

# Recent Economic Trends in Africa—and Prospects for 2002

Africa grew faster than any other developing region in 2001, reflecting better macro-economic management, strong agricultural production, higher than expected exports under the U.S. African Growth and Opportunity Act (AGOA), currency depreciation in the largest economy (South Africa), and the cessation of conflicts in several countries. These gains were made amid the turbulence created by the global economic slowdown and the September 11 terrorist attacks on the United States. But Africa's average GDP growth of 4.3% in 2001 masks wide disparities, from growth of 65.0% in Equatorial Guinea to -7.5% in Zimbabwe. Moreover, economic growth remains fragile, and at current rates Africa will not achieve any of the Millennium Development Goals set by the United Nations.

Still, there are many reasons for cautious optimism about Africa's medium-term prospects—including the opportunities created by the U.S. African Growth and Opportunity Act, the European Union's "Everything but Arms" initiative, the New Partnership for African Development (NEPAD), and the launches of the Doha Development Round and the African Union. Ultimately, though, Africa's future depends on how it addresses economic and political governance, resolves civil conflicts, and responds to the need for deeper economic and social reforms.

## The global economy slowed in 2001

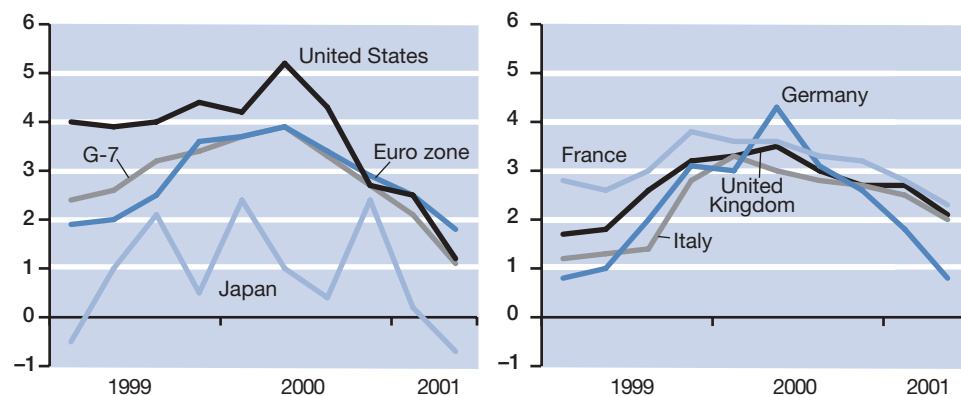
The global economy underwent significant adjustments in 2001. Excess capacity in production of telecommunications equipment and computer hardware—partly reflecting a sharp drop in demand—reduced output and world trade. This reduction was most marked in East Asia, but imports—and hence exports—have been declining in most major economies since at least mid-2001. World trade in goods and services increased by no more than 2% in 2001, down from nearly 13% in 2000. In 2002 global demand for exports from developing countries is projected to drop about 10%.

Economic activity slowed in all of the seven main industrial countries (G-7) in 2001 (figure 1.1). Between the first and second quarters of 2001 real GDP rose just 0.1% in the United States and the euro zone, and in Japan economic activity fell sharply (table 1.1).

*Africa grew faster than any other developing region in 2001*

**Figure 1.1**

Quarterly changes in real GDP, Group of Seven industrial countries, 1999 Q1–2001 Q2 (percentage change over same period of previous year)



**Notes:** Based on seasonally adjusted data. The G-7 are Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

**Source:** Economic Commission for Africa from official sources.

**Table 1.1**

Quarterly changes in real GDP, industrial countries, 2000 Q1–2001 Q4 (percentage change over previous quarter)

Country/region	2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
G-7	1.0	0.9	0.2	0.5	0.4	-0.1	0.1	—
Germany	1.0	1.2	0.1	0.2	0.4	0.0	-0.2	-0.3
Italy	0.8	0.3	0.5	0.8	0.8	0.0	0.1	-0.2
United Kingdom	0.4	1.1	0.7	0.5	0.6	0.5	0.4	0.0
Canada	1.5	0.5	1.1	0.4	0.3	0.2	-0.1	0.5
United States	0.6	1.4	0.3	0.5	0.3	0.1	-0.3	0.4
Japan	2.0	0.8	-0.7	0.3	1.0	-1.2	-0.5	-1.2
Euro zone	0.9	0.8	0.5	0.6	0.5	0.1	-0.1	—
European Union	0.8	0.8	0.5	0.6	0.5	0.1	0.1	—
Western Europe <sup>a</sup>	0.8	0.8	0.5	0.6	0.5	0.2	0.1	—
Western Europe, North America, and Japan	1.0	0.9	0.3	0.5	0.4	0.2	—	—

**Note:** Data are seasonally adjusted.

<sup>a</sup> Western Europe is defined as the European Union plus Norway and Switzerland.

**Source:** Eurostat 2002; national statistics.

## Box 1.1

### *The economic effects of the September 11 terrorist attacks*

The economic effects of the September 11 2001 terrorist attacks on the United States seemed obvious immediately afterwards. The blow to consumer and business confidence, the likely damage to financial markets, the destruction of physical and human capital, and the negative impact on global economic integration looked certain to tip the U.S. into recession. Asset misallocation—invested capital that does not produce expected returns and cannot easily be converted to uses demanded by new economic realities—would further dampen economic activity. But the likely policy response—further aggressive interest rate cuts by the Federal Reserve and a hefty fiscal stimulus—would ensure a swift and steep recovery.

Were these consensus predictions accurate? U.S. GDP growth had already slowed dramatically in the summer of 2001, from an annual rate of 5% to almost zero, and was headed into negative territory. GDP contracted in the third quarter of 2001 as business investment and consumer spending, though still positive, slowed further. And unemployment rose sharply in October as companies increased layoffs and industrial production continued to decline.

But to the surprise of many observers, economic activity bounced back in November. Falling oil prices, aggressive sales campaigns by U.S. automobile manufacturers, and a rebound in the stock market generated a surprisingly strong gain in retail sales in the fourth quarter. The negative effects of the attacks may have been offset by easier financial conditions—driven by aggressive interest rate cuts by the Federal Reserve, which lowered short-term rates to their lowest level in 40 years (2%), and by a hefty fiscal stimulus from the federal government, boosting demand.

In the medium term the U.S. outlook will be determined by total factor productivity—the variable that determines the growth rate an economy can manage without generating inflation. If the “productivity miracle” of the late 1990s continues, there are strong prospects for a quick recovery. And rapid growth in productivity should occur as long as the long-term implications of the September 11 attacks—higher security costs and greater impediments to global economic integration—do not inhibit productivity gains. The durability of the technology-driven changes in U.S. economic performance in recent years will determine how quickly the economy recovers.

The terrorist attacks in New York City and Washington, D.C. on 11 September 2001 and the start of military responses in Afghanistan on 7 October 2001 amplified the already considerable uncertainty about the U.S. economy and the global economy (box 1.1). By the fourth quarter of 2001 it was clear that the United States, the world’s largest economy, was in recession. The U.S.-based National Bureau for Economic Research determined that the recession began in March 2001, bringing to an end the country’s longest economic expansion since World War II. In the third quarter of 2001 the U.S. economy shrank 1.1%, and in the fourth quarter the country saw its heaviest job losses in 20 years—with 415,000 jobs shed in October, on top of 213,000 lost in September. Unemployment jumped from 4.9% in September to a seasonally adjusted 5.4% in November—the highest rate since December 1996. In addition, in September 2001 the value of U.S. factory orders fell 5.8%, the biggest drop since January, to a seasonally adjusted \$313 billion.

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In the euro zone—Africa’s largest trading partner—economic growth essentially came to a halt in the second quarter of 2001. Quarter-on-quarter GDP growth was 0.1%, down from 0.5% in the first quarter (see table 1.1). The slowdown mainly reflected much weaker growth in private consumption and falling demand for exports. Between January 2001 and October 2001, 230,000 jobs were cut in the euro area. In Germany more than 4 million people—nearly 10% of the labour force—are unemployed. In addition, fixed investment has fallen, reflecting weaker industrial confidence, increased idle capacity, and a bleaker outlook for sales and profits. The deterioration in economic performance also depressed consumer confidence. In September Germany’s leading business climate index, according to the IFO Institute for Economic Research, suffered its biggest drop since the world oil price shock in 1973.

The economic outlook in the euro area continued to deteriorate after the September 11 attacks in the United States. Manufacturing sank deeper into recession in October as output, employment, and new business orders fell. The data suggest that the euro zone, like the United States and Japan, is headed for a recession. GDP, having contracted 0.1% in the third quarter (on a quarter-on-quarter basis), could fall even more in the fourth quarter.

The United Kingdom, not part of the euro zone but a major African trading partner, had the strongest economic performance among G-7 economies during the second and third quarters of 2001. GDP grew 0.5% in the third quarter, and annual growth is predicted to be 2.2% in 2001 and 2.3% in 2002.

Japan’s economy continued to stagnate in 2001, with falling asset prices and a deeply distressed financial system. Over the past decade Japan experienced three recessions, and many analysts believe that it slipped into another one in 2001. Japan’s GDP fell 0.8% in the second quarter, and industrial production was 4% lower in the third quarter than in the second—and 10% lower than in the third quarter of 2000. Business sentiment also deteriorated sharply between the second and third quarters. External demand has plummeted, particularly for information technology and capital goods. Merchandise exports fell 6% in the second quarter, down 11% from the year before. The drop in exports of goods and services is expected to reduce GDP growth by 0.7 percentage points in 2001, and the balance of trade for goods and services is at its lowest level since 1997.

## Is a V-shaped recovery likely?

Forecasts for world output growth in 2001 had already been lowered before the September 11 attacks. In early September the International Monetary Fund (IMF) forecast global growth of 2.6% in 2001, down from the 3.2% expected in May. Forecasts were lowered further after the attacks and now range from 1.5–2.0%—close to the 1.4% in 1991 and 1.1% in 1982, the two preceding years of global recession.

But economic fundamentals are fairly strong in many countries, and policies are being implemented to deal with the economic downturn and the September 11 aftermath. The consensus view in financial markets is that, after another quarter of negative growth, the

U.S. economy will revive in the second quarter of 2002. Almost all U.S. economic indicators have bounced back from post-attack lows and soared above pre-attack levels. U.S. equity rallies traditionally lead economic recoveries by about six months.

Given its enormous size, the U.S. economy will have to lead the world out of the current slowdown. With annual output of more than \$10 trillion in goods and services, the U.S. economy is larger than those of France, Germany, Japan, and the United Kingdom combined—reflecting the explosion in information technology in the late 1990s. In 1995 the U.S. economy was 50% larger than Japan's; today it is more than twice as large. Thus the key questions for 2002 are: How strong will the U.S.-led recovery be? And what form will it take?

The analysis conducted for this report indicates that the U.S. economy will recover gradually, picking up speed in the second half of 2002 and achieving 3% growth for the full year. Such optimism is warranted because the main causes of the recession have abated: real oil prices have fallen 50% from their peak, stock markets have recovered from their post-September lows (though they remain well below the highs reached in 2000), and investment and inventory adjustments have made considerable progress. Although many recent U.S. recessions originated in downturns in consumer spending linked to shocks in consumer confidence—troubles typically rectified with interest rate cuts—the current economic anaemia was spawned by overly optimistic business models and excess capacity.

The absence of inflationary pressures has allowed the Federal Reserve to cut interest rates from 6.5% to 1.75% in less than a year. The yield curve is now sloping strongly upwards. Other central banks have also relaxed monetary policy: the European Central Bank cut rates from 4.75% in early 2001 to 3.25% in November 2001. Reflecting these and other positive signs, growth in the G-7 countries is projected to average 3% in 2002.

The main threat to a global recovery is Japan's economy. Japanese banks have \$600 billion in bad debts, a sum equal to 18% of GDP. In addition, prices are falling 4% a year. This deflation has lowered housing prices, eliminating home equity on nearly half of the mortgages in Japan. Some analysts fear that Japan will try to solve its debt problems by printing money—a move that would depreciate the yen to 160–200 to the U.S. dollar, from about 130 in early 2002. Such a steep devaluation could cause competitive devaluations in China, the Republic of Korea, Singapore, Taiwan (China), and Thailand because they have investment and trade links to Japan. Widespread devaluations in Asia would unleash a flood of low-priced goods onto world markets, hurting emerging African countries and Latin American countries.

**“The U.S. economy will have to lead the world out of the current slowdown”**

## Africa was the only developing region to see faster growth in 2001

Forecasts made soon after the September 11 attacks predicted that economic growth would stagnate in Africa because of lower commodity prices, reduced foreign direct investment, and diminished private capital flows. But the global slowdown has had a much less pronounced impact on Africa than expected. Output has remained relatively strong, with

growth accelerating in 2001 in countries such as Ethiopia (8.7% growth), Mozambique (9.2%), and Uganda (5.4%). Africa's overall GDP is estimated to have increased to 4.3% in 2001 from 3.5% in 2000.

Africa's resilience to the global slowdown reflects many factors:

*The global slowdown has had a much less pronounced impact on Africa than expected*

- Lower oil prices, which helped 42 oil-importing African countries by easing pressures on foreign exchange, inflation, and public spending.
- Continued improvements in agricultural output across the region—particularly in Morocco, Tunisia, and East Africa.
- Sounder economic management, resulting in stronger economic fundamentals in many countries—with lower inflation, better fiscal positions, and stronger external positions (box 1.2).
- Higher than expected exports under the U.S. African Growth and Opportunity Act (AGOA).
- Reduced conflict and insecurity in Burundi, the Democratic Republic of Congo, Eritrea, Ethiopia, Guinea, and Sierra Leone.
- Currency depreciations in the largest economy—South Africa—and rising domestic demand across the continent, buoyed by strong remittances.

