UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL
ECONOMIC COMMISSION FOR AFRICA

Thirty-first meeting of the Committee of Experts

AFRICAN UNION
COMMISSION

Seventh meeting of the Committee of Experts

Meeting of the Committee of Experts of the 5th Joint Annual Meetings of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development

Addis Ababa, Ethiopia
22–25 March 2012

E

Distr.: GENERAL

E/ECA/COE/31/2
AU/CAMEF/EXP/ 2(VII)
23 February 2012

Original: ENGLISH

Overview of Economic and Social Conditions in Africa in 2011

Acronyms and abbreviations

AfDB	African Development Bank
AU	African Union
AUC	African Union Commission
ECA	Economic Commission for Africa
EIU	Economist Intelligence Unit
FDI	Foreign direct investment
GDP	Gross domestic product
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
ILO	International Labour Organization
IMF	International Monetary Fund
MDGs	Millennium Development Goals
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UN-DESA	United Nations Department of Economic and Social Affairs
WHO	World Health Organization

A. Introduction

1. After rebounding strongly in 2010, Africa's growth momentum slowed in 2011, reflecting a sharp contraction of economic activity in North Africa as a result of political unrest, and the indirect effects of the continued economic crisis in the developed countries. However, many African countries sustained strong growth, supported by rising commodity prices and export demand as well as strong domestic demand. Africa's growth momentum is expected to continue in the medium term, with output for the continent as a whole set to recover strongly in 2012.

2. The world economy, meanwhile, continues to struggle to spur and sustain the recovery from the 2007-2009 economic and financial crisis. World growth weakened significantly in 2011. In the advanced economies, growth declined, as confidence fell sharply owing to the combination of weak growth in the United States and an escalation of sovereign debt and financial sector crises in the euro area. Emerging and developing economies, in contrast, performed relatively well. But this performance remained low, compared to the faster growth experienced before the crises. Most countries faced negative shocks which slowed their economic activity. These shocks included growing uncertainties and vulnerabilities created by the deterioration in the external environment, rising inflationary pressures, increased income inequalities and escalated social tensions. The ongoing euro area sovereign debt crisis so far poses the most significant risk to the global economic outlook.

3. African economies are not immune to the deterioration of the global economic environment and might be affected on several fronts, particularly through trade and capital flows. Africa is nevertheless poised to weather the risks and uncertainties associated with the euro area debt crisis. For more than a decade, the continent has deepened domestic sources of growth and has strengthened both intra-trade and trade with faster growing economies in Asia and Latin America – away from Europe. This would help Africa mitigate the growth impact of a possible decline in trade with, and capital inflows from, the euro area.

4. Progress towards achieving Africa's social and human development objectives remains slow despite a decade of impressive economic growth. Social and human indicators have picked up only modestly, but with unemployment, particularly among the youth, remaining stubbornly high, while income inequalities have widened. Furthermore, there has been no commensurate reduction in poverty. This disconnect between growth and improved social welfare calls for policy actions on many fronts, particularly a focus on accelerating economic transformation in the key sectors that hold the greatest potential for jobs, such as agriculture, services and manufacturing. There has, however, been commendable progress towards education outcomes and empowerment of women. Health outcomes have also improved.

B. Developments in the world economy and implications for Africa

5. Global economic growth slowed in 2011, as risks and uncertainties increased with the escalated euro area sovereign debt crisis. The shift of toxic assets from private to government balance sheets in major developed economies, in the aftermath of the recent global financial crisis, did not revive the global financial system as envisaged, but instead led to fragile fiscal positions in these countries and generated new global financial turmoil with lower consumer and business confidence. Structural reforms to enhance economic competitiveness and create growth have been introduced in the euro area crisis countries, besides fiscal austerity. The euro area sovereign debt crisis still constitutes the most severe downside risk for the world economy in 2012. Increasing income inequality and continued

global macroeconomic imbalances also represent major threats for the world economy in the medium term and must be addressed through closer policy coordination, especially among major developed economies.

6. The world economy grew by 2.8 per cent in 2011, down from 4.0 per cent in 2010, as growth in developed economies decelerated considerably, from 2.7 per cent in 2010 to 1.3 per cent in 2011. Persistent high unemployment and increased economic uncertainty depressed consumer and business confidence and constrained the recovery of domestic demand in these countries. Although emerging and developing economies performed relatively well, their economic activities have shown signs of cooling. For example, developing economies grew at 6.0 per cent in 2011, down from 7.5 per cent in 2010.

7. The world economic slowdown exacerbated the employment crisis around the globe, despite governments' intensified efforts to create jobs through a variety of measures. In the developed world, especially the euro area, the unemployment rate stayed above 9 per cent for most of 2011 (ILO, 2011b). The youth was the most severely affected group, with an unemployment rate of 12.6 per cent (ILO, 2011c).

8. Commodity prices in the world market remained high in 2011, mainly driven by continued strong demand from emerging economies, although they began to reverse in the latter half of the year. The oil price in particular was pushed up by the eruption of political unrest in the Middle East and North Africa, which severely disrupted the region's oil supply. In 2012, world commodity prices are expected to moderate, as supplies ease and weakened global economic activities reduce demand. Nevertheless, globally low interest rates and growth concerns may drive global investors into commodity markets to seek risk aversion and speculate on higher returns, increasing the volatility of commodity prices.

9. The world inflation rate edged up in 2011, in a similar fashion in both developed and developing economies, but is expected to recede in 2012. The rise in inflation reflected the impact of high and rising global food and fuel prices, as well as low global interest rates as a result of monetary easing in major developed economies. Such monetary easing is expected to continue in 2012 and the near term as a policy tool for governments to stimulate private demand.

10. World trade continued to recover in 2011, but at a slower pace than in 2010. Both intraregional trade and intra-trade among developing countries increased, fuelled by growing demand from emerging economies in recent years. The outlook for world trade in 2012 is overshadowed by the weakened world economic growth prospects, which have dampened import demand in developed economies. With high unemployment rates across the globe, intensified protectionism is likely to emerge as the biggest challenge for world trade in 2012. Trade patterns among the world's major countries and regions contributed to largely stable current account balances in 2011. The United States still ran a huge deficit against China's surplus, while the euro area's current account was near-balanced but Japan's current account surplus narrowed.

