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Overview of the Economic report on Africa 2005: "Meeting the Challenges of Unemployment and Poverty in Africa"**

Summary

The present report is based on the Economic report on Africa 2005, which indicates that Africa's gross domestic product (GDP) grew by 4.6 per cent in 2004, the highest rate in almost a decade, up from 4.3 per cent in 2003. Higher prices of commodities, including oil, good macroeconomic management, better performance in agriculture and the improved political situation in many countries, along with increased donor support in the form of aid and debt relief, contributed to this positive outcome. However, given the importance of the European Union as a trading partner with Africa, the relatively slow growth in the European Union may have retarded the overall growth performance in the continent.

Official Development Assistance (ODA) to Africa recovered from a low of $15.7 billion United States dollars to a new high of $26.3 billion in 2003. This recovery was largely driven by debt relief provided through the Heavily Indebted Poor Country Initiative (HIPC) and emergency assistance. The Development Assistance Committee of the Organization for Economic Cooperation and Development accounts not only for the bulk of ODA as a whole, but also a significant share of ODA to Africa in particular. Foreign Direct Investment (FDI) flows increased from $12 billion to $15 billion in 2003 and were projected to rise to $20 billion in 2004. FDI flows, however, tended to be concentrated regionally, that is, in North Africa and sectorally, that is, in extractive industries.

* E/2005/100.

** For presentation at the Conference of Ministers, 2005: derived from the Economic report on Africa 2005, "Meeting the Challenges of Unemployment and Poverty in Africa".

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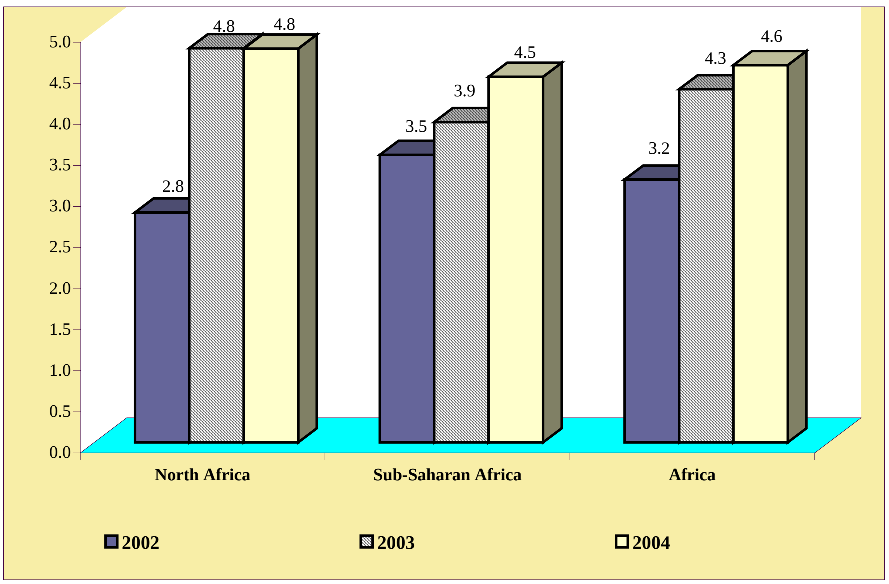
Notwithstanding the favourable growth performance of Africa in 2004 and its projected growth of 5 per cent in 2005, savings and investment remain low, barely exceeding 20 per cent of GDP during 2000-2002. Any slowdown in the global economy may have adverse implications for Africa. Moreover, its growth will be underpinned by continued macroeconomic stability; rising African exports in the context of slower global growth; continued improvement in agricultural output, assuming continued good weather conditions; and vibrant growth in the tourism and mining sectors.

With respect to achieving the Millennium Development Goals, North Africa is singled out as a subregion showing remarkable progress. Sub-Saharan Africa, despite reflecting a real growth in GDP since 1998, is making slow progress towards meeting the Millennium Development Goals, particularly on halving poverty, reducing maternal mortality and increasing the primary education completion rate. Overall, the majority of countries still lag behind and special efforts will be required to ensure that they can achieve the Goals.

I. Overall growth performance

1. Africa's real gross domestic product (GDP) grew by 4.6 per cent in 2004, the highest in almost a decade, up from 4.3 per cent in 2003 (see figure 1 below). This improvement was underpinned by higher prices of commodities, including oil, stemming from a strong growth in global demand. In addition, good macroeconomic management, better performance in agriculture, the improved political situation in many countries and increased donor support in the form of aid and debt relief contributed to the positive outcome. The favourable growth performance in Africa in 2004 reflects a continued upward trend, evident since 1998. Unfortunately, this trend has thus far not been translated into employment creation or poverty reduction.

Figure 1
Real growth in GDP in Africa, 2002-2004
(Percentage)



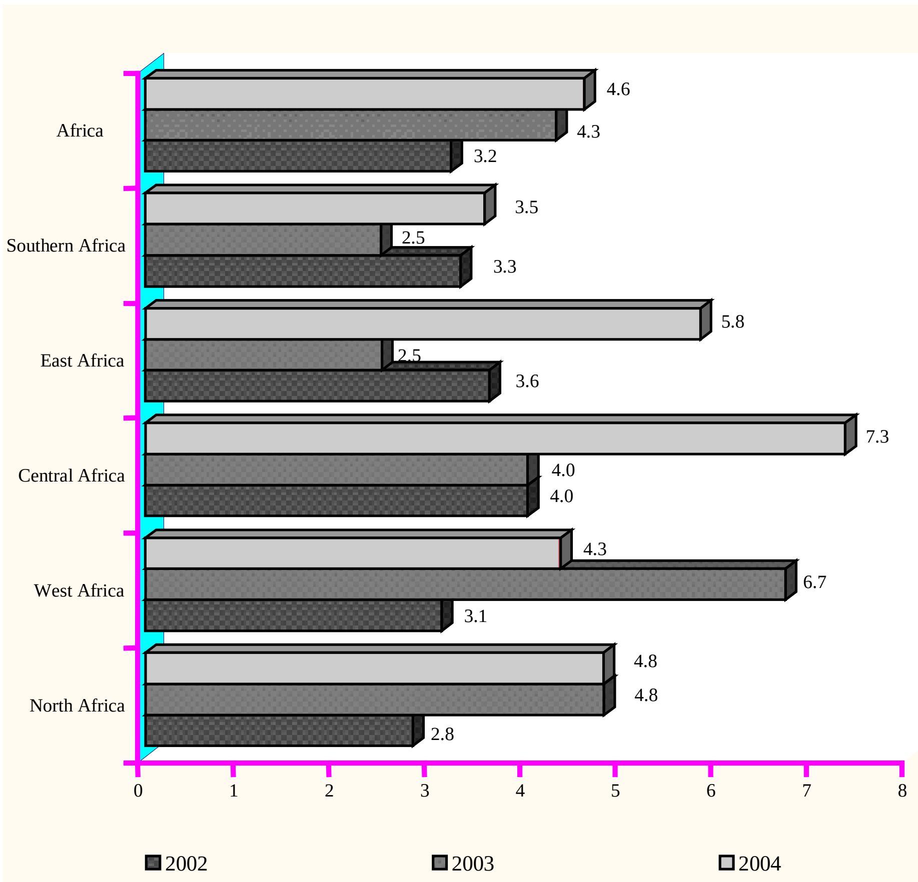
Source: Economic report on Africa 2005 (Economic Commission for Africa).

