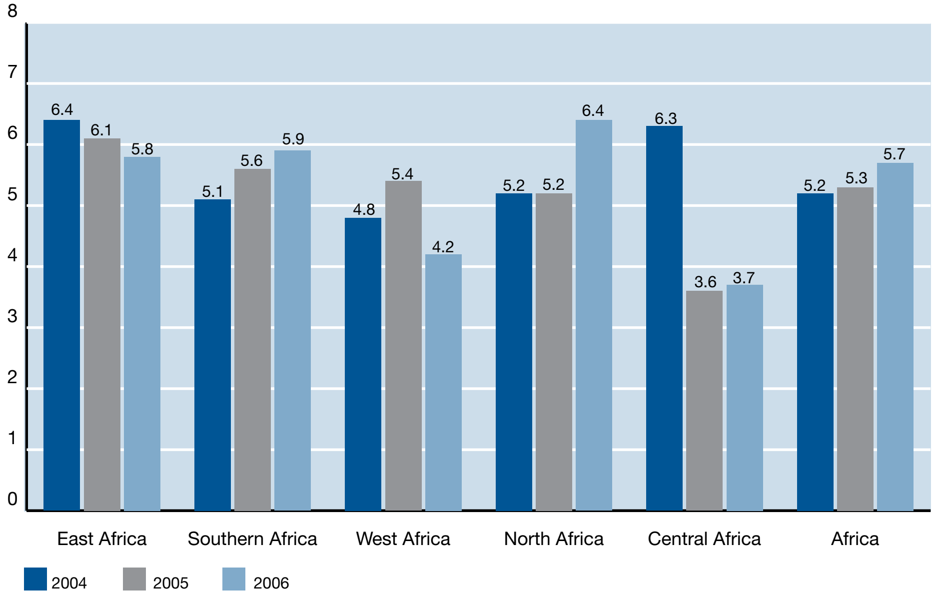
2 Failure to renew Senegal's accord with the EU on fish exports, which ran from July 2002 to June 2006, restricts Senegalese fish exports to EU and results in $US20.2 million loss in annual financial payments to Senegal (EIU 2006).

5 per cent in 2005 thanks to good rainfall and increased tourism activity. Growth in other countries in the subregion in 2006 was similar to that of 2005.

Figure 2.2
Subregional growth performance in 2004-2006 (per cent)



***Source**: EIU, January 2007.*

> *Higher oil prices were the main factor that prevented East Africa from achieving a higher growth rate as all the countries are oil importers*

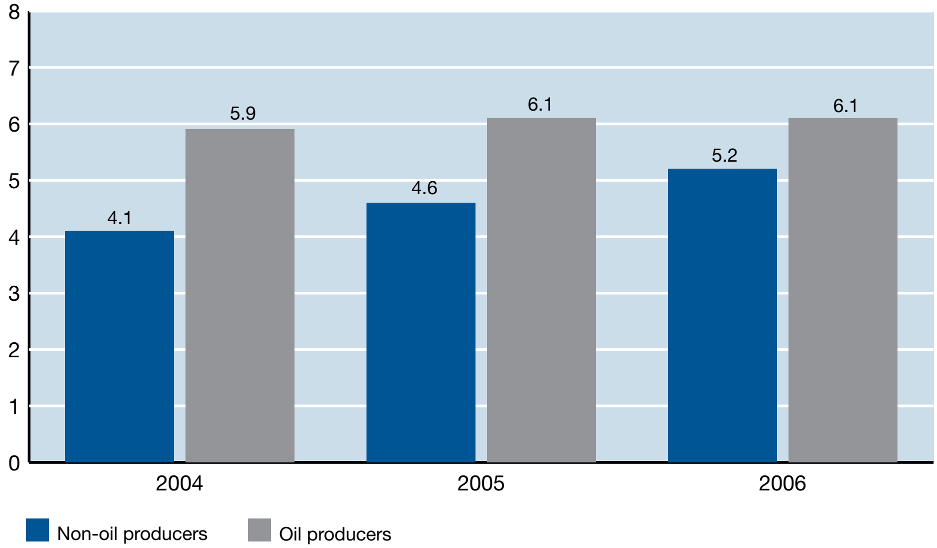
Higher but more volatile growth in oil-rich African countries

The recent oil boom has attracted new foreign investments in oil exploration and production and more African countries (Chad and Mauritania) have joined the club of net oil exporters. Oil-exporting African countries as a group contributed 57.5 per cent of the continent's 5.7 per cent growth rate in 2006, compared to 53.4 per cent in 2005 (figure 2.3). Thus, the recent increase in oil prices has increased the dominance of oil producers in the continent's overall growth, overshadowing the improvements observed among non-oil countries (from 4.6 per cent in 2005 to 5.2 per cent in 2006).

Efficient management of oil revenues for economic diversification is essential for oil-exporting African economies

Figure 2.3

Real GDP growth in African oil vs. non-oil economies, 2004-2006 (per cent)



Source*: EIU, January 2007.*

Non-oil GDP in the eight oil-exporting SSA countries increased at a higher rate in 2006 (6.5 per cent) relative to oil GDP (5.6 per cent), but its contribution to overall GDP growth is still small (IMF 2006a). This, together with the fact that many oil-exporting African countries (e.g. Angola and Equatorial Guinea) are accumulating large, idle foreign currency reserves, is a manifestation of the need for these countries to use oil revenues more rapidly to enhance domestic investment and economic diversification. Efficient management of oil revenues for economic diversification is essential for oil-exporting African economies to reduce their vulnerability to oil price shocks, ensure that gains from oil revenue are broadly shared, and achieve sustainable growth.

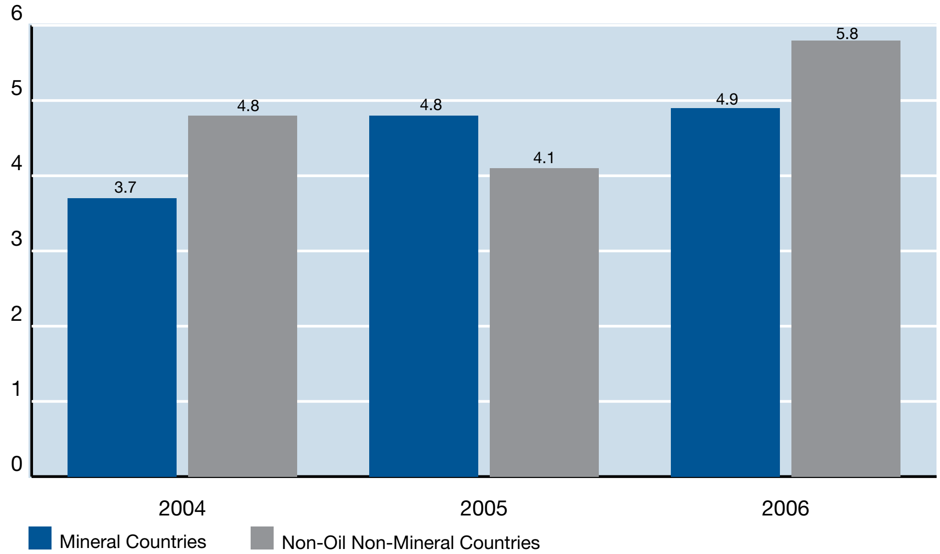
In addition to increased aid flows and debt reduction, improved economic management and increases in non-oil commodity prices have more than offset the negative impact of high oil prices on the real GDP of African oil importers. On average, these countries maintained a positive and rising real GDP growth rate during 2004-2006. The growth impact of higher oil prices was particularly moderate for non-oil and non-mineral-rich economies, where growth performance improved from 4.1 per cent in 2005 to 5.8 per cent in 2006 (figure 2.4), thanks to debt relief and increased aid flows, improved agricultural performance and high agricultural commodity prices. The growth rate in non-oil, mineral-rich African countries was virtually unchanged in 2006 relative to 2005, as the gains from the higher prices of minerals were dampened by the effects of rising oil prices.

Given that energy and oil intensity of GDP are expected to increase with per capita income over time (ESMAP 2005), oil-importing African countries are likely to face large increases in energy and oil demand in the future as their incomes rise. Consequently, these countries need to reduce their dependence on oil by making use of alternative sources of energy, especially hydropower, and by utilizing cost-effective technologies. However, alternative energy sources are unlikely to have a major role in energy supply in the short run since they require relatively large initial capital outlays and have a long gestation period. Thus, in the short run, these countries need to adopt strategies to rationalize the use of oil and improve the efficiency of their energy systems.

> *Oil importing countries need to adopt strategies to rationalize the use of oil and improve the efficiency of their energy systems*

Figure 2.4

Growth in mineral-rich countries vs. non-oil, non-mineral-rich countries (per cent)



***Source**: EIU, January 2007.*

Oil-importing countries will suffer severe adverse effects if higher oil prices persist in the medium term (see box 2.1). To minimize the effects of high oil prices on inflation and macroeconomic stability in general, governments should adopt consistent and prudent policies, and resist the temptation to increase domestic borrowing to finance oil-price-induced increases in budget deficits. Sustained prudential macroeconomic and financial policies consolidate macroeconomic policy credibility, which is critical for oil importers to attract more external capital flows to ease financial constraints. In the meantime, the international donor community and international financial institutions should provide special support to oil-importing, low-income African countries to mitigate the impact of higher oil prices. In particular, debt relief and additional non-debt-generating external financing of fiscal deficits are critically needed for assisting the oil-importing countries to sustain economic growth and achieve the MDGs. In the absence of such support, the efforts of macroeconomic reforms over the last two decades and the opportunities created by the HIPC Initiative will be wasted.

Box 2.1

Impact of sustained higher oil prices on growth and progress towards the MDGs in low-income, oil-importing African countries

Sustained higher oil prices will slow down growth and progress towards the MDGs in low-income, oil-importing African countries. Oil-importing African countries are characterized by high oil-intensity of primary energy sources as well as inelastic oil demand. Higher oil prices raise production costs leading to lower output as well as tighter financial constraints. Governments are forced to decrease expenditure on infrastructure and social services in order to finance the higher oil bill. Moreover, higher oil prices fuel domestic inflation, increase fiscal deficits, and worsen the balance-of-payments position as well as the terms of trade. This can undermine economic performance directly as well as indirectly through increased uncertainty.