The significance of these factors should not be overstated, however. Many African countries are dependent on international markets, and a sharp and sustained deterioration in global conditions will eventually take a toll on the region's economies.

## Changing commodity prices provide mixed blessings for Africa

Commodity prices are the main channel for transferring external weaknesses to most African economies. Global non-oil commodity prices recovered 2% in 2000 after dropping sharply in 1998 and part of 1999 (figure 1.2), but prices remained below 1996–97 levels. Moreover, the World Bank's price index for primary commodities from low- and middle-income countries has fallen steadily since 1995.

Terms of trade show no signs of improving in 2001–02. In the first 11 months of 2001 the prices of primary commodities fell in response to the strong downturn in global economic activity. Lowered growth expectations for the world economy after September 11 accentuated weak demand while supply remained high and the dollar (the currency in which most commodities are priced) was strong. In September 2001 average commodity prices were 17% below their cyclical peak of one year earlier.

Commodity price movements provided mixed blessings for Africa. For most African countries, where oil accounts for up to 30% of merchandise imports, the 56% increase in oil prices in 1999–2000 was a major cause of the inflation and economic slowdown in 2000. Thus the drop in oil prices in 2001 freed resources for other imports and minimized inflationary and other pressures. In Egypt, for example, lower oil prices eased pressures on interest rates,

## Box 1.2

### *Smooth transition to euro bodes well for CFA franc*

After three years as a virtual currency, the smooth introduction of the single European currency notes on January 1, 2002, and the currency's initial weakness against the U.S. dollar, boded well for CFA countries. The euro was expected to be a strong currency—but so far its performance has been mixed, declining 22% against the U.S. dollar since 1999 and only marginally strengthening at the beginning of the second quarter of 2002. If the U.S. economy recovers strongly in 2002, as most analysts expect, investors will continue to demand dollars rather than euros—further strengthening the dollar and weakening the euro.

This is good news for CFA countries because one of the main risks of the shift from the CFA franc–French franc peg to the CFA franc–euro peg was that it would lead to devaluation of the CFA franc as the euro appreciated. An overvalued CFA franc would cause a loss of competitiveness. Exports from CFA economies would become more expensive and imports cheaper than competing domestically produced goods. These developments would be especially devastating given the already stiff competition generated by exports from countries outside the region.

The other main fear about the euro's effect on the CFA franc was that France might not support the fixed exchange rate. That seems less likely now. With the launch of the euro, the French Treasury has retained sole responsibility for guaranteeing convertibility of CFA francs into euros without any monetary policy implications for the Bank of France or the European Central Bank. Although the two CFA central banks—Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) and Banque des Etats de l'Afrique Centrale (BEAC)—maintain an overdraft facility with the French Treasury, the amount that can be withdrawn is limited.

Though the launch of the euro was an extraordinary achievement, it has not transformed the euro zone economy or turned it into an autonomous global centre of growth. As a result, CFA countries, with diminished fears of devaluation, will be able to enjoy key long-term benefits of the peg—credible monetary policy and low inflation, leading to a stable and favourable investment climate for both domestic and foreign investors. The benefits to CFA countries that proponents claimed would come from increased exports to the euro zone as it became a major growth centre were always questionable in a region dependent on primary commodity exports.

exchange rates, and domestic investment. Moreover, oil exporters could sustain growth in 2001 using the substantial revenue from the 1999–2000 boom. Thus lower oil prices generally had a positive effect on Africa, where net energy exports constitute only 5% of GDP.

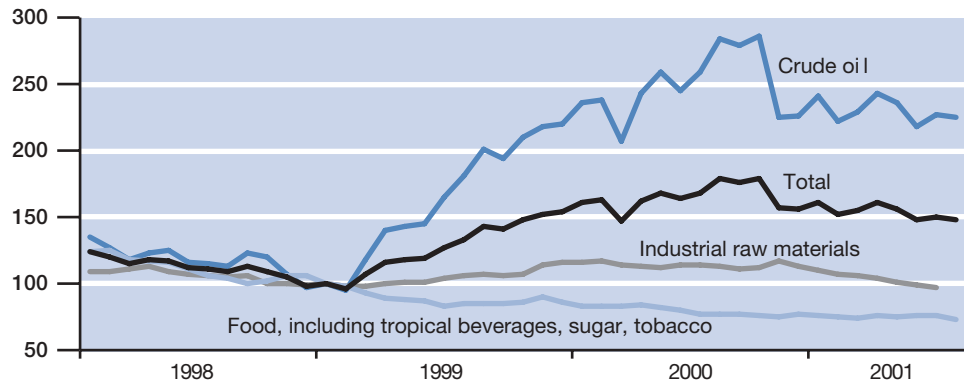
Many African countries, however, depend on commodity exports—and the outlook for commodities is not good. A recovery in commodity prices will require more than a modest recovery in global demand. To draw down inventories, global growth of 4–5% is needed.

## Tourism and remittances experienced steady growth

Prospects for tourism in Sub-Saharan Africa remain strong despite the September 11 attacks. Tourism accounts for more than 11% of the region's GDP and is expected to grow

**Figure 1.2**

*World commodity prices, January 1998–September 2001  
(Index: January 1999 = 100)*



*Note:* Indexes are based on current U.S. dollar prices.

*Source:* Economic Commission for Africa from official sources.

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Over the past decade  
worker remittances to  
Africa have grown  
significantly”

by more than 5% a year in real terms through 2010. With Sub-Saharan Africa’s tropical weather, exotic wildlife, pristine coastal areas, proximity to Europe, and low wages, tourism has enormous growth potential.

Kenya’s recent efforts to address problems in the tourism industry seem to have paid off. International arrivals increased 10% between the first eight months of 2000 and the same period in 2001, from 309,000 to about 340,000.

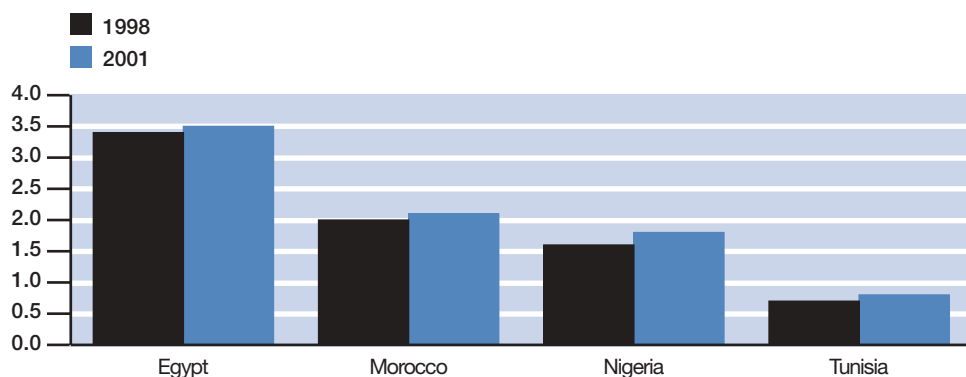
Kenya and other African destinations stand to benefit from the steep fall in U.S. and European air traffic since September 11. For example, South Africa—another major destination for African tourism—has seen an increase in international flights as foreign airlines redirect planes from routes in the United States. South Africa is doing well because it is considered a relatively safe destination.

Western Union—the U.S. financial services giant, with 20,000 outlets in 45 African countries—recently reported that remittances to Africa from Europe, the Middle East, and the United States remained strong through the fourth quarter of 2001. Remittances from Africans working abroad have powerful multiplier effects, with each dollar generating additional dollars for businesses that supply products bought with these resources. Remittances also support consumer demand during economic crises.

Over the past decade worker remittances to Africa have grown significantly (figure 1.3). According to the IMF, remittances exceeded \$100 billion in 1999. But actual remittances are likely much higher. For example, Western Union estimates that \$100 million

**Figure 1.3**

*Top four African recipients of worker remittances, 1998 and 2001  
(billions of U.S. dollars)*



*Note: Data for 2001 are estimated.*

*Source: Economic Commission for Africa from official sources.*

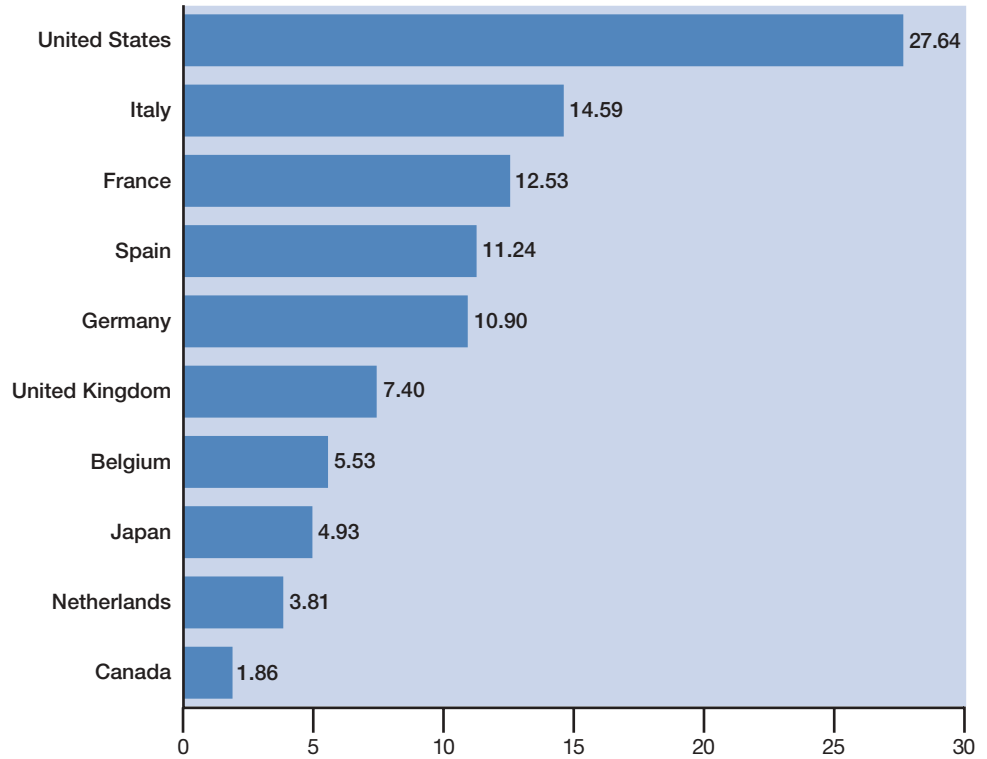
in remittances is transferred across southern African borders each year using an informal system of taxi and bus drivers.

## African exports to the United States jumped

U.S. imports from Africa have grown considerably in recent years, from about \$1.5 billion a month in 1999 to \$2.3 billion a month in 2000 (figures 1.4 and 1.5). African exports received a further boost with the January 2001 implementation of the U.S. African Growth and Opportunity Act (boxes 1.3 and 1.4). Although total U.S. imports fell between January and June 2001, imports covered by the act increased sharply—suggesting that these African exports may be insulated from the U.S. economic slowdown.

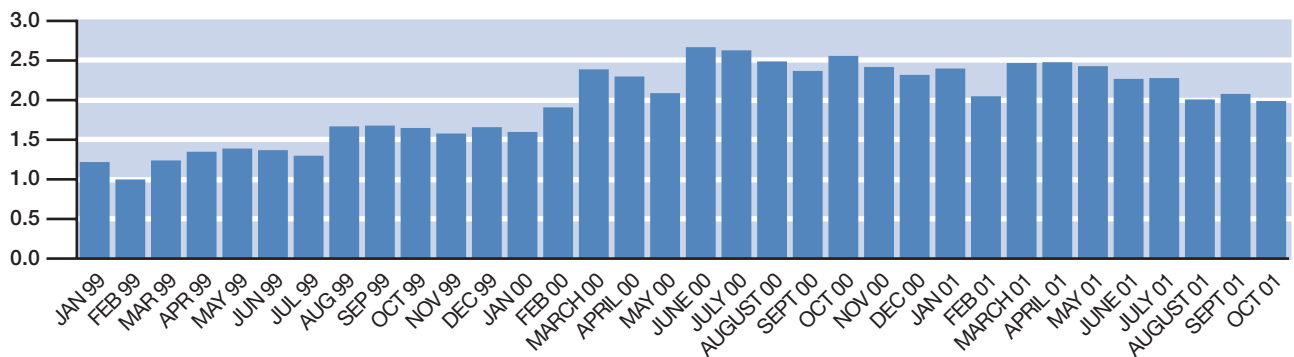
The composition of these exports explains this pattern. Between January and September 2001 about 91% were energy-related products, reflecting U.S. diversification of sources for such imports. Textiles and apparel, transportation equipment (vehicles), minerals and metals, and agricultural products accounted for the rest. The main exporters under the act were Nigeria (accounting for 56% of the total), South Africa (22%), and Gabon (12%; figure 1.6). Among the 10 top exporters, only South Africa provided a more varied mix of products—with transportation equipment accounting for 57%, followed by minerals and metals (24%), agricultural products (13%), and textiles and apparel (6%).

**Figure 1.4**  
**Top 10 importers from Africa, 2000**  
*(billions of U.S. dollars)*



Source: Economic Commission for Africa from official sources.

**Figure 1.5**  
**U.S. imports from Africa, January 1999–October 2001**  
*(billions of U.S. dollars)*



Source: Economic Commission for Africa from official sources.

### Box 1.3

#### *The African Growth and Opportunity Act—a boost for exports, employment, and investment*

In June 2000 the U.S. Congress passed the African Growth and Opportunity Act. Among other benefits, the act eliminated U.S. duties on textile imports from eligible Sub-Saharan countries—good news not just for those countries but also for the international textiles industry, which is always seeking new low-wage countries with good access to industrial country markets.

