Overview: Harnessing Africa's development dynamics to realise Agenda 2063

Africa's Development Dynamics 2018 examines policies to foster inclusive growth, create jobs and reduce inequalities. These policies, in turn, aim to achieve Agenda 2063's aspirations of "a prosperous Africa based on inclusive growth and sustainable development" and meet the objectives of its First Ten Year Implementation Plan 2013-2023. The dynamics of growth, jobs and inequalities also depend on Africa's integration into the global economy and on megatrends affecting the continent. The five regional chapters of the report demonstrate important differences in the dynamics of growth, jobs and inequalities between Southern, Central, East, North and West Africa, and propose specific policies for each region. The report provides African decision makers with an up-to-date tool for policy dialogue and reform at national, regional economic community and pan-African levels.

Achieving Agenda 2063 requires changing Africa's growth dynamics

The African continent has experienced strong growth since 2000, leading to a "rising Africa" narrative. Between 2000 and 2016, Africa enjoyed higher growth rates (4.6%) than Latin America and the Caribbean (LAC) (2.8%), though not as high as developing Asia (7.2%). Africa's recent growth benefited from high commodity prices, improved macroeconomic management, debt relief, and growth diversification strategies in some countries. Many African countries have invested strongly in public infrastructure. Countries have also diversified their trade partnerships, in particular with the People's Republic of China (hereafter "China"), India and other emerging partners. However, quality jobs remain scarce and inequality high.

To achieve the aspirations of Africa's Agenda 2063, new growth dynamics are necessary for at least five reasons:

1. **Growth remains volatile, despite a strong process of capital accumulation and new trade partners**. Having fallen in 2016, real gross domestic product (GDP) growth is projected to bounce back to 4% per year between 2018 and 2020. Individual trajectories from 1970 to 2016 reveal that growth spells tend to be shorter in African and Latin American countries than elsewhere. Sustaining growth over a long period is challenging for most African economies, especially for the continent's resource-rich countries. As prices for commodities dropped sharply between 2012 and 2016 (a decline of 58% for fuel and almost 37% for metals and minerals), growth in these countries was reduced to 1.5% in 2016. In a less favourable macroeconomic environment, several African governments may not be able to sustain current levels of public investment. Only three African countries are projected to meet Agenda 2063's annual growth target of 7% during 2016-20 (Table 1).
2. **Recent growth has not translated into higher well-being.** Outcomes related to dimensions of well-being, such as quality of education, health status and housing conditions, have a much weaker association with GDP per capita in Africa than the world average. Results are similar for several dimensions of subjective well-being, including satisfaction with standards of living and with health coverage availability. Dimensions related to public governance – satisfaction with educational systems and perceived corruption – are also sources of concern. Improving well-being outcomes by 2023 is necessary to achieve Goal 1 of the African Union's Agenda 2063 Ten Year Implementation Plan.
3. **The continent needs to generate more quality jobs for its large labour force, particularly for women and youth.** Growth has not created enough decent jobs. If trends persist, the share of vulnerable employment in Africa is projected to remain

at 66% in 2022 – far from meeting the target of 41% by 2023 set by Agenda 2063. Today, 282 million workers are vulnerably employed and 30% of workers remained poor despite working. Women and youth are particularly vulnerable in the labour force. Only 12% of Africa's working-age women were in waged employment in 2016, compared to 22% in Asia and 33% in LAC. About 42% of Africa's working youth live on less than USD 1.90 a day (at purchasing power parity).

4. **Further alleviating poverty requires reducing income inequality.** If Africa lowered its Gini coefficient from 41 to 35 (the level of developing Asia), each percentage point of GDP growth would reduce its poverty headcount by an additional 0.5 percentage points a year. Such a decrease in inequality would reduce the number of poor people by 130 million. Progress in reducing extreme poverty is too slow. Between 2009-16, 36% of the African population (about 400 million people) lived on USD 1.90 a day or less, compared to 49% in the 1990s. To fight poverty more rapidly, growth must become more inclusive and inequalities must be reduced.
5. **If business continues as usual, structural transformation may be hard to sustain.** Since 2000, structural transformation has boosted labour productivity in Africa by 0.4 percentage points a year as labour has moved from less productive activities to more productive ones. This is essential for ensuring long-term growth. However, this process is reaching limits as Africa's labour is moving into sectors where relative productivity levels are declining. Among 13 African countries, the share of wholesale and retail trade, restaurants and hotels in total employment almost doubled in two decades, from 11.4% in 1990 to 20.1% in 2010. Labour productivity in Africa is also falling behind Asia's level. Keeping the progress of structural transformation requires strategic policy actions to boost productivity and create productive jobs that can quickly absorb a large number of unskilled workers. Compared to other global competitors, African firms lag behind the productivity frontier in many labour-absorbing sectors, such as agro-processing, construction, logistical services and light manufacturing.

