Progress and Constraints to Achieving the MDGs in Africa

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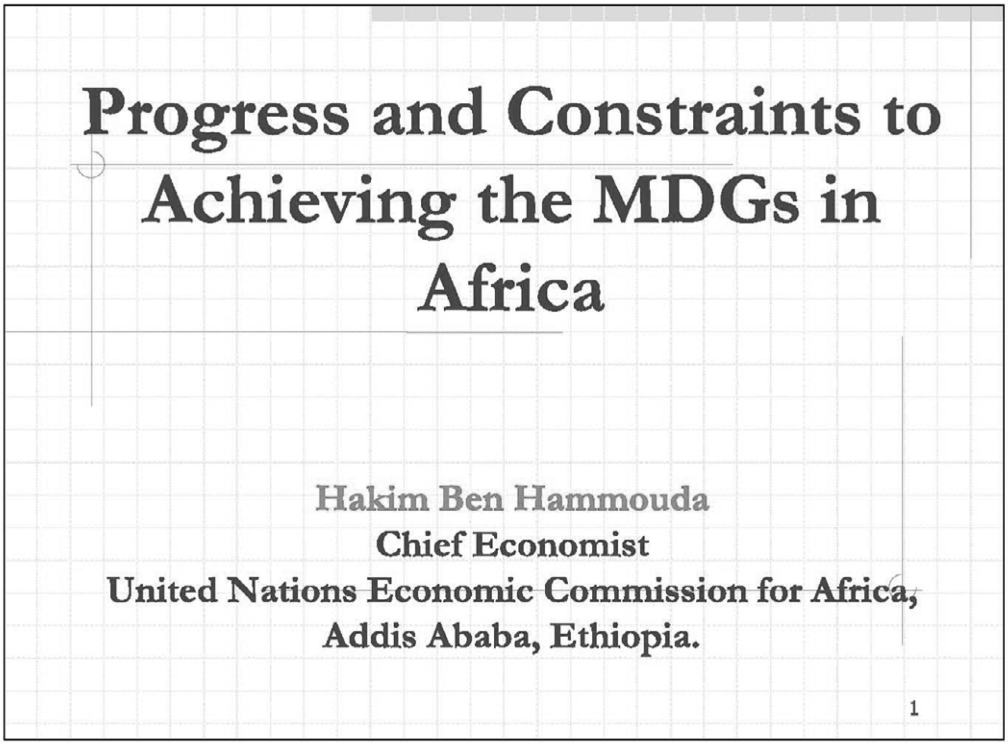

Structure of presentation

- Recent performance of African economies - growth remains volatile and low relative to the level needed to achieve the MDGs
- Progress towards achieving the MDGs
- Constraints to growth acceleration in Africa
  - Internal constraints
  - External constraints
- Strategies to overcome constraints to growth and speed up progress toward the MDGs

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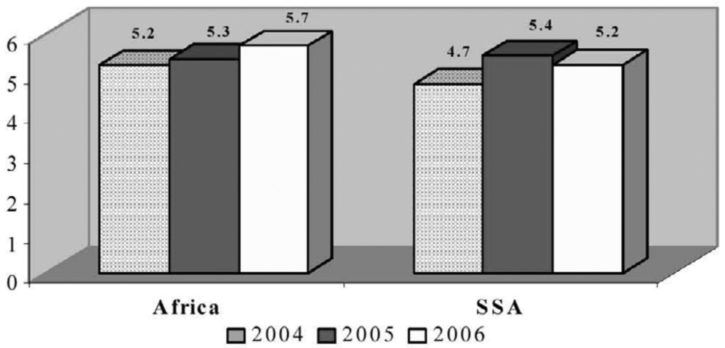
Overall Strong Performance in Africa in 2006 and the previous few years

Figure 1: Africa sustains improved overall economic performance (5.7%), up from 5.3% in 2005 and 5.2% in 2004



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Factors explaining recent economic performance in Africa

1) Global economy: Strong global demand for key African export commodities, resulting in high export prices, especially for crude oil, metals and minerals.

2) Improvement in macroeconomic management in many countries
- Improved domestic balances, but pressure from oil prices threatens price stability
- Overall external balances remain stable
- Sustainability of both internal and external balances is a major challenge for oil importers and landlocked countries

3) Debt relief and external capital flows, especially ODA and FDI

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Factors explaining recent economic performance in Africa (cont'd)

4) Strong performance in key sectors:
- Agriculture remains the main driver of growth in many countries; increased value added through agriculture-related activities such as horticulture (e.g. Kenya and Ethiopia)
- Tourism is an important source of foreign exchange earnings in many countries (South Africa, Egypt and Morocco)
- Industry is still resource-based
- The service sector is large, growing, but remains fragile.

5. Increased political stability (decline in conflicts) in some countries contributed to growth.

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Figure 2: Oil economies sustain high growth rates in 2006 (6.1%) as in 2005, while non-oil economies increased growth from 4.6% in 2005 to 5.2% in 2006.