A. Subregional performance

2. The escalation in economic growth on the African continent between 2003 and 2004 was attributable to an improvement in the performance of sub-Saharan Africa, in contrast with 2002 and 2003 when the increase was centred in North Africa (see figure 1 above).

3. Central Africa experienced the highest growth rate in 2004, followed by East Africa, North Africa, West Africa and Southern Africa (see figure 2 below). Between 2003 and 2004, only West Africa experienced a reduction in its growth rate, from nearly 7 to about 4 per cent.

Figure 2
Real growth in GDP at the subregional level in Africa, 2002-2004
(Percentage)



Source: Economic report on Africa 2005 (Economic Commission for Africa).

4. Contributing to the relatively slow growth rate in West Africa was the decline in real growth in GDP in Nigeria, from 10.2 per cent in 2003 to 4.6 per cent in 2004.[1]

5. Contributing to the weak performance in West Africa was the ongoing political crisis in Côte d'Ivoire, which led to yet another year of slow growth in real GDP (0.9 per cent in 2004). Furthermore, a locust invasion seriously affected the agricultural sectors of Mali, Niger and Senegal, contributing to their relatively low growth rates.

6. On the other hand, growth in six of the 15 West African countries was 5 per cent or higher, with Liberia leading the group with a real growth rate of 15 per cent,

followed by the Gambia (6.6 per cent), Sierra Leone (6.6 per cent), Burkina Faso (5.4 per cent), Cape Verde (5.4 per cent) and Ghana (5.3 per cent).

7. Rising oil prices buoyed growth in North and Central Africa. Meanwhile, East and West Africa benefited from increased agricultural production coupled with rising commodity prices. In Southern Africa, real growth in GDP increased in 2004, mainly as a result of steady growth in South Africa, which benefited from strong global and domestic demand created, in part, by its low interest rate environment.

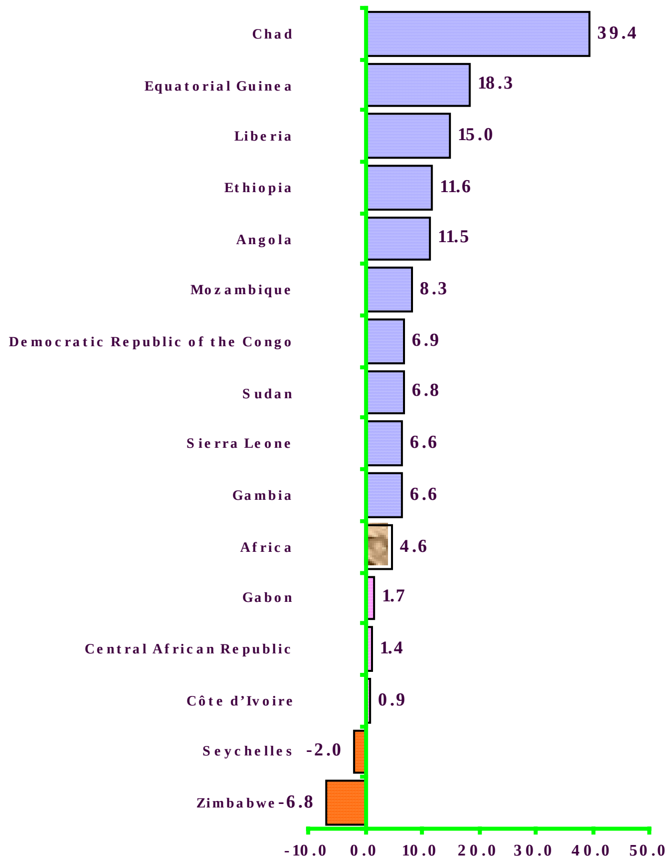
B. Fastest versus slowest growing countries

1. 2004 growth record

8. The fastest growing African countries in 2004 were Chad, Equatorial Guinea, Liberia, Ethiopia, Angola and Mozambique (see figure 3 below). Liberia's strong performance must be placed in context. As a more recent post-conflict economy, Liberia grew from a relatively low base of output. In addition, its growth was buoyed by substantial external aid in support of its rebuilding efforts. Thus, the sustainable nature of the growth may be in question.[2]

9. The slowest growing economies in Africa were Zimbabwe, the Seychelles, Côte d'Ivoire, the Central African Republic and Gabon (see figure 3 below). Performance was hampered by drought and an adverse political environment (Zimbabwe); continuing political turmoil (Côte d'Ivoire); and, despite the discovery of new oil fields and higher oil prices, a decline in oil production owing to limited investments in upgrading existing fields (Gabon).[3]

Figure 3
Top ten and bottom five performers in Africa, 2004
(Percentage)



Source: Economic report on Africa 2005 (Economic Commission for Africa).

2. Half-decadal growth record

10. To measure whether the growth performance for 2004 was representative of medium-term performance, table 1 below presents data on the fastest and slowest growing countries based on real GDP growth rates for the period from 2000 to 2004.