11. World capital flows were affected by increased risk aversion in 2011. Global foreign direct investment (FDI) flows continued to recover in 2011 but at a slower pace than in 2010, reflecting weakened world growth prospects and heightened investors' risk aversion. Increased uncertainties and vulnerabilities in the world economy are likely to prevent a strong rebound of global FDI flows in

2012 and the near term. Developing and emerging economies are expected to solidify their favourable destination positions. High-tech sectors in emerging economies are likely to attract more FDI inflows. World remittance inflows, conversely, showed a strong recovery in 2011 to near pre-crisis levels whereas official development assistance (ODA), which increased in 2010, grew at a much slower pace in 2011, due to weakened growth prospects and fiscal consolidation in many donor countries. This out-turn is expected to continue in the medium term.

12. All in all, the deteriorating global economic environment is likely to impact negatively Africa's growth prospects in 2012. Government budgets will be hit hard by reduced commodity export demand by developed economies and a decline in inward capital flows to the continent, leading to cutbacks in government-led investments in areas that are critical to unleashing productive capacity. The likely increase in the volatility of world commodity prices, especially food prices, will present new challenges for African countries, including the re-emergence of the issue of food security. While low global interest rates may propel increased foreign direct investment in Africa that may also possibly drive up inflation in African countries.

13. Ongoing fiscal consolidation in developed economies could lead to a significant decline in ODA to Africa. Moreover, African countries with vulnerable fiscal positions may have to face increased financial costs in the global financial market as investors reassess the fiscal credibility of global economies. In addition to these trade and capital flow effects, global tightening of credit and limited liquidity, owing to the possible adverse development of the euro area debt crisis, may impact negatively on the banking sector in Africa, through deleveraging and contagion effects. Volatility in the currencies of some globally integrated economies, such as South Africa and countries in North Africa, is likely to rise.

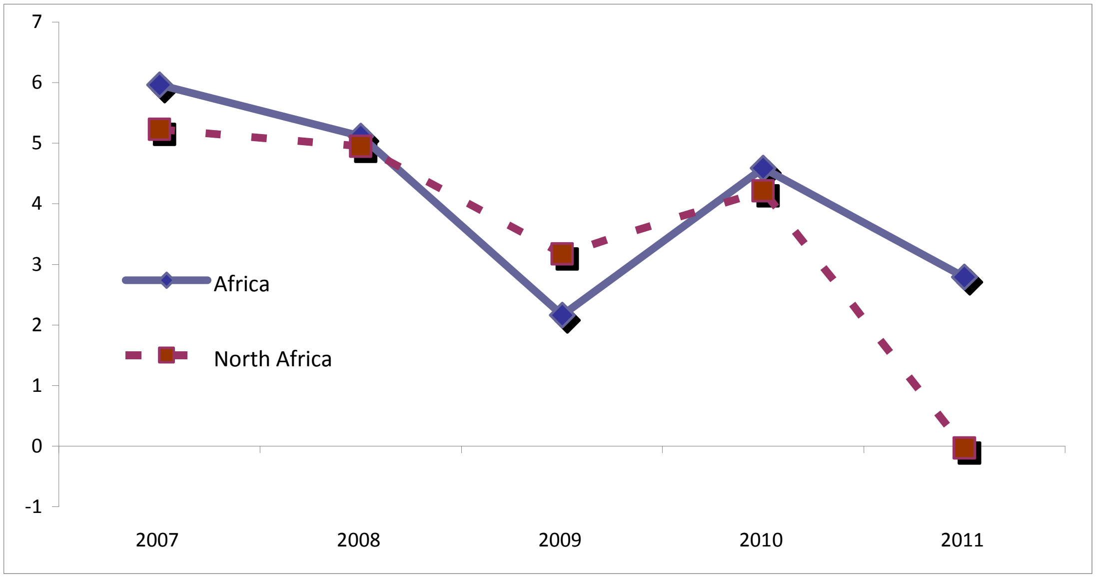
C. Economic performance in Africa in 2011

Economic recovery weakened amid social and political unrest

14. Africa's economic growth slowed sharply in 2011, primarily because of political unrest in North Africa and the continued slump in the developed economies. Africa's growth fell to 2.7 per cent in 2011, down from 4.6 per cent in 2010 (figure 1). This rate was far lower than had been seen before the 2007-2009 global financial and economic crises.

15. The intensity and persistence of the social and political turmoil in North Africa increased investor risk aversion sharply, prompting capital inflows and private investment to decline. Production and exports of oil – the mainstays of North Africa – were also disrupted severely (notably in Libya), and tourism collapsed (IMF, 2011a). As a result, North Africa recorded zero growth in 2011, down from 4.2 per cent in 2010, as Libya contracted by 22 per cent and Tunisia by 0.6 per cent.

Figure 1: Growth in Africa's real gross domestic product (GDP), 2007-2012 (%): North Africa dragged down Africa's economic growth