Although oil-importing African countries have recorded positive overall GDP growth in the past few years, they are experiencing mounting internal and external imbalances. Strong commodity demand, good macroeconomic management, better agricultural performance, improved political governance in many countries and increased aid flows and debt relief are the key factors that helped them to maintain overall growth momentum. However, as a result of the recent hike in oil prices, the share of fuel imports in the merchandise imports of oil-importing African countries rose significantly, leading to notable increases in the current account deficits. Moreover, oil-importing countries faced sustained, large terms-of-trade losses.

Mounting budget deficits and inflationary pressure in oil-importing African countries disproportionately affect the poor because of lower employment prospects and lack of safety nets. Budget constraints may also force governments to introduce user fees for social services and to raise the prices of public utilities such as electricity and water.

The critical challenge for oil-importing African countries is to reduce their dependence on oil by promoting alternative sources of energy. It is particularly critical for these governments to strengthen growth policies, including industrial strategies that promote diversification of production and exports. The international donor community and international financial institutions should provide special support to oil-importing African countries to mitigate the impact of higher oil prices. In particular, debt relief and additional non-debt-generating external financing are critical to allow these countries to sustain economic growth and accelerate progress towards the MDGs.

***Source**: UNECA 2006a.*

“Sustained prudential macroeconomic and financial policies consolidate macroeconomic policy credibility”

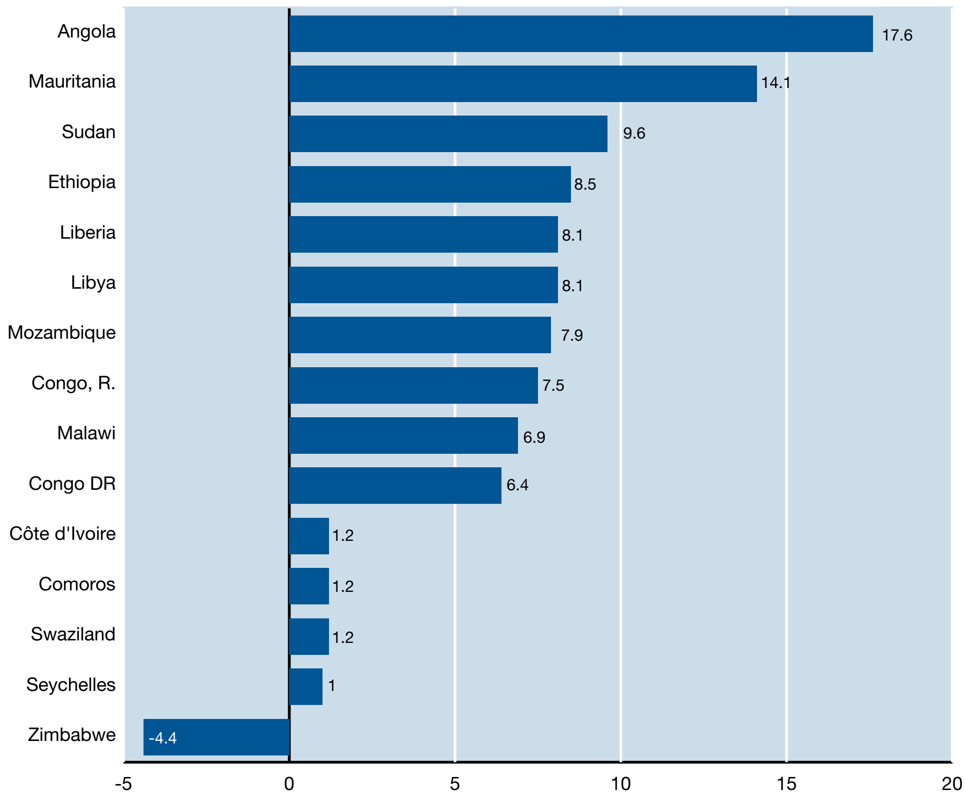
High growers vs. least performers: growth at the top and stagnation at the bottom

Comparing performance in 2006 with that of the previous eight years shows stagnation at the bottom of the scale (figure 2.5). Only three countries (Angola, Mozambique and Sudan) in the top ten performers in 2006 were among the top ten performers on the basis of average annual growth rates during 1998-2005 (UNECA 2006b). Half of the top ten performers are oil producers (Angola, Libya, Mauritania, Republic of Congo and Sudan). Of the remaining five top performers, two are mineral-rich countries (DRC and Mozambique) and one (Liberia) is a post-conflict country. High oil and mineral prices were the main growth drivers for the best performing oil-and mineral-rich countries. Ethiopia continues to feature on the list of top performers in Africa because of generally good rainfall and high export prices for tea and coffee, the country's main export commodities. Strong economic performance in Malawi (from 1.9 in 2005 to 6.9 per cent in 2006) was the result of recovery in agriculture from the drought of 2005.

Five countries (Comoros, Côte d'Ivoire, Seychelles, Swaziland and Zimbabwe) have the lowest growth rates over 1998-2006. Swaziland's growth performance has been low and continuously weakening over the last five years due to increasing competition and falling prices in the textile export market and the reduced sugar price in the EU market. Heavily dependent on agriculture, Comoros continued to experience low growth due to low revenue from vanilla exports and a decline in the tourism sector, while political conflict and insecurity continue to deter investment and plague economic performance in Côte d'Ivoire. Economic performance in Zimbabwe remained negative in the last eight years owing mainly to political difficulties exacerbated by recurrent droughts. Foreign exchange constraints and the recent rises in oil prices adversely affected investment and capacity utilization in Seychelles, leading to nearly complete economic stagnation in the last eight years.

Figure 2.5

Top 10 and bottom 5 performers in Africa in 2006 (% annual growth)



***Source**: EIU, January 2007.*

Sustainability of macroeconomic balances remains a concern over the medium term

The dependence of government budgets on oil revenue and external aid constitutes a source of vulnerability

Overall, Africa has continued to maintain a positive fiscal position, with the average budget balance (excluding grants) of 0.1 per cent of GDP in 2006 compared to 0.4 per cent in 2005. For the 40 countries for which comparable data were available, there was a slight decrease in the number of countries having budget deficits in 2006 relative to 2005 (from 33 to 30) despite higher government expenditures in oil-importing countries due to higher oil prices (table 2.2). Significant increases in public sector investment resulted in sizeable budget deficits in some oil-exporting countries – Angola (-5.0 per cent), Chad (-4.4 per cent) and Egypt (-7.9 per cent).

Oil as a key factor in fiscal balance improvement

Seven of the ten countries that had budget surpluses in 2006 were oil exporters (Algeria, Cameroon, Republic of Congo, Equatorial Guinea, Gabon, Libya and Sudan). Therefore, oil continues to be the key factor behind the positive fiscal position for Africa as a whole, which raises concern over the sustainability of fiscal balance over the medium term. Official development assistance (ODA) is a major source of budget support for many non-oil economies. The dependence of government budgets on oil revenue and external aid constitutes a source of vulnerability for fiscal balance and GDP growth. For oil producers, fiscal sustainability will require effective strategies for prudent management of oil revenues and strategies to utilize these revenues for enhancing economic diversification. Non-oil countries need to design mechanisms for increased mobilization of revenue from domestic sources.

Table 2.2

Distribution of fiscal deficits in Africa, 2004 -2006 (number of countries)

	2004		2005		2006	
	Oil producers	Non-oil producers	Oil producers	Non-oil producers	Oil producers	Non-oil producers
Countries with surpluses	6	3	7	6	7	3
Less than 5 %	2	2	1	4	2	3
5 per cent to 10 %	2	1	3	1	0	0
More than 10 %	2	0	3	1	5	0
Countries with deficits	7	24	6	27	6	24
Less than 5 %	5	18	5	15	5	13
5 per cent to 10 %	2	5	1	6	0	9
More than 10 %	0	1	0	0	1	2
Total number of countries	13	27	13	33	13	27

***Source**: EIU, October 2006.*

Pressure from oil prices threatens price stability

For the second year, average consumer price inflation increased in Africa (from 8.5 per cent in 2005 to 9.9 per cent in 2006). Inflationary pressure results mainly from higher oil prices, and subsequent increase in production costs and lower output. In most countries, food prices rose significantly due to higher transportation costs. While inflation remained contained and low in most of the 52 African countries with available data, the risk of higher inflation remains a concern should higher prices persist in the near future.

"Despite the increase in the average rate of inflation, the situation has improved"

Despite the increase in the average rate of inflation, the situation has improved. In 2006, 25 countries recorded inflation rates of less than 5 per cent, compared to 21 countries in 2005 (table 2.3). The number of countries with a two-digit inflation rate dropped from 17 in 2005 to 12 in 2006. The number of countries experiencing increased inflation fell from 33 in 2005 to 24 in 2006. However, a few countries experienced drastic increases in inflation. In Zimbabwe, inflation increased to 1216 per cent in 2006 compared to 237.8 per cent in 2005, owing to inflationary financing of the budget deficit and shortage of food, especially maize. In Guinea, the country with the second highest inflation rate in Africa, inflation remained high (27 per cent in 2006 compared to 31.4 per cent in 2005), due to the effects of high oil prices and imported inflation arising from high imports of consumer goods.

Table 2.3

Distribution of inflation rates in Africa, 2004-2006 (number of countries)

Range	2004	2005	2006
Less than 5 %	30	21	25
Between 5 and 10 % (10% excluded)	6	14	15
Between 10 and 20 % (20% excluded)	13	13	10
20 % and higher	3	4	2
Total number of countries	52	52	52

***Source**: IMF 2006b.*

External balances also driven by developments in the resource sector

For the third consecutive year, Africa achieved a positive and increasing current account surplus (from 2.3 per cent of GDP in 2005 to 3.6 per cent in 2006 – from $18.4 billion to $33.1 billion), thanks to higher commodity export revenue, especially from oil. Africa's average balance of payments position largely reflects developments in resource-rich countries. With the exception of Sudan, all oil-exporting countries had current account surpluses, while only two non-oil economies (Morocco and Namibia) had current account surpluses. Namibia is a mineral-rich country and Morocco has a more diversified export sector as well as significant mineral wealth.