Table 1. **Growth rates for African countries, other developing countries and high-income countries, 2000-20**

		Number of countries in each growth category			
		2000-05	2006-10	2011-15	2016-20 (p)
African countries	Growth above 7%	9	9	6	3
	Growth of 0-7%	38	41	43	48
	Negative growth	5	2	3	3
Other developing countries	Growth above 7%	15	14	10	6
	Growth of 0-7%	63	64	65	73
	Negative growth	2	4	6	2
High-income countries	Growth above 7%	6	1	1	0
	Growth of 0-7%	46	43	43	51
	Negative growth	0	8	8	1

Note: (p) projections.
Source: Authors' calculations based on IMF (2018), *World Economic Outlook* (database).

Regional and global markets offer Africa new opportunities, if governments adapt their development strategies

To take advantage of the many opportunities regional and global markets offer for growth, jobs and equality, African governments need to adapt their strategies to the new economic reality. Technological change, global value chains, and evolving trade and investment agreements are reshaping opportunities for integration into regional and global markets.

The challenge for most African countries is better rather than more integration into the global economy. Imports and exports of goods and services represented about 50%

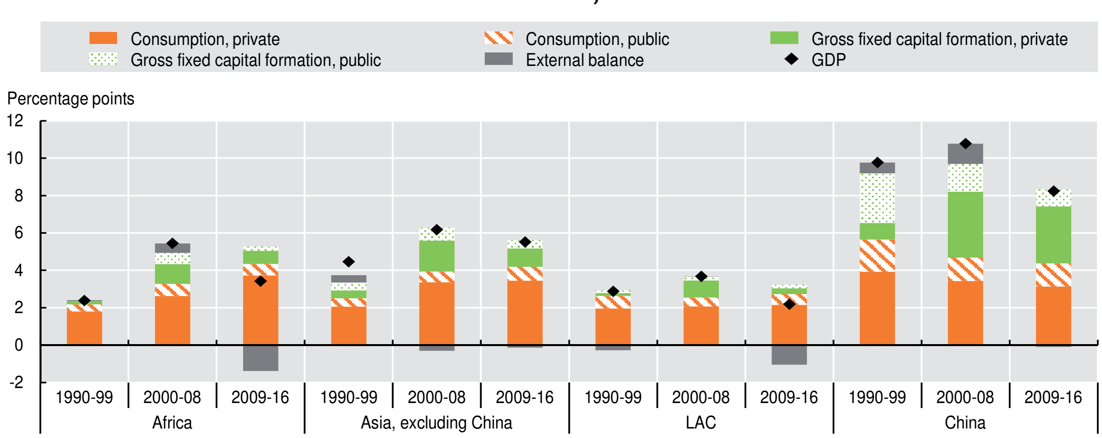
of Africa's GDP in 2015-16, which is similar to Asia and higher than in the LAC region (44%). However, most of Africa's exports are unprocessed commodities. Upgrading the quality of existing products, expanding export products and improving access to capital goods and inputs can provide ways to sustain growth, increase job quality and reduce inequality. Diversification can be achieved by tapping regional value chains and better targeting emerging markets.

Deepening regional integration can help. In this process of regional integration, the new continental free trade area (CFTA) – initially signed by 44 member states of the African Union – offers an important stepping-stone for policy action. Fully liberalising trade in goods could boost Africa's GDP by 1% and total employment by 1.2%. Intra-African trade could grow by 33% and Africa's total trade deficit could be halved.