The preferential tariffs provided by the act have provided an enormous boost to the textiles industry in Madagascar, one of the first countries to qualify for benefits. Textile exports surged in 2001, and in the first half of the year U.S. imports from Madagascar totalled \$133 million—a 115% jump from the first half of 2000. Among the most visible beneficiaries of the textiles boom are women who previously earned low, unpredictable incomes selling produce or working in rice fields. Moreover, the boom has spread to other industries such as construction and engineering. Formal employment has more than doubled, boosting tax revenue.

In addition, foreign investment has risen sharply in Madagascar and the 12 other Sub-Saharan countries that have qualified for trade benefits under the U.S. legislation. Lesotho has plans for more than \$120 million in new investments. In Kenya the act will create 50,000 jobs directly and another 150,000 indirectly.

Although the Growth and Opportunity Act has dramatically improved market access for African exporters, the United States retains more than a hint of protectionism. For instance, the act withholds benefits on high-end sweaters—one of the most lucrative textile products—inhibiting about 5,000 potential jobs in Madagascar's textiles industry.

To ensure long-term benefits from better access to U.S. markets, African countries must diversify their economies, investing in the infrastructure and education that attract higher-tech companies. Indonesia and Malaysia achieved this economic transformation in the 1970s, and Mauritius did so recently.

*Source: Economic Commission for Africa from official sources.*

## Africa's emerging markets experienced a sharp increase in private capital flows

Unlike emerging markets in other regions, those in Africa—Algeria, Egypt, Morocco, South Africa, and Tunisia—were not hurt by the September 11 attacks. In fact, between 2000 and 2001 net private flows to these countries nearly doubled, from \$4.9 billion to \$9.5 billion (table 1.2). In addition, net equity investment jumped from \$5.2 billion to \$9.3 billion, mainly reflecting large-scale deals in Morocco and South Africa. Net direct equity grew from \$3.5 billion to \$4.8 billion, driven by privatizations in Algeria and Morocco. And despite weaknesses in global equity markets, net portfolio equity flows shot from \$1.7 billion to \$4.5 billion. Net outflows are likely in 2002, however, as risk-averse investors avoid emerging equity markets. Elsewhere in Africa, stock markets had mixed performance in 2001 (figure 1.7).

“Between 2000 and 2001 net private flows to emerging markets in Africa nearly doubled, from \$4.9 billion to \$9.5 billion”

### Box 1.4

#### Duty-free and quota-free access to U.S. markets for Sub-Saharan textile exporters

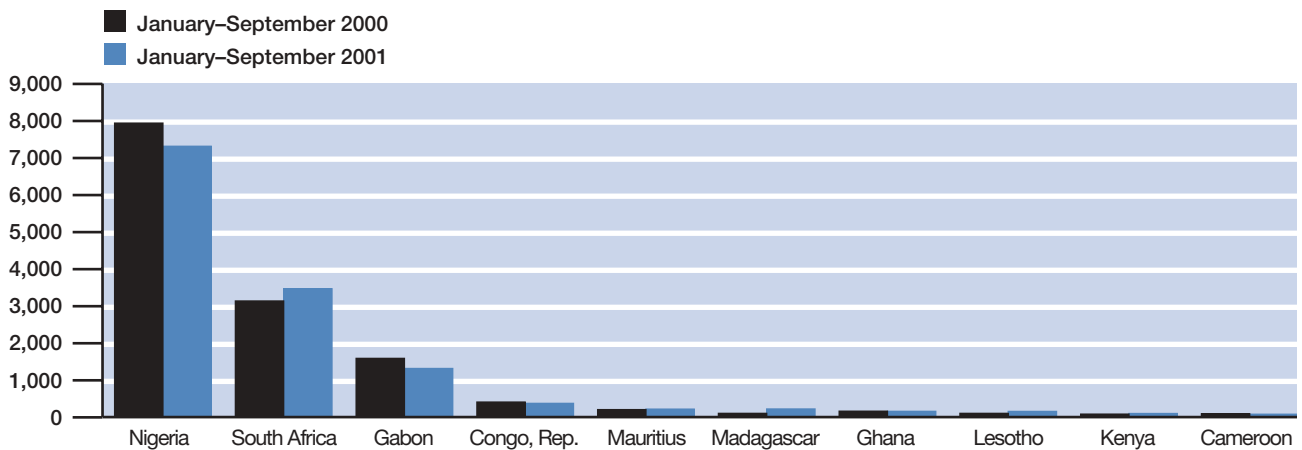
The African Growth and Opportunity Act eliminated U.S. import duties and quotas on all but two types of apparel and textile exports from eligible Sub-Saharan countries. But while 34 countries were deemed eligible for the act's general provisions, a country does not become eligible for the act's apparel provisions until the United States has determined that its customs system prevents the unlawful transshipment of apparel and textile products and the use of counterfeit documents related to the import of such products into the United States.

Through September 2004, however, countries with per capita GNP of less than \$1,500 in 1998 are exempt from U.S. duties on apparel manufactured from fabric produced in third world countries (that is, outside Sub-Saharan Africa and the United States). All Sub-Saharan countries except Botswana, Equatorial Guinea, Gabon, Mauritius, Namibia, Seychelles, and South Africa fall below this per capita threshold.

*Source: Economic Commission for Africa from official sources.*

**Figure 1.6**

*Top 10 exporters under the U.S. African Growth and Opportunity Act, January–September 2000 and 2001 (millions of U.S. dollars)*



*Note: Data for 2001 are estimated.*

*Source: Economic Commission for Africa from official sources.*

**Table 1.2****External financing of Africa's emerging markets, 1998–2002**  
(billions of U.S. dollars)

Indicator	1998	1999	2000	2001 <sup>a</sup>	2002 <sup>b</sup>
Current account balance	-6.5	-2.9	7.1	6.0	3.6
External financing	4.3	7.8	4.4	8.8	7.5
Private flows	6.7	10.5	4.9	9.5	8.0
Equity investment	4.7	6.8	5.2	9.3	7.3
Direct equity	1.2	2.1	3.5	4.8	4.9
Portfolio equity	3.5	4.7	1.7	4.5	2.4
Private credit	2.0	3.6	-0.4	0.2	0.7
Commercial banks	0.9	0.2	-0.3	0.4	0.2
Nonbanks	1.1	3.5	-0.1	-0.1	0.5
Official flows	-2.4	-2.7	-0.5	-0.7	-0.5
International financial institutions	0.1	0.5	-0.1	0.0	-0.2
Bilateral creditors	-2.5	-3.2	-0.4	-0.7	-0.3
Resident lending and other financing <sup>c</sup>	0.7	-5.5	-7.9	-7.9	-4.6
Reserves (- indicates increase)	1.6	0.5	-3.5	-6.9	-6.5

**Note:** Covers Algeria, Egypt, Morocco, South Africa, and Tunisia. All data are calculated in net terms.

a. Estimated.

b. Projected.

c. Includes net lending, monetary gold, and errors and omissions.

**Source:** Institute of International Finance 2001.

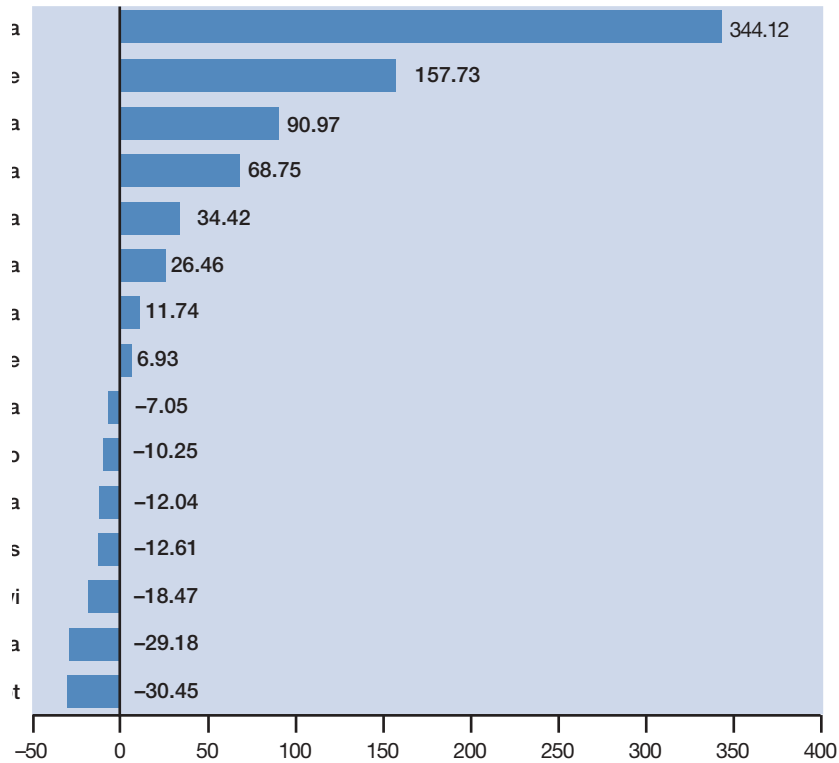
Private credit flows to Africa's emerging markets increased slightly, from a net outflow of \$400 million in 2000 to an inflow of \$200 million in 2001. Still, this is an extremely modest amount for a group that includes Africa's largest economy—South Africa—relative to other regions and to Africa's needs.

Bond market and other net lending by nonbanks was flat in 2001, reflecting fewer primary bond issues and significant net repayments. Net nonbank lending is expected to grow marginally in 2002, to \$500 million. Immediately after the September 11 attacks the spread between U.S. Treasury bonds and JP Morgan's emerging market index widened by 81 basis points (0.81%). But some African countries were hit even harder—for example, spreads on Nigerian debt had fallen to nearly 1,400 basis points in May 2001 but rose to more than 2,000 basis points in mid-September.

Emerging market equity prices fell particularly hard after the September 11 attacks. By September 18 emerging market equity prices, as measured by the Morgan Stanley Capital International Index, were 23% lower than at the beginning of the year. But prices had started to fall significantly in July, reflecting increased pessimism and uncertainty about the global economic slowdown. Except for South Africa's exchange, which rose 26%, Africa's emerging equity markets lost value in 2001 (see figure 1.7).

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Intra-African foreign  
direct investment rose  
during the 1990s  
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**Figure 1.7**  
**Stock market performance, various African countries**  
 (percentage change)



**Note:** Changes are based on the performance of local stock indexes—except in Uganda and Tunisia, where they are based on market capitalization. In Uganda new listings account for most of the increase in market value.

**Source:** Wall Street Journal Market Data Group; Birinyi Associates.

“South Africa is by far the continent’s most important source of foreign direct investment”

## Africa has seen a shift in foreign direct investment

Foreign direct investment (FDI) is the most important source of external finance for developing countries—more important than commercial loans, portfolio investment, and official development assistance. Africa’s share of FDI in developing countries dropped from 25% in the early 1970s to just 5% in 2000, but this average figure masks a number of interesting trends (Odenthal 2001). First, new sources of FDI have emerged. In the past most FDI in Africa came from a handful of Organization for Economic Co-operation and Development (OECD) countries—mainly France, the United Kingdom, and the United States. During the 1990s, however, FDI from Canada, Italy, the Netherlands, Norway, Portugal, and Spain increased from less than 10% to nearly 25%. Second, FDI from developing Asian economies has also increased, led by the Republic of Korea and followed by China, India, Malaysia, and Taiwan (China). Third, during the 1990s intra-African FDI rose, notably by firms from South Africa and Mauritius.

**Table 1.3**

*Foreign direct investment outflows, selected African countries, 1990–94 and 1995–99*  
(millions of U.S. dollars)

Country/region	1990–94	1995–99
Côte d'Ivoire	461	186
Ghana	0	297
Kenya	0	87
Mauritius	89	30
Nigeria	2,558	403
Seychelles	18	51
South Africa	3,707	8,738
Zimbabwe	53	110
Africa	7,783	12,037
Sub-Saharan Africa	7,753	10,658
Developing countries	130,037	274,640

Source: UNCTAD 2002.

### South Africa leads intra-African flows

South Africa is by far the continent's most important source of FDI. Since 1994 South African FDI in other African countries has averaged \$1 billion a year. South Africa is home to three of the world's largest transnational corporations: Sappi Limited (with \$4.6 billion in foreign assets in 2000), Barlow Limited (\$1.8 billion), and South African Breweries (\$700 million). South African Breweries, the world's fourth largest brewer (by volume), operates in 11 African countries and has extensive holdings in India and Central and Eastern Europe. Similarly, Nedbank, the South African banking giant, has subsidiaries or associated companies in Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, and Zimbabwe. It also owns 40% of HSBC Equator Bank, which is based in London but has offices in Angola, Côte d'Ivoire, Ghana, Kenya, Mozambique, South Africa, Uganda, and Zambia.

Mauritius is emerging as an important investor in Côte d'Ivoire, Madagascar, Mozambique, Seychelles, and South Africa (table 1.3). Ghana's Ashanti Goldfields—the country's largest company, employer, and foreign exchange earner—has operations in Guinea, Tanzania, and Zimbabwe valued at \$2 billion. It was also the first Sub-Saharan company to be listed on the New York Stock Exchange.