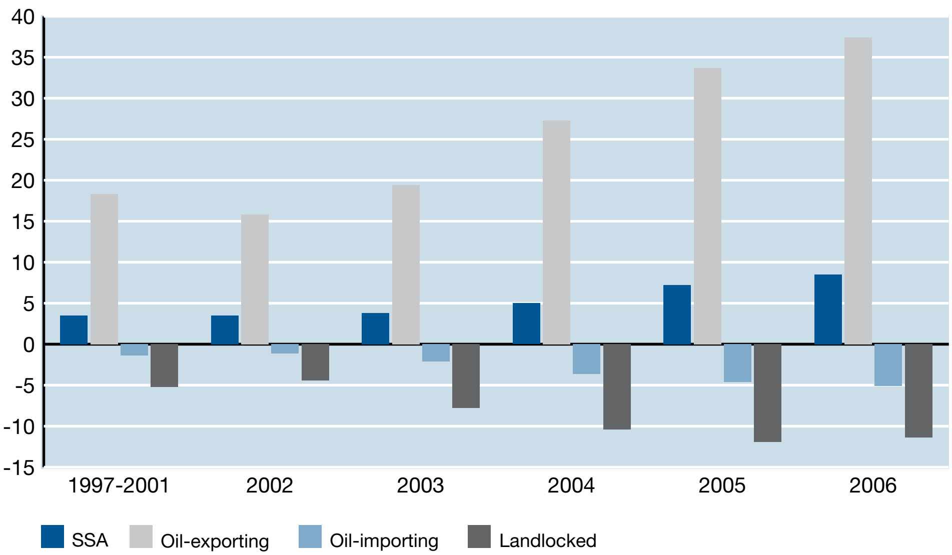
Also, workers' remittances and tourism receipts are important in explaining current account surpluses in Morocco in recent years (Bank Al-Maghrib 2005). Eighteen of the 39 non-oil economies with adequate data experienced deterioration in the current account position in 2006, up from 11 economies in 2005.

The continuing rise in oil prices raises serious concerns about current account sustainability among oil importers

Oil-exporting countries have recorded increasing trade surpluses, while their oil-importing counterparts experienced deepening trade deficits (figure 2.6). The trade surplus for oil exporters as a group more than doubled from 2002 to 2006 (from 16 per cent of GDP to 37 per cent) while oil importers as a group saw their trade deficit deteriorate from -4 per cent of GDP to -11 per cent of GDP. Deterioration of the trade deficit was even more pronounced for land-locked countries. The continuing rise in oil prices raises serious concerns about current account sustainability among oil importers and the associated effects on overall economic performance and macroeconomic stability.

Figure 2.6

Trade balance in Africa by category (% of GDP), 1997-2006



***Source**: IMF 2006a.*

Exchange rates and the impact of commodity booms

In 2006, 35 African currencies appreciated against the US dollar, although the rates of appreciation remained moderate (less than 5 per cent). The Zambian kwacha continued to record the highest rate of appreciation (23 per cent) for the second year in a row because of the high copper price, and growing investor confidence, especially after the country's qualification for debt relief (UNECA 2006b). Large volumes of speculative capital inflows targeting government securities have also played a significant role in the appreciation of the Zambian kwacha.

Exchange rate appreciation was also notable for the Sudanese dinar (12.5 per cent) and the Angolan kwanza (8.5 per cent) owing to higher oil revenue and FDI flows. On the other side, the Zimbabwean dollar had the largest depreciation (87 per cent) followed by the Malawian kwacha (13 per cent). Zimbabwe and Malawi experienced a decline in exports and increased food imports because of slow recovery from the drought of 2005.

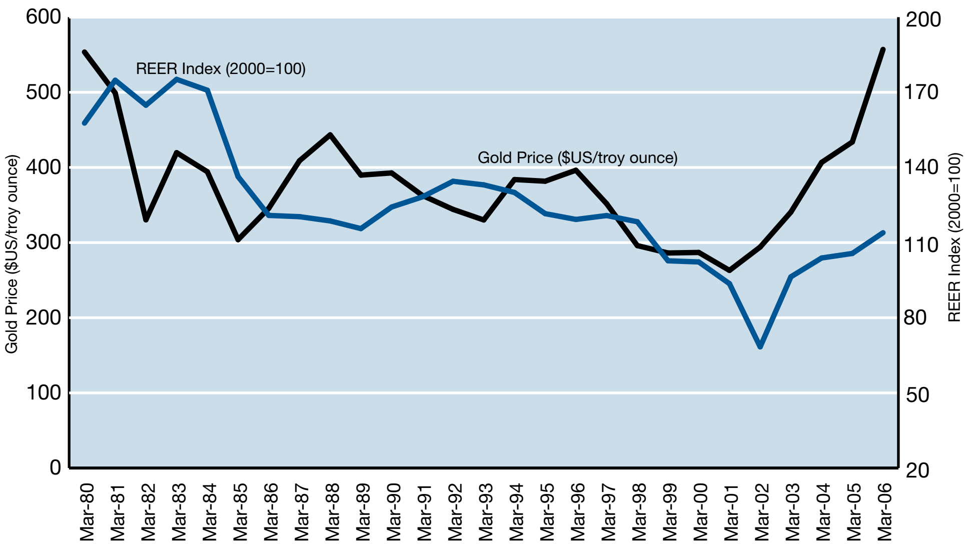
While exchange rates have been stable for most countries, high commodity dependence exposes African economies to terms-of-trade fluctuations and to extreme exchange rate volatility. The majority of African counties are dependent on oil and minerals and on a limited range of agricultural commodities such as tea, coffee and cocoa. Thus, fluctuations in commodity markets have a significant impact on the exchange rates in these countries.

"High commodity dependence exposes African economies to terms-of-trade fluctuations and to extreme exchange rate volatility"

The case of South Africa provides a clear illustration of the close relationship between commodity (gold) price and the real effective exchange rate (REER) (figure 2.7). Indeed, evidence confirms that variations in the gold price are a major determinant of changes in the REER of the rand (Stokke 2006). The effects of gold price fluctuation have compounded the effects of other factors, namely trade policy, short-and long-term capital flows, and productivity growth (Aron et al. 2000).

Figure 2.7

South Africa's REER and the gold price, 1980-2006



***Source**: IMF 2006b.*

Many African countries have accumulated substantial foreign currency reserves in recent years, mostly from higher oil revenues and aid inflows.[3] For example, Algeria had total reserves, excluding gold, of $66.1 billion (the equivalent of 32 months of imports) in 2006 compared to $56.3 billion (34.5 months of imports) in 2005, while Morocco had $17.7 billion (10.1 months of imports) in 2006 and $16.2 billion (10.3 months of imports) in 2005.

> *Many African countries have accumulated substantial foreign currency reserves in recent years, mostly from higher oil revenues and aid inflows*

Accumulation of reserves is motivated by the desire to hedge against external shocks. However, excessive foreign exchange reserve hoarding takes away resources that would otherwise be used to boost domestic economic activity. A better approach is to adopt a comprehensive strategy for prudential regulation and capital controls that can minimize exchange risks while allowing the country to benefit from increased export revenue and FDI inflows. The types of controls to implement should be country-specific (Pollin et al. 2006). Interventions will have to rely on a set of indicators for early warning signals that monitor movements in foreign exchange, the exchange rate, the structure of external debt, and other financial risk indicators. The ultimate goal is to allow African countries to utilize these resources to increase private and public investment so as to accelerate growth.

External debt remains high and private capital flows insufficient

The hope that Africa's external debt would be significantly reduced under the HIPC Initiative and that economic reforms would stimulate private capital inflows has been very slow to materialize. Africa's total external debt stock stood at $244 billion in 2006 compared with $289 billion in 2005 (IMF 2006b). Although the debt stock declined considerably relative to GDP (from 35.9 per cent in 2005 to 26.2 per cent in 2006), total debt service obligations remained almost unchanged (4.2 per cent of GDP in 2005 and 4.1 per cent in 2006) because of higher interest rates. The debt burden seriously constrains spending on public investment and ultimately retards growth and employment generation.[4]

The continent has benefited from substantial inflows of external financing in the form of ODA (including debt relief), which should boost economic growth in the coming years. The MDRI announced at the G-8 summit in Gleneagles in 2005 provided much needed relief for 13 SSA countries. However, it is clear that this debt-relief package is not enough and that more external funding will be needed to help African countries increase growth rates and achieve meaningful reduction in poverty.

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3 For the 49 countries for which data were available, total reserves, excluding gold, amounted to $247.7 billion in 2006, up from $219.7 billion in 2005 and 21 countries (10 oil exporters and 11 oil importers) had $ one billion or more of reserves in 2005. The 13 oil-exporting countries accounted for 73 per cent of Africa's reserves in 2005 and 2006.

4 See section 3.2 in chapter 3 for the discussion on how to address the debt problem and how to mobilize more resources for development. Also see UNECA (2006b).

Increased external flows are particularly important in view of the fact that both gross domestic savings (GDS) and gross domestic investment (GDI) rates in Africa are still low (table 2.4). In fact they were lower in 1998-2006 (19.7 and 20.2 per cent of GDP, respectively) than in the 1974-1985 pre-reform era, (24.5 and 25.4 per cent of GDP, respectively). Most importantly, actual GDI remains far below the level (34.2 per cent of GDP) considered necessary for Africa to half poverty by 2015 (UNECA 1999). The low level and poor quality of investment contribute to the inability of most African countries to achieve and sustain high growth rates over the medium term (Berthelemy and Soderling 2001).

