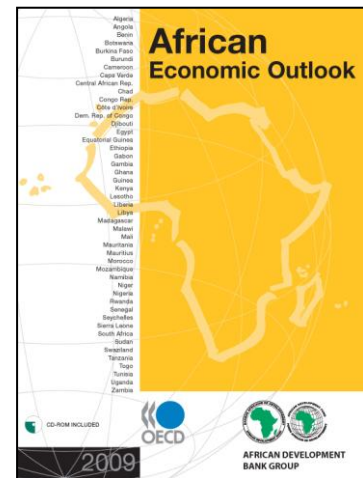


African Economic Outlook 2009

Summary in English



2009 African Economic Outlook in 60 Seconds

Introduction

After half a decade of strong growth, the global economic downturn is threatening Africa's economic, political and social outlook. Using a cross-country, macro-economic framework, the 2009 African Economic Outlook provides the basis for an in-depth understanding of the nature of African economies during the crisis and beyond. This edition also gives special attention to innovative uses of information and communication technologies in Africa as drivers of economic growth.

How is the crisis affecting Africa?

Initial effects of the crisis will be felt through trade due to a fall in commodity prices (mineral and non-mineral) and plummeting demand from developed countries. In fact, in many of the new export industries in Sub-Saharan Africa are at risk of collapsing. Workers' remittances, trade finance and FDI are also expected to dry up, posing grave risks to balance of payment sustainability. Nonetheless, the reorientation of trade towards emerging markets, prudent macroeconomic reforms and debt relief have Africa better placed to weather the crisis.

What can African governments do to mitigate the damage?

Governments should promote domestic growth through greater domestic investment and consumption. One strategy is to adopt sustainable fiscal policies that increase government revenue and create an attractive environment for investment. Another is to eliminate bottlenecks for the domestic private sector. Here, Information and Communication Technologies (ICTs) can play a powerful role by overcoming traditional infrastructure constraints and reducing business costs.

What changes might we expect to the social and political landscape?

There is a serious risk that growing economic troubles can lead to socio-political crisis, especially in fragile states, as the 2007 “food riots” demonstrated. There is evidence, however, that some governments are opting to maintain law and order without shifting to authoritarianism. The challenge will be to continue against a background of dwindling public resources and uncertain donor support. Palliative solutions may come from improved governance and transparency through regular electoral consultations and reforms in public administration.

How can African governments best position themselves for an eventual recovery?

During the crisis, governments should preserve gains obtained in the recent past by pursuing structural reforms, infrastructure development and poverty reduction. They will have to balance these efforts with the preservation of macroeconomic fundamentals (public expenditure streamlining, real exchange rate depreciation to reinstate competitiveness, and inflation control). Donor countries must scale-up ODA commitments and use aid counter-cyclically and effectively.

Did You Know

- Africa was the first region in the world to offer free, mobile roaming services across several countries.
- The rate of return on FDI is higher in Africa than anywhere else in the developing world.
- In more than half of African countries, tax revenue represents less than 20% of GDP as compared to 36% in OECD countries.

© OECD 2009

Reproduction of this summary is allowed provided the OECD copyright and the title of the original publication are mentioned.

Multilingual summaries are translated excerpts of OECD publications originally published in English and in French.

They are available free of charge on the OECD Online Bookshop www.oecd.org/bookshop/

For more information, contact the OECD Rights and Translation unit, Public Affairs and Communications Directorate at: rights@oecd.org or by fax: +33 (0)1 45 24 99 30

OECD Rights and Translation unit (PAC)
2 rue André-Pascal, 75116
Paris, France

Visit our website www.oecd.org/rights/