### Uganda attracts FDI flows in its nascent manufacturing sector

In 1988–93 FDI in Uganda averaged just \$9 million a year. But in 1994 FDI jumped to \$88 million, and since 1995 it has been more than \$100 million a year. Though small, Uganda's manufacturing activities have attracted the most FDI—particular beverages

“ Foreign direct investment in Uganda rose from \$9 million a year in 1988–93 to more than \$100 million a year since 1995 ”

**Table 1.4**

*Cumulative foreign direct investment in Uganda by industry, 1991–98  
(millions of U.S. dollars)*

Industry	Investment
Manufacturing	422.8
Real estate	56.7
Transport, communication, and storage	70.3
Mining and quarrying	47.7
Tourism (hotels and casinos)	52.0
Agriculture, forestry, and fishing	57.2
Other business services	13.6
Water and energy	0.0
Trade	30.1
Financial services	31.2
Construction	18.1
Social services	12.1
<b>Total</b>	<b>811.8</b>

*Source: Economic Commission for Africa from official sources.*

but also textiles, sugar, cement, footwear, packaging, plastics, and food processing (table 1.4). Most FDI in agriculture, forestry, and fishing has gone to coffee, tea, and cotton plantations. The liberalization of telecommunications resulted in a major investment by MTN, a South African company that was awarded Uganda's second service license. In addition, the U.S.-owned AES Power Nile is starting a major power project at Bujagali Falls.

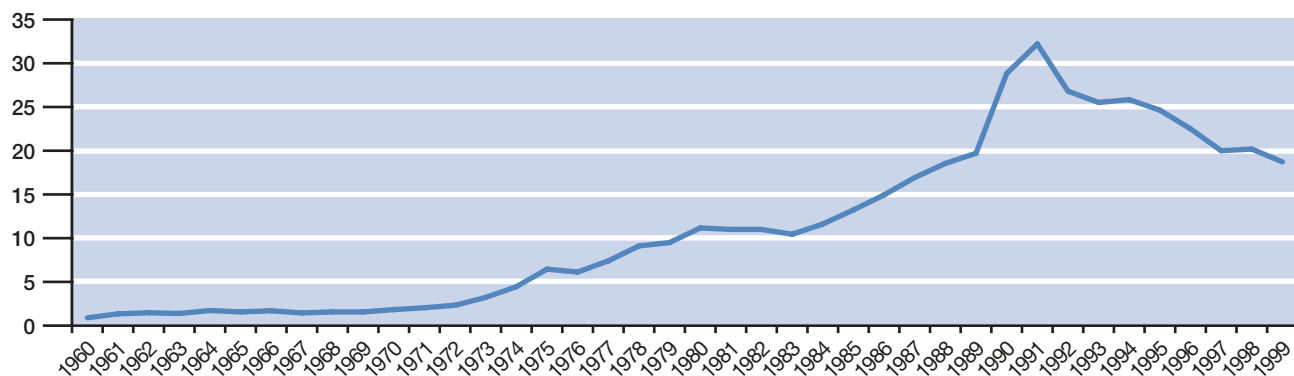
## Aid to Africa remains low and volatile

Aid to Africa increased from just under \$1 billion in 1960 to \$32 billion in 1991. But by the end of the 1990s, aid had fallen to almost half the 1991 level (figure 1.8). (Here aid is defined as gross official development assistance—whether grants or concessional loans—from multilateral and bilateral sources.)

The countries that make up the Development Assistance Committee (DAC) of the OECD are the largest source of African aid, though their share of the total fell from 72% in 1970 to 63% in 1999. Multilateral organisations are the second largest source, and their share of the total jumped from 21% in 1970 to 35% in 1999. Africa's remaining aid comes from Arab countries, which accounted for 7% of the total in 1970 and 2% in 1999.

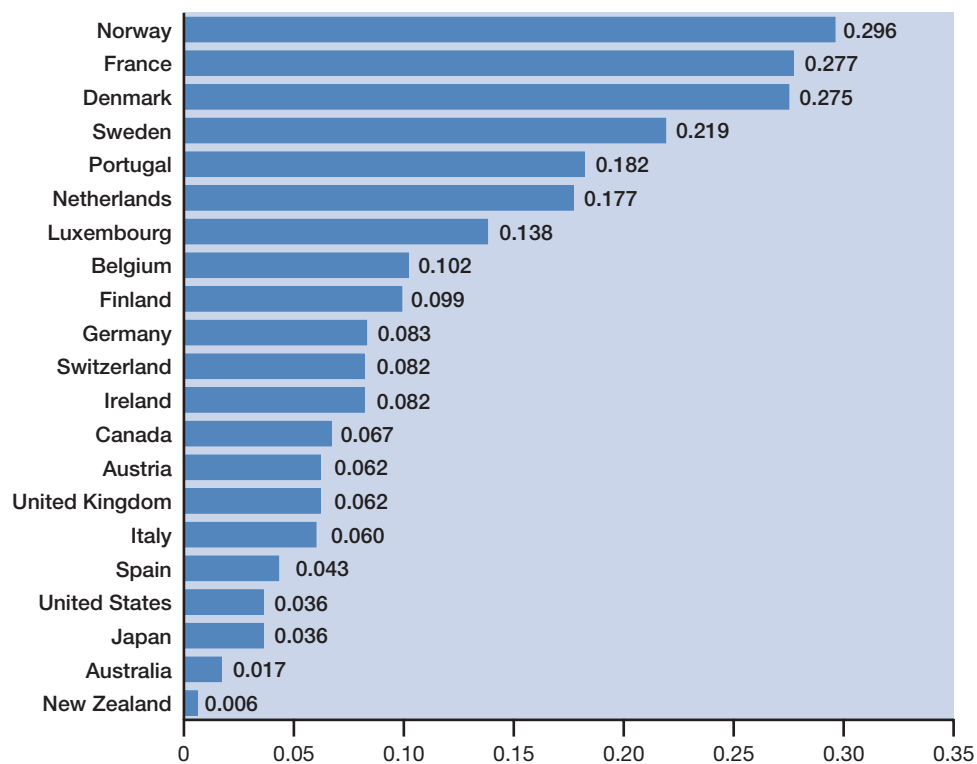
Aid from DAC countries is extremely volatile, rising from \$1.3 billion in 1970 to \$23.4 billion in 1991—then falling to \$11.8 billion in 1999. Aid from multilateral organisations is less volatile, increasing from \$0.4 billion in 1970 to \$9.5 billion in 1994 and then falling

**Figure 1.8**  
*Aid to Africa from all donors, 1960–1999*  
 (billions of U.S. dollars)



Source: DAC 2001.

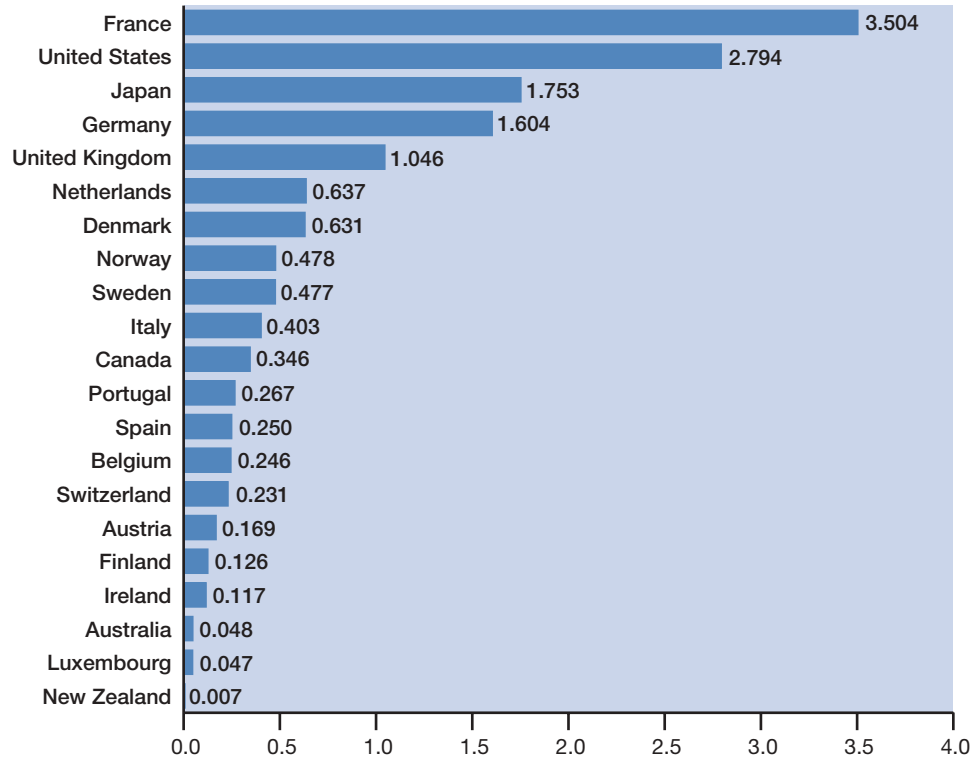
**Figure 1.9**  
*Average aid flows from members of the Development Assistance Committee, 1991–99*  
 (percentage of GDP)



Source: DAC 2001.

**Figure 1.10**

*Aid per African from members of the Development Assistance Committee, 1999 (U.S. dollars)*



Source: DAC 2001.

“  
During the 1990s aid to Africa as a portion of donors’ GNP increased in just 4 of 21 countries”

to \$6.6 billion in 1999. Aid from Arab countries hardly changed, increasing from \$0.1 billion in 1970 to \$0.3 billion in 1999.

During the 1990s aid to Africa as a portion of donors’ GNP increased in just 4 of 21 DAC countries: Denmark, Ireland, Luxembourg, and New Zealand. The OECD target for aid to all developing countries is 0.7% of DAC members’ GNP, but few members have achieved that goal. Still, in 1991–99 some rich countries provided significant aid to Africa—Norway provided aid equal to 0.30% of its GNP, Denmark and France provided 0.28%, Sweden provided 0.22%, and Portugal provided 0.18% (figure 1.9). The world’s two largest economies, Japan and the United States, provided Africa with aid equal to just 0.04% of their GNP.

African aid per capita varies considerably in terms of DAC country populations, from \$91 a person in Denmark to \$0.06 a person in New Zealand in 1999. The most generous donors in per capita terms are Denmark, Luxembourg, Norway, France, and Sweden. Seen from another perspective, in 1999 France provided \$3.50 in aid per African, the United States provided \$2.79, and Japan provided \$1.75 (figure 1.10). Except for Denmark,

**Table 1.5**

*Distribution of GDP growth rates, Africa, 1999–2002  
(number of countries)*

Growth rate (percent)	1999	2000	2001 <sup>a</sup>	2002 <sup>b</sup>
Negative	0	1	4	2
0–0.9	1	0	1	2
1.0–2.9	18	26	11	9
3.0–4.9	17	15	12	19
5.0–6.9	12	9	19	14
7.0 and above	5	2	6	7

a. Estimated.

b. Projected.

Source: Economic Commission for Africa from official sources.

Ireland, Luxembourg, New Zealand, and Portugal, DAC countries cut aid per African in the 1990s, with the largest declines occurring in the United States, Finland, Italy, Sweden, Canada, and Germany. Among the 21 DAC countries, 16 provided less than \$1 in aid to the average African in 1999—and 14 donated less than \$0.50.

“Most African countries appear to be converging towards growth rates above the “traditional” 3%”

## African economies grew faster than expected

In 2001 just 16 African countries experienced GDP growth of less than 3%, down from 27 countries in 2000 (table 1.5). The number of countries with growth rates exceeding 3% increased from 26 in 2000 to 37 in 2001, and 3 more countries are expected to join this group in 2002. Thus most African countries appear to be converging towards growth rates above the “traditional” 3%—with positive implications for poverty reduction.

In recent years Africa’s slower GDP growth relative to other developing regions has been attributed to its more restrictive conditions on aid, trade, and foreign direct investment. Underlying these factors, however, are the inadequate production and management systems that have resulted from years of poor economic management and social and political instability. To close the performance gap, Africa needs to upgrade its technology and, more important, develop democratic and tolerant political systems, strengthen regional and national security, and foster sound economic management.

During 1999 and 2000 Africa’s terms of trade improved considerably—mainly because of higher oil prices and a partial recovery in gold and metal prices—leading to stronger fiscal and current accounts (table 1.6). In addition, the region’s debt burden declined as a result of higher export earnings and the provision of debt relief to some countries.

Africa’s average per capita income grew an estimated 1.9% in 2001—better than the 0.7% increase in 2000 but still not sufficient to achieve the International Development Goal of cutting poverty in half by 2015. In 2001, 30 African countries achieved per capita income

**Table 1.6**  
**Macroeconomic indicators, Africa, 1998–2001**

Indicator	1998	1999	2000	2001 <sup>a</sup>
GDP growth (percent)	3.1	3.2	3.5	4.3
Inflation (percent)	10.8	11.5	13.6	12.6
Terms of trade (percentage change)	-9.4	6.0	18.1	-2.1
Fiscal balance (percent of GDP)	-3.9	-3.3	-1.7	-2.0
Nonfuel commodity prices on world market (percentage change)	-14.6	-8.3	1.2	-4.8
Broad money aggregates (percentage change)	17.0	20.1	19.2	12.3
Current account balance (billions of U.S. dollars)	-20.6	-15.5	2.1	-3.9
External debt				
Billions of U.S. dollars	291.4	290.8	285.1	275.1
Percentage of exports of goods and services	242.0	226.9	183.4	176.6
Debt service payments				
Billions of U.S. dollars	28.1	27.5	28.0	29.4
Percentage of exports of goods and services	23.3	21.4	18.0	18.9

a. Estimated.

Source: Economic Commission for Africa from official sources.

**Table 1.7**  
**GDP growth in Africa by region, 1998–2002**  
**(percent)**

Region	1998	1999	2000	2001 <sup>a</sup>	2002 <sup>b</sup>
Africa	3.1	3.2	3.5	4.3	3.4
North Africa	4.4	3.5	4.1	5.8	2.8
Sub-Saharan Africa	2.6	2.9	3.1	3.3	3.7
West Africa	3.6	3.2	2.7	3.3	3.3
Central Africa	4.9	4.4	4.4	4.9	4.4
East Africa	2.5	4.1	3.1	5.0	5.2
Southern Africa	1.7	2.2	3.0	2.4	3.5

Note: Data are weighted by country GDP relative to African GDP.

a. Estimated.

b. Projected.