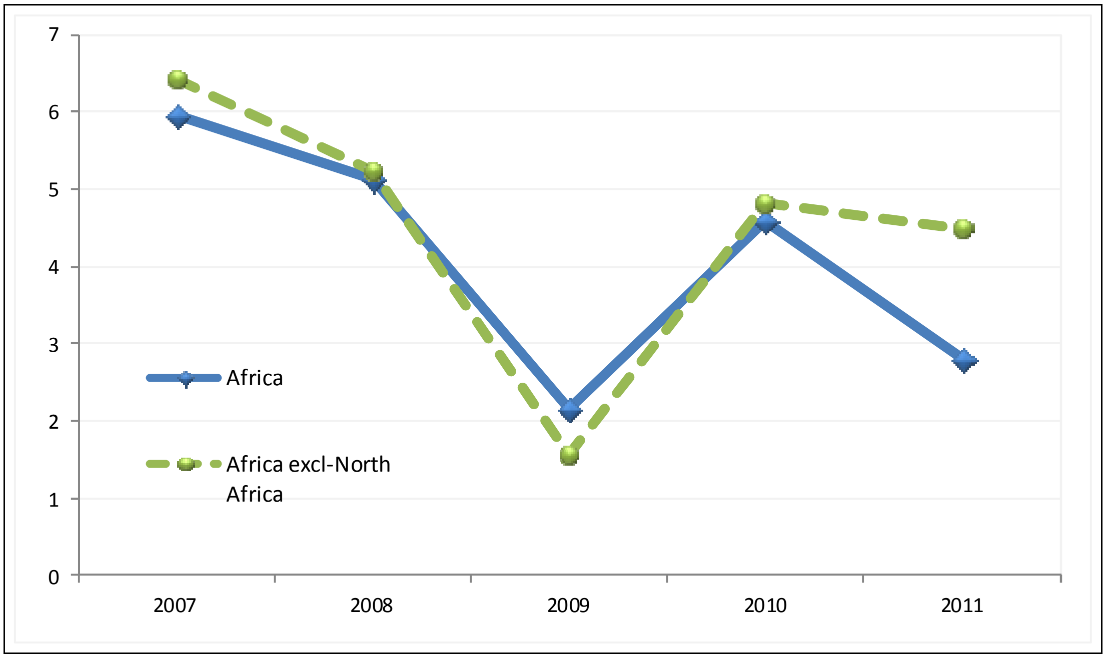
Source: UN-DESA (2011a).

Many African economies sustained strong growth impetus

16. Outside North Africa, however, economic activity was buoyant, with solid growth of 4.5 per cent in 2011 (figure 2) reinforcing the recovery of 4.8 per cent in 2010. Per capita real GDP increased by 2.2 per cent outside North Africa, similar to the growth rate of 2.5 per cent in 2010 (table 1).

17. Growth outside North Africa was largely driven by increased receipts from commodity exports, stemming from higher prices on international markets and rising demand for commodities, particularly from emerging markets in Asia (IMF, 2011b). Improved terms of trade and higher returns from commodity exports allowed many African commodity-exporting countries to build strong foreign exchange reserve buffers. Several countries also continued to diversify their export production by building local capacity in processing and value addition, helping them to capture new markets for high-valued products in the fast-growing emerging markets of East Asia and Latin America (IMF, 2011b).

Figure 2: Africa's economic growth, 2007-2011 (change in real GDP, %)



Source: UN-DESA (2011a).

18. As in previous years, domestic demand supported growth in many African countries, and is becoming as important as the export market in some countries. This growth in domestic demand stems from greater public spending on major infrastructure projects, which has also helped boost Africa's productive capacity – particularly in agriculture. Growth also benefited from increased FDI inflows, in response to an improved economic management and business climate. And with rising incomes and urbanization, the domestic consumer market is growing, becoming an important source of growth.

Rising commodity prices and drought negatively affected some countries

19. The current trend of high and rising commodity prices has benefited commodity-exporting African countries, but rising food and fuel prices, in particular, have hurt African countries that are not commodity exporters, with a heavy impact on their balance of payments. Steeper food and fuel prices have hit hard low-income households (especially the urban poor), aggravating social tensions and sparking food riots in some countries.

20. Drought in parts of the continent – Chad, the Niger and countries in the Horn of Africa (notably Somalia) – adversely affected agricultural output, leading to famine among rural poor households.

Growth performance varied among countries

21. As in previous years, growth in 2011 was highly uneven across countries and groupings (table 1). For the first time in five years, the growth of the continent's oil exporters lagged behind that of oil importers. Growth in the oil-exporting group decelerated from 5.1 per cent in 2010 to 1.5 per cent in

2011, despite large windfall oil export gains from rising global oil prices. The slowdown stemmed from political instabilities in oil-rich North African countries, particularly Libya.

Table 1: Economic growth rates in Africa by country group (%): 2007-2011

	Real GDP growth rate (%)			*Real GDP per capita (%)*		
	2009	2010	2011	2009	2010	2011
Africa	2.2	4.6	2.7	0.0	2.4	0.7
Africa excluding North Africa	1.6	4.8	4.5	-0.7	2.5	2.2
North Africa	3.2	4.2	0.0	1.4	2.4	-1.5
West Africa	4.6	6.9	5.6	2.0	4.3	3.1
Central Africa	1.8	4.7	4.2	-0.8	2.6	1.8
Eastern Africa	3.8	5.8	5.8	1.2	3.1	3.2
Southern Africa	-0.8	3.2	3.5	-2.5	1.6	1.7
Oil-exporting countries	3.3	5.1	1.5	1.2	3.0	-0.5
Oil-importing countries	0.9	4.0	4.2	-1.2	1.8	2.1
Mineral-rich countries	-0.5	3.8	4.1	-2.7	1.6	1.8
Non-mineral-, non-oil-rich countries	4.1	4.5	4.5	1.7	2.1	2.3

***Source*:** UN-DESA (2011a, b)[1].

22. Economic growth in the oil-importing countries picked up, helped by solid domestic demand, a boom in public infrastructure spending and increased agricultural production. Growth rose to 4.2 per cent in 2011 from 4.0 per cent in 2010, consolidating the recovery from the slump induced by the global financial crisis.

23. By subregion, growth also varied in 2011. In *Eastern Africa*, most countries maintained their faster growth trajectory compared to other subregions – despite experiencing drought and famine. The subregion registered 5.8 per cent growth in 2011, close to the 6 per cent of 2010. The higher growth was mainly attributable to Eritrea (17.2 per cent), Ethiopia (7.4 per cent), Rwanda (7.2 per cent), United Republic of Tanzania (6.4 per cent), Uganda (5.6 per cent) and Djibouti (4.6 per cent). In most of these countries, faster economic activity benefited from sustained public investments in infrastructure (Ethiopia and United Republic of Tanzania), rising mining output (United Republic of Tanzania), strengthening FDI in energy (Uganda) and higher agricultural output (Ethiopia).