"Low level and poor quality of investment contribute to the inability of most African countries to achieve and sustain high growth rates"

Table 2.4

External flows, domestic savings and investment, 1998-2006

Indicator	Oil economies	Non-oil economies	Africa	Source
ODA ($US billion, average annual)	4.5	14.4	18.9	WDI 2006
FDI ($US billion)	7.3	5.9	14.0	UNCTAD World Investment Report 2006
Remittances ($US billion)	7.6	5.2	12.8	WDI 2006
Other private flows			-6.1	IMF World Economic Outlook database
Gross domestic investment (% of GDP)	22.1 a	18.4 b	20.2 c	WDI 2006
Gross domestic savings (% of GDP)	24.2 d	15.1 e	19.7 f	WDI 2006

***Notes**: FDI is for 1998-2005; other private flows are for 1998-2006; for the remaining indicators, the data are for 1998-2004. Owing to data unavailability, the following countries have been excluded: (a) Equatorial Guinea and Libya; (b) Djibouti, Lesotho, Liberia and Somalia; (c) Djibouti, Equatorial Guinea, Lesotho, Liberia, Libya and Somalia; (d) Equatorial Guinea, and Libya; (e) Djibouti, Liberia, and Somalia; (f) Djibouti, Equatorial Guinea, Liberia, Libya and Somalia.*

Africa needs a new approach to growth policies

More than any time before, it is now understood that the general and one-size-fits-all growth policies embedded in macroeconomic stabilization and second-generation reform programmes are among the key reasons for Africa's slow pace in achieving and sustaining high growth (Rodrik 2004; Gottschalk 2005).[5] These reforms are founded on the premise that macroeconomic stability, if achieved, will stimulate growth. After decades of the stabilization experiment, it is clear that this premise is naive at best.

Moreover, this reform framework is too ambitious and cannot help developing countries to design growth policies that are specific and feasible given the scarcity of resources and the capacity constraints (McCord et al. 2005 and Zagha et al. 2006). According to these programmes, to achieve macroeconomic stability and sus-

5 Poverty Reduction Strategy Papers (PRSPs) are for the most part based on a general reform agenda with no specific and targeted growth strategies. For a review of PRSPs, see Gottschalk (2005).

tainable growth, developing countries need, among other things, to promote faster human and institutional development, accelerate privatization, develop the private sector, promote exports to enhance economic diversification, lower transaction costs, increase competitiveness, manage natural resource revenues for growth and increase mobilization of domestic and external resources for development financing (UNECA 1999).

Growth policies in high-growing developing countries are characterized by specificity and pragmatism

A successful growth policy needs to have specific objectives and has to be based on analyses that identify key country-specific constraints and priorities, and can therefore vary across countries (Hausmann et al. 2006). In addition to general objectives, as those embodied in the reform agenda, growth policies in high-growing developing countries and newly industrialized countries, for example China, India and Vietnam, are characterized by specificity and pragmatism.[6]

Moreover, successful growth strategies require bold policy experimentation in both the fiscal and monetary areas within a dynamic policy framework that is sensitive to country-specific growth potentials, structural constraints, and development goals (Hausmann et al. 2006). Failure to identify the sources of growth potential and the binding constraints to growth result in ineffective growth strategies and inability to achieve high growth even in the presence of abundant resources, including oil revenues and aid flows.

While sustaining commitment to preserve macroeconomic stability, African countries need to tailor their fiscal and monetary policies to promote investment, employment generation, and growth (Pollin et al. 2006; Gottschalk 2005). For example, in their efforts to ensure macroeconomic stability, governments need to define a more flexible range for the budget deficit that can be adjusted to stimulate growth without creating unsustainable deficits (box 2.2). Although this range may vary across countries, evidence suggests that a deficit of 2-3 per cent of GDP is sustainable, and gives the government enough room to expand public investment as a means of boosting growth (Pollin et al. 2006). Moreover, while fostering price stability, monetary policy needs to be broadened (i.e. beyond inflation targeting) to contribute to the national agenda of achieving and sustaining higher growth. This agenda will be undermined by tight and rigid targets for monetary and fiscal policy, as observed in many countries and regions, and as is the case of countries in the West African Economic and Monetary Union (WAEMU) (Gottschalk 2005).

6 Hausmann et al. (2004), cited by Rodrik (2004).

Box 2.2
Accelerating growth through policy experimentation

While committed to maintaining long-term fiscal deficit within a certain limit, a government can increase spending on public investment/infrastructure, income transfers and social support, and employment subsidies to businesses to promote accelerated employment growth without exceeding the deficit limit. For example, a recent study suggests that South Africa can increase spending in these areas by up to R30 billion per annum without exceeding the deficit limit of 3 per cent of GDP (Pollin et al. 2006). A one per cent increase in the deficit-GDP ratio (from 2 per cent to 3 per cent, will finance about 47 per cent (R14 billion) of the increase in government expenditure. The rest can be financed through increases in personal, corporate, and the value-added taxes (R6 billion) and new revenue sources: (a) extending the Uncertified Securities Tax to cover bond trading, in addition to secondary trading of stocks; (b) enacting a mineral and petroleum royalty bill; and (c) the increase in incomes and decline in poverty that will result through the employment-targeted growth programme itself.

Meanwhile, persistent high real interest rates despite falling inflation rates have constituted a constraint to private economic activity. It has been estimated that a one percentage point decline in the prime lending rate, other things remaining the same, would lead to a 0.15 per cent rise in real GDP growth, a modest increase in inflation of 0.2 per cent and also a modest exchange rate depreciation of 0.6 per cent. Thus, easing monetary policy would boost growth with minimal and easily manageable costs in terms of inflation and exchange rate changes.

Source*: Pollin et al. 2006.*

2.2 Sectoral performance

African economies are experiencing a structural shift whereby the service sector is becoming an important driver of growth. In 2004, the service sector contributed 49 per cent of GDP growth compared to 36 per cent for industry (including mining and quarrying) and 15 per cent for agriculture. In 2004, all three sectors continued to grow, albeit at relatively low rates. The industrial sector had the highest growth rate at 9.05 per cent, although growth in the manufacturing sector fell by almost 3.8 per cent compared to 2003. Developments within each sector and for each subregion are discussed in more detail below.

"African countries need to tailor their fiscal and monetary policies to promote investment, employment generation, and growth"

The agriculture sector

The contribution of agriculture to GDP ranges from a high of more than 33 per cent in East Africa to less than 8 per cent for Southern Africa. It employs some 70 per cent of the work force and generates on average 30 per cent of Africa's GDP. The overall contribution of agriculture to GDP declined in 2004 due to the low performance of this sector in the North and West African subregions (table 2.5).

Table 2.5
Agricultural sector performance by subregion

	Share in GDP				
	2000	2001	2002	2003	2004
North Africa	15.3	16.0	15.8	16.3	15.1
West Africa	28.4	29.6	29.7	27.1	21.0
Central Africa	25.7	26.4	26.7	27.2	27.3
East Africa	35.9	35.0	32.6	32.4	33.0
Southern Africa	7.6	7.8	8.3	8.0	7.8

***Source**: World Bank 2006.*

“Africa is a net food-importing region”

Africa is considered a net food-importing region, except for some countries such as South Africa. The largest share of imported products consists of food products (cereals, livestock, dairy products, and to a lesser extent, fruits and vegetables). However, exports of agricultural products represent an important source of foreign exchange earnings for several African countries. The share of agricultural products in total merchandise exports ranges from a high of more than 80 per cent for Sudan and Burundi to a low of less than 1 per cent for Gabon and Equatorial Guinea. Their leading export destination is the EU and the most important commodities exported are fish and crustaceans, fruits and nuts, cotton, and vegetables.

Table 2.6 shows that commodity production in Africa registered a 1.7 per cent increase in 2004 and a growth rate of 3.0 per cent over 1990-2004. Performance for the main agricultural products exhibits high variation across subregions (table 2.6). The year 2004 was a particularly good one for many important exportable commodities such as cocoa beans, coffee and cottonseeds. In some countries, production continues to be influenced by drought conditions. In North Africa, droughts have adversely affected the production of strategic crops such as wheat, olive and citrus. Southern African countries also continue to suffer from periodic droughts, especially Swaziland and Zambia.

Table 2.6
Commodities production growth rate, 1990-2004 (per cent)

	Total Africa		North Africa		Central Africa		East Africa		West Africa		Southern Africa	
	1990-2004 average	2004	1990-2004 average	2004	1990-2004 average	2004	1990-2004 average	2004	1990-2004 average	2004	1990-2004 average	2004
Commodities	3.0	1.7	3.8	1.6	2.2	-0.5	2.4	0.9	4.0	1.8	2.0	3.0
Crops	2.8	0.0	4.2	0.2	2.8	9.4	4.7	1.8	2.7	-1.7	2.1	-0.7
Oil seeds	2.8	-0.4	5.9	-12.4	2.2	3.5	1.8	3.8	2.9	0.7	3.5	6.6
Fruits and Vegetables	3.5	4.0	3.9	7.0	2.1	-5.3	1.4	0.8	5.2	3.7	3.0	9.1
Animals products	2.6	-3.0	3.8	-3.5	1.4	1.4	3.8	-2.6	2.0	-4.1	0.9	-0.6
Others	2.8	13.3	1.9	38.4	2.0	18.6	3.2	7.3	3.8	9.3	3.4	31.0

***Source**: FAOSTAT 2006.*

The industrial sector

The industrial sector represented 35.9 per cent of the African GDP in 2005, a slight improvement over the period 2000-2004 (World Bank 2006). This relatively high contribution of the industrial sector to GDP is explained by the importance of the non-manufacturing industries (mining and quarrying). The manufacturing sector accounted for only 12.1 per cent of GDP, down from an average of 14 per cent over 2000-2004. The underdevelopment of the manufacturing sector largely explains the limited contribution of industry to GDP growth.

"The underdevelopment of the manufacturing sector largely explains the limited contribution of industry to GDP growth"

The African labour force was estimated at 380 million in 2005, with about 20 per cent in the industrial sector. Labour statistics indicate that the industrial work force did not increase significantly during the past few years despite a steady growth in industrial production. This is attributed to the growing dominance of capital-intensive industries as most of new investments in industrial sector in African countries are absorbed by the mining and energy sector. Furthermore, labour-intensive industries in Africa, such as textiles and clothing, are no longer competitive on both foreign and domestic markets after the adhesion of China to WTO.

Countries with the most diversified economies on the continent (Egypt, Morocco, South Africa and Tunisia) continue to focus on traditional industries, such as food processing and textiles, except for South Africa, which is more industrialized than any other African country. There has been recently a gradual shift towards more capital-intensive industries in Tunisia, such as electrical and electronics industries, while the textiles and clothing sector is experiencing continued decline in its importance in all African economies. In the oil-producing countries, there has also been gradual production development in intermediate and oil-based industries, particularly chemicals, petrochemicals, fertilizers, plastics, and energy-intensive industries.