Source: Economic Commission for Africa from official sources.

growth above 1.5%, and in 2002 this number is expected to increase to 32. Still, raising per capita income remains the biggest challenge for African governments and their development partners.

Slow growth in per capita output reflects the absence of growth in productivity, which in turn is caused by poor resource management and a lack of technological progress. If Africa is to achieve the International Development Goals, these issues must be addressed.

## Performance by region

Except for Southern Africa, all African regions achieved decent economic performance in 2001—especially North Africa, where GDP growth averaged nearly 6% (table 1.7). Southern Africa's GDP grew just 2.4%, down from 3.0% in 2000—mainly because of negative growth in Zimbabwe and slower growth in South Africa, reflecting poor harvests. After falling in 2000, average GDP growth rose to 3.3% in West Africa and 5.0% in East Africa, driven by lower prices for oil imports and higher prices for agricultural exports. In 2002 GDP growth is expected to accelerate in East and Southern Africa and slow in North and Central Africa.

The five largest African economies—South Africa, Algeria, Egypt, Nigeria, and Morocco, which account for 59% of African GDP and contain 36% of the continent's population—grew 3.9% in 2001, up from 3.2% in 2000 and 2.7% in 1999. This better performance was due to rapid economic growth in Algeria, Egypt, and Morocco. Although South Africa experienced more stable mineral prices in international commodity markets, it had the slowest growth rate in this group.

Africa's 11 oil-exporting countries account for half of the continent's GDP and just over a third of its population. In 2001 their GDP growth averaged 4.1%, remaining the same as in 2000. Among the 42 non-oil exporters, growth averaged 3.7% in 2001, up from 2.9% in 2000 and 2.7% in 1999. Lower oil prices explain the better performance of the non-oil economies in 2001.

## Performance of agriculture and industry

### Agriculture

Agriculture significantly influences the performance of most African economies (box 1.5). It accounts for 24% of Africa's GDP, 40% of its foreign exchange earnings, and 70% of its employment. In 2000 about 56% of Africans (431 million people) depended on agriculture for their livelihoods. (In this section and those that follow, 2000 is the most recent year for which complete economic data are available for all Africa countries.) In East Africa agriculture accounted for 39% of GDP, in West Africa 37%, in Central Africa 21%, in North Africa 17%, and in Southern Africa 11%. Although the primary functions of agriculture are realized through the production, exchange, and consumption of agricultural products, the sector has important implications not recognized in the marketplace: natural resource management, environment preservation, social cohesion and stability, and cultural continuity and heritage. Hence agricultural development must promote not only output growth but also improvements in natural resource management and social stability.

**“**  
*Agriculture significantly influences the performance of most African economies*  
**”**

### Box 1.5

#### *The Doha Development Round—key to African prosperity*

A new round of global trade negotiations, dubbed the Doha Development Round, began in January 2002. The negotiations are focused on agriculture and so are crucial to African prosperity. Member countries of the World Trade Organization (WTO) have agreed to negotiate better access to their agricultural markets, reduce trade-distorting support for domestic agriculture, and eventually eliminate subsidies for agricultural exports. A level playing field would enable African farmers to compete more effectively in both domestic and export markets, and could generate an additional \$400 million a year for Africa.

Africa's main goals during the negotiations are for WTO members to:

- Substantially reduce or eliminate all tariffs on agricultural products, including quota duties.
- Substantially reduce or eliminate tariff escalation (that is, when a processed product has a higher tariff than an unprocessed product).
- Simplify complex tariffs—say, by converting all tariffs to an ad valorem or fixed percentage of a product's value.
- Substantially reduce or eliminate market-distorting export subsidies and domestic support.
- Recognize the special needs of the world's least developed countries.

Successful negotiations will require active participation by all of the WTO's 143 members. Africa's concern that it was poorly equipped to participate in the Doha Round was answered by pledges from the international community to help build capacity in complex trade negotiations. This is important, because Africa has committed to negotiating new issues such as investment, competition policy, and environmental concerns.

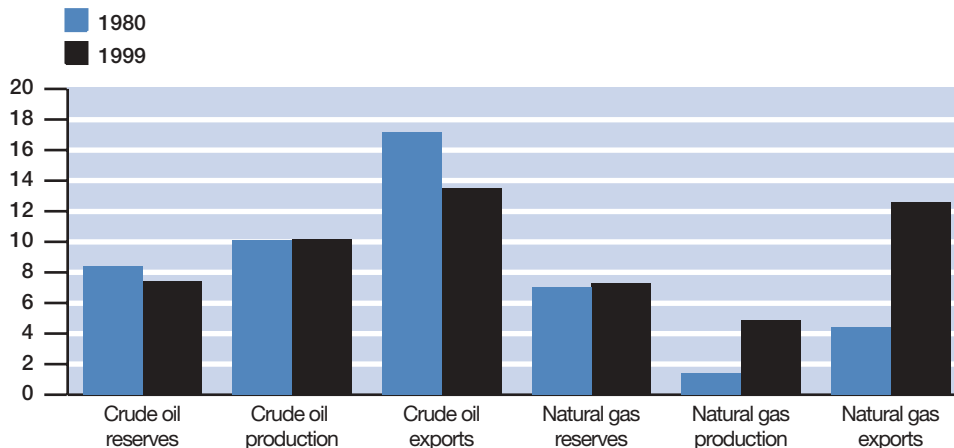
The Doha Round was also a breakthrough for Africa because its ministerial declaration confirms the right of developing countries to provide access to affordable versions of otherwise costly patented drugs during public health emergencies. This is an important breakthrough for African countries, many of which are struggling with the ravages of HIV/AIDS.

During 2000, 42 African countries achieved agricultural growth. The top performers were Malawi (12.7%), Seychelles (9.5%), Zambia (7.4%), Tunisia (6.0%), Senegal and Niger (5.8% each), Mali (5.3%), and Sudan (5.0%). Nine countries experienced negative growth, largely because of delays in seasonal rains: Guinea Bissau (−5.3%), Djibouti (−2.7%), Mauritius (−2.4%), Republic of Congo (−2.1%), Democratic Republic of Congo (−1.8%), Côte d'Ivoire (−1.0%), Somalia (−0.5%), Equatorial Guinea (−0.4%), and Togo (−0.3%). Southern Africa was the best regional performer (5.2%), followed by West Africa (3.5%) and North Africa (3.2%).

Despite massive efforts and investments in agriculture by African governments and their development partners, the sector remains heavily dependent on the weather and largely traditional, dominated by an illiterate and poor workforce and overwhelmed in some countries by civil instability. Recent agricultural policies have placed too much reliance on market forces, neglecting more fundamental structural issues such as technology and extension services, marketing infrastructure, and civil conflicts over land and pasture.

**Figure 1.11**

*Africa's share of world crude oil and natural gas reserves, production, and exports, 1980 and 1999*  
(Billions of U.S. dollars)



Source: Economic Commission for Africa based on data from OPEC 1999.

### Industry

Industry in Africa continued to face challenges from foreign competition, lack of skilled workers, and limited financial resources. In 2000 the industrial sector—comprising manufacturing, mining, construction, and electricity, gas, and water—accounted for 33% of Africa's GDP, with manufacturing and mining accounting for three-quarters of the total.

Many countries secured industrial growth in 2000, notably Uganda (15.2%), Lesotho (11.8%), Angola (7.9%), Mozambique (7.8%), Ethiopia (7.5%), Burkina Faso (7.0%), Benin (6.8%), Algeria (5.9%), Tunisia, Tanzania, Botswana (5.7% each), and Senegal (5.6%).

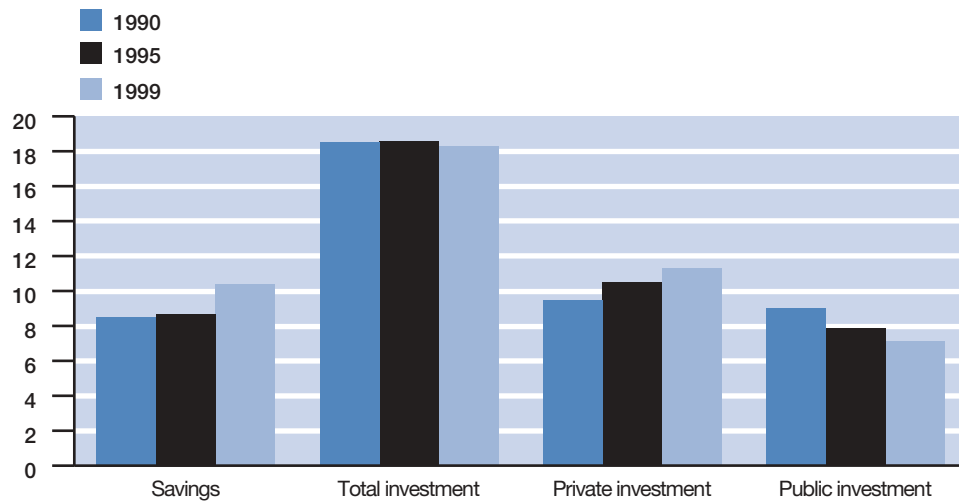
The fastest-expanding industrial subsector was electricity, gas, and water (with a growth rate of 4.9%), followed by construction (3.9%) and mining (3.5%). African manufacturing grew 2.5% in 2000, led by growth in East Africa (4.4%) and Southern Africa (3.5%).

Mining accounted for a substantial share of industrial growth and remains the key to industrial prosperity in many African countries—a potential that has yet to be fully exploited. Africa contains about 30% of Earth's mineral reserves, including 40% of gold, 60% of cobalt, and 90% of platinum. In 2000 the best performers in mining were Ethiopia (13.0% growth), Mozambique (10.3%), Burundi (9.5%), Benin (8.7%), Angola (8.6%), Algeria (7.5%), Botswana (6.2%), Ghana (5.8%), Uganda (5.6%), and Togo and Senegal (5.0% each). The worst performers were Sierra Leone (−10.3%), the Democratic Republic of Congo (−2.8%)—both as a result of civil instability—Côte d'Ivoire (−1.2%), and South Africa (−1.0%).

During 1980–99 Africa's oil reserves grew 1.96% a year and oil productions grew 0.38% a year. Yet because of increased production in other parts of the world, crude oil exports

**Figure 1.12**

*Gross domestic savings, total investment, private investment, and public investment, Africa, 1990, 1995, and 1999 (Percentage of GDP)*



*Source: Economic Commission for Africa from official sources.*

**Table 1.8**

*Distribution of inflation rates, Africa, 1999 and 2000 (number of countries)*

Inflation rate (percent)	1999	2000
Negative	9	6
0–4.9	20	20
5.0–9.9	13	14
10.0–19.9	3	4
20.0–50.0	3	4
More than 50.0	3	3

*Source: IMF 2001.*

dropped from 5.1 million barrels a day in 1980 to 4.7 million in 1999 (figure 1.11). During 1980–99 Africa’s natural gas reserves grew 3.6%, production grew 9.8%, and exports grew 10.9%. In 1999 gas production increased 6.2% and gas exports, 6.4%.

#### *Consumption, savings, and investment*

African economies remain trapped in a vicious circle of low savings and investment. In 2000 spending on consumption absorbed 88% of Africa’s GDP, leaving little for savings and investment. In 32 of 37 countries for which data are available, general government con-

sumption averaged 15% of GDP. In the other 5 countries it was more than 20%: Zimbabwe (23%), Botswana (28%), Namibia (29%), Angola (32%), and Eritrea (65%).

Besides low incomes, the main obstacles to higher savings are inefficient financial intermediation and high macroeconomic volatility. To achieve sufficient growth, Africa requires investment of at least 25% of GDP. But in 2000 gross domestic savings in the region averaged 12% of GDP, indicating a wide gap—13% of GDP—between actual savings and the required investment. Still, 14 African countries have achieved savings rates above 15%: Algeria (32%), Angola (53%), Cameroon (19%), Republic of Congo (48%), Côte d'Ivoire (23%), Equatorial Guinea (58%), Gabon (35%), Guinea (15%), Mauritius (23%), Morocco (15%), Nigeria (18%), Seychelles (20%), South Africa (18%), and Swaziland (21%).

Gross domestic fixed capital formation—spending on fixed assets such as buildings, vehicles, plants, machinery, and the like—was just over 20% of Africa's GDP in 2000, less than the 25% required for industrial takeoff. With many countries privatizing state-owned enterprises, private investment accounts for a growing share of domestic investment and public investment for a shrinking share (figure 1.12).

## Inflation

In 2000 Africa's average inflation rate—excluding Angola and the Democratic Republic of Congo—rose to 7.3%, up slightly from 7.0% in 1999. Inflation of more than 50% in Angola (326%), the Democratic Republic of Congo (556%), and Zimbabwe (56%) reflected civil instability (table 1.8). But most countries, notably CFA zone countries, had inflation below 10%—a remarkable achievement given the higher oil prices in 2000. CFA countries pursued tight monetary and fiscal policies consistent with those of the European Central Bank, and some recorded negative or less than 5% inflation. This performance was aided by favourable weather, which supported satisfactory food supplies.

In South Africa high prices were partly caused by high fuel prices and by the depreciation in the rand relative to the U.S. dollar. Higher inflation in East Africa was driven by the 1999/2000 drought, which raised local food prices, and by rising petroleum prices. In North Africa inflation was subdued and is expected to stay that way in 2001–02 due to lower food prices and higher oil prices.

## Exchange rates

Several African countries saw their real effective exchange rates appreciate in 2000. Among the causes were worsening terms of trade, government commercial policies that placed a premium on imports, and international movements of capital and incomes.