24. In *West Africa*, conversely, economic activity moderated in 2011, affected by contraction in Cote d'Ivoire. Subregional growth fell to 5.6 per cent in 2011 from 6.9 per cent in 2010, weighed down by that country's 0.4 per cent contraction, owing to post-election violence and a collapse of exports and the financial sector. Lower oil production by Nigeria also contributed. These factors were,

[1] Real GDP per capita is weighted by population for each country.

however, largely counterbalanced by faster growth in Ghana (12.2 per cent), boosted by the resumption of commercial oil exploitation. Agriculture, mining and service sectors also grew strongly in 2011.

25. In *Central Africa,* economic activity remained fairly robust, although output declined from 5.2 per cent in 2010 to 4.2 per cent in 2011. Growth was underpinned by a combination of large public investment in infrastructure, strong performance of services sectors, and increased timber exports. This overall performance covered a lacklustre performance by Chad, which saw a decline in oil production owing to labour disputes in the oil sector, and a decline in remittances when many Chadian migrants working in Libya lost their jobs at the outbreak of conflict.

26. *Southern Africa*'s output expanded by 3.8 per cent in 2011, up from 3.5 per cent in 2010, with considerable variations in the subregion. South Africa, whose greater integration with global markets makes it more vulnerable to external shocks, recovered rather slowly, growing by only 3.1 per cent in 2011, from 2.8 per cent in 2010. Its growth was lifted by a recovery in consumer spending, in turn fuelled by cheap credit and low inflation. Prospects for a speedy recovery of private investment and consumer spending were undermined by slow global growth, while concerns of persistent unemployment reduced fiscal space, as the government sought to raise the labour intensity of economic growth through a stimulus package.

27. Many other countries in the subregion achieved solid growth. Botswana, Mozambique and Zambia had growth rates of above 6 per cent, reflecting rising mining output and global demand for minerals (as well as a bumper harvest in Zambia). Growth in Angola and Zimbabwe surpassed 4.0 per cent, driven by increased oil output and investment in the oil sector (Angola), and by an improved political and economic climate (Zimbabwe). Swaziland is the exception to this trend; its output expanded by only 2.5 per cent in 2011, up from 2.0 per cent in 2010, on account of severe cutbacks in private and public spending in response to a deep fiscal crisis.

28. *North Africa* performed poorly, compared to other subregions, as economic activity suffered from the political and social strife that erupted in a number of countries. Output was flat in 2011, after expansion of 4.2 per cent in 2010. Libya led the contraction, with economic activity collapsing by 22 per cent following disruptions to production of oil and exports of hydrocarbons. Egypt's growth rate fell sharply to 1.3 per cent in 2011 from 5.1 per cent in 2010, and Tunisia's output contracted by 0.3 per cent. Disruptions to tourism – a major source of foreign exchange and employment – were heavy in those two countries.

High levels of unemployment remain a concern

29. Unemployment, particularly among youth, remains high despite continuing strong growth in most African countries. North Africa seems the worst affected, with unemployment estimated at 9.8 per cent in 2011, versus 7.9 per cent for the rest of Africa (ILO, 2011a). These figures understate the severity of the employment crisis, however; women face twice the unemployment rate of men (15 per cent versus 7.8 per cent). Moreover, of those employed, many are in vulnerable work, mostly in low-productive informal sector activities. The poor productivity of these microenterprises undermines their ability to generate decent jobs and reduce underemployment.

30. Unemployment is high partly because recent growth has been driven by the capital-intensive extractive industries (mining and oil exploration). These activities also have limited forward and backward linkages with the rest of the economy. African countries therefore need to diversify their sources of growth towards developing pro-poor sectors if they are to make inroads into reducing high unemployment and poverty rates.

31. Nevertheless, evidence from household surveys indicates that the average living standards of relatively poor households in some of the fast-growing economies have risen strongly since the beginning of 2000 (IMF, 2011b). The poorest 25 per cent of households have fared best in countries where output grew the fastest. This welfare improvement is explained in large measure by cross-country differences in the pace and extent of growth in agricultural employment, which in turn has helped to lift household consumption among the poor. This evidence points to the importance of investing in agricultural productivity.

Inflationary pressure increased in 2011

32. Inflation rose across most of the continent in 2011 and presented a new macroeconomic challenge. Continent-wide, consumer price inflation rose to 8.4 per cent in 2011 from 7.7 per cent in 2010, sparked initially by higher food and fuel prices. In the Horn of Africa, severe drought contributed to the much sharper increases in inflation, mainly for food. In Ethiopia, for example, inflation rose to nearly 40 per cent, and in Guinea and Uganda, to about 20 per cent. Non-food inflation also picked up in some countries: about 10 had non-food inflation above 10 per cent, including Ethiopia, Uganda and Guinea (IMF, 2011b). In other countries, such as Ghana, Malawi, Rwanda and Zambia, good harvests kept food inflation low and overall inflation stayed in single digits.

Economic policy remained supportive to growth

33. The economic policy stance on the continent remained largely supportive of economic growth. Monetary policy in most African countries turned from accommodative to neutral in 2011, as central banks faced the difficult task of containing imported inflation while bolstering recovery. A gradual tightening occurred in only a handful of countries, and, even then, not decisively. In most cases, policy instruments (such as interest rates) were kept unchanged from the levels to which they were lowered during the global crisis.

34. The two central banks in the CFA[2] zone, for example, maintained low interest rates in 2011 despite the European Central Bank's actions towards policy tightening earlier in the year. Similarly, the South African Reserve Bank kept its policy interest rate low for most of 2011. Notable exceptions were Nigeria and countries in the Eastern African subregion (Kenya, Rwanda and Uganda) where policy rates were raised several times to curb inflationary pressures. For 2012, Eastern African monetary authorities have decided to keep policy tight to curb lingering inflationary pressures.

35. It is too early to tell, however, whether tight monetary policy is the best instrument to curb inflation and stimulate growth at this time. Many countries are most likely to keep monetary policy

---

[2] African Financial Community.

accommodative because a solid global recovery is unlikely to materialize soon – and will not until the euro area sovereign debt crisis is definitively resolved.