11. Seven of the top 10 performing countries in Africa in 2004 maintained average growth rates of 5 per cent or more during the period from 2000 to 2004 (see table 1 below). Equatorial Guinea and Chad maintained double-digit growth rates, while Mozambique, Angola and the Sudan had growth rates of better than 6 per cent over the same period. Of the top 10 performers in 2004, the only countries that failed to maintain average growth rates of 5 per cent or better were the Democratic Republic of the Congo, Sierra Leone and the Gambia. This outcome reflects the post-conflict situations, in particular in the Democratic Republic of the Congo and Sierra Leone.

12. Interestingly, the slowest growing countries in 2004 also experienced the lowest growth rates during 2000-2004. The countries are Zimbabwe, the Seychelles, Côte d'Ivoire and the Central African Republic.

13. The implication is that the growth performance of the top and bottom performers has been fairly stable over the last half-decade. Overall, 14 African countries have been capable of sustaining their growth at 5 per cent or higher since 1999, a rate that puts them closer to meeting the estimated 7 per cent rate required to achieve Millennium Development Goal number 1, on poverty reduction.[4] The current finding also suggests that more in-depth country-specific studies are required in order to explore the variance of performance across countries.

Table 1
High and low growth African countries: 2000-2004
(Percentage)

High growth countries[a]	*Average growth 2000-2004*	*Low growth countries*[b]	*Average growth 2000-2004*
Equatorial Guinea	26.0	Somalia	1.8
Chad	14.9	Comoros	1.7
Mozambique	9.7	Malawi	1.6
Angola	8.0	Kenya	1.6
Sudan	6.8	Gabon	1.4
Ethiopia	5.6	Guinea-Bissau	1.3
Rwanda	5.5	Central African Republic	1.3
Liberia	5.3	Côte d'Ivoire	0.2
Uganda	5.3	Seychelles	-0.1
Burkina Faso	5.3	Zimbabwe	-7.5
Mauritius	5.2		
Senegal	5.2		
United Republic of Tanzania	5.0		
Botswana	5.0		

Source: Economic report on Africa 2005 (Economic Commission for Africa).
[a] Countries with 5 per cent or more average growth (2000-2004).
[b] Countries with less than 2 per cent average growth (2000-2004).

II. Internal sources of growth, 2004

14. The internal factors explaining the growth record in Africa in 2004 include: continued macro-stability based on prudent fiscal and monetary policy; an improvement in the current account balance owing to rising commodity prices (including cash-crop agriculture); receipts from tourism; and improved political stability in several African countries.

A. Macro-stability

Declining inflation

15. On average, inflation in Africa declined from 10.3 to 8.4 per cent between 2003 and 2004. This favourable trend was due to prudent monetary and fiscal policies, good harvests and relatively stable and, in some cases, appreciating exchange rates. The average trend, however, masks country differences. While inflation declined in 29 African countries, it increased in 20 others. Double-digit inflation was experienced in 12 African countries, and one country (Zimbabwe) registered triple-digit inflation. In contrast, Chad experienced deflation despite rising energy prices.[5]

Fiscal deficits eased

16. Fiscal deficits in Africa declined between 2003 and 2004; 32 countries recorded either surpluses or declines in their fiscal deficit. Of the 32 countries, 13 recorded surpluses while 19 experienced declines. Fiscal surpluses were concentrated in oil-producing countries; 8 of the 13 countries that experienced a fiscal surplus were oil producers.

17. The success of African economies as a whole in improving their fiscal stance in 2004 was attributable to revenues generated from windfall gains in oil prices and prudent fiscal policies. Notwithstanding progress on the fiscal front, challenges remain for several African countries; 10 countries actually experienced deficits in excess of 5 per cent of GDP.[6]

18. Deficits largely resulted from increased expenditure in order to: ensure food security (Malawi), finance public sector salary arrears (Guinea-Bissau), scale up social spending (Mauritius), fund elections (Malawi and Zimbabwe) and finance the reconstruction of war-torn economies (Sierra Leone and Angola).

B. Current accounts improved

19. Roughly one-half of African countries (26 out of 51) experienced an improvement in their current accounts, which moved from a deficit of 0.1 per cent of GDP to a surplus of 0.4 per cent for the continent overall.

20. The favourable performance in current accounts was due to strong growth in oil- and non-oil exports and improved market access facilitated by initiatives such as the Africa Growth and Opportunities Act and the Everything but Arms Act enacted by the United States Government. The combined value of the exports of the 37 countries eligible under the Africa Growth and Opportunities Act to the United States grew by 38.1 per cent in 2004, up from $24.4 billion in 2003. However, the conditions attached to these preferential trading arrangements, in terms of rules of origin and time-bound preferential treatment, are constraints to export growth. Furthermore, the end of the Multi-Fibre Agreement poses a challenge for African textile and garment producers, since it will open up the market to intense competition, in particular from highly competitive countries such as China, Pakistan and India. In effect, the contribution of textile and garment exports to the current accounts of African economies could be compromised as a result of the rollback of the Multi-Fibre Agreement.

21. Overall, exports grew at 23.5 per cent as a result of both volume (8 per cent) and price increases, pointing to the improvement in the terms of trade. Import growth averaged 16.9 per cent, reflecting higher incomes and rising oil and food prices. Import growth in oil-producing countries was also fuelled by increased investments to expand oil-production capacity. Nonetheless, the majority (8 out of 14) of the countries that experienced a surplus in their current accounts were oil-producing countries.

C. Tourism on the rise

22. Tourism is fast becoming an important source of foreign exchange earnings in Africa. Receipts from the tourism sector were $18.6 billion in 2003 (the latest year for which data is available), representing an increase of 19.2 per cent over 2002. Receipts per tourist arrival were estimated at $510 in 2003. While these amount to only about one-half the per capita tourist expenditure in the Americas ($1,029), they nevertheless represent a significant source of income for African economies. Indeed, together with an enabling environment and delightful weather conditions, the low cost of touring Africa may be a positive factor, making Africa a preferred destination for tourists.

III. External sources of growth, 2004

23. Among the external factors explaining African economic growth in 2004 are: increased flows of FDI and ODA,[7] as well as a rise in commodity prices induced by increased global demand. While rising oil prices were key in spurring growth in oil-producing African countries, such trends posed a threat to the growth of non-oil producing African countries.