In addition, between 1999 and 2000, 44 African countries experienced depreciations in nominal exchange rates between their currencies and the U.S. dollar. This change mainly resulted from the adoption of flexible exchange rate regimes. In 23 countries the depreciation was less than 10%. But in 5 countries it exceeded 50%: the Democratic Republic of Congo (1,011%), Angola (201%), Ghana (107%), Malawi (72%), and Zambia (58%). These enormous depreciations were mainly caused by worsening political situations (as in

**African economies remain trapped in a vicious circle of low savings and investment**

**Table 1.9**

**Balance of payments, Africa, 1997–2001**  
(billions of U.S. dollars)

Indicator	1997	1998	1999	2000	2001 <sup>a</sup>
Exports of goods	114.4	98.8	105.9	133.1	132.8
Imports of goods	105.2	104.4	104.4	110.4	117.8
Trade balance on goods	9.2	-5.6	1.4	22.7	15.0
Services (net excl. factor incomes)	-10.2	-10.3	-9.9	-11.6	-11.4
Trade balance on goods and services (incl. net factor incomes)	-1.0	-15.9	-8.5	11.1	3.6
Current account balance	-7.8	-20.6	-15.5	2.1	-3.9
Total external financing	27.7	25.6	26.2	13.8	24.1
Non-debt creating flows	24.8	20.7	23.2	13.5	23.1
External borrowing	2.9	4.9	3.0	0.3	1.0
Official creditors	2.2	3.9	2.0	0.1	0.4
Private creditors	0.7	1.0	1.0	0.2	0.5
Change in reserves (- indicates increase)	-10.6	1.9	-3.6	-13.3	-10.5

a. Estimated.

Source: Economic Commission for Africa from official sources.

“Higher unit values for exports and imports caused Africa’s terms of trade to appreciate 18.1% in 2000, the largest increase since the mid-1980s”

Congo and Angola) or declining foreign exchange earnings resulting from poor commodity prices (as in Ghana and Malawi).

### Balance of payments

Africa’s export earnings rose nearly 26% in 2000, reflecting a 19% increase in their unit value and 6% increase in their volume (table 1.9). Higher oil prices drove most of the increase in unit value. But a 1.5% increase in volume and 1.7% drop in unit value caused export earnings to fall 0.2% in 2001.

Higher prices and volume were also responsible for a 6.7% increase in import costs in 2001, with a 0.8% increase in their unit value and 4.8% increase in their volume. The higher volume of imports was a welcome break because it enabled higher investment, increased capacity utilization in manufacturing industries, and dampened inflationary pressures—particularly in oil-exporting countries, where demand surged with the higher incomes engendered by oil exports.

Higher unit values for exports and imports caused Africa’s terms of trade to appreciate 18.1% in 2000 (see table 1.6), the largest increase since the mid-1980s. But in 2001 terms of trade fell 2.1% due to falling oil prices.

In 2000 the favourable external environment—particularly for oil exporters—reversed the unfavourable position of Africa’s trade account in 1998–99 (see table 1.9) In 2001 the trade surplus in goods is estimated to have fallen to \$15 billion, driven by movements in oil prices.

### Box 1.6

#### *The New Partnership for Africa's Development—an African framework for faster growth and development*

The New Partnership for Africa's Development (NEPAD) is a pledge by all of Africa's leaders to eradicate poverty and move towards sustainable growth and development. The partnership focuses on African ownership of the development process and seeks to reinvigorate the continent in all areas of human activity. Through the partnership, African leaders have agreed to:

- Strengthen mechanisms for conflict prevention, management, and resolution.
- Promote and protect democracy and human rights by developing standards for accountability, transparency, and participatory governance.
- Restore and maintain macroeconomic stability.
- Implement transparent legal and regulatory frameworks for financial markets.
- Revitalize and extend education, technical training, and health care services.
- Promote women's role in social and economic development.
- Promote the development of infrastructure, agriculture, agroprocessing, and manufacturing to meet the needs of export and domestic markets and local employment.

The NEPAD document draws Africans' attention to the seriousness of the continent's economic challenges, the potential for addressing them, and the challenge of mobilizing support for change. The main strategies proposed include:

- Fostering conditions for long-term peace, security, democracy, and good governance by, among other things, building capacity for early warning systems, addressing political and social vulnerabilities, combating the illicit proliferation of small arms and light weapons, and implementing institutional reforms of public services.
- Promoting the provision of regional and subregional public goods such as water, transportation, energy, environmental management, and other infrastructure—notably telecommunications.
- Developing education and human resources at all levels, and in particular increasing the role of information and communication technology in education and training, inducing a “brain gain” for Africa, and eliminating gender disparities in education.
- Increasing domestic resource mobilization and accelerating foreign investment.
- Creating a conducive environment for private sector activities, with an emphasis on domestic entrepreneurs.
- Promoting the inflow and effective use of official development assistance (to support the provision of international public goods in Africa) by reforming systems for delivering and evaluating aid.
- Pursuing gender equality in education, business, and public service.
- Supporting efforts by the Economic Commission for Africa to strengthen Poverty Reduction Strategy Paper Learning Groups.

*Source: Economic Commission for Africa from official sources.*

Because African countries are overly reliant on foreign freight, insurance, and banking services to support their export-import trade, the continent's service balance remains in deficit. In 2001 this deficit is estimated to have fallen slightly, to  $-\$11.4$  billion. Driven by higher export revenues in oil-exporting countries, the current account recorded a surplus in 2000 (see table 1.6), but this surplus was not maintained in 2001. Still, the current account deficit fell from 4.8% of Africa's GDP in 1998 to 0.9% in 2001.

*Driven by a desire to rapidly reduce poverty, economic policies in Africa sought to promote macroeconomic stability and higher growth and to improve the delivery of social services*

## Economic policies have focused on boosting growth and reducing poverty

Driven by a desire to rapidly reduce poverty, economic policies in Africa in 2000–01 sought to promote macroeconomic stability and higher growth and to improve the delivery of social services (box 1.6). Many governments revived stalled structural reforms such as deregulation and external liberalization. The main themes of economic policy included creating an enabling environment for producers, investors, and employers and improving governance and public finances.

Stabilization and structural adjustment programmes focused on maintaining tight fiscal and monetary policies and on realigning exchange rates. These measures were complemented by efforts to restructure financial markets, deepen customs and tax reforms, strengthen budget procedures and fiscal discipline, and restructure industrial relations and legal and judicial systems. Many African countries adopted the poverty reduction strategy framework introduced by the World Bank and the IMF, which requires developing clear strategies for investing the savings from debt relief in poverty reduction programmes and defining the human, social, and political environment in which poverty reduction is to be achieved.

Some African countries, suffering from political turmoil and in some cases armed conflict, will not reap all the expected short-term benefits of such reforms. In other countries HIV/AIDS has undermined development efforts and placed new demands on government finances. But in the medium and long term, better economic policies should lead to better economic performance.

### Fiscal policy

In many African countries fiscal policy is now focused on minimizing domestic debt and freeing resources for private sector activity by reducing fiscal deficits and making tax administration and government spending more transparent. But because of higher social spending, among other things, overall fiscal policy was expansionary in 2000.

Several governments have increased social spending. Cameroon's implementation of the programme defined in its Poverty Reduction Strategy Paper, with the accompanying  $\$100$  million a year in interim debt service relief under the Heavily Indebted Poor Countries (HIPC) initiative, boosted government spending on health care, primary education, HIV/AIDS prevention, basic infrastructure, and rural development. In some countries, however, social spending faces considerable challenges. To reduce its fiscal deficit from 14%

### Box 1.7

#### *Is West Africa on track for a single currency by 2004?*

Members of the Economic Community of West African States have agreed to launch a common currency area called the West African Monetary Zone. The aim is to create a single currency and then merge the new currency with the 14-country CFA franc zone in 2004. The plan requires five countries currently outside the CFA franc zone—the Gambia, Ghana, Guinea, Nigeria, and Sierra Leone—to adopt a single currency by 2003. CFA countries have had a single currency since 1948.

As with the European single currency, the success of this project depends on macroeconomic convergence among the new member countries. The convergence criteria are:

- Single-digit inflation by the end of 2000 and of no more than 5% by 2003.
- Gross foreign currency reserves covering three months of imports by the end of 2000 and six months by the end of 2003.
- Central bank financing of the budget deficit limited to 10% of the previous year's tax revenue.
- Maximum budget deficits (excluding grants) of 5% by 2000 and 4% by 2002.

Four of the five countries have achieved the inflation goal. Three have limited central bank financing of fiscal deficits, and two have achieved the targets for foreign reserves and budget deficits. Two of the five countries have met all the criteria.

The CFA zone has been largely successful and has achieved far lower inflation—averaging 2–3% among its members—while in Ghana and Nigeria inflation has remained high. In Nigeria an oil-fuelled fiscal expansion has raised inflation to about 20% in recent years. In Ghana the new government is reigning in fiscal and monetary policy, and inflation is falling—though it is still expected to be about 20% in 2002.

of GDP in 1999 to 4% in 2000 while protecting social programmes, Zimbabwe had to slash other public spending. In Angola social spending did not increase because the government failed to complete its Poverty Reduction Strategy Paper.

In 2000–01 ratios of tax revenue to GDP and of direct tax revenue to total tax revenue increased, though they remain low. Grants continued to play a substantial role in Sub-Saharan Africa, accounting for more than 4% of GDP, compared with about 1% in North Africa. To sustain needed public spending, new strategies are required to raise tax revenues—especially through reforms of direct taxation systems. Tax reforms would generate revenue and improve macroeconomic management through automatic stabilization.

Second-generation fiscal reforms emphasize reducing poverty, improving governance, developing basic infrastructure, and delivering social services more efficiently. These reforms will be executed through public spending planning systems such as the Medium Term Expenditure Framework and the Poverty Reduction and Growth Facility.

### **Monetary policy**

To lower inflation, many African governments adopted tight monetary policies in 2000–01. Central banks were compelled to manage broad money supplies by deepening interbank

“  
*Some African countries, suffering from political turmoil will not reap all the expected short-term benefits of reforms; for others, HIV/AIDS has undermined development efforts*”

**To improve the external competitiveness of their economies, African governments have been paying more attention to movements in exchange rates**

money markets through more regular issues of treasury bills and more effective open market operations.

In the West Africa CFA zone the planned second devaluation of the CFA franc did not occur because economic growth remained positive. Thus the CFA franc remained pegged at 656 to the euro. In 2000 inflationary pressures associated with the 1999 decline in the CFA franc led the regional central bank (the Banque Centrale des Etats de l'Afrique Ouest, or BCEAO) to tighten its policy in line with that of the European Central Bank (box 1.7).

To encourage growth, some central banks—taking advantage of lower inflation—cut their discount rates. For example, Algeria cut its discount rate from 7.05% to 6.0%. Local banks followed suit by revising their lending rates, which fluctuated from 8–10% in 2000, down from 8.5–10.5% in 1999. Some countries, such as Nigeria, used a band system that allowed banks to apply different rates to reflect potential investment risks. Central African CFA countries continued to pursue reasonably tight fiscal policy, while their central banks re-established a measure of restraint in monetary policy. In Ghana interest rates dropped to 39% in October 2001, down from 43% in January 2001.

### **Exchange rate policy**

Exchange rate realignment remained a key challenge, particularly in countries with flexible exchange rates and loose monetary policies. In Africa, where CFA countries have long enjoyed fixed exchange rates through an institutional arrangement with the French government, the 1997–98 East Asian crisis revived a long-standing debate on the merits of flexible and fixed exchange rate systems. CFA countries have preferred fixed exchange rates to promote stable prices, but other countries have relied on managed floating rates.

Most African governments are resistant to devaluing or depreciating their currencies. For example, the weakening of the euro in 2000 made the euro zone more competitive against Moroccan exports—leading Morocco's business community to demand a devaluation of the dinah. But the government resisted this move given its potentially adverse effects on the cost of oil imports and on other macroeconomic conditions. In contrast, Zimbabwe abandoned its fixed exchange rate in August 2000 and carried out a series of mini-devaluations, intensifying inflationary pressures. The central bank of the Democratic Republic of Congo devalued in October 2000, narrowing from 395% to 90% the gap between the official and parallel exchange rate. Egypt moved from a managed float to a managed peg. Ghana's currency, the cedi, depreciated relative to the U.S. dollar in the first half of 2001 due to deteriorating terms of trade for cocoa (the country's primary export) and declining gold prices. But since mid-2001 the cedi has stabilized against the dollar, largely as a result of fiscal prudence (box 1.8).

To improve the external competitiveness of their economies, African governments have been paying more attention to movements in exchange rates—particularly real exchange rates—and adopting macroeconomic policies to reduce their volatility. Among the largest African economies, real exchange rates have been relatively stable in Algeria and Morocco. Nigeria has experienced considerable volatility since the late 1990s. Finally,

### Box 1.8

#### *Ghana—a winning combination of smooth democratic transition and sound economic management*

When Ghanaian President John Kufour came to power in early 2001, his administration faced daunting challenges, including high unemployment, runaway inflation, dependence on aid, and hard-pressed public services.

Sound fiscal management, however, has achieved impressive results. Ghana's inflation rate dropped from 41% in January 2001 to 25% in August. In the first half of 2001 the cedi depreciated by 38% relative to the U.S. dollar, but in the second half of the year depreciation was just 2.5%. The primary fiscal balance recorded a surplus (1.9% of GDP) for the first time since 1997, a 2.6 trillion cedi (\$350 million) gap in foreign exchange requirements was closed by the end of 2001, and debt service was cut by 2.8 trillion cedi (\$375 million) under the HIPC initiative. And GDP growth—which had been expected to slow because of high inflation, severe imbalances in fiscal and external accounts, and the tight monetary policy announced in March 2001—actually improved, rising 3.5% in 2001 compared with 2.0% in 2000.