Overall, African exports of industrial goods are still dominated by mining and crude oil. To promote and diversify the export of industrial goods, African countries have to seek participation in regional and international trade agreements. However, compliance with the commitments and obligations of these agreements has been slow.

The energy sector

In 2005, Africa's production of crude oil averaged 8856 million barrels per day, which was 6.1 per cent higher than the 2004 average. Algeria, Angola, Libya, and Nigeria are the main oil producers, with a share averaging 75 per cent in 2005. Other oil producers are Cameroon, Chad, Congo, Côte d'Ivoire, Egypt, Equatorial Guinea, Gabon, Mauritania, Sudan, and Tunisia.

"Africa continues to be a net exporter of crude and refined oil products"

As far as natural gas is concerned, Africa's production in 2005 averaged 171,735 million standard cubic metres, which represented an increase of 13.1 per cent from 2004. This raised Africa's share in world gas production from 5.5 per cent in 2004 to 6.1 per cent in 2005 (table A2.1 in Appendix). Algeria accounted for 50 per cent of Africa's total production of gas, followed by Egypt, Libya, and Nigeria, together accounting for about 44 per cent in 2005. The increase in African production of natural gas is explained by two main factors. The first is related to the acceleration of the level of substitution of crude oil by natural gas in the generation of electricity around the world, which increases the level of global demand for natural gas. The second reason is the high level of international prices for both oil and gas, which increased the level of extraction of gas on the continent.

At the end of 2005, African proven reserves of crude oil represented 10.2 per cent of the world's total, while reserves of natural gas in Africa accounted for only 7.9 per cent of the world's total (table A2.2 in the Appendix). Algeria, Libya, and Nigeria lead in terms of proven reserves with a share of 76 per cent of total African reserves, followed by Angola, Egypt, Gabon and Sudan with a combined share of 18.4 per cent.

Africa continues to be a net exporter of crude and refined oil products. In 2005, exports of crude oil reached 6477.6 million barrels per day, which represented an increase of 1.8 per cent from 2004. However, Africa's share in the global exports of crude oil declined slightly from 14.9 per cent in 2004 to 14.5 per cent in 2005. For refined products, exports grew slightly by 0.8 per cent compared to 2004. This growth is observed after three successive years of decline in exports of refined products as a result of the higher growth of domestic demand for these products than for refining capacity. In fact, in 2005, African consumption of refined products grew by 2.8 per cent compared to 2004 while the refining capacity grew by only 0.5 per cent during the same period. Five countries dominate the demand for refined products: Algeria, Egypt, Nigeria, Libya, and Tunisia, accounting for almost 65 per cent of the total African consumption of refined products in 2005. Overall, exports of both crude and refined oil products from the region grew by 1.7 per cent relative to 2004, compared to 4.6 per cent for the world, which shows a continent-wide structural bottleneck in refining capacity.

The services sector

The share of the services sector in Africa's GDP in 2004 amounted to 49.0 per cent, a slight decline on the previous year (table 2.7). The two potential drivers of growth in the service sector are tourism and financial services, and these components are discussed below.

> "The two drivers of growth in the service sector are tourism and financial services"

Table 2.7
Service sector performance in main African subregions

	Share in GDP				
	2000	2001	2002	2003	2004
North Africa	46.5	47.5	47.2	46.4	45.7
West Africa	36.8	33.1	35.3	34.3	35.5
Central Africa	34.7	36.3	39.3	35.6	37.1
East Africa	47.8	48.7	50.4	50.8	50.2
South Africa	59.4	59.2	58.0	59.5	59.5

***Source**: World Bank 2006.*

The financial sector

While the financial sector is generally considered an important factor for growth, its performance in the case of African countries has been less than satisfactory. Financial systems remain largely underdeveloped both in terms of the size and range of financial instruments and services offered. Most countries still do not have a functioning capital market. Even where capital markets exist, they are very shallow and illiquid (Ndikumana 2003). Except for South Africa, African capital markets are mainly limited to equity markets with an underdeveloped bond market and virtually no futures markets.

Despite the series of financial sector reforms that the countries have undertaken since the 1980s, financial systems still exhibit substantial degrees of inefficiencies in their functions of savings mobilization and allocations of resources into productive activities (Senbet and Otchere 2006). It is worth noting that financial sector reforms have resulted in a gradual move towards market-based interest rate determination and curtailment of the government's presence in the financial sector through privatization of government-owned banks. While these are welcome developments, there are many important challenges that African countries need to address to make the financial sector a real engine of growth and employment creation.

One of the key manifestations of the inefficiency of financial systems in African countries is the high interest rate spread, which is a symptom of lack of competition and of inefficient management (resulting in high operating costs) in the banking sector. In fact, contrary to expectations, interest rate spreads have increased in the post-reform era (UNECA 2006b). Another important weakness of financial systems in Africa is that credit allocation tends to be concentrated into short-term and speculative activities. This is partly due to the lack of stable long-term finance but also to the high risk aversion exhibited by banks. The shortage of long-term lending constitutes an important constraint to private investment expansion.

> *One of the key manifestations of the inefficiency of financial systems in African countries is the high interest rate spread*

It is clear that African countries need to find ways of increasing access to finance especially for the purpose of long-term investment for accelerated growth. This will require achievement of higher levels of domestic savings mobilization and better pooling of resources into long-term instruments. The development of a vibrant bond market and creation and consolidation of long-term finance mechanisms such as pension funds constitute key elements of a national strategy to deepen financial systems in order to boost domestic investment and accelerate growth.

The tourism sector

Many developing countries now regard tourism as an important and integral part of their economic development strategies. It is estimated that 808 million tourists traveled world-wide in 2004 and generated about $682 billion. Africa received 41.3 million tourist arrivals, which represent only 5.1 per cent of global tourist trips. In terms of receipts, Africa received 3.6 per cent (or $25.2 billion) of the $682 billion world tourist receipts. Within Africa, the North Africa subregion registered the highest market share of tourism activity on the continent in 2004 (38.2 per cent), followed in descending order by Southern Africa (27.5 per cent), East Africa (22.7 per cent), West Africa (9.4 per cent) and Central Africa (2.2 per cent) (see tables A2.3, A2.4 and A2.5).

In 2006, the top four countries in terms of tourism receipts are South Africa ($6.3 billion), Egypt ($6.1 billion), Morocco ($3.9 billion), and Tunisia ($1.9 billion). The seven major destination countries with over a million arrivals in 2004 were Egypt (7.7 million), South Africa (6.8 million), Tunisia (5.9 million), Morocco (5.4 million), Zimbabwe (1.8 million), Algeria (1.2 million) and Kenya (1.1 million).

Despite tourism's growing importance as a source of foreign exchange earnings for African countries, the industry remains underdeveloped mostly because of poor tourism infrastructure (or weak capacity for accommodation), inadequate information and marketing (measured by internet use) and high health risks (such as malaria). Political and social instability also constitute major deterrents to tourism in some African countries. In addition, the insufficiency of air transport between Africa and the rest of the world and between African countries themselves continues to be a crucial constraint to tourism. Another key challenge faced is the negative image of Africa portrayed by the media, often on the basis of exaggerated facts and plain ignorance.

2.3 Social development

While growth has recovered on the continent, the gains in terms of social development and poverty reduction are still limited. This sub-section reviews the evidence on social development through the lenses of the MDGs. Following a discussion of progress and challenges for the various goals, the sub-section provides a more detailed discussion of the challenges posed by HIV/AIDS. More details on progress towards the MDGs in Africa is provided in various ECA documents, including a forthcoming report (UNECA 2007), as well as reports by other United Nations publications (e.g. UNDP and UNICEF 2002).

"Recent economic growth has not been accompanied by meaningful job creation"

Overall assessment of the MDGs

As can be seen in table 2.8, progress towards the MDGs is slow; thus, serious challenges remain in all major areas of social development. Nevertheless, on a disaggregated level, some countries have made significant progress.

Goal 1: Eradicate extreme hunger and poverty

The share of the population living on less than one dollar (PPP) per day remains virtually unchanged over the 12-year period, 1990-2002 (table 2.8). The lack of progress in poverty reduction can be attributed to two factors. First, poverty rates tend to follow growth with a lag. Secondly, recent economic growth has not been accompanied by meaningful job creation (UNECA 2006b). This is because in many countries, growth rates have not been high enough to generate sufficient demand for labour. Moreover, growth remains highly volatile, which hampers job creation in the private sector.

Furthermore, the shift of economic activity away from agriculture into capital-intensive sectors such as mining and oil, has also undermined job creation. The fact that employment creation is not integrated into macroeconomic policy frameworks as an explicit goal of macroeconomic policy is an additional reason for the weak gains from recent growth recovery in terms of job creation (Pollin et al. 2006). Therefore, African countries need to adopt more flexible pro-growth macroeconomic frameworks and better targeted sectoral policies in order to increase employment as a means of accelerating poverty reduction.

Table 2.8

Status of MDG achievements in Africa

	Region	1990	2004	2015 target
MDG1: Eradicate extreme poverty and hunger Indicator: People living on less than 1$ (PPP) a day (% of population)	SSA	44.6	44*	22
	NA	2.2	2.4*	1.1
MDG2: Achieve primary education Indicator: Net primary enrolment rate	SSA	53.0	64.2	100
	NA	80.6	94.0	
Indicator : Literacy rates 15-24 year olds (% of relevant age group)	SSA	67.4	73.1	100
	NA	66.3	84.3	100
MDG3: Promote gender equality and empower women Indicator: Ratio of literate women to men of 15-24 age group	SSA	0.80	0.88	1
	NA	0.73	0.91	1
MDG4: Reduce child mortality Indicator: Under 5 mortality (per 1,000 births)	SSA	185	168	62
	NA	88	37	29
MDG5: Improve maternal health Indicator: Proportion of deliveries attended by skilled health workers	SSA	42	46	100
	NA	40	71	100
MDG6: Combat malaria, tuberculosis, HIV/AIDS and other diseases Indicator: Adult HIV/AIDS prevalence	SSA	2.7	5.8**	Stop increase
	NA	<0.1	0.1 **	Stop increase
Indicator: Tuberculosis prevalence (cases per 100,000 population (excluding HIV infected)	SSA	337	492	Stop increase
	NA	64	52	Stop increase
MDG7: Ensure environmental sustainability Indicator: Proportion of land area covered by forest	SSA	29.2	26.5	
	NA	1.3	1.5	
Indicator: Access to an improved water source (% of population)	SSA	49	56	75
	NA	89	91	94
Indicator: Access to improved sanitation (% of population)	SSA	32	37	66
	NA	65	77	83
MDG8: Develop a global partnership for development Indicator: Share of ODA flows (% of donor GNI)	OECD	0.33	0.2	0.7

Source: *UNECA 2006e, based on United Nations Database at www.mdgs.un.org/unsd.*
Notes: ** Data for 2002, ** Data for 2005.*

Goal 2: Achieve universal primary education

Compared to other regions, SSA lags behind in progress towards universal primary education (UPE) (United Nations 2006a). Between 1990 and 2004, net enrolment rates increased in SSA from 53.0 per cent to 64.2 per cent, and in North Africa from 80.6 per cent to 94.0 per cent. Even though progress has been made, efforts need to be scaled up in most African countries to reach UPE by 2015.