Africa's regional markets are increasingly favourable to growth for several reasons:

- **The contribution of private consumption to economic growth has increased progressively and reached 3.5 percentage points of GDP annually over 2009-16.** This is comparable to the level in China and other developing Asian countries (Figure 1). The rapid urban growth of African economies, a better educated population and higher purchasing power of Africa's emerging middle class are underpinning this growing private consumption. The middle class, defined as those spending between USD 5 and USD 20 a day, increased from 108 million people in 1990 to 247 million by 2013.
- **Africa's regional demand is growing and shifting towards more processed goods.** Sub-Saharan Africa's food market is expected to triple to reach USD 1 trillion by 2030. Demand for processed food is growing fast, more than 1.5 times faster than the global average between 2005 and 2015.
- **Africa's business opportunities are now attracting international investors.** The potential of domestic and regional markets attracted 53.4% of new foreign direct investment (FDI) projects to Africa in 2013-17. This share is similar to Asia's level (55.7%) and ten percentage points higher than LAC's (44.8%).
- **Simplified administrative procedures and reduced start-up and operational costs have made the business environment more attractive**: 29.5% of foreign investors cite this improvement among the main motivations to invest in Africa, compared to 12% in 2003-07.

Figure 1. **Decomposition of growth by expenditure in Africa, Asia and LAC, 1990-2016**



Note: Data include 52 African countries, 34 developing Asian countries and 23 developing LAC countries. Contribution to growth by change in inventory is close to zero (±0.01 percentage points) and is thus suppressed from the figure.

Source: Authors' calculations based on World Bank (2017a), *World Development Indicators* (database) and IMF (2018), *World Economic Outlook* (database).

StatLink http://dx.doi.org/10.1787/888933782696

This rising regional market brings great growth opportunities for local companies that can upgrade their products. Local entrepreneurs, and small and medium-sized enterprises (SMEs) enjoy relative advantage owing to their proximity to, and their knowledge of, the home market. However, African firms must catch up with global productivity or lose their home markets to global competitors. Africa's labour productivity has been falling behind that of Asia in many sectors such as agriculture, transports, financial activities, construction and manufacturing.

African firms need a new set of policies to increase productivity and take advantage of new business opportunities. Ongoing doing-business reforms and fiscal holidays are not sufficient to address this productivity gap. They have not led to a significant increase in private investment. Special economic zones (SEZs) can attract lead firms and create a few thousand manufacturing jobs; but too often SEZs have become enclaves with limited productivity and with few linkages to the local economy and to local jobs. According to a survey of 91 SEZs in 20 sub-Saharan countries, SEZs account for approximately 1 million jobs, or 0.2% of national employment.

Bridging the productivity gap also depends on capacity building and complementary policies. Strategies to increase productivity include improving management capabilities and technical skills, promoting financing opportunities, decreasing inequalities in labour markets, giving more opportunities for firms to formalise, and improving transparency and governance. Developing stronger industrial linkages among firms, including through clusters and suppliers' development programmes, will play an essential role.

Local economies can attract more long-term and productive investment if policies can better mobilise domestic resources and external financial inflows.

- **Domestic financial markets and resources mobilisation, as well as government expenditure, must become more efficient in the following ways:**
  - Improving financial intermediation to help mobilise domestic savings in support of productive investment. On average in Africa, domestic savings represented USD 422 billion annually over 2009-16, which is 20% of the continent's GDP.
  - Improving tax policies, the collection of non-tax revenues, and enhancing the effectiveness of public spending. According to the most recent data, the African continent mobilised USD 312 billion in tax revenues or about 1.7 times more than the USD 185 billion in external financial inflows in 2016 (Table 2).
  - Combating illicit financial outflows, which amount to USD 50 billion annually.
- **External financial inflows must better benefit diversification and productivity, and create more jobs.** Inflows into Africa reached 8.8% of GDP between 2009 and 2016, significantly higher than in Asia (3.8%) and LAC (5.2%). But 36% of total FDI between 2003 and 2014 went into extracting resources, while remittances largely went into consumption goods. Fostering stronger linkages between FDI firms and the local economy is crucial to create more jobs and better transfer knowledge and technology. Finally, official development assistance (ODA) can de-risk private investment and encourage SMEs to comply with international standards. Between 2012 and 2015, such development finance helped mobilise USD 81 billion of private investment.

Table 2. **Foreign and domestic financial flows and tax revenues to Africa (current USD, billion), 2010-16**

			2010	2011	2012	2013	2014	2015	2016 (p)
Foreign	Private	Inward foreign direct investment	46	45	55	62	64	49	59
		Portfolio investments	28	26	42	32	31	20	13
		Remittances	53	60	64	64	68	65	62
	Public	Official development assistance	47	52	52	57	54	51	50
Total foreign flows			**175**	**182**	**214**	**215**	**217**	**185**	**185**
Domestic tax revenues			**332**	**407**	**421**	**418**	**412**	**343**	**312**

Sources: Authors' calculations based on IMF (2018), *World Economic Outlook* (database), OECD-DAC (2017), *International Development Statistics* (database) and World Bank (2017a), *World Development Indicators* (database).