With low prices for cocoa and gold and high prices for oil in 2001, Ghana's considerable foreign exchange reserves shrank because vital imports had to be purchased. To improve matters, the government made the country attractive to new investors, luring them into new sectors capable of diversifying the export base. Pro-business legislation, privatization, and proximity to a substantial regional market—including Nigeria—will help attract investors.

**Source:** Ghana, Ministry of Finance 2001.

South Africa's rand has been depreciating since mid-2001, and in 2002 the exchange rate is expected to fall below 11 rand to the dollar, creating fears of higher inflation and lower foreign investment (box 1.9).

## The Expanded Economic Policy Stance Index

The Expanded Economic Policy Stance Index, introduced in last year's *Economic Report on Africa: Transforming Africa's Economies*, combines quantitative aspects of fiscal, monetary, and exchange rate policies with the results of the Country Sustainability Assessment Survey, which has been completed in 23 African countries (up from 21 in 2000). The survey's qualitative assessments give the index greater breadth than one based solely on quantitative data. For example, the survey takes into account judicial independence, respect for property rights, the effectiveness of regulatory institutions, and policies targeted at reducing poverty among women. The survey draws on government employees and officials, members of the business community, resident employees of international organizations, resident employees of nongovernmental organizations (NGOs), academics, and independent professionals.

The scores for the Expanded Economic Policy Stance Index and the corresponding country groups—good, fair, and poor—were obtained by cluster analysis. This analysis

### Box 1.9

#### *Is South Africa's falling rand a reflection of regional contagion— or irrational pessimism?*

South Africa's rand ended 2001 as Africa's worst-performing currency, down 45% against the U.S. dollar. The rand's precipitous fall since October 2001 has shaken business confidence and started to chip away at South Africa's hard-earned macroeconomic stability. South Africa is Sub-Saharan Africa's economic anchor, so any further loss of confidence could prove disastrous for the region.

The extent and speed of the depreciation cannot be easily explained by economic fundamentals and may be a case of "irrational pessimism"—the opposite of the "irrational exuberance" that U.S. Federal Reserve Chairman Alan Greenspan said was behind the meteoric rise of U.S. equity markets in 2000. The main factor in the rand's decline appears to be political fallout from events in Zimbabwe. But even if the rand has become a barometer for regional investor sentiment, that still does not fully explain its decline—because in the fourth quarter of 2001 no new developments emerged in Zimbabwe's political situation.

Technical factors may explain some of the depreciation. First, the slow pace of South Africa's privatization programme has put a damper on FDI. In addition, some of South Africa's top companies now have their primary listings in London. Second, the Reserve Bank's net open foreign exchange position has made the rand an easy target for speculators. Though the bank's position has been reduced considerably in recent years, at \$4.8 billion it is still large compared with the bank's \$7.5 billion in foreign reserves. In addition, the country's large mining houses have been accused of causing the rand's poor performance by withholding foreign exchange earnings and keeping their usual supply of dollars out of the market. Whatever the cause, the government's strong fiscal position and expected tax cuts should lead to a stronger rand in 2002.

shows that the good cluster consists of 10 countries, up from 7 in 2000 (table 1.10). This year South Africa earned the top score, inching out Botswana. This ranking is commensurate with the strong economic fundamentals reflected in the recent upgrade of South African debt by Moody's. Namibia, Swaziland, and Mali round out the top five. Uganda, ranked eighth last year, slipped out of the top 10 due to uncertainties surrounding the 2001 presidential election and cross-border conflicts in the Democratic Republic of Congo and Sudan.

Ethiopia moved from fair to good based on its Interim Poverty Reduction Strategy Paper, good targeting of poverty reduction efforts to the most disadvantaged, commendable HIV/AIDS awareness, low inflation, and cessation of hostilities with Eritrea. The poor performers were joined by Kenya, which is plagued by political uncertainty and weak regulatory institutions. Otherwise there were no changes at the bottom of the league, with Burundi, Liberia, and Sudan receiving the lowest scores—mostly because of civil or political conflict and economic mismanagement. The average score for the entire sample rose to 4.7, from 4.2 in 2000, suggesting general progress in improving economic policies.

**Table 1.10***Expanded Economic Policy Stance Index, country scores and clusters, 2001*

Country/region	Index score	Index cluster
South Africa	8.65	Good
Botswana	8.40	Good
Namibia	8.35	Good
Swaziland	7.20	Good
Mali	6.40	Good
Mauritius	6.32	Good
Mozambique	6.00	Good
Uganda	5.60	Good
Lesotho	5.30	Good
Ethiopia	5.20	Good
Malawi	5.00	Fair
Benin	4.00	Fair
Egypt	4.00	Fair
Niger	4.00	Fair
Nigeria	4.00	Fair
Senegal	4.00	Fair
Togo	4.00	Fair
Zambia	4.00	Fair
Central African Republic	3.00	Fair
Kenya	2.40	Poor
Burundi	1.00	Poor
Liberia	0.80	Poor
Sudan	0.50	Poor
Average	4.68	

**Source:** Economic Commission for Africa from official sources.

The outlook for African economies in 2002 is shaded by the global slowdown, particularly as it affects South Africa—the continent’s largest economy. But South Africa’s outlook for 2002 is positive, because strong economic fundamentals and a stable macroeconomic environment should allow for continued robust expansion over the medium term. Despite increased uncertainty about global economic prospects in the wake of the September 11 attacks, international investors are not writing off emerging markets as an asset class but instead are viewing countries on their own merits.

South Africa’s international credit rating, already in the prime investment grade category, was recently upgraded by Moody’s Investors Service. The country’s foreign debt is stable at about 30% of GDP, and public debt has fallen to 47% of GDP—well below the internationally accepted safe level of 60%. In the medium term it is unclear what effect Moody’s upgrade will have on foreign portfolio investment flows, but it will certainly lower

the cost of government borrowing in international loan and bond markets. GDP growth is forecast to be 3.5% in 2002, up from 3.0% in 2001.

The three large North African economies—Egypt, Morocco, and Tunisia, which account for 25% of Africa’s GDP—offer the greatest potential benefits for Africa in 2002. Macroeconomic conditions are favourable in all three countries: inflation is low, external reserves are adequate, debt has been reduced to more acceptable levels, and substantial progress has been made on structural reforms (particularly privatization and price decontrol).

**The three large North African economies—Egypt, Morocco, and Tunisia—offer the greatest potential benefits for Africa in 2002**

Although the global economic slowdown will likely affect these economies because of their deeper integration with the world economy, strong economic fundamentals should provide a comfortable cushion in the medium term. For instance, the latest IMF statement on Tunisia lavished praise on the government’s economic and development policies. The real economy grew 4.7% in 2000 and 6.0% in 2001, inflation remained below 3%, and a flexible exchange rate, prudent fiscal and monetary policies, and increased opening of the economy prevented strong growth from putting excess pressure on domestic resources. Prospects for 2002 remain positive, driven by strong manufacturing growth and solid tourism performance.

Morocco and Tunisia have signed cooperation agreements with the European Union, and EU negotiations with Algeria are under way. The agreements require market-oriented reforms—such as harmonizing standards, rules, and regulations—to eliminate practices that distort trade, including monopolies, government subsidies, and privileges for public enterprises. Thus the EU agreements will provide a strong impetus for North African countries to move towards open trade policies, with substantial benefits for growth and investment.

North Africa’s status as one of Africa’s main recipients of FDI makes it vulnerable to an expected drop in investment flows—a threat already evident before the September 11 attacks. But this effect will likely be felt with a lag, and economic expansion in Egypt, Morocco, and Tunisia should hold up in 2002. Still, North African economies remain hobbled by their narrow export base. Moreover, trade between them is limited, accounting for a small fraction of each country’s total trade. Individually, North African markets are small and highly protected. Trade protectionism takes many forms, including high tariffs, valuation problems, nontariff barriers (such as standards and regulations), and physical barriers at borders. As a result FDI (apart from that associated with privatization) remains low given the region’s considerable potential.

Despite a continued decline in world cotton prices, production in West Africa is set to soar in 2002, reflecting favourable climatic conditions and government policies to stabilize farmers’ incomes. For the 2000/01 season, cotton output is expected to exceed 2.1 million tonnes, compared with the long-term average of 1.5 million tonnes a year. Among francophone countries the top producers are Burkina Faso, Côte d’Ivoire, and Mali, which account for about two-thirds of regional production. In 2002 Mali’s government expects to more than double cottonseed production, to 560,000 tonnes.

After two years of increased spending financed by higher oil revenues, Africa's oil exporters face mixed prospects in 2002. Although they are still receiving considerable revenue, large oil exporters will likely see growth somewhat dampened by lower oil prices, smaller OPEC quotas, and less favourable foreign investor sentiment. Smaller oil exporters should fare better because they are not bound by OPEC quotas and foreign investors continue to be attracted to these countries. For instance, increased output and exports are expected to sustain growth in Angola and Sudan, and Sudan will also benefit from increased production of refined petroleum products.

With oil prices likely to stay below \$20 a barrel in 2002, African countries are expected to grow by an average of 3.4% in 2002. Thanks to booming oil revenues, real GDP growth in Equatorial Guinea—Africa's fastest-growing economy—continues to be extremely high, at around 65% in 2001. Prospects for continued growth look good with the resolution of a territorial dispute between Equatorial Guinea and Nigeria. Nigeria agreed to recognize Equatorial Guinea's sovereignty over the ExxonMobil-operated Zafiro and associated oil fields. In return, Equatorial Guinea conceded a large share of France's TotalFina fields. The agreement will likely boost oil exploration and development in deep offshore waters between the Guinean island of Bioko and Nigeria's Niger Delta.

Performance among non-oil exporters is also expected to improve in 2002, reflecting reduced political instability and increased agricultural output. Lower oil prices and a modest recovery in the prices of some key commodities, such as cocoa and cotton, should ease import constraints for several non-oil exporters. In many countries—the Central African Republic, the Democratic Republic of Congo, the Republic of Congo, Côte d'Ivoire, Eritrea, Ethiopia, Guinea—moderating political instability or the cessation of violence should improve investor and consumer sentiment, and the resumption of official financial assistance to some countries will support higher public spending. Conversely, the civil unrest that may result from upcoming presidential and parliamentary elections in Kenya, Zambia, and Zimbabwe, along with the continuing land reform controversy in Zimbabwe, will likely have a destabilizing effect on travel, tourism, and general economic activity in East and Southern Africa in 2002.

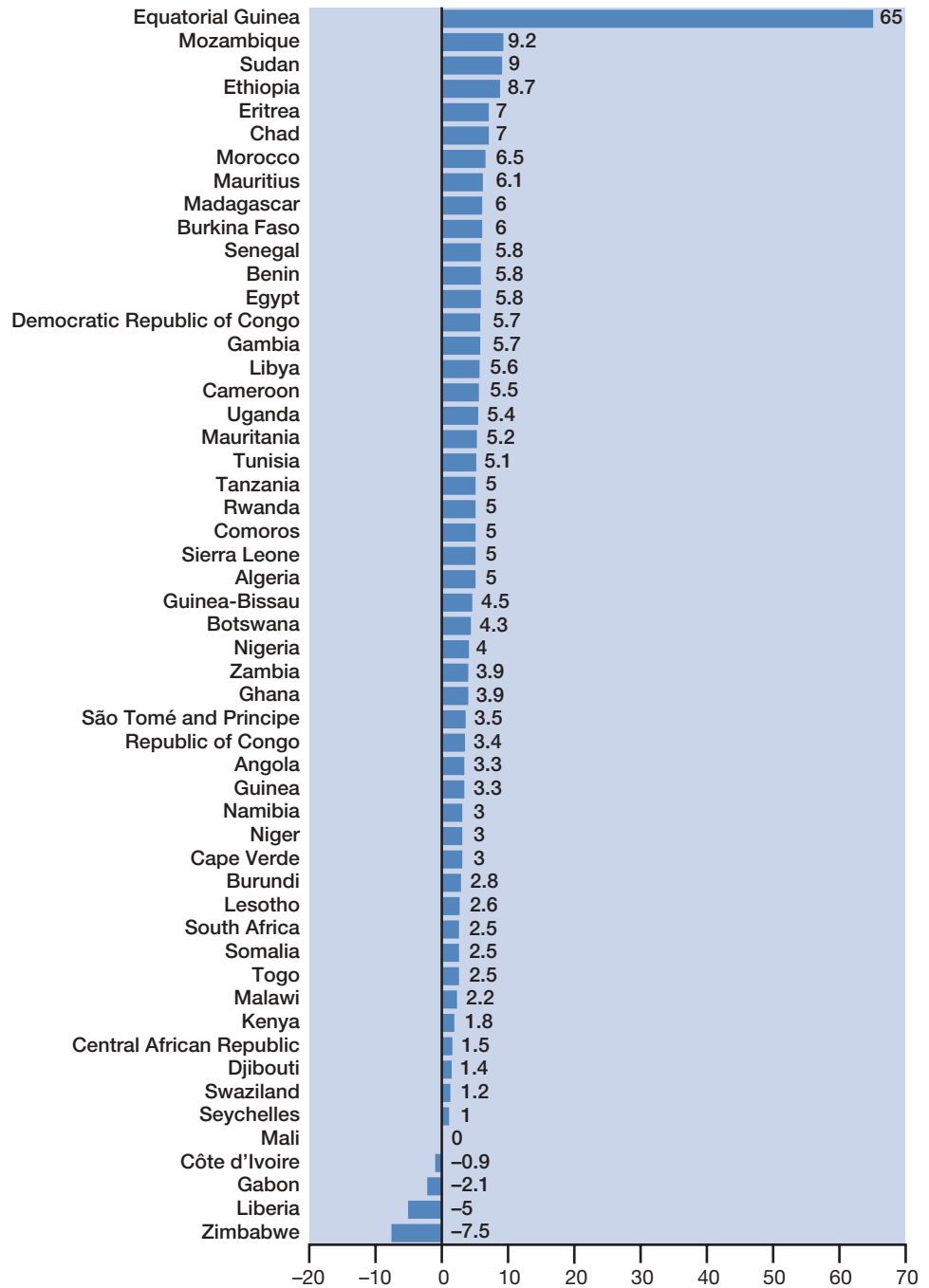
In 2002 some countries—Benin, Ethiopia, Mali, Niger, Senegal, Tanzania—will benefit from debt relief under the enhanced HIPC initiative. Tanzania should see debt repayments slashed from \$193 million in 2000 to \$116 million in 2002, a savings of \$77 million. Mozambique will benefit from an estimated 73% reduction in its external debt stock and a halving of its external debt service obligations.