36. Fiscal policy was accommodative in 2011, as most countries sought to stimulate growth by increasing spending on infrastructure and social protection programmes – such as through price subsidies and service delivery – to protect the poor from the economic crisis. Elections in some 20 countries also stimulated public spending in 2011. As a result, Africa's aggregate fiscal deficit widened to 4.4 per cent of GDP in 2011, from 3.7 per cent in 2010. In North Africa, some increases in public spending were directed at promoting social stability through price subsidies.

External position improved

37. Africa's aggregated external balance improved slightly in 2011, on the back of growing shipments from commodity exporters. The current account balance turned to a small surplus (0.8 per cent of GDP), from an equally small deficit in 2010. Within country groups, however, the outcomes remained diverse, notably between oil-exporting and oil-importing countries. External surpluses increased in most oil and mineral exporters, while the current account deficits of oil-importing countries widened. The improvement in the current account balances of exporting countries enabled them to build foreign exchange reserve buffers and reduce their reliance on ODA as a source of current account financing. However, ODA remained important to several countries with larger deficits.

Capital flows stayed stable

38. Capital inflows stayed largely stable in 2011. ODA flows to Africa stagnated yet again in 2011, partly because of pessimistic growth prospects and fiscal difficulties in many donor countries. Humanitarian assistance flows also declined, before rising in the latter part of 2011 in response to the severe drought and famine in the Horn of Africa. Debt relief flows, by contrast, continued to rise in 2011.

39. FDI flows into Africa are estimated at $52.4 billion in 2011, close to the 2010 level. In 2012, they are projected to reach $55 billion (EIU, 2011a).[3] Although the bulk of the FDI flows still went to the extractive industries, there is evidence that they are becoming more diversified (AfDB et al., 2011) by source and destination. Portfolio inflows were generally weak, however, having been dragged down by the decline in African stock markets (25 per cent in the first half of 2011) because of the political transition in Egypt and Tunisia, which house two of the largest stock markets in Africa.

D. Trends in social development in Africa in 2011

40. The continent's progress in delivering social outcomes has accelerated, and trends in social and human development have generally been positive. However, progress has been uneven among countries, and has been too slow to make it possible to reach the internationally agreed development goals, particularly the MDGs. The continent has made good progress in increasing primary enrolment and promoting gender equality at this level, reducing the prevalence of HIV/AIDS and cutting the under-five mortality rate. But progress on health indicators has generally been lacklustre; sanitation

[3]FDI data are available for only 38 countries.

has improved only marginally, and poverty rates are unlikely to be halved by 2015 (from 2000) in many countries. Nevertheless, the advances in a global context of economic slowdown demonstrate Africa's resilience and commitment towards improving its people's welfare.

Modest progress in poverty reduction

41. Efforts at reducing poverty have not yielded adequate dividends, in spite of Africa's positive growth experience in recent years. Only North Africa has seen commendable reductions in poverty. The proportion of people in Central, Eastern, Southern and Western Africa living on less than $1.25 a day declined between 1990 and 2005, but only from 58 per cent to 51 per cent. On recent and forecast growth trends, Africa is unlikely to halve the rate of extreme poverty by 2015 (United Nations, 2011b).

42. Around three in every five workers in sub-Saharan Africa are poor. Although matters improved between 1999 and 2003, this ratio has been stagnant at 58 per cent since 2008. North Africa has also experienced a stagnation in the share of the working poor since 2008, albeit at better levels.

43. The share of the working poor in total employment remained constant at around 16 per cent in 2008 and 2009 (table 2). The relatively high incidence of poor workers in Africa is linked to the precarious nature of their jobs-three out of four workers are in vulnerable employment. And despite a decline in such employment in sub-Saharan Africa between 2000 and 2009 (from 79.5 per cent to 75.8 per cent), the figures are still very high and represent a serious challenge for African governments.

Table 2: The working poor in Africa

	(Millions)				**(Percentage of total employment)**			
	1999	2003	2008	2009	1999	2003	2008	2009
North Africa	10.5	11.1	10.5	10.7	21.4	20.2	16.2	16.1
Africa excluding North Africa	*147.5*	*156.2*	*170.2*	*174.6*	*66.9*	*63.0*	*58.5*	*58.5*

Source: ILO (2011a).

High levels of inequality undermining efforts to reduce poverty

44. Wide inequality in incomes and access to assets is undermining efforts to reduce poverty, as it has contributed to Africa's weak growth–poverty elasticity. The inequality elasticity of poverty is particularly high (4.8) in North Africa, suggesting that a unit increase in inequality increases poverty by almost 5 per cent (see table 3). Such inequality, coupled with the lack of pro-poor or inclusive economic growth, is reflected in large spatial and group disparities in access to and use of social services.

45. For example, in sub-Saharan Africa, an urban dweller is 1.8 times more likely to use an improved drinking water source than a rural dweller. Further, the poorest 20 per cent of the population in urban areas are almost six times more likely to rely on an unimproved drinking water source than the richest 20 per cent. In urban areas, the poorest households are 12 times less likely than the richest to have a piped drinking water supply on the premises (UNECA, 2009).

Table 3: Elasticity of poverty with respect to growth and inequality ($1.25 at 2005 purchasing power parity poverty)

	Elasticities		Comparative ratio
	Growth (1)	**Inequality (2)**	**Absolute (1)/(2)**
East Asia and Pacific	-2.47	3.49	0.71
Eastern Europe and Western Asia	-4.22	6.85	5.00
Latin America and the Caribbean	-3.08	5.00	0.62
Middle East and Central Asia	-2.75	3.91	0.70
South Asia	-2.10	2.68	0.78
Sub-Saharan Africa	-1.57	1.68	0.93
North Africa	-3.17	4.82	0.66
West Africa	-1.80	2.02	0.89
Central Africa	-1.35	1.31	1.03
Eastern Africa	-1.40	1.32	1.06
Southern Africa	-1.65	2.18	0.76

Source: Fosu (2011).

