



Africa Consolidates on Macro-economic Progress

The second edition of the *African Governance Report (AGR II)* published by the Economic Commission for Africa (ECA) indicates that substantial progress has been achieved in the macroeconomic environment. Growth rates, lower inflation rates and public finance management improvements mark the economic plane in Africa.

Sub-Saharan Africa, with the exception of Nigeria which followed the opposite path, advanced from a 3.5% growth rate in 2003 to approximately 7% in 2007. South Africa also experienced growth from 2.8% in 2003 to about 5% in 2007, whilst North Africa remains constant at around 5.5%.

The healthy economic growth in African countries was due to a confluence of factors: higher international prices for primary commodities, debt relief, political stability and improved economic management. The report notes that the end of violent conflict and subsequent relative political stability in Angola, Republic of Congo, Cote d'Ivoire, Liberia, Mozambique and Sierra Leone have helped to reverse their economic fortunes during the past decade.

Inflation in Africa as a whole fell from an average of 7.6% annually during the period 1998-2002 to a 5.6% in 2005 before moving up again to 6.4% in 2007 as a consequence of increase in the international price for food and oil. The inflation rate in net fuel importing countries also fell by 3.9 percentage points in 2007 compared with 1998-2002.

Regarding public finance or management, AGR II (2009) shows a reduction in central government spending relative to GDP which is also linked to an increase in revenue mobilization as a percentage of GDP. 28 out of the 35 countries accounted for in the AGR II 2009 show higher government revenue as a result of improved fiscal systems and lower dependency on foreign aid. The predictability of fiscal policy is vital to enable long-term business planning and African governments seem to be moving in the right direction.

However, the report also clearly indicates that macroeconomic challenges abound in Africa. Rising food and fluctuating oil prices are beginning to pose a threat to price stability and put pressure on budget and current account balances, especially in net oil importer and low income countries. Another major challenge facing African countries is the management of exchange rates to support the competitiveness of the domestic economy while also ensuring that inflationary pressures are kept under control. Economic growth in Africa has not been broad-based and inclusive, with a concomitant reduction in poverty levels, creation of jobs or improvements in social development, especially in Sub-Saharan Africa. In Sub-Saharan Africa unemployment rates remain high; the number of people living in extreme poverty is on the increase and progress in reducing under-five infant mortality rates has been slow.

AGR II is the most comprehensive report on governance in Africa. It assesses and monitors progress African countries are making on issues, identifies gaps in capacity and makes policy recommendations on improving governance on the continent. The first edition was published in 2005 and covered 27 African countries. This second edition, published by Oxford University Press, covers 35 countries.

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