Some countries have made significant progress in primary education as in the case of Ethiopia, where enrolment more than doubled from 22 per cent in 1990 to 47 per cent in 2004 (United Nations 2006b) due to large-scale investments in government schools, which now serve nearly 90 per cent of students in primary and secondary schools (World Bank 2005). However, the increase in enrolment needs to be matched by proportional increases in teaching staff and materials to guarantee adequate quality of education. This is true in Ethiopia as in other SSA countries. It is estimated that to reach UPE in SSA the current stock of teachers has to increase by almost 20 per cent each year (World Bank and IMF 2005).

Some countries have made significant progress towards gender parity through school feeding programmes

Goal 3: Promote gender equality and empower women

The ratio of girls to boys in gross primary school enrolment increased over the 1991-2004 period from 0.84 to 0.89 in SSA and from 0.82 to 0.94 in North Africa. However, the ratio for secondary enrolment in SSA dropped between 1999 and 2004 from 0.82 to 0.79 and that for tertiary enrolment from 0.69 to 0.63 (United Nations 2006a).

Some countries such as Burkina Faso and Mali, have made significant progress towards gender parity through school feeding programmes. Rwanda also made substantial progress in gender parity as a result of its post-conflict reconstruction programme, which benefited from generous donor support. Close monitoring of the gender gap and a better targeting of policy interventions are needed to accelerate progress towards gender equity. To fill this need for monitoring of gender equity, ECA has developed a new tool, the African Gender and Development Index (AGDI), an integrated index that measures integration of women in all aspects of a country's economic and political life (UNECA 2006b).

Goal 4: Reduce child mortality

Substantive progress has also been made, especially in North African countries, in reducing child mortality over the past decades. Between 1990 and 2004, under-five mortality in this subregion was reduced from 88 to 37 deaths per 1,000 live births and infant mortality from 66 to 20 deaths per 1,000 live births. In contrast, progress in SSA countries has been very modest (United Nations 2006a).

SSA needs to triple its health workforce, adding more than one million workers to reach the health-related MDGs

Goal 5: Improve maternal health

The proportion of births attended by skilled health personnel shows a massive improvement in North Africa from 40 per cent to 71 per cent over the 1990-2004 period. For SSA, the progress has been very modest, from 42 to 46 per cent over the same period (United Nations 2006a). It is estimated that SSA needs to triple its health workforce, adding more than one million workers to reach the health-related MDGs (World Bank and IMF 2005).

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

Currently, it is estimated that more than 25 million Africans live with HIV, and 2 million out of the 2.8 million AIDS-related deaths in 2005 were in Africa. In the 38 hardest hit African countries, it is projected that there will be 19 million additional deaths due to AIDS between 2010 and 2015. The second part of this sub-section discusses the challenges caused by HIV/AIDS in more detail.

In the fight against malaria, African countries committed themselves in 2000 to dramatically increase the provision of insecticide-treated nets. Remarkable success in the provision of nets to children under five has been recorded in such countries as Eritrea and Malawi, reaching a coverage of 60 per cent and 36 per cent, respectively (WHO and UNICEF 2006). With respect to tuberculosis, the situation worsened in SSA, with an increase in prevalence from 337 per 100,000 of the population in 1990 to 492 in 2004. In North Africa, tuberculosis is less of a problem with only 52 cases out of 100,000 of the population in 2004.

Goal 7: Ensure environmental sustainability

While total carbon dioxide emission increased between 1990 and 2003 from 228 to 413 millions of metric tons in North Africa and from 416 to 530 millions of metric tons in SSA, other indicators of environmental quality have improved. For example, the proportion of the population with access to an improved water source increased from 49 per cent in 1990 to 56 per cent in 2004 in SSA and from 89 per cent to 91 per cent in North Africa. Likewise, access to improved sanitation rose from 65 per cent to 77 per cent in North Africa and from 32 per cent to 37 per cent in SSA over the 1990-2004 period (United Nations 2006a).

The rural sector remains especially marginalized relative to urban areas in access to drinking water, with only 42 per cent of the rural population having access to an improved water source in 2004 as compared to 80 per cent for the urban population. There are also large disparities between countries. In 2004, Ethiopia had the lowest coverage in the world of rural population with safe drinking water - only 11 per cent. In contrast, Burundi and Gambia had a coverage of 77 per cent in the same year. The rapid increase in the urban population, low investment in new water supply systems, and poor maintenance of existing water networks in Africa constitute major challenges to adequate provision of drinking water in most African countries (United Nations 2006a; WHO and UNICEF 2006).

Goal 8: Develop a global partnership for development

Over the past few years, African countries have developed partnerships that should improve the continent's access to external development finance and export markets. These developments are discussed in chapter 3 of this report (also see UNECA 2006b).

Special focus on HIV/AIDS

The patterns of spread and levels of prevalence of HIV/AIDS exhibit marked subregional variations, with the Southern and Eastern subregions being the hardest hit. The epidemic seems to be slowly gaining ground in Central Africa, while most of West and North Africa has sustained fairly low levels of prevalence (UNAIDS 2006).

"Given the delayed impact of HIV/AIDS and the continued increase in prevalence, the worst is yet to come"

HIV/AIDS does not affect men and women equally. In SSA, close to 60 per cent of those living with HIV/AIDS are women (box 2.3). In some areas, up to six times more women than men are infected in the 15-24 age group (WHO-AFRO 2003). Life expectancy, for biological reasons, is generally higher for women than for men. However, in four countries – Kenya, Malawi, Zambia and Zimbabwe – the higher prevalence of HIV/AIDS among women has led to life expectancy for women dropping below that of men (UN-DESA 2005b).

Given the delayed impact of HIV/AIDS and the continued increase in prevalence, the worst is yet to come. The pandemic is not only an immediate crisis, but is also a long-term systemic challenge, with profound consequences for Africa (CHGA 2004a).

One area of particular concern is the impact of HIV/AIDS on food security. In a recent study of two local communities in rural Ethiopia, UNECA, UNDP and WFP found that even though the progression of the pandemic in rural Ethiopia was at an early stage, the impact could already be felt (UNECA/UNDP/WFP 2004). Households affected by HIV/AIDS have changed their spending patterns, spending more on health and funerals, financed primarily by borrowing. In addition, the resource base of these households has been reduced, as they gave up land to sharecropping and sold livestock. It was also shown that the reliance on social networks is insufficient to cope with HIV/AIDS. Since most households have continued to rely on farming as their most important source of income and food, HIV/AIDS has increased the food insecurity of affected households.

As a result of decades of austerity measures and compression of public expenditure, the capacity of African health care systems has been cut back while the demand for services keeps increasing. Health systems are so strained that a large proportion of Africans do not even have access to the most basic health care. At the same time, the demand for health care services is rapidly increasing, and the increasing morbidity as a result of HIV/AIDS adds to the existing burden on overstretched health care systems (Sandkjaer 2006).

A more comprehensive approach to fighting HIV/AIDS is required

Policy responses to HIV/AIDS - prevention and mitigation

Most African countries have established mechanisms for coordination of the response to HIV/AIDS, usually through a National AIDS Commission. With assistance from national and international partners, governments are focusing on how to prevent new infections, while simultaneously keeping those infected healthy for as long as possible.

Until very recently, the country-level response to HIV/AIDS was limited to prevention interventions and minimal care and support for those infected. Today, scaled-up resources, coupled with the decreasing costs of treatment and the emergence of simpler treatment regimes, provide an opportunity to expand national HIV/AIDS treatment and care responses. As a result, treatment coverage increased from 100,000 people on antiretroviral treatment in December 2003, to 810,000 in December 2005, or an estimated 17 per cent of those in need (WHO 2006a).

In a study exploring the consequences of a prevention-centred response to HIV, a treatment-centred response, and a combined response, Salomon et al. (2005) show that an integrated response works best. In the long term, such a response also reduces both direct and indirect HIV/AIDS-associated costs as fewer people will be infected.

A number of lessons have been learnt and are being applied in the scaling-up of treatment in Africa. With regard to prevention, traditional individual-focused approaches are hotly debated. Proponents of an approach that mainly centers on individual behaviour change argue that, given that HIV/AIDS is mainly transmitted through unprotected sex between men and women, effective interventions must focus on severing this transmission route by encouraging individuals to change their behaviour, and ultimately **a**bstain from sex before marriage, **b**e faithful within marriage, and use **c**ondoms – the so-called ABC approach.

Others argue that a more comprehensive approach is required, as individual behaviour is conditioned by many contextual factors which, unless addressed, make individuals unable to change their behaviour even if they so wish. For example, 10-55 per cent of African women surveyed stated that they believe that a wife cannot ask her husband to use a condom and cannot refuse sex, even if she knows that he has

Box 2.3

The Commission on HIV/AIDS and Governance in Africa (CHGA)

The lack of human and financial resources is a key constraint to providing treatment and care. The report by the Commission on HIV/AIDS and Governance in Africa (CHGA), which was launched in 2003 by United Nations Secretary-General, Kofi Annan, contains important findings on HIV/AIDS as well as key recommendations on the way forward in the fight against the pandemic.