A. Strong global economic growth

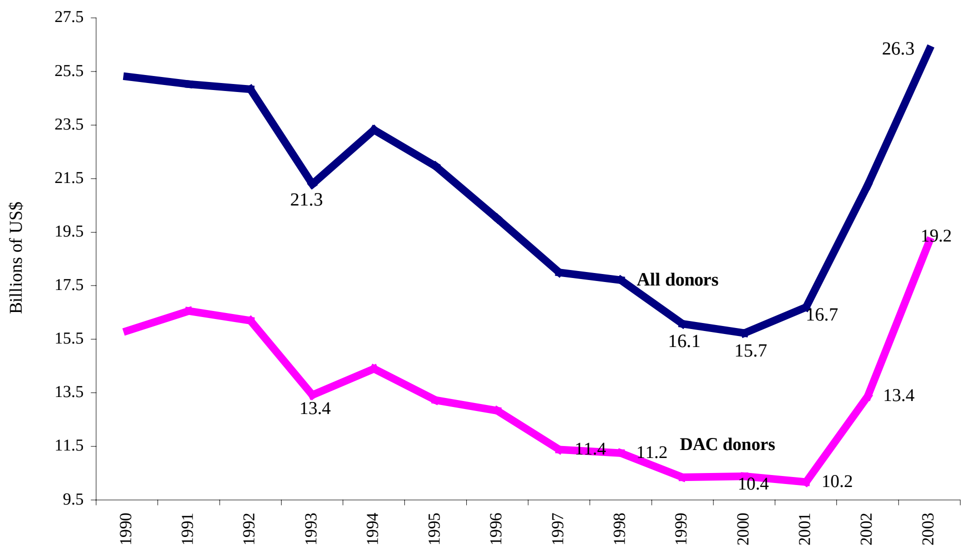
24. The global economy grew at 4 per cent in 2004, the strongest growth rate in two decades. Global growth was widespread, but particularly robust in the United States and China, which experienced growth rates of 4.4 and 9 per cent, respectively. At 1.8 per cent, growth in the European Union was relatively slow, and occurred against the backdrop of an appreciating euro that dampened exports. Given the importance of the European Union as a trading partner with Africa, the relatively slow growth in the European Union may have retarded the overall growth performance of Africa. Nonetheless, the generally strong global growth facilitated growth in developing countries, including African economies, by increasing global commodity demand.

B. Rising commodity prices

25. Africa's growth performance was spurred by rising oil and non-oil commodity prices. The commodity price index, denominated in United States dollars, increased by 26.3 per cent in 2004, induced by increased demand from Asia, particularly China. Changes in the price of oil accounted for the bulk of the commodity price increase, while metals, minerals and fertilizers contributed significantly to the rise

in non-energy commodity prices. In contrast, the price of cocoa, coffee, cotton and groundnut oil declined between 2003 and 2004 owing to an excess in supply on the world market.

Figure 4
Net flows of Official Development Assistance to Africa, 1990-2003
(Billions of United States dollars)



Source: Economic report on Africa 2005 (Economic Commission for Africa).

C. Official Development Assistance on the rise

26. Official Development Assistance (ODA) to Africa recovered from a low of $15.7 billion in 2000 to a new high of $26.3 billion in 2003 (see figure 4 above). The recovery in ODA flows was largely driven by debt relief, provided through the Heavily Indebted Poor Country Initiative (HIPC) and emergency assistance.

27. The Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) accounts not only for the bulk of ODA as a whole, but also a significant share of ODA to Africa in particular. In 2003, member countries of the Committee provided about 73 per cent ($19.2 billion) of total ODA and more than 41 per cent of all ODA flows to Africa. As per their per capita gross national income, Denmark (0.94), Norway (0.87), the Netherlands (0.81), Sweden (0.80) and Luxembourg (0.78) led the way in donations during the period from 2001 to 2003.

28. In absolute terms, the biggest beneficiaries of assistance from the Development Assistance Committee during this period were Egypt ($1.17 billion), Mozambique ($0.96 billion), the United Republic of Tanzania ($0.91 billion), the Democratic Republic of the Congo ($0.63 billion), and Ethiopia ($0.57 billion). It is noteworthy that most of these economies have been undergoing continuous economic reforms.

D. Foreign Direct Investment flows are up

29. Africa has been recording increased flows of FDI despite recent declines in such investment globally. FDI flows to Africa increased from $12 billion in 2002 to $15 billion in 2003 and were projected to rise to $20 billion in 2004.

30. FDI flows to Africa tend to be concentrated regionally (North Africa) and sectorally (in the extractive industries). Two thirds of all flows to Africa went to North Africa, where investments favoured oil-rich countries, including the Libyan Arab Jamahiriya, the Sudan and investor-friendly Morocco. In Sub-Saharan Africa, the preferred recipients of FDI were: Angola, Nigeria, Equatorial Guinea and South Africa.

31. FDI flows to the service sector at large and to the electricity and wholesale and retail sub-sectors in particular have been on the rise in recent years, challenging the dominance of the extractive industry. In particular, increased FDI flows to the service sector have been influenced by privatization and liberalization of the sector (for example telecommunications, electricity and water) and technological innovations that have increased the range of tradable services.

IV. Areas of concern

32. Notwithstanding the favourable growth performance in 2004, savings and investment remain low. Meanwhile, the depreciation of the United States dollar has contributed to the appreciation of the currencies of several African countries and threatens to undermine their international competitiveness. Furthermore, the global growth rate is expected to decline to 3.2 per cent in 2005 owing to rising crude oil prices, tighter fiscal and monetary policies in the United States in order to address the deterioration of its budget and current account deficits and a cooling of the Chinese economy. A slowdown in global growth may have adverse implications for African countries.