Gender parity and primary school enrolment on the rise but educational quality still a concern

46. Access to high-quality education is vital for strengthening the productivity of the labour force and accelerating economic growth, and Africa has made good progress in accelerating education enrolment for girls as well as boys, particularly at the primary level. Most African countries have achieved gender parity in primary schools, and in Malawi, Rwanda, Senegal and Togo, for example, girls outnumber boys.

47. Of the 36 African countries with data for 2008/09, 16 have achieved net primary school enrolment ratios of more than 90 per cent. The rate of increase has been excellent: between 1999 and 2009, primary enrolment rose by 18 percentage points in Central, Eastern, Southern and West Africa, compared with 12 percentage points in South Asia. Benin, Burkina Faso and Mozambique lifted net enrolment by 25 percentage points between 1999 and 2009 (United Nations, 2011b), and Ethiopia from 50 per cent in 1990 to 86.5 per cent in 2010 (UNECA and AUC, 2011).

48. Primary completion rates are still too low, however, partly because of the poor quality of education, and it seems that investment in educational facilities and qualified teachers has lagged behind efforts to increase enrolment. Secondary and tertiary enrolment rates need to improve.

Women's empowerment slowly gaining traction

49. Women are increasingly taking centre stage in Africa's development process. In the last decade sub-Saharan Africa has seen a large increase in the representation of women in parliament, from 13 per cent in 2000 to 20 per cent in 2011. Eighty per cent of African countries with data increased that proportion between 1990 and 2010. The top three performers in 2010 were Rwanda (56 per cent), South Africa (45 per cent) and Mozambique (39 per cent) (UNECA et al., 2011). Rwanda's

achievement is especially impressive, and stands as an inspiration to other African countries: women make up 38 per cent of ministers, 35 per cent of senators, 56 per cent of deputies, 40 per cent of governors and 36 per cent of judges (The Africa Report, 2012).

50. In addition, the share of wage-earning women in non-agricultural sectors increased slightly from 24 per cent to 33 per cent between 1990 and 2009 (United Nations, 2011b).

Big steps in preventing new HIV/AIDS infections

51. Addressing the scourge of HIV/AIDs, malaria and other diseases that deprive the continent of its productive labour force is critical if Africa is to realize its growth potential. Although sub-Saharan Africa is the region most heavily affected by HIV,[4] the rate of new infections has shown a notable decline, from 2.2 million in 2001 to 1.9 million in 2010. The epidemic remains most severe in southern Africa, which accounted for almost half the deaths from AIDS-related illnesses in 2010; it is less prevalent in North Africa. Heightened awareness campaigns to elicit behavioural change and the promotion and use of condoms and antiretroviral treatment, have curbed the numbers of new infections and AIDS-related deaths.

Progress in malaria treatment

52. The estimated number of malaria cases worldwide fell from 233 million in 2000 to 225 million in 2009 (ILO, 2010). Since 2000, 11 countries in Africa have shown reductions of more than half in the number of confirmed malaria cases (and/or reported hospital admissions for malaria) and deaths (United Nations, 2011b).[5] Likely reasons include increased use of insecticide-treated bed nets, particularly in rural areas; improved diagnostic testing and surveillance; and wider access to anti-malaria drugs. Collectively, these measures have helped to save an estimated 1.1 million lives in Africa over the past 10 years. Yet malaria is still a leading cause of mortality and morbidity in Africa: of estimated malaria deaths worldwide, 91 per cent were in Africa, and 86 per cent of those in this group were children under five (WHO, 2011).

Child and maternal mortality declining but still too high

53. Africa has some of the world’s highest under-five mortality rates and maternal mortality ratios, but has registered modest declines in recent years. Two countries in Africa-Egypt and Tunisia-have achieved a two-thirds reduction in child mortality since 1990. Across sub-Saharan Africa, under-five mortality fell from 174 per 1,000 live births to 121 between 1990 and 2009. Better still, the average rate of reduction in under-five mortality rose from 1.2 per cent in 1990–2000 to 2.4 per cent in 2000–2010.

54. At 620 deaths per 100,000 live births in 2008, the maternal mortality ratio in sub-Saharan Africa is not only among the highest in the world but is declining very slowly compared with other regions (WHO, 2011). Of the sub-Saharan countries with data for 2008, 24 registered a ratio of more

---

[4] Africa excluding North Africa accounted for about 68 per cent of all people living with HIV and 70 per cent of new HIV infections.

[5] Algeria, Botswana, Cape Verde, Eritrea, Madagascar, Namibia, Rwanda, Sao Tome and Principe, South Africa, Swaziland and Zambia.

than 500 deaths per 100,000 live births.[6] Progress has been faster in North Africa, which recorded a 69 per cent decline between 1990 and 2010, compared with a 1 per cent decline in the rest of Africa. North Africa's success was driven by a sharp increase in the number of deliveries attended by skilled health personnel (United Nations, 2011b).

55. In 2009, to tackle the burden of high maternal mortality, African leaders launched the African Union Campaign on Accelerated Reduction of Maternal Mortality in Africa, which is under way in more than 34 countries. Its success will be vital in improving the health and life expectancy of pregnant women in Africa.

Meeting the challenges

An integrated approach

56. Reaching the MDGs by 2015 will require an integrated approach that takes in the interrelatedness of social and human development. By focusing efforts on interventions that have the greatest knock-on effects on other social and human indicators, policymakers can heighten the developmental impact of scarce human and financial resources.

57. Empirical evidence of the linkages among such indicators is abundant. Several studies have demonstrated, for instance, the impact of female education on child mortality rates and undernutrition (Summers, 1994; Murthi, Guro and Drèze, 1995; and Drèze and Murthi, 2001). Using micro data, Summers (1994) reports that the difference in under-five mortality rates between women with more than seven years of education and those with none is 80-120 per 100,000.

58. Better female education also reduces child undernutrition, which is closely linked to child mortality. Smith and Haddad (1999), for instance, show that a 1-percentage-point increase in female secondary enrolment reduces the proportion of underweight children by 0.17 percentage points. Klasen and Lamanna (2003) generate similar findings for the impact of female literacy on child undernutrition.