Development strategies must also consider five megatrends affecting Africa's integration into the global economy

Development strategies must also consider megatrends that are shaping Africa's development dynamics and integration into the global economy. Each of these megatrends brings large opportunities and risks, from which African countries can draw important policy implications (Chapter 2).

1. "**Shifting wealth**", or the stronger role of emerging countries in the global economy, offers Africa the opportunity to trade with more partners, diversify its export basket and upgrade in global value chains, as well as attract new investments, development finance, technology and innovation. For example, China committed USD 118 billion, or 34% of its total development finance, to Africa during 2000-14. Shifting wealth also brings the opportunity to attract labour-intensive manufacturing activities to Africa. To realise that potential, African economies must become more competitive than other emerging economies. African countries may also have to boost their engagement with global partners.
2. The **new production revolution** brought about by technological change and digitalisation allows African firms to access new markets, produce at lower cost and tap new equity markets. At the same time, it allows African governments to deliver basic services more efficiently and transparently. For instance, Africa already counts over 277 million registered mobile money accounts, more than all other developing regions put together. However, robotisation brings big risks for Africa's industrialisation. In Ethiopia, 85% of jobs are in sectors susceptible to automation.
3. The continent's demographic growth could bring a **"demographic dividend"** if the local economies can supply enough jobs and basic services to meet the growing demand. Between 2015 and 2050, Africa's working age population (defined as 15-64 year-olds) will increase by 902 million people, about 69% of the total increase across the world. Africa's demographic dividend could contribute 10-15% of gross GDP volume growth by 2030. However, the formal economy must create millions of additional jobs: on average between today and 2030, 29 million additional young people turn 16 years old every year. Access to quality education must also improve, particularly for girls. Many African youth lack the technical and managerial skills to succeed in the labour market. Only 10.5% of secondary students are enrolled in vocational programmes, and these are often underfunded.
4. With the **urban transition** ongoing, most Africans are projected to live in urban areas by 2035. Urbanisation brings big opportunities, such as a rising domestic market for both labour and consumption. It can also catalyse productivity gains and innovation in the economy. However, by the beginning of this century, about 62% of sub-Saharan Africa's urban population lived in informal settlements. In

several countries, unplanned urbanisation could lead to tripling the population living in informal settlements by 2050.

5. **Climate change** is a big risk for 27 African countries out of 33 globally, although Africa contributes less than 4% to global greenhouse gas emissions. "Green growth" strategies can enable Africa to develop new economic activities, create new jobs and save on future adaptation cost. African countries can tap the potential of renewable energy, with its costs decreasing rapidly. That of solar energy declined by 80% between 2008 and 2015. Half of sub-Saharan Africa's growth in electricity generation is likely to come from renewable energy by 2040.

Ten policy actions are strategic at the continental level

The continent's development agenda calls for context-specific, multifaceted and holistic development strategies. In response, this report proposes ten policy actions to address growth, job creation and inequalities in Africa. The recommendations rest on three pillars: sustainable economic development, social development and institutional development. These actions aim to meet development targets of the African Union's Agenda 2063 (see Table 3) and the Sustainable Development Goals (SDGs), as well as to tackle the risks and opportunities brought by the megatrends. Actors at all levels can contribute to this agenda: pan-African institutions; regional communities; national, subnational and local governments; the local private sector; African citizens; and international partners. Generating quality data is key to monitor, evaluate and adjust policies to meet Africa's aspirations.

Table 3. **Ten policy actions to meet the targets of Agenda 2063 and related SDGs**