A. Risk of currency appreciation

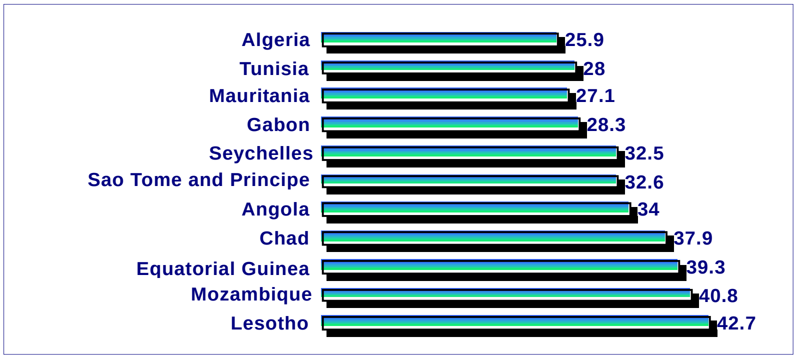
33. As a result of continued weakening of the United States dollar, 30 African countries experienced appreciation of their currencies against the dollar in 2004. The Liberian dollar showed the sharpest appreciation of all African currencies owing to increased donor inflows, capital investment and remittances inflow and the decline in capital flight as the country emerged from conflict.

34. Higher gold and platinum prices, the weak United States dollar and relatively low real interest rates were the main factors behind the strong performance of the South African rand in 2004. The currencies of three Southern African countries (the Namibian dollar, the loti of Lesotho and the lilangeni of Swaziland), pegged at the same level to the rand, also experienced rapid appreciation. The CFA franc, pegged to the euro, also gained strength against the United States dollar in 2004.

B. Weak domestic investment

35. Investment in Africa is generally low. It barely exceeded 20 per cent of GDP during 2000-2002.[8] Only 11 out of the 50 countries for which data are available experienced high investment rates, that is, in excess of 25 per cent during 2000-2002, with a majority of these countries being oil-producing (see figure 5 below).

Figure 5
Investment to GDP ratios in Africa in 2000-02
(Percentage)

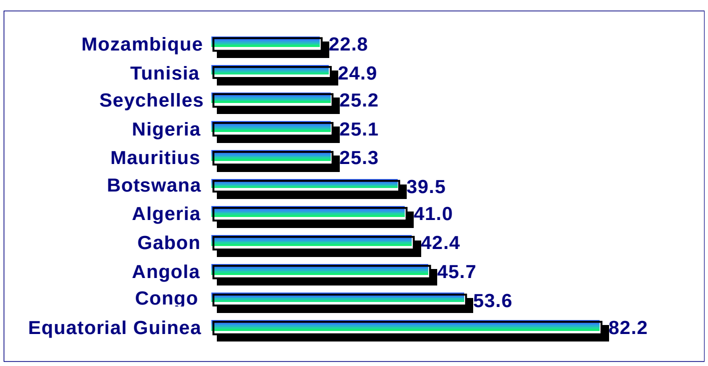


Source: Economic report on Africa 2005 (Economic Commission for Africa).

C. Low domestic savings

36. The low level of investment in Africa is partly due to the low savings rate in the region. On average, Africa had a savings rate of 21.1 per cent of GDP during 2000-2002. Only 11 of the 50 countries[9] registered savings rates above the average for the region, suggesting that even the average rate is dominated by the performance of a few countries (see figure 6 below).[10] The low level of domestic savings deepens the dependence of African countries on external aid and renders them vulnerable to the volatilities of FDI and ODA flows.

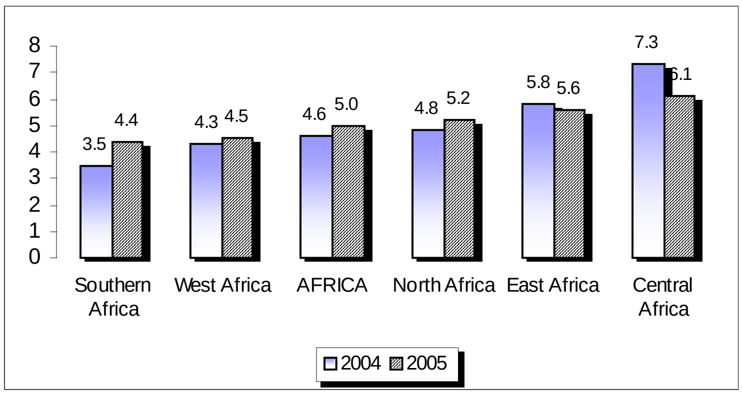
Figure 6
Savings to GDP ratios in Africa in 2000-02
(Percentage)



V. Prospects for growth in 2005

37. African economic growth is projected at 5 per cent in 2005, up from 4.6 per cent in 2004 (see figure 7 below). Growth is expected to be driven by the upturn in the growth prospects of 32 African countries (including the largest five economies,[11] except Nigeria). Growth will be underpinned by continued macroeconomic stability; rising African exports in the context of strong, albeit slower, global growth; continued improvement in agricultural output, assuming continued good weather conditions; and vibrant growth in the tourism and mining sub-sectors.

Figure 7
Projected real GDP growth at subregional level in 2005
(Percentage)



Source: Economic report on Africa 2005 (Economic Commission for Africa).

38. Central Africa and Eastern Africa are expected to lead the growth process in 2005, while Southern Africa and West Africa are projected to grow at the slowest rate (see figure 7 above). Growth in Central and Eastern Africa is, however, projected to be lower in 2005 than in 2004.

39. Growth in Central Africa is expected to decline owing to a projected sharp drop in Chad’s growth from 39.4 per cent in 2004 to only 13 per cent in 2005. This is due to the winding down of construction activities on the Chad-Cameroon oil pipeline. Cameroon’s growth is expected to remain unchanged while a further decline in oil production in Gabon is anticipated to slow the economy’s growth to 0.8 per cent in 2005. On the other hand, robust expansion in the non-energy sectors is expected to strengthen the growth outlook in the Congo and Sao Tome and Principe.

40. Despite an anticipated decline from its 2004 growth level, East Africa’s growth is expected to remain firm in 2005 owing to increased donor support across the subregion, good harvests (Burundi, Ethiopia, Kenya, Madagascar, United Republic of Tanzania and Uganda); strong growth in tourism (Kenya, Seychelles and United Republic of Tanzania); increased FDI flows (Madagascar and Uganda); good macroeconomic management (Uganda, Democratic Republic of the Congo and United Republic of Tanzania); and improved political stability (Burundi and Comoros).