Equity in access through social protection

59. Fiscally sustainable social protection programmes that not only provide income support but strengthen the productive capacities of vulnerable groups can reduce inequality while promoting inclusive growth.[7] Sub-Saharan Africa spends only 8.7 per cent of GDP on social services, the lowest of all the world's regions, and merely 5.6 per cent without public health spending. This low level undoubtedly translates into poor provision of social services to neglected population groups. Some studies (such as ILO, 2010) have shown that the countries with the highest investment in social security tend to exhibit low poverty rates and low labour market informality.

---

[6] Angola, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Guinea-Bissau, Kenya, Lesotho, Malawi, Liberia, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sierra Leone, Somalia, Sudan, United Republic of Tanzania and Zimbabwe.
[7] Social protection may be defined loosely as "a set of measures that support society's poorest and most vulnerable members and help individuals, households and communities to better manage risks" (UNECA et al., 2011).

60. Latin America's experience with conditional cash transfers demonstrates the potential impact of social protection programmes on social and human development indicators. The cash transfer programmes in Brazil and Mexico, for example, which link child income support to attendance at school and immunization, have greatly lifted enrolment nutrition levels of children.

61. An ECA study of social protection programmes in nine African countries in 2010 also confirmed the benefit of social protection instruments as they relate to six MDGs (table 4). All types of intervention have a high impact on poverty, and most have a strong effect on child health. Cash transfers, school feeding programmes, productive safety nets and non-contributory pensions have the most widespread effects in working towards the MDGs.

Table 4: Impact of social protection interventions on Millennium Development Goals 1–6

Intervention	MDG 1	MDG 2	MDG 3	MDG 4	MDG 5	MDG 6
Cash transfers	High	High	Medium	Medium	Low	Medium
School feeding	High	High	High	High	Low	High
Public works	High	Low	Low	Medium	Low	Low
Farm subsidy	High	Low	Low	High	Low	Medium
Productive safety net	High	High	Medium	Medium	Medium	Medium
Non-contributory pensions	High	Medium	Medium	High	High	High

Source: UNECA (2010).

62. The interventions with the strongest impact are those that rebuild the productive capacities of vulnerable groups. Cash transfers, for example, provide protection to the poorest groups, families with children in school, pregnant mothers and those with HIV/AIDS.

63. In Ethiopia, a productive safety net programme supports vulnerable populations while enhancing their productive capacity. It has three core components: labour-intensive public works for the actively productive population, conditional transfers for very poor people who cannot participate in productive work and unconditional transfers for people with no assets (UNECA, 2010).

64. Successful social protection programmes are well targeted, anchored by strong political support, effectively coordinated and not overly dependent on external funding. Other important conditions for success are institutional frameworks-to increase the likelihood of predictable and adequate funding, national guidelines and budget provisions, and close attention to the programmes' fiscal sustainability.

65. On this last point, African countries must plan for sustainable social protection by efficiently mobilizing domestic resources, reallocating budgets and cautiously using external support. When governments adopt specific social protection instruments (such as cash transfers) without complementary interventions that support livelihoods (such as skills acquisition), they make it hard for people to exit the poverty trap and undermine fiscal sustainability.

66. Lastly, for social protection to strengthen social development, authorities should manage schemes holistically, considering both life cycle risks (such as early childhood and old age) and livelihood risks (such as unemployment or food production shocks). Run this way, programmes tend to

generate maximum benefits for reaching the MDGs and other human development indicators (UNECA, 2010).

E. Africa's outlook; steady growth in the medium term

67. African economies are set to sustain the current growth momentum in the medium term. Growth is expected to recover to 5.1 per cent in 2012 and 5.2 per cent in 2013 (table 5), underpinned by strong export demand, rising commodity prices and firm domestic demand (buttressed by government infrastructure spending).

68. North Africa is poised to follow a recovery path, as the return of political stability is nearly complete. As table 5 shows, it is projected to grow by 4.7 per cent and 5.4 per cent in 2012 and 2013. Growth in West Africa is forecast to pick up to 6.3 per cent and 6.5 per cent these two years, and growth in Central Africa by 4.7 per cent in 2012 and 3.7 per cent in 2013. Eastern Africa is expected to post somewhat stronger growth of 6.3 per cent in 2012 and 5.8 per cent in 2013. Growth in Southern Africa is also projected to be strong, at 4.5 per cent in 2012 and 4.2 per cent in 2013.

69. This positive outlook partly depends on the health of the global economy. Failure by euro area governments to resolve their sovereign debt crisis obviously affects Africa on many fronts, while emerging economies – the main drivers of exports – face some risks of overheating. If demand falls for African commodities, the external sector could contract sharply, which could increase external financing needs, as well as putting pressure on fiscal space through lower tax revenues. Further, a global downturn would hit Africa's service sector, particularly tourism, and could reverse capital inflows to the continent, including ODA, FDI and remittances, thus undermining Africa's financial markets.

Table 5: Africa's growth rates: Poised for a strong recovery in the medium term

			Projections	
	2010	2011	2012	2013
Africa	4.6	2.7	5.1	5.2
Africa excluding North Africa	4.8	4.5	5.3	5.1
North Africa	4.2	0.0	4.7	5.4
West Africa	6.9	5.6	6.3	6.5
Central Africa	5.2	4.2	4.7	3.7
Eastern Africa	5.8	5.8	6.3	5.8
Southern Africa	3.2	3.5	4.5	4.2
Oil-exporting countries	5.1	1.5	5.6	5.8
Oil-importing countries	4.0	4.2	4.5	4.5
Mineral-rich countries	3.8	4.1	4.5	4.1
Non-mineral-, non-oil- rich countries	4.5	4.5	4.6	5.3

Source: UN-DESA (2011).

70. Economic recovery is likely to take place in an environment of rising inflation, persistent high unemployment and increasing global economic vulnerability. This will challenge African leaders in 2012 and beyond – to harvest and then distribute the fruits of growth more equitably, to bring down unemployment and to resolve persistent food price inflation.

71. These are all difficult issues that require a combination of well-designed macroeconomic, structural and social policy interventions which track each country's circumstances, and which unleash Africa's productive potential.