Policy action	Proposed measures	Agenda 2063 goals	Sustainable Development Goals
Action 1: Encourage investment for domestic private sector development	• Making investment easier for domestic firms • Ensuring consistency between FDI promotion strategies and capacity of local private sector • Leveraging domestic savings and remittances to increase domestic investment • Increasing the efficiency of public investment	**Goal 4.** Transformed economies and jobs **Goal 12.** Capable institutions and transformative leadership in place at all levels **Goal 20.** Africa takes full responsibility for financing its development	SDG 8, 9, 12, 17
Action 2: Help the private sector to diversify production and exports	• Designing export strategies that are consistent with the country's potential • Facilitating imports of intermediate and capital goods • Empowering export promotion agencies to support diversification	**Goal 4.** Transformed economies and jobs **Goal 5.** Modern agriculture for increased productivity and production	SDG 8, 9, 17
Action 3: Strengthen linkages between rural and urban economies	• Reforming land ownership and management • Upgrading urban infrastructure and services • Strengthening rural-urban linkages through sustainable intermediary cities	**Goal 1.** High standard of living, quality of life and well-being for all **Goal 10.** World-class infrastructure crisscrosses Africa	SDG 1, 8, 10, 11
Action 4: Foster green growth	• Promoting the circular economy • Greening existing economic activities	**Goal 5.** Modern agriculture for increased productivity and production **Goal 6.** Blue/ocean economy **Goal 7.** Environmentally sustainable and climate-resilient economies and communities	SDG 7, 13, 14, 15
Action 5: Expand education while improving the quality of education and skills	• Pushing for universal access to education, especially for girls • Promoting specialised education in strategic sectors • Improving technical and vocational education and training • Bringing education institutions closer to the job market and private firms	**Goal 2.** Well-educated citizens and skills revolution underpinned by science, technology and innovation **Goal 17.** Full gender equality in all spheres of life **Goal 18.** Engaged and empowered youth and children	SDG 4, 5, 12

Table 3. **Ten policy actions to meet the targets of Agenda 2063 and related SDGs** *(cont.)*

Policy action	Proposed measures	Agenda 2063 goals	Sustainable Development Goals
Action 6: Increase the coverage of social protection systems, including labour and health	• Establishing social protection floors • Financing social protection systems sustainably	**Goal 1.** High standard of living, quality of life and well-being for all **Goal 3.** Healthy and well-nourished citizens	SDG 1, 3, 10
Action 7: Boost Africa's engagement with its global partners	• Strengthening global co-operation • Improving existing African partnerships and co-operation	**Goal 19.** Africa as a major partner in global affairs and peaceful co-existence **Goal 20.** Africa takes full responsibility for financing its development	SDG 10, 17
Action 8: Deepen regional integration	• Improving coordination and governance of regional economic communities (RECs) and rationalising memberships • Facilitating trade in goods • Deepening regional integration to include free movement of people, capital and services	**Goal 4.** Transformed economies and job creation **Goal 8.** United Africa (federal or confederate) **Goal 9.** Key continental financial and monetary institutions established and functional **Goal 10.** World-class infrastructure crisscrosses Africa	SDG 9, 10, 11, 17
Action 9: Mobilise domestic resources	• Designing tax systems that broaden the tax base and incentivise compliance • Investing in more efficient and effective tax administrations • Co-operating at international level to improve tax systems	**Goal 20.** Africa takes full responsibility for financing its development	SDG 8, 17
Action 10: Enhance economic and political governance	• Increasing accountability and transparency of policy-making processes and redistributive policies • Promoting good corporate governance • Investing continually in upgrading institutional capacity • Ensuring reforms are implemented at the appropriate level of government	**Goal 8.** United Africa (federal or confederate) **Goal 11.** Democratic values and practices, universal principles of human rights, justice and the rule of law entrenched **Goal 12.** Capable institutions and transformative leadership in place at all levels	SDG 8, 16, 17

Development strategies must be actionable at the regional level

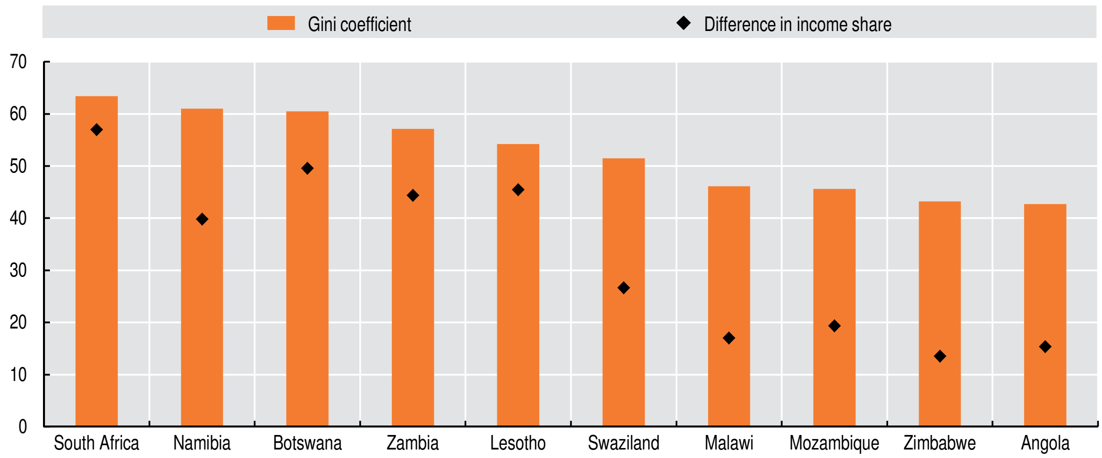
Apart from the continental agenda, strategies must also be actionable at the regional level and consider the diversity of Africa's regions and national economies. Deeper regional integration is necessary to generate economies of scale and ensure greater efficiency in African markets. Across the five regions defined in the Abuja Treaty, Africa's RECs are playing an essential role in co-ordinating implementation of the continent's action plan for growth, jobs and reducing inequalities.