41. Growth in North Africa is anticipated to rise in 2005 as a result of increased agricultural growth and continued gains from oil. Other factors include tax cuts in Egypt, which are expected to boost private consumption and investment; strong tourism growth in Morocco and Tunisia; more foreign investment inflows to the oil-sectors of the Libyan Arab Jamahiriya, Mauritania and the Sudan (if peace is secured); and strong growth in services in Tunisia and Mauritania. Aided by the expanded capacity in the oil sector and an improvement in the political situation, the Sudan is expected to expand at the fastest rate, 8 per cent, in 2005, followed by Algeria (6.6 per cent), Mauritania (5.4 per cent) and Tunisia (5.1 per cent).

42. West Africa is projected to improve slightly on its growth performance in 2004. Eight of the 15 countries (Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali and Senegal) are expected to improve on their 2004 growth performance. Liberia is again projected to lead the subregion with a growth rate of 15 per cent. The main factors behind the expected rise in the growth in West Africa are: anticipated agricultural growth (Benin, the Gambia, Guinea, Mali, Senegal, Sierra Leone and Togo); increased donor support (Guinea-Bissau, Liberia and Sierra Leone); mining expansion (Burkina Faso, Guinea, Ghana, Mali, Sierra Leone); foreign investment inflows (Cape Verde and Liberia); and growth in tourism (Cape Verde and the Gambia).

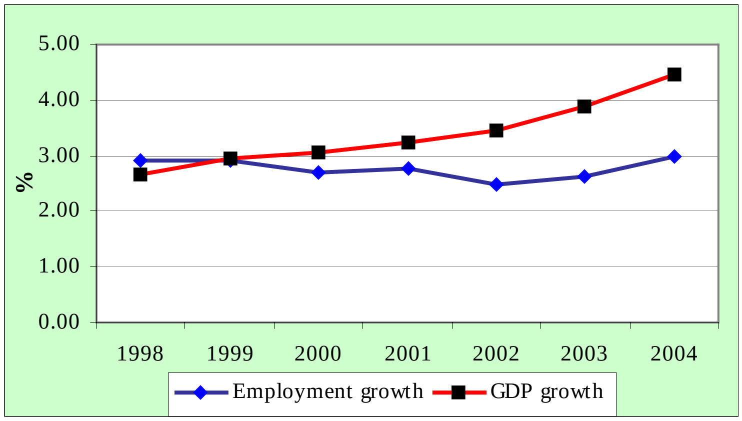
43. Southern Africa is projected to expand at a much faster rate of 4.4 per cent in 2005 compared to its growth rate of 3.3 per cent in 2004. Growth in South Africa is expected to increase from 2.8 percent in 2004 to 3.4 per cent in 2005 because of the anticipated strong global demand for its products, growth in tourism, an increase in FDI inflows, expansion in domestic demand in response to new tax-relief measures and a low interest rate environment. Developments in the oil sector will continue to influence Angola's economic activity in 2005. Furthermore, growth in services in Botswana, Mauritius and Namibia, an increase in mining sector activities in Botswana, Mozambique, Namibia and Zambia, expansion of the agricultural sector in Mauritius, Mozambique and Zambia, development in tourism in Mauritius and Zambia and donor support in Zambia will be the main factors that contribute to the expansion of the subregion's growth in 2005. Economic growth in Zimbabwe, however, is projected to contract in 2005 (albeit at a lower rate than in 2004) owing to the continuing unfavourable political climate and the weak performance of both the agricultural and manufacturing sectors.

VI. Growth, employment and poverty

44. Given the significance of employment as a source of income for the poor, increasing employment opportunities must be considered a critical element of poverty reduction initiatives. Furthermore, sustained economic growth represents the route for creating "decent" jobs with above-poverty wages.

45. Unfortunately, while real GDP growth in Sub-Saharan Africa has been on an upward trend since 1998, employment growth has remained flat (see figure 8 below). These trends suggest, that real GDP growth in Sub-Saharan Africa has not been sufficiently employment-intensive.

Figure 8
Real growth in GDP and employment growth in Sub-Saharan Africa
(Percentage)

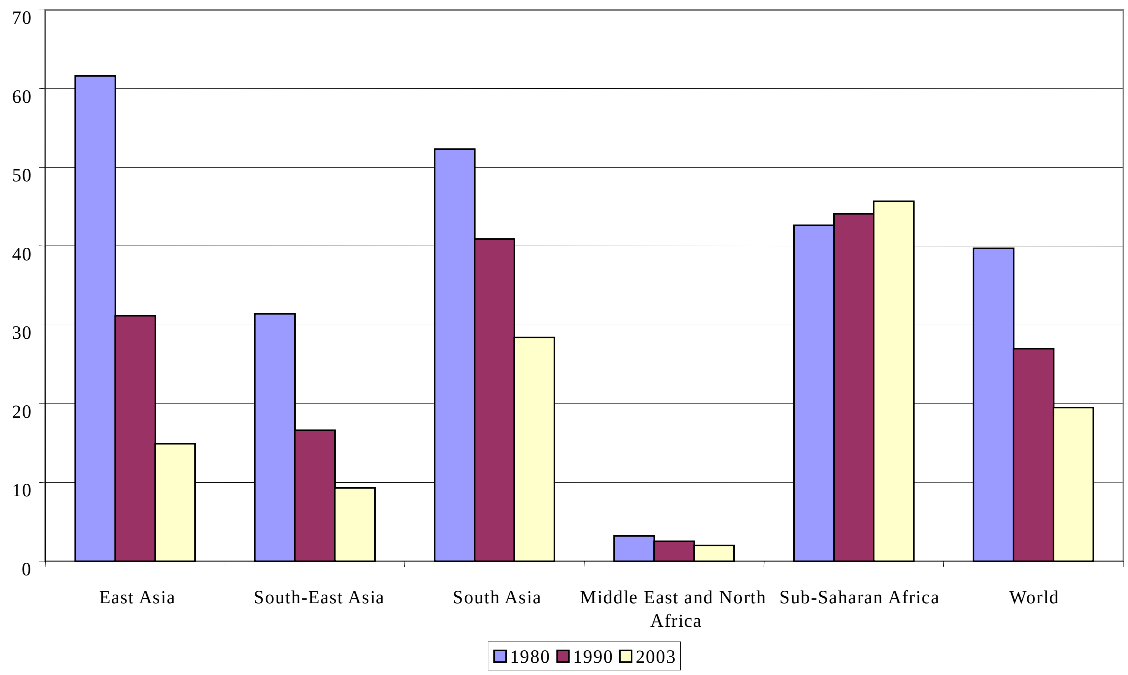


Source: Economic report on Africa 2005 (Economic Commission for Africa).