- AIDS has many dimensions, which vary at the local, national, and regional level. The challenge of dealing with the many varied causes and consequences of the pandemic is therefore different for each government. The factors driving HIV/AIDS need to be well understood to effectively fight the disease and these factors differ from place to place;

- The vulnerability of women is an underlying factor everywhere. Several cultural norms have to be addressed in order to reduce HIV/AIDS transmission rates. The relationship between gender equality and the extreme vulnerability of women is not fully taken into account yet;

- The growing number of AIDS orphans will continue to present a challenge: Recent estimates show that of the 50 million orphans in Africa in 2010, 37 per cent will be AIDS orphans. The special needs of these orphans have to be addressed through targeted measures and programmes;

- The first priority must be to reinvigorate prevention strategies. Even after 20 years of policy responses to the pandemic, most programmes and services in Africa remain centralized in urban areas, are not gender-sensitive, lack adequate staffing and funding and are poorly targeted. A sense of urgency has to be brought back to HIV prevention, especially by increasing resources from donor nations, as well as strong commitment from national governments;

- The challenge in effectively scaling up HIV treatment and strengthening African health care systems is the lack of human and financial resources; and

- AIDS financing needs to be sustainable, coordinated and better managed. Even though funding for the global response to the pandemic is expected to rise substantially in the near future, some areas deserve further attention, especially measures to build local capacity in the health sector, which is crucial for expanding service delivery and interventions in other sectors, such as education. This calls for budgetary support on the one hand and improved performance in public sector management on the other.

Source*: CHGA 2007.*

a sexually transmitted infection.[7] For these women, HIV/AIDS can still meet them in the conjugal bedroom, regardless of their willingness to protect themselves. Thus, there is a pressing need for an effective, comprehensive response to the disease in Africa.

The Commission on HIV/AIDS and Governance in Africa (CHGA), which was launched in 2003 by United Nations Secretary-General, Kofi Annan, aimed at

7 This question was asked through comprehensive Demographic and Health Surveys. The percentages quoted relate to surveys carried out in Benin, Botswana, Burkina Faso, Malawi, Mali, Namibia, Tanzania, Uganda, and Zambia between 2000 and 2004 (www.measuredhs.com).

bringing back a sense of urgency to HIV prevention. Its final report contains important findings on this pandemic and gives useful recommendations (box 2.3).

2.4 Growth prospects for 2007 and the medium-term outlook

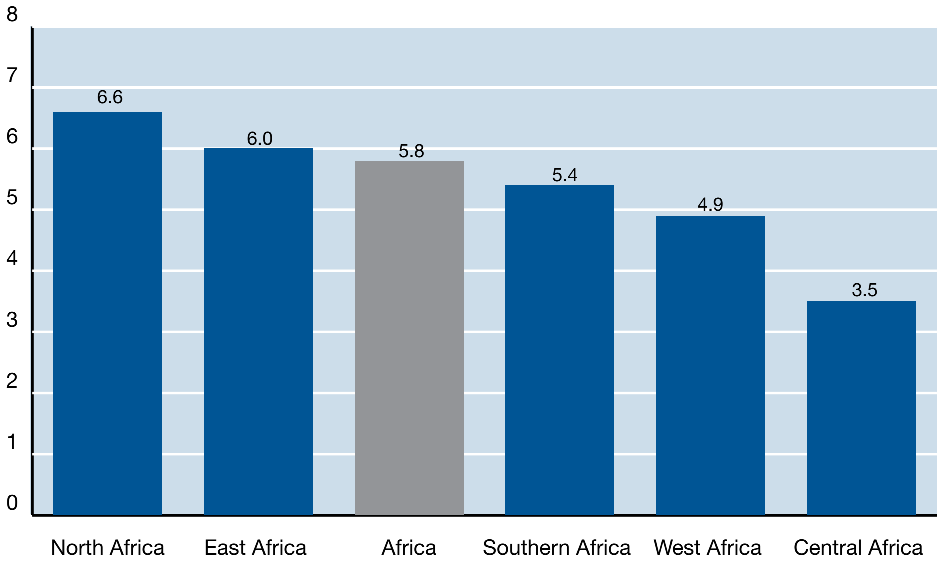
Delivery of the promised aid and debt relief will allow African countries to boost expenditure in key sectors including infrastructure and social services

Africa is expected to grow at a rate of 5.8 per cent in 2007, slightly higher than the rate recorded in 2006 (5.7 per cent) (figure 2.8). Positive growth rates are projected for all subregions led by North Africa (6.6 per cent), East Africa (6.0 per cent), Southern Africa (5.4 per cent), West Africa (4.9 per cent) and Central Africa (3.5 per cent). Despite deceleration of growth in major industrial economies, global demand for African products, especially oil, minerals and agricultural commodities, is expected to remain steady due to strong growth in emerging Asian economies, especially China. Moreover, delivery of the promised aid and debt relief will allow African countries to boost expenditure in key sectors including infrastructure and social services. In addition, consolidation of macroeconomic management will not only reduce inflation in the short run, but also contain long-term inflation expectations, which will encourage private investment.

A number of factors are likely to hinder growth in 2007 and subsequent years. Economic growth in many countries will be compromised by the increasing spread of the HIV/AIDS pandemic, which undermines labour supply and labour productivity. Lack of diversification of production and exports constitutes an important source of potential instability and vulnerability to shocks emanating from changes in commodity demand and prices as well as from unpredictable weather changes. Inefficient public infrastructure and unreliable energy supply at the national level as well as poor integration of transportation and energy networks at the regional level will continue to undermine productivity and international competitiveness, ultimately slowing economic growth (UNECA 2006b). Moreover, higher oil prices are a major concern for oil-importing African countries in terms of controlling inflation, promoting fiscal stability, improving the current account position, and increasing growth.

Achieving and sustaining high growth rates in Africa require a new approach to growth policy. Despite efforts in macroeconomic and financial sector reforms over the past decades, the majority of African countries have been unable to achieve and sustain the growth rates required for achieving the MDGs. Domestic financing constraints are compounded by the high external debt burden, which undermines any gains from macroeconomic reforms, especially in terms of trade liberalization. In addition to pursuing macroeconomic stability, it is critical for African countries to adopt a more strategic approach to growth policy, identifying the binding growth constraints and the activities and sectors that are potential sources of job creation

Figure 2.8
Projected real GDP growth by region for 2007 (per cent)



***Source**: EIU, January 2007.*

and growth. This strategy should also establish incentive mechanisms to channel resources to these activities and sectors.

> *"Growth remains volatile and too low for achieving the MDGs, while pressure from oil prices threatens price stability in oil-importing countries"*

2.5 Conclusion

Despite notable economic recovery in Africa since the turn of the 21st century, the continent still faces important challenges in attaining its development goals. Being highly commodity dependent, growth remains volatile and too low for achieving the MDGs, while pressure from oil prices threatens price stability in oil-importing countries. Macroeconomic balances are driven by developments in the resource sector and continue to worsen for oil-importing African countries. Moreover, external debt remains high and private capital flows insufficient to bridge the gap between domestic savings and necessary investment for Africa to meet the MDGs.

In order to accelerate and sustain growth over a long period of time, Africa needs to create a policy space and embark on innovative growth strategies. In particular, it should address the factors contributing to low and volatile growth through: improved macroeconomic management; increased domestic investment, which requires mobilization of internal and external resources; improved infrastructure (especially transport and energy supply), and diversification away from resource sectors.

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Appendix

Table A2.1

Trends in basic indicators for the natural gas sector in Africa

	1990	2000	2001	2002	2003	2004	2005
Proven natural gas reserves (%)							
Africa percentage (Share in total world)	6.5	7.7	7.5	7.9	7.8	8.0	7.9
Growth rate of African reserves	3.8	3.9	6.2	4.9	0.8	2.5	-0.4
Growth rate of the world reserves	4.7	2.1	8.3	0.5	1.4	0.3	0.3
Marketed production of natural gas (%)							
Africa percentage	3.4	5.0	5.1	5.2	5.4	5.5	6.1
Growth rate of African production	13.4	5.9	3.7	3.1	8.0	4.6	13.1
Growth rate of world production	3.8	1.8	2.3	1.9	3.5	2.9	2.4
Exports of natural gas (%)							
Africa percentage	10.7	12.9	12.0	11.5	11.5	10.8	12.4
Growth rate of African exports	14.4	7.7	-2.6	1.0	8.4	2.5	20.3
Growth rate of world exports	4.8	5.7	4.3	5.8	7.8	8.9	4.8
Imports of natural gas (%)							
Africa percentage			0.3	0.4	0.3	0.2	0.2
Growth rate of African imports				44.9	-8.7	-37.8	0.0
Growth rate of world imports				4.1	11.2	4.7	6.4

***Source**: OPEC 2006.*

Table A2.2

Trends in basic indicators for the oil sector in Africa

	1990	2000	2001	2002	2003	2004	2005
Proven crude oil reserves (%)							
Africa percentage (share in total world)	6.0	8.7	8.9	9.1	9.9	9.9	10.2
Growth rate of African reserves		4.6	3.8	5.3	10.2	1.0	3.7
Growth rate of world reserves		1.5	1.2	3.3	1.5	0.6	0.8
Production of crude oil (%)							
Africa percentage	10.1	10.3	10.1	10.1	10.8	11.8	12.3
Growth rate of African production		1.3	-2.2	-2.6	12.8	14.7	6.1
Growth rate of world production		1.1	-0.7	-2.1	5.1	4.9	1.7
Refinery capacity (%)							
Africa percentage	3.9	4.0	3.9	3.9	4.0	3.9	3.8
Growth rate of African capacity		1.4	-0.3	1.0	0.8	-1.2	0.5
Growth rate of world capacity		1.2	0.6	0.4	0.0	1.7	1.0
Output of refined products (%)							
Africa percentage	3.5	3.3	3.5	3.7	3.6	3.7	3.8
Growth rate of African output		0.9	7.4	6.0	-2.2	5.3	5.4
Growth rate of world output		1.4	0.9	1.6	1.3	2.1	3.1
Consumption of refined products (%)							
Africa percentage	2.8	2.4	2.6	2.7	2.7	2.7	2.8
Growth rate of African consumption		-0.2	7.7	2.9	2.5	5.1	4.0
Growth rate of world consumption		1.2	1.1	0.6	1.8	3.8	0.9
Exports of crude oil (%)							
Africa percentage	16.1	13.3	13.6	13.7	14.7	14.9	14.5
Growth rate of African exports		1.7	0.2	-0.5	13.1	9.1	1.8
Growth rate of world exports		3.7	-1.7	-1.6	5.7	7.5	4.7
Exports of refined products (%)							
Africa percentage	6.6	7.4	7.5	7.4	6.6	6.0	5.8
Growth rate of African exports		3.5	3.5	-1.6	-6.7	-5.5	0.8
Growth rate of world exports		2.5	1.7	-0.7	5.4	4.0	4.2
Exports of crude and refined products (%)							
Africa percentage	13.1	11.6	11.8	11.8	12.3	12.3	11.9
Growth rate of African exports		2.0	0.8	-0.7	9.4	6.8	1.7
Growth rate of world exports		3.3	-0.7	-1.3	5.6	6.5	4.6
Imports of refined products (%)							
Africa percentage			3.6	3.7	3.6	3.7	3.7
Growth rate of African imports				0.9	7.9	9.9	4.1
Growth rate of world imports				-2.5	10.1	6.3	6.6