In Southern Africa

Since 2000, Southern Africa has registered steady economic growth, but it is now decelerating. Real GDP grew at 5.2% annually between 2000 and 2008 before slowing to 2.6% between 2009 and 2016. The volatility in commodity prices and in investment in the extractive sector strongly affected performance. Manufacturing value added in the region dropped from 18.2% of GDP to 12.6% of GDP between 2000 and 2015. This trend of "premature deindustrialisation" is a big challenge to inclusive growth and the achievement of Agenda 2063.

Employment remains a major challenge in Southern Africa, especially for the additional 1.1 million young people who enter the labour force every year. The region is home to six of the world's top ten unequal countries, despite progressive fiscal systems and redistributive policies in countries such as South Africa and Zambia (Figure 2). Extreme poverty headcount remained at 35.6% in 2013, down from 43.8% in 1990. Gender inequality remains a significant impediment to inclusive growth and well-being, although Southern Africa performs better than other African regions.

Figure 2. **Gini coefficients and difference in income share in Southern African countries**



Note: The difference between the top and bottom group refers to the ratio between the income shares held by the richest 10% to the income held by the poorest 10% in the national income distribution. The latest available data are shown for each country.

Source: Authors' calculations based on World Bank (2017b), *PovcalNet* (database).

StatLink http://dx.doi.org/10.1787/888933783190

To ensure that growth successfully reduces inequality and unemployment, governments in Southern Africa could take the following priority actions:

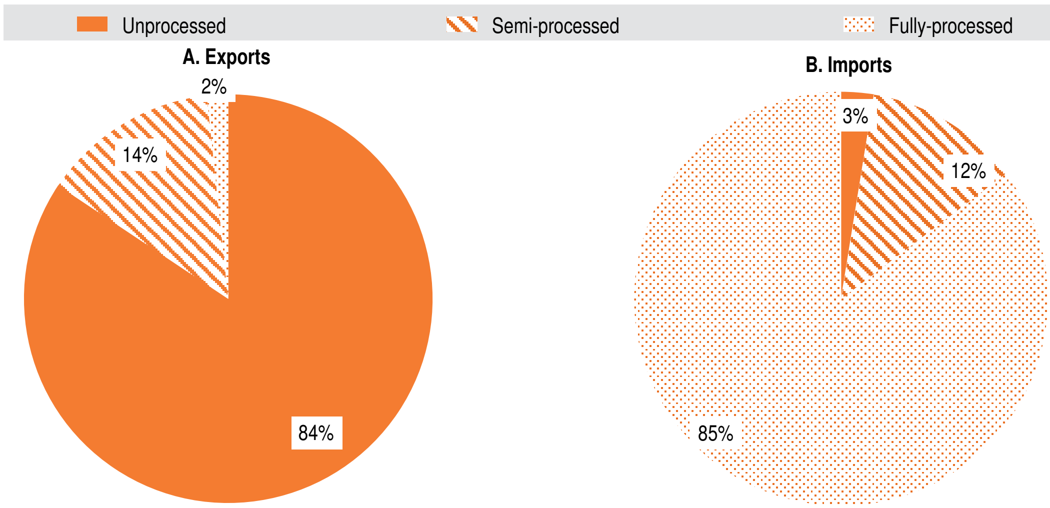
- Advancing implementation of the Southern African Development Community Industrialization Strategy and Roadmap 2015-2063. Such progress entails facilitating investments in developing domestic technological and industrial capabilities, encouraging intra-regional trade and identifying opportunities for job-rich industrialisation.
- Encouraging different types of local entrepreneurship and investing in skills training programmes together with the private sector. This would increase workers' employability, especially for youths and women.
- Expanding and integrating the social protection systems, and continuing poverty reduction efforts, especially in rural areas. The entrenched nature of inequality and unemployment calls for combining labour market policies and social assistance programmes.