F. Conclusion and issues for discussion

72. Although Africa's economic growth slowed down in 2011, many economies are sustaining solid growth and the continent's economic growth prospects in 2012 remain positive. The economic growth momentum is expected to stem from continued supportive fiscal and monetary policies, expanding domestic demand, better economic management and high commodity prices. However, Africa's economic recovery is expected to take place in an environment of rising inflation, persistent high unemployment and increasing global economic vulnerability.

73. The slowdown of the world economy restricted African economies' policy space in 2011. Their limited resources were channelled to long-term development priority areas such as infrastructure and education. However, external financial assistance fell as donor countries, especially the euro area countries, implemented fiscal consolidation. This highlights the need for African countries to enhance domestic resource mobilization, improve economic governance, improve human capital and promote entrepreneurship, invest in infrastructure and technology transfer, and enhance resource mobilization from domestic and external sources, among other policy actions, in order to increase value addition, promote structural transformation and reduce vulnerability to external shocks. African countries should continue to diversify their production and export base and destinations and expand economic partnerships, including those with new development partners, while deepening regional integration and intra-African trade and investment.

74. Realizing Africa's growth potential hinges crucially on its ability to effectively develop the productive capacities of its people, particularly through investment in education and health. Notwithstanding the progress that has been made on a number of social indicators, the pace has been slow and performance varies considerably among and within countries. The record so far points to the need for targeted investment in educational quality and access to health services as well as water and sanitation. However, in addressing these gaps policymakers must be mindful of and explicitly address disparities in access to social services in the spatial (e.g., rural-urban), vertical (high-income versus low-income households) and horizontal (e.g., ethnic and gender) dimensions. Furthermore, the deteriorating external environment and its implications for development financing require African countries to be more strategic and judicious in the use of funds.

75. The traditional compartmentalized approach to social development must be replaced by a development perspective that recognizes the interrelatedness of social indicators and uses such information to prioritize those interventions that have the greatest positive externalities or spill over effects on other development indicators. Investing in girls' education should be recognized as an investment in maternal and child health because of the strong positive impacts such investments have on the health of infants and children, immunization rates and family nutrition, as well as the educational attainment of the next generation. Investing in education for girls and boys may be the single most effective preventive weapon against HIV/AIDS. Expediting improvements in human and social conditions in Africa requires an appreciation of the interlinkages across social indicators and an application of such knowledge in the design and implementation of policies.

References

AfDB et al. (2011). African Economic Outlook 2011. Paris: OECD Publishing.

Deninger, K. and Squire, L. (1998). New ways of looking at old issues: inequality and growth. *Journal of Development Economics* vol. 57. No.2 (1998).

Economist Intelligence Unit. (2011). *Online country data.* Available, from www.eiu.com. Accessed November 2011.

Fosu, A. (2011). Growth, inequality, and poverty reduction in developing countries: recent global evidence. *WIDER Working Paper No. 2011/01*. Helsinki: United Nations University World Institute for Development Economics Research. Available from www.wider.unu.edu/publications/working-papers/2011/en_GB/wp2011-001.

ILO (2010). World Social Security Report 2010/11. Providing Coverage in Times of Crisis and Beyond. Geneva.

ILO (2011a). Global Employment Trends 2011: The Challenge of a Jobs Recovery. Geneva.

ILO (2011b). *Global Trends; unemployment rate.* Geneva: ILO.

ILO. (2011c). *Report and Conclusions of the 12th African Regional Meeting*. Available from www.ilo.org/wcmsp5/groups/public/...ed_nom/...relconf/documents meetingdocument/wcms/66651.pdf. Accessed February 2012.

IMF (2011a). *Regional Economic Outlook: Middle East and Central Asia*: Available from www.imf.org/esternal/pubs/ft/reo/2011/mcd/eng/mreao1011.htm. Accessed February 2012.

IMF. (2011b). *Regional Economic Outlook: Sub-Saharan Africa,* sustaining the Expansion, October 2011. Available from www.imf.org/external/pubs/ft/rei/2011/afr/eng/sri1011.pdf

Klasen, S., & Lamanna, F. (2003). The impact of gender ineqaulity in education and employment on economic growth in the Middle East and North Africa . *Mimeo*. University of Gottingen.

Drèze, M., and Murthi J. (2001). Fertility, education, and development: evidence from India. *Population and Development Review, vol 27*, No.1 (March 2001).

Murthi, M., Guio, A.-C. and Drèze, J. (1995). Mortality, fertility, and gender bias in India: A district-level analysis. *Population and Development Review vol. 21*, No.4 (December 1995).

Smith, L. and Haddad, L. (1999). Explaining Child Malnultrition in Developing Countries. *Research Report No. 111*. Washington. International Food Policy Research Institute, 2000.

Summers, L. (1994). *Investing in All the People.* Washington: World Bank.

Africa in 2012. The Africa Report No 36. *(December 2011 - January 2012).*

United Nations. (2011). *The Millennium Development Goals Report 2011*. Sales No. E.11.I.10.

UNDESA. (2011a). Global Economic Outlook data. Available from www.un.org/en/development/desa/policy/proj_link/global_economic_outlook.shtml. Accessed November 2011.

UNDESA (2011b). World Population Prospects: The 2010 Revision. Available from esa.un.org/unpd/wpp/Documentation/publications.htm. Accessed February 2012.

UNECA (2009). *Equal access to basic services in African LDCs: The need for coherent, inclusive and effective policy frameworks*. Addis Ababa.

UNECA (2010). *The scope for social safety nets and social protection schemes to advance progress on the MGDs.* Addis Ababa.

UNECA and AU. (2011). *Economic Report on Africa 2011: Governing development in Africa - the role of the state in economic transformation.* Sales No.E.11.II.K.l.UNECA et al. (2011). *Assessing progress in Africa towards the Millennium Development Goals. MDG Report 2011.* Addis Ababa: UNECA.

WHO World Health Statistics (2011). Available at www.who.int/whosis/whostat/2011/en/index.html. Accessed Frebruary 2012.