***Source**: OPEC 2006.*

Table A2.3
International tourist arrivals

	International tourist arrivals ('000s)			Market share in region (%)			Average annual growth (%)	
	1990	2000	2004	1990	2000	2004	1990-2000	2001-2004
AFRICA	**17,667**	**33,474**	**41,381**	**100**	**100**	**100**	**6.4**	**4.4**
North Africa	**10,905**	**15,530**	**20,714**	**55.4**	**36.3**	**38.2**	**2**	**5.7**
Algeria	1,137	866	1234	7.5	3.1	3.7	-2.7	9.3
Egypt	2,411	5,116	7,795	22.1	32.9	37.6	7.8	11.1
Libya	96	174	149	0.8	1.1	0.71	6.1	-3.8
Morocco	4,024	4,278	5,477	26.5	15.2	16.4	0.6	6.4
Sudan	33	38	61	0.2	0.1	0.2	1.4	12.6
Tunisia	3,204	5,058	5,998	21.1	17.9	17.9	4.7	4.4
West Africa	**1,352**	**2,444**	**3,142**	**8.9**	**8.7**	**9.4**	**6.1**	**6.5**
Benin	110	96	174	0.7	0.3	0.5	-1.4	16
Burkina Faso	74	126	222	0.5	0.4	0.7	5.5	15.2
Cape Verde	24	115	157	0.2	0.4	0.5	17	8.1
Côte d'Ivoire	196			1.3				
Gambia	100	79	90	0.7	0.3	0.3	-2.3	3.3
Ghana	146	399	584	1	1.4	1.7	10.6	10
Guinea		33	45		0.1	0.1		8.1
Mali	44	86	113	0.3	0.3	0.3	7.0	6.8
Mauritania		30			0.1			
Niger	21	50		0.1	0.2		9.1	
Nigeria	190	813	962	1.3	2.9	2.9	15.6	4.3
Senegal	246	389	363	1.6	1.4	1.1	4.7	-1.7
Sierra Leone	98	16	44	0.6	0.1	0.1	-16.6	28.8
Togo	103	60	83	0.7	0.2	0.2	-5.3	8.5
Central Africa	**365**	**666**	**729**	**2.4**	**2.4**	**2.2**	**6.2**	**2.3**
Angola	67	51	194	0.4	0.2	0.6	-2.7	39.7
Cameroon	89	277	190	0.6	1.1	0.6	12	-9
Central Afr.Rep		11	8		0	0		-7.5
Chad	9	43		0.1	0.2		16.9	
Congo, Rep. of	33	19		0.2	0.1		-5.4	
DRC	55	103	30	0.4	0.4	0.1	6.5	-26.5
Gabon	109	155		0.7	0.5		3.6	
Sao Tome & Principe	3	7		0	0		9	

	International tourist arrivals ('000s)			Market share in region (%)			Average annual growth (%)	
	1990	2000	2004	1990	2000	2004	1990-2000	2001-2004
East Africa	**2,842**	**6,600**	**7,597**	**18.7**	**23.4**	**22.7**	**8.8**	**3.6**
Burundi	109	29		0.7	0.1		-12.4	
Comoros	8	24	18	0.1	0.1	0.1	11.6	-6.9
Djibouti	33	20	26	0.2	0.1	0.1	-4.8	7
Eritrea		70	87		0.2	0.3		5.7
Ethiopia	79	136	210	0.5	0.5	0.6	5.6	11.5
Kenya	814	899	1199	5.4	3.2	3.6	1	7.5
Madagascar	53	160	229	0.3	0.6	0.7	11.7	9.4
Malawi	130	228	471	0.9	0.8	1.4	5.8	19.9
Mauritius	292	656	719	1.9	2.3	2.1	8.4	2.3
Mozambique			470			1.4		
Réunion	200	430	430	1.3	1.5	1.3	8	0
Rwanda		104			0.4			
Seychelles	104	130	121	0.7	0.5	0.4	2.3	-1.8
Tanzania		459	566		1.6	1.7		5.4
Uganda	69	193	512	0.5	0.7	1.5	10.8	27.6
Southern Africa	**2,203**	**8,234**	**9,199**	**14.5**	**29.2**	**27.5**	**14.1**	**2.8**
Botswana	543	1104		3.6	3.9		7.4	
Lesotho	171			1.1				
Namibia		656		2.3		-8.2		
South Africa	1,029	6,001	6,815	6.8	21.3	20.4	19.3	3.2
Zambia	141	457	515	0.9	1.6	1.5	12.5	3
Zimbabwe	636	1,967	1,854	4.2	7	5.5	12	-1.5

***Source**: World Tourism Organization 2006.*

Table A2.4

Top 20 tourism destinations in Africa ('000s of tourists)

RANKING	2000		RANKING	2002		RANKING	2003		RANKING	2004	
1	South Africa	6,001	1	South Africa	6,550	1	South Africa	6,640	1	Egypt	7,795
2	Egypt	5,116	2	Tunisia	5,064	2	Egypt	5,746	2	South Africa	6,815
3	Tunisia	5,058	3	Egypt	4,906	3	Tunisia	5,114	3	Tunisia	5,998
4	Morocco	4,278	4	Morocco	4,453	4	Morocco	4,761	4	Morocco	5,477
5	Zimbabwe	1,967	5	Zimbabwe	2,041	5	Zimbabwe	2,256	5	Zimbabwe	1,854
6	Botswana	1,104	6	Botswana	1,037	6	Algeria	1,166	6	Algeria	1,234
7	Kenya	899	7	Algeria	988	7	Botswana	975	7	Kenya	1,199
8	Algeria	866	8	Nigeria	887	8	Kenya	927	8	Nigeria	962
9	Nigeria	813	9	Kenya	838	9	Nigeria	924	9	Mauritius	719
10	Mauritius	656	10	Namibia	757	10	Mauritius	702	10	Ghana	584
11	Namibia	656	11	Mauritius	682	11	Namibia	695	11	Tanzania	566
12	Tanzania	459	12	Zambia	565	12	Tanzania	552	12	Zambia	515
13	Zambia	457	13	Tanzania	550	13	Ghana	531	13	Uganda	512
14	Réunion	430	14	Mozambique	541	14	Swaziland	461	14	Malawi	471
15	Ghana	399	15	Ghana	483	15	Mozambique	441	15	Mozambique	470
16	Senegal	389	16	Senegal	427	16	Réunion	432	16	Swaziland	456
17	Swaziland	281	17	Réunion	426	17	Malawi	424	17	Réunion	430
18	Cameroon	277	18	Malawi	383	18	Zambia	413	18	Senegal	363
19	Malawi	228	19	Swaziland	256	19	Senegal	354	19	Madagascar	229
20	Uganda	193	20	Uganda	254	20	Uganda	305	20	Burkina Faso	222

***Source**: World Tourism Organization 2006.*

Table A2.5

Top 20 tourism earners in Africa ($US million)

RANKING	2004		RANKING	2003		RANKING	2002		RANKING	2000	
1	South Africa	6,282	1	South Africa	5,523	1	Egypt	3,764	1	Egypt	4,345
2	Egypt	6,125	2	Egypt	4,584	2	South Africa	2,909	2	South Africa	2,675
3	Morocco	3,924	3	Morocco	3,225	3	Morocco	2,646	3	Morocco	2,039
4	Tunisia	1,970	4	Tunisia	1,582	4	Tunisia	1,523	4	Tunisia	1,683
5	Mauritius	853	5	Mauritius	696	5	Mauritius	612	5	Mauritius	542
6	Tanzania	621	6	Botswana	457	6	Tanzania	439	6	Tanzania	377
7	Botswana	549	7	Tanzania	450	7	Ghana	358	7	Ghana	335
8	Kenya	495	8	Ghana	414	8	Reunion	329	8	Reunion	296
9	Ghana	466	9	Reunion	413	9	Botswana	319	9	Kenya	283
10	Reunion	448	10	Kenya	339	10	Kenya	276	10	Botswana	222
11	Namibia	403	11	Namibia	330	11	Namibia	218	11	Uganda	165
12	Uganda	266	12	Senegal	209	12	Senegal	190	12	Namibia	160
13	Libya	218	13	Libya	205	13	Libya	181	13	Senegal	144
14	Zimbabwe	194	14	Uganda	184	14	Uganda	172	14	Seychelles	139
15	Algeria	178	15	Seychelles	171	15	Seychelles	164	15	Zimbabwe	125
16	Ethiopia	173	16	Zambia	149	16	Zambia	134	16	Madagascar	121
17	Seychelles	172	17	Mali	128	17	Algeria	110	17	Zambia	111
18	Zambia	161	18	Ethiopia	114	18	Mali	104	18	Nigeria	101
19	Mali	130	19	Algeria	112	19	Benin	93	19	Algeria	96
20	Cape Verde	109	20	Benin	106	20	Zimbabwe	76	20	Benin	77

***Source**: World Tourism Organization 2006.*