In Central Africa

Central Africa has grown strongly at 5.6% on average since 2000, but the region could not transform this wealth into resilient and sustainable development. Central African economies remain highly resource-dependent. Unprocessed goods (mostly hydrocarbons, copper and timber) account for 84% of the region's exports, the highest share among the five African regions (Figure 3). Growth depends on commodity prices. This volatility can deter long-term investment, which poses a challenge for bridging the gap in access to infrastructure and electricity.

Since 2015, formal job creation has decoupled from economic activity. The unequal distribution of natural resources has created spatial inequalities and considerable wealth disparities between countries and between economic sectors. This has added to the stagnation of income inequality with the Gini coefficient in Central Africa remaining at 42 on average since 2000, higher than the other African regions.

Figure 3. **Trade composition in Central Africa, 2016**



Source: Authors' calculations based on United Nations Statistics Division (2017), UNCOMTRADE database (2017).
StatLink http://dx.doi.org/10.1787/888933783285

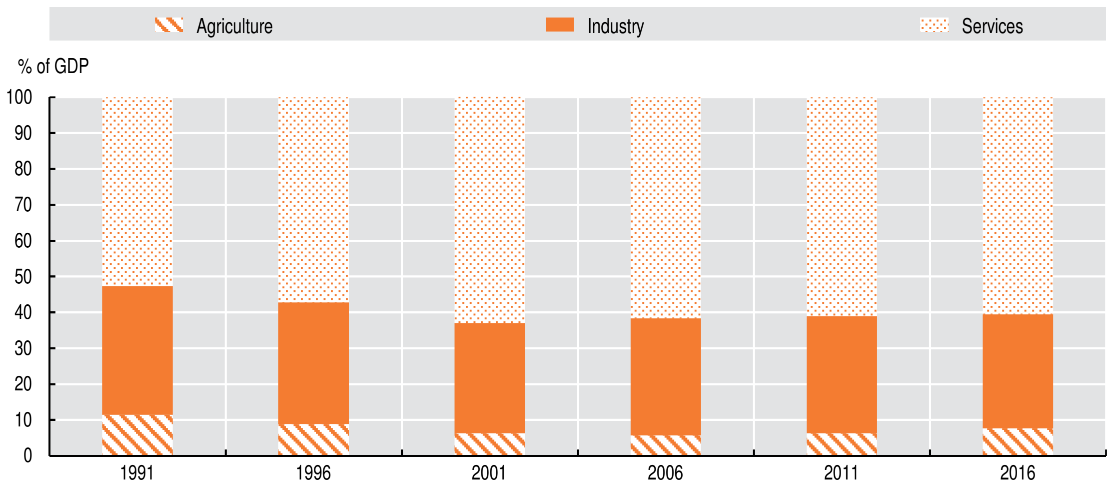
Governments may explore multiple policies to improve social and economic resilience, create jobs and support sustainable and inclusive growth, including the following:

- Deepening regional co-operation on fiscal, monetary and trade policies, to promote regional value chains and enhance private sector competitiveness. Facilitating national and regional investments in transportation, electricity and telecommunication infrastructures is crucial to implement the commitments to regional integration.
- Ensuring local businesses have access to electricity, basic services, qualified labour and imported equipment, to encourage the local processing of raw materials. Targeted policies are also needed to encourage women and youth participation in the labour force and to reduce their vulnerability.
- Strengthening tax collection, redistributive policies and social protection systems to ensure that rents from the extractive sector better benefit the population. This requires improving statistical systems to ensure that data are available, reliable and used effectively to inform policies.

In East Africa

East Africa has benefited from higher and more resilient economic growth compared to other regions due to its more diversified economic profile. Since 1990, annual growth rates in the region have exceeded 4%. This growth has been driven by the services sector, now representing almost 60% of GDP (Figure 4). However, this expansion derives from mostly informal and non-tradable services. A large agriculture and export-led growth model that focuses on a narrow set of products (e.g. coffee, tea and minerals) makes the region vulnerable to commodity price fluctuations and currency depreciations.