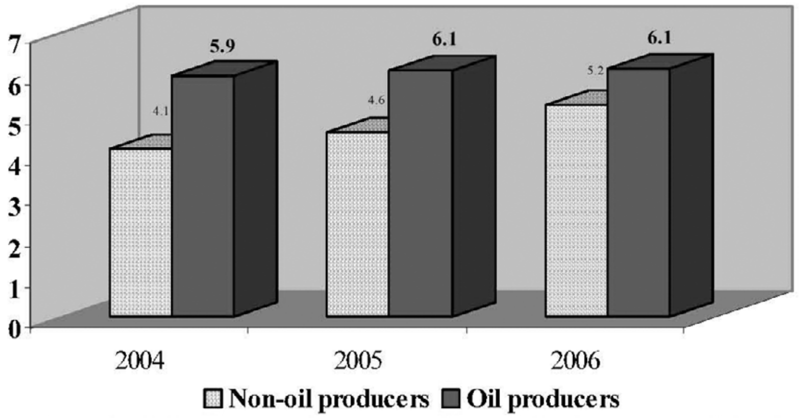

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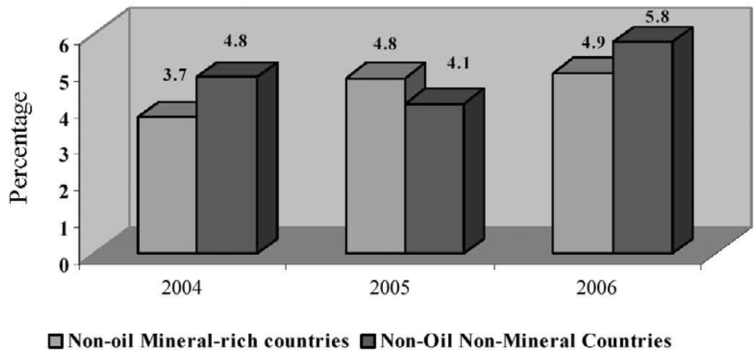
Figure 3: Non-oil non-mineral-rich countries grew even faster than mineral-rich non-oil countries thanks to debt relief, aid flows, and improved macroeconomic management, among other factors



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Despite improvement, Africa's growth is insufficient to meet its development goals

Table 1: Summary of growth performance over 1998-2006

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

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Slow progress towards the MDGs especially in SSA

- Poverty rate remained virtually unchanged in SSA since 1990 (44.6% in 1990 and 44% in 2004)
- Primary enrollment and literacy rates rose from 53% and 67.4% to 64% and 73.1% in SSA and 81% and 66% to 94% and 84%, respectively.
- Gender equality improved: the gender parity ratio increased from 0.8 to 0.88 for SSA and from 0.73 to 0.91 for NA.
- Child and maternal mortality remain high
- HIV/AIDS and other pandemics remain a major challenge for Africa, calling for more budgetary allocations for prevention and treatment
- More needs to be done for Africa to improve access to sanitation and safe water and to ensure environmental sustainability.

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Table 2: Good progress toward the MDGs in NA, but disappointing progress in SSA

-	1990	2004	2015 target
MDG1: Eradicate extreme poverty and hunger Indicator 1: People living on less than 1$ (PPP) a day (% of population), SSA	44.6	44*	22
North Africa	2.2	2.4*	1.1
MDG2: Achieve primary education Indicator 1: Primary Enrolment rate, SSA	53.0	64.2	100
North Africa	80.6	94.0	-
Indicator 2: Literacy rates 15-24 year olds (% of relevant age group), SSA	67.4	73.1	100
North Africa	66.3	84.3	100
MDG3: Promote gender equality and empower women Indicator 1: Ratio of literate women to men of 15-24 age group, SSA	0.80	0.88	1
North Africa	0.73	0.91	1
MDG 4: Reduce child mortality Indicator 1: Under 5 mortality (per 1,000 births), SSA	185	168	62
North Africa	88	37	29

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Table 2 cont'd

-	1990	2004	2015 target
MDG5: Reduce Maternal Mortality Indicator 2: Proportion of deliveries attended by skilled health workers, SSA	42	46	100
North Africa	40	71	100
MDG 6: Combat Malaria, Tuberculosis, HIV-Aids Indicator 1: HIV/AIDS prevalence, SSA	2.7	5.8**	-
North Africa	<0.1	0.1**	-
MDG7: Ensure environmental sustainability Indicator 1: Proportion of land area covered by forest, SSA	29.2	26.5	-
North Africa	1.3	1.5	-
Indicator 2: Access to improved sanitation (% of population), SSA	32	37	66
North Africa	65	77	83
MDG8: Develop a Global Partnership for development Indicator 1: Share of ODA flows (% of donor GNI)	0.33	0.2	0.7

Notes: * Data for 2002, ** Data for 2005

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Constraints to growth acceleration in Africa

Internal constraints:

- Lack of economic diversification
- Poor infrastructure and inadequate spending on public services
- Low domestic resource mobilization
- Human capacity constraints
- Inefficient policy framework (inadequate policy targeting)
- Political instability in some countries

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External constraints:

- Lack of market access for African exports
- Aid levels still insufficient and limited efficiency in the use of aid
- Debt cancellation not enough and external debt burden seriously constrains development financing
- Weather shocks and developments in the global economy cause fluctuations in commodity demand and prices, resulting in instability of export revenue.

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Policy recommendations

Africa needs to increase and sustain growth to accelerate social development through:

1. *Diversification away from resource sectors and promoting international compositeness*
2. *Improved macroeconomic management and business climate*
3. *Increased domestic investment which requires mobilization of internal and external resources including grants, FDI and debt relief*

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Policy recommendations contd.

4. *Improved infrastructure (especially transport and energy supply) and human capital base*
5. *Adoption of a more innovative approach to growth and pro-poor policies*
6. *Fighting HIV/AIDS and other pandemics*

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