A. Poverty trends

46. In 2003, Sub-Saharan Africa had the highest poverty rate, while North Africa and the Middle East experienced the lowest rate (see figure 9 below). Moreover, the poverty rate decreased substantially between 1980 and 2003 in all regions, with the exception of Sub-Saharan Africa, where the rate actually increased slightly.[12] In addition, Sub-Saharan Africa was the only region where the proportion of the "working poor" increased during 1980-2003 (see table 2 below). This finding is likely explained by the fact that GDP growth in Sub-Saharan Africa during this period was barely enough to absorb population growth.[13]

Figure 9
Poverty rate in selected regions measured in terms of people living on 1 United States dollar per day



Source: Economic report on Africa 2005 (Economic Commission for Africa).

Table 2
Working poverty shares in total employment, selected regions
(United States dollars)

	$1-a-day poverty			*$2-a-day poverty*		
	1980	*1990*	*2003*	*1980*	*1990*	*2003*
East Asia	71.1	35.9	17.0	92.0	79.1	49.2
South-East Asia	37.6	19.9	11.3	73.4	69.1	58.8
South Asia	64.7	53.0	38.1	95.5	93.1	87.5
Middle East and North Africa	5.0	3.9	2.9	40.3	33.9	30.4
Sub-Saharan Africa	53.4	55.8	55.8	85.5	89.1	89.0
World	40.3	27.5	19.7	59.8	57.2	49.7

Source: Economic report on Africa 2005 (Economic Commission for Africa).

VII. Progress towards the Millennium Development Goals

47. The unsatisfactory performance of Sub-Saharan Africa in creating jobs and reducing poverty raises concerns about the subregion's progress in meeting the

overall targets of the Millennium Development Goals,[14] practically all of which relate to social conditions. The overall performance of the countries of the region during the period from 1990 to 2000, with respect to achieving the Millennium Development Goals has been disappointing (see table 3 below).[15] Performance on halving poverty, reducing maternal mortality and increasing the primary education completion rate was particularly weak, although there appears to have been significant progress on meeting gender-equality education targets, as well as on providing access to improved water supply.

Table 3
Progress towards meeting the Millennium Development Goals in Sub-Saharan Africa

Millennium Development Goal	*1990*	*2000*	*2015 (Target)*
No. 1: People living on less than $1 (purchasing power parity (PPP)) a day (per cent of population)	45	46	22
No. 2: Primary education completion rate (per cent of relevant age group)	57	55	100
No. 3 (a): Promoting gender equality: primary education	0.82	0.87	1
No. 3 (b): Promoting gender equality: secondary education	0.75	0.82	1
No. 4: Under five mortality rate (per 1,000 births)	187	174	62
No. 5: Maternal mortality rate (per 100,000 live births)	920[a]	917	230[a]
No. 6: Combating HIV/AIDS, malaria and other diseases:	—	—	—
HIV/AIDS — In 2001 youth prevalence was 13 per cent for men and 6 per cent for women.			
Malaria — Only 7 out of 27 countries in Sub-Saharan Africa with above-5 per cent incidence use bed nets for prevention.			
Tuberculosis — Prevalence of 350 per 100,000 in Sub-Saharan Africa in 2001.			
No. 7 (a): Access to improved water source (per cent of population)	54[a]	58	77
No. 7 (b): Access to improved sanitation services (per cent of population)	55[a]	54	77
No. 8 (a): ODA flows (per cent of donors' gross national income)	On the decrease	Increase to 0.3 per cent[b] in 2003	0.7 per cent as agreed in Monterrey
No. 8 (b): Debt sustainability	N/A	Currently (2004) 12 African countries have reached completion point	—

Source: www.developmentgoals.org; [a]United Nations database and [b]Development Assistance Committee of the Organization for Economic Cooperation and Development.

48. The apparently dismal performance at the regional level masks subregional and country-level differences. North Africa, for example, is singled out as a subregion making remarkable progress towards achieving the Millennium Development Goals (see table 4 below). It is also noteworthy that several countries are projected to achieve all of the goals. Nonetheless, the majority still lag behind, and special efforts will be required to ensure that they can achieve the Goals.

Table 4
Achieving the Millennium Development Goals in Africa: country and subregional performance

Goals	*Countries that are likely to achieve the targets*
Goal 1 **Eradicate extreme poverty and hunger**	**Poverty**: Burkina Faso, Lesotho, Botswana, Cameroon, South Africa, Mauritius, Uganda, Ghana and North African countries. **Child malnutrition**: Botswana, Chad, Gambia, Mauritania, Egypt, the Sudan and Tunisia. **Overall undernourishment**: Ghana, Malawi and Angola and North African countries
Goal 2 **Achieve universal primary education**	**Both net enrolment and completion rate**: Algeria, Egypt, Tunisia, Botswana, Cape Verde, Seychelles, Togo, Zimbabwe, Mauritius, Namibia, South Africa, Gabon, Rwanda and Sao Tome and Principe
Goal 3 **Promote gender equality**	**Primary level education**: Botswana, Lesotho, Mauritius, Namibia, Rwanda, Swaziland, and Zimbabwe. **Secondary level:** Algeria, Libyan Arab Jamahiriya, Tunisia, Botswana, Lesotho, Namibia, and Rwanda
Goal 4 **Reduce child mortality**	Mauritius, Seychelles, Cape Verde and North African countries.
Goal 5 **Improve maternal mortality**	North African countries, Botswana, Cape Verde, Gambia and Mauritius
Goal 6 **Combat HIV/AIDS, malaria and other diseases**	**HIV/AIDS**: Botswana, Zimbabwe and Uganda. **Malaria**: Gambia, Guinea-Bissau, Comoros, Benin, and Rwanda, Central Africa, Cameroon and Kenya. **Tuberculosis:** South Africa, Swaziland, Zambia, Angola, Gabon, Gambia and Madagascar and North African countries in all the three cases (HIV/AIDS, malaria, and tuberculosis)
Goal 7 **Ensure environmental sustainability**	**Sustainable development (forest area**): North African countries, Swaziland, the Gambia and Cape Verde. **Access to safe drinking water (rural**): Egypt, Mauritius, Algeria, Botswana, Burundi, Malawi, South Africa, United Republic of Tanzania, Ghana, Gambia and Namibia. **Access to sanitation (urban)**: Libyan Arab Jamahiriya, Morocco, Egypt, Tunisia, Algeria, Ghana, and Mauritius.