Figure 4. **Average sector value added as a percentage of GDP in East Africa, 1991-2016**



Source: Authors' calculations based on World Bank (2017a), *World Development Indicators* (database).

StatLink http://dx.doi.org/10.1787/888933783703

Nevertheless, growth from recent years has not translated into rapid structural transformation and job creation. With 35% of the population still in extreme poverty, growth has not reduced poverty and income inequality significantly. On the contrary, income inequality is on an upward trend, with only four countries having a Gini coefficient below 40. The overall gender gap in employment has decreased only slightly, with the male-to-female employment ratio falling from 1.41 in 1991 to 1.39 in 2017. Most women work in the informal sector (e.g. from 50% in Uganda to 80% in Kenya and Rwanda).

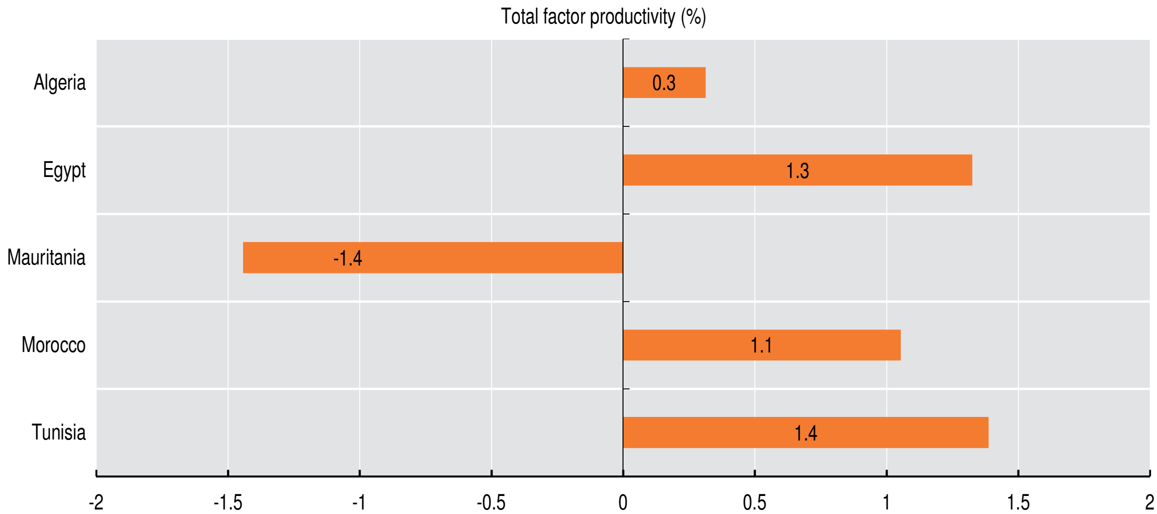
GDP growth increasingly results from private consumption, which presents both an opportunity to tap a growing domestic market, but also a risk of worsening trade balances through demand of imported goods. East African governments may emphasise the following economic and social policies:

- Improving the policy and regulatory framework and the overall business environment is crucial to foster diversification and more sustainable growth. Policy makers can stimulate productive investment in the economy through structural and institutional measures such as simplifying business regulations and removing import tariffs on capital and intermediate goods. Boosting agricultural productivity and supporting high-potential firms in the industrial and services sectors will help the region accelerate its economic transformation.
- Several countries are addressing poverty by enhancing social protection programmes and by investing in education and skills development, which are sorely needed. Such investments will have to increase significantly for these programmes to support more inclusive development.

In North Africa

Despite growth volatility, governments in North Africa have been able to reduce poverty and inequality of opportunity. Growth averaged 2.6% between 2010 and 2015 (compared with 4% between 1995 and 2009). This lower growth is mainly due to the volatility of oil prices, slow European demand after the 2008 global financial crisis, the carry-over effects of the Arab Spring and ongoing conflicts. Productivity gains are insufficient, showing a lack of innovation in the economies (Figure 5).

Figure 5. **Total factor productivity growth by country in North Africa, 1990-2015**



Source: Authors' calculations based on World Bank (2017a), *World Development Indicators* (database).
StatLink http://dx.doi.org/10.1787/888933783931

Inequalities and poverty have also decreased significantly thanks to improved access to basic services and social protection programmes. However, income inequality persists, as the richest 20% earn 7.5 times more than the poorest 20%, and part of the population remains vulnerable