***Africa's oil exporters face mixed prospects in 2002, while performance among non-oil exporters is also expected to improve***

# Annex

**Annex figure A1.1**

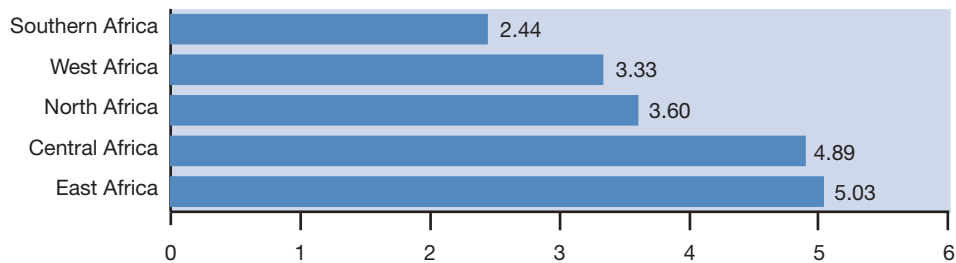
*Estimated GDP growth, African countries, 2001  
(percent)*



Source: Economic Commission for Africa from official sources.

### Annex figure A1.2

Estimated GDP growth by region, Africa, 2001  
(percent)



Source: Economic Commission for Africa from official sources.

### Annex table A1.1

GDP growth by economic group, Africa, 2001–02  
(percent)

Group	Number of countries	Share of Africa's GDP, 2000	Share of Africa's population 2000	Mean growth rate	
				2001 <sup>a</sup>	2002 <sup>b</sup>
Top five economies	5	58.8	35.8	3.9	2.8
Oil exporters	11	49.1	35.0	4.1	2.8
Non-oil exporters	42	50.9	65.0	3.7	3.9
Least developed countries	33	16.5	48.1	4.8	6.2
Island economies	6	1.6	2.4	5.3	5.3
Landlocked countries	15	9.8	23.0	3.5	4.0
Sub-Saharan Africa	46	59.5	77.7	3.2	3.7

a. Estimated.

b. Projected.

Source: Economic Commission for Africa from official sources.

## Annex table A1.2

Distribution of GDP by sector, Africa, 1980 and 2000  
(percent)

Region/country	Agriculture		Industry		Manufacturing		Services	
	1980	2000	1980	2000	1980	2000	1980	2000
<b>Africa</b>	<b>22.3</b>	<b>20.0</b>	<b>39.0</b>	<b>26.3</b>	<b>8.7</b>	<b>13.2</b>	<b>38.7</b>	<b>53.7</b>
<b>North Africa</b>	<b>13.5</b>	<b>16.6</b>	<b>48.5</b>	<b>37.6</b>	<b>8.8</b>	<b>11.3</b>	<b>38.0</b>	<b>45.8</b>
Algeria	8.3	5.7	59.0	57.9	7.8	8.9	32.7	36.4
Egypt	19.3	19.3	41.5	27.7	13.6	10.4	39.2	53.0
Libya	2.5	8.3	64.5	51.1	3.0	9.4	33.0	40.6
Mauritania	24.3	27.9	29.2	26.8	6.3	6.5	46.5	45.3
Morocco	18.3	16.6	34.3	28.4	19.3	15.9	47.5	55.0
Sudan	36.9	37.5	15.9	16.2	7.8	9.5	47.1	46.3
Tunisia	15.6	20.2	36.6	35.7	13.6	19.4	47.8	44.1
<b>West Africa</b>	<b>33.7</b>	<b>36.3</b>	<b>18.6</b>	<b>28.6</b>	<b>5.9</b>	<b>7.7</b>	<b>47.7</b>	<b>35.1</b>
Benin	47.9	39.2	13.8	18.6	6.1	6.3	38.2	42.2
Burkina Faso	46.9	37.7	14.7	30.8	11.9	13.6	38.4	31.5
Cape Verde	20.5	20.8	27.3	30.9	5.5	7.8	52.1	48.3
Côte d'Ivoire	35.4	26.2	20.8	20.9	11.2	13.5	43.8	52.9
Gambia, The	25.4	23.2	17.4	12.8	6.7	5.7	57.1	64.0
Ghana	46.8	62.6	12.7	13.4	7.6	8.6	40.5	23.9
Guinea	45.8	45.8	21.5	22.1	3.2	3.3	32.7	32.1
Guinea-Bissau	51.0	56.2	6.0	4.6	1.7	1.3	42.9	39.2
Liberia	15.7	33.9	33.6	26.9	9.1	10.9	50.7	39.2
Mali	61.2	56.8	10.0	12.8	3.7	5.7	28.7	30.4
Niger	44.5	49.6	19.0	15.6	3.7	3.2	36.5	34.8
Nigeria	20.6	31.3	41.7	39.1	5.7	4.6	37.6	29.6
Senegal	21.1	22.7	27.7	33.0	17.2	19.7	51.1	44.3
Sierra Leone	31.9	31.1	19.5	19.8	4.5	11.1	48.6	49.0
Togo	30.5	26.9	23.4	30.5	4.9	7.8	46.1	42.5
<b>Central Africa</b>	<b>28.9</b>	<b>20.9</b>	<b>32.7</b>	<b>38.2</b>	<b>6.8</b>	<b>10.1</b>	<b>38.4</b>	<b>40.9</b>
Cameroon	30.3	21.7	28.0	35.8	8.4	12.8	41.7	42.5
Central African Rep.	39.6	45.4	19.2	16.6	7.5	10.1	41.2	37.9
Chad	41.7	42.8	12.2	9.3	8.8	6.7	46.1	47.8
Congo, Rep.	9.5	10.5	49.3	47.1	6.6	6.7	41.2	42.5
Equatorial Guinea	41.5	37.5	11.9	10.0	5.1	3.7	46.6	52.5
Gabon	6.1	7.8	64.7	59.2	6.4	5.1	29.3	33.0
São Tomé and Príncipe	37.1	22.9	22.0	23.4	8.4	9.4	40.9	53.7
<b>East Africa</b>	<b>32.6</b>	<b>38.3</b>	<b>16.6</b>	<b>18.2</b>	<b>8.3</b>	<b>7.5</b>	<b>50.8</b>	<b>43.5</b>
Burundi	61.1	49.7	13.5	15.0	8.2	8.2	25.3	35.2
Comoros	46.3	43.4	16.5	14.3	5.7	4.8	37.1	42.3
Congo, Dem. Rep.	34.0	30.8	25.3	35.8	2.8	2.4	40.6	33.4

**Annex table A1.2 (continued)**

*Distribution of GDP by sector, Africa, 1980 and 2000  
(percent)*

Region/country	Agriculture		Industry		Manufacturing		Services	
	1980	2000	1980	2000	1980	2000	1980	2000
Djibouti	4.6	2.5	21.1	15.2	10.1	5.0	74.4	82.3
Ethiopia	50.3	45.5	15.5	10.8	10.7	5.6	34.2	43.7
Kenya	32.4	23.8	21.7	18.8	12.7	11.9	45.9	57.5
Madagascar	42.6	41.8	18.0	16.0	11.5	10.1	39.3	42.2
Rwanda	44.8	40.2	19.4	17.1	14.2	8.7	35.8	42.8
Seychelles	7.8	5.5	20.4	26.0	10.5	17.3	71.8	68.5
Somalia	38.7	60.3	19.6	7.1	8.2	2.5	41.7	32.6
Tanzania	46.3	51.8	15.6	14.5	10.2	4.7	38.1	33.8
Uganda	73.8	50.0	5.2	14.5	4.4	8.2	20.9	35.5
<b>Southern Africa</b>	<b>22.9</b>	<b>11.0</b>	<b>28.3</b>	<b>37.4</b>	<b>10.8</b>	<b>20.5</b>	<b>48.8</b>	<b>51.6</b>
Angola	42.4	43.1	30.5	30.1	2.6	2.2	27.1	26.8
Botswana	13.8	4.6	46.6	56.0	6.9	4.1	39.6	39.4
Lesotho	22.6	9.3	22.7	51.7	6.0	13.8	54.7	39.0
Malawi	38.1	34.7	21.8	17.3	13.9	11.5	40.1	48.0
Mauritius	14.3	7.9	24.7	34.3	15.7	24.4	60.9	57.7
Mozambique	42.8	49.3	16.6	25.4	8.8	14.2	40.6	25.3
Namibia	—	11.1	—	31.3	—	7.3	—	57.6
South Africa	—	5.0	—	39.4	—	22.9	—	55.6
Swaziland	24.8	16.1	31.8	33.9	22.0	25.5	43.3	50.0
Zambia	14.3	30.3	34.9	37.9	17.7	27.2	50.8	31.9
Zimbabwe	16.0	19.6	36.5	28.9	25.1	19.8	47.5	51.5

**Note:** Manufacturing is a subset of industry.

**Source:** Economic Commission for Africa from official sources.

**Annex table A1.3****Annual inflation, Africa, 1995–2000***(percentage change in consumer prices)*

Country	1995	1996	1997	1998	1999	2000
<b>Africa<sup>a</sup></b>	<b>19.7</b>	<b>15.4</b>	<b>10.2</b>	<b>8.1</b>	<b>7.0</b>	<b>7.3</b>
Algeria	29.8	18.7	5.7	5	2.6	0.3
Angola	2,672.2	4146	221.5	107.4	248.2	325
Benin	14.5	4.9	3.8	5.8	0.3	4.2
Botswana	10.5	10.1	8.8	6.5	7.2	8.5
Burkina Faso	7.8	6.1	2.3	5	-1.1	-0.2
Burundi	19.4	26.4	31.1	12.5	3.4	24.3
Cameroon	25.8	6.6	5.1	0	2.9	0.8
Cape Verde	8.4	6	8.6	4.4	4.4	-2.4
Central African Rep.	19.2	3.7	1.6	-1.9	-1.5	3.1
Chad	9.1	11.8	5.9	4.4	-8	3.8
Comoros	7.1	2	3	3.5	3.5	4.5
Congo, Dem. Rep.	541.8	616.8	198.5	106.9	269.6	553.7
Congo, Rep.	8.6	10.2	13.2	1.8	3.1	0.4
Côte d'Ivoire	14.3	2.7	4.2	4.5	0.7	2.5
Djibouti	4.9	3.5	2.5	2.2	2	2.4
Egypt	9.4	7.1	6.2	4.7	3.8	2.8
Equatorial Guinea	11.4	6	3	3	6.5	6
Eritrea	10.7	9.3	1.3	9.5	9	19.9
Ethiopia	13.4	0.9	-6.4	3.6	3.9	4.2
Gabon	10	4.5	4.1	2.3	-0.7	1
Gambia, The	4	4.8	3.1	1.1	3.8	0.9
Ghana	59.5	46.6	27.9	14.6	12.4	25.2
Guinea	5.6	3	1.9	5.1	4.6	6.8
Guinea-Bissau	45.4	50.7	49.1	8	-2.1	8.6
Kenya	4	9	9.2	9.3	6.1	7.1
Lesotho	9.9	9.1	8.5	7.8	8.7	6.1
Libya	8.3	4	3.6	3.7	2.6	-3
Madagascar	49	19.8	4.5	6.2	9.9	11.9
Malawi	83.1	37.7	9.1	29.8	44.8	29.6
Mali	12.4	6.5	-0.7	4.1	-1.1	-0.7
Mauritania	6.5	4.7	4.5	8	4.1	3.3
Mauritius	6	5.9	7.9	5.4	7.9	5.3
Morocco	6.1	3	1	2.7	0.7	1.9
Mozambique	54.4	44.6	6.4	0.6	2.9	12.7
Namibia	10	8	8.8	6.2	8.6	4.5
Niger	11.2	5.3	2.9	4.5	-2.3	2.9

**Annex table A1.3 (continued)****Annual inflation, Africa, 1995–2000****(percentage change in consumer prices)**

<b>Country</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Nigeria	72.8	29.3	8.5	10	6.6	6.9
Rwanda	22	8.9	11.7	6.8	-2.4	3.9
São Tomé and Príncipe	36.8	42	69	42.1	16.3	11
Senegal	8.1	2.8	1.7	1.1	0.8	0.7
Seychelles	-0.3	-1.1	0.6	2.7	6.3	6.7
Sierra Leone	26	23.1	14.9	35.5	34.1	-0.9
South Africa	8.7	7.3	8.6	6.9	5.2	5.4
Sudan	68.4	132.8	46.7	17.1	16	8
Swaziland	12.3	6.4	7.9	7.5	5.9	9.9
Tanzania	26.5	21	16.1	9.8	9	6.2
Togo	6.4	2.5	5.5	-1.4	4.5	-2.5
Tunisia	6.3	3.8	3.7	3.1	2.7	2.9
Uganda	6.1	7.5	7.8	5.8	-0.2	6.3
Zambia	34.9	43.1	24.4	24.5	26.8	26.1
Zimbabwe	22.6	21.5	18.8	31.7	58.5	55.9

*a. Excludes Angola and Democratic Republic of Congo.***Source:** IMF, *World Economic Outlook*, December 2001.

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