Source: Economic Commission for Africa, Progress and Prospects of Achieving the Millennium Development Goals in Africa, 2005.

VIII. Conclusion and policy recommendations

49. The country-level performance of African countries towards achieving the Millennium Development Goals is cause for unrelenting concern but not for despair. Africa's favourable real GDP performance in recent years is a welcome development, especially when placed in the context of historically low levels of growth.

50. Sustainable growth in Africa will, however, require policy interventions at the economic, social, and political levels. At the economic level, priority must be given to:

(a) Minimizing dependency on the vagaries of the climate, through agricultural transformation;

(b) Reducing exposure to commodity price shocks via export diversification;

(c) Consolidating macroeconomic stability through prudent fiscal and monetary policies underpinned by effective expenditure tracking systems and an efficient public sector;

(d) Mobilizing domestic savings to finance investments, including through macroeconomic stability and measures to deepen financial and capital markets;

(e) Maximizing job creation by minimizing constraints to private sector investments and growth (for example, complementary public investments in roads and utilities and minimization of red-tape); and by implementing employment policies that reduce gender disparities with regard to access to economic opportunities;

(f) Minimizing the unpredictability of ODA flows by negotiating greater donor coordination and commitment to streamlining aid delivery modalities and, where relevant, ensuring greater effort on the part of African countries to fulfil mutually agreed benchmarks with donors;

(g) Accelerating efforts of regional cooperation to effectively harness global forces for development.

51. Interventions in the social sector must be guided by the goal of improving the health and human capital of the citizenry. This can be achieved by:

(a) Maximizing physical and financial access to health systems by the poor, through cost-effective investments in social services, including the design of financially sustainable social safety nets;

(b) Addressing the adverse effects of major diseases such as malaria and especially, halting the spread of HIV/AIDS as well as addressing the needs of people living with HIV/AIDS;

(c) Investing in education and ensuring that human capital (acquired either through formal education or skills training) is relevant to the workplace and putting in place effective policies to retain human capital and reverse the brain drain;

(d) Addressing reproductive health issues in order to reduce maternal mortality.

52. At the political level, the overriding objectives should be:

(a) Securing peace and security through the development of credible democratic processes and institutions, including the respect for the rule of law and the rights and liberties of the citizenry; providing for the rule of the majority while respecting the rights of minorities;

(b) Making special provisions for the least developed countries and post-conflict economies;

(c) Optimizing global partnerships to level the playing field in the trade arena; as well as developing and maintaining the capacity for infrastructure development and effective management.

Notes

[1] Nigeria, which constitutes the lion's share of the West African economy, requires special attention. The steep decline in the growth of its GDP between 2003 and 2004 must be placed in context, since it represents a return to a growth trend that had been interrupted by a decline in oil production in 2002, caused by civil protest in the oil rich Niger Delta. The growth of Nigeria's GDP in the oil sector plummeted from 1.4 to negative 11.6 per cent between 2001 and 2002 (IMF country report, 2005). Hence, the 10.2 per cent growth rate in 2003 reflects a rise from an unusually low base in 2002.

[2] The high growth of Chad, Equatorial Guinea and Angola also benefited from higher oil prices, while the construction of the Chad-Cameroon oil pipeline added considerably to the astronomically high growth rate in Chad. This pipeline should also help to continue fuelling Chad's growth in the future by facilitating its sale of oil in international markets.

[3] Oil production during the first half of 2004 was 2 per cent below the level achieved in 2003. Gabon is currently undertaking investments to upgrade existing oil fields in order to capitalize on favourable oil prices (IMF country report No. 05/3).

[4] Fortunately, with a more equitable distribution of income than the current average for sub-Saharan Africa, countries would be able to achieve Millennium Development Goal No. 1 with less growth than the estimated 7 per cent, since poverty reduction would be more responsive to growth (Fosu, A. K. "Inequality and the Growth-Poverty Nexus: Evidence from sub-Saharan Africa," a paper presented at the conference of the Centre for the Study of African Economies on "Understanding Poverty and Growth in sub-Saharan Africa", University of Oxford, March 2002).

[5] The deflation resulted from: increased food supply from carry-overs from the previous year and a weak domestic demand due in part to a contraction in Government spending. Government spending contracted as a result of a shortfall in non-oil revenue and late receipt of oil receipts due to delays in the finalization of the institutional arrangements for the management of oil revenues.

[6] Sao Tome and Principe (17.2 per cent), Guinea-Bissau (14.7 per cent), Malawi (12.7 per cent), Zimbabwe (9.7 per cent), Egypt (7.5 per cent), Swaziland (6.6 per cent), Morocco (5.9 per cent), Sierra Leone (5.9 per cent), Mauritius (5.5 per cent) and Angola (5.4 per cent).

[7] Based on the most recently available ODA data (2003).

[8] This is the most recent period for which reliable data is available.

[9] These are countries for which data is currently available.

[10] It should be noted, however, that while high investment rates (i.e., at least 25 per cent of GDP) are critical for growth, they are not sufficient. For instance, despite the high investment rates in Algeria, Gabon and the Seychelles during 2000-2002, the average growth rates in these countries were less than 5 per cent over the same period. This underscores the need to examine country-specific factors underpinning productivity.

[11] South Africa, Nigeria, Egypt, Algeria and Morocco.

[12] The poverty rate in North Africa and the Middle East was already low in 1980, but still decreased slightly between 1980 and 2003.

[13] The per capita growth of GDP actually averaged negative 0.2 per cent during 1980-2003, compared, for example, with an average of 2 per cent for North Africa.

[14] North Africa as a whole is on target toward meeting practically all of the Millennium Development Goals (see table 4 below).

[15] The most recent year for which reliable data is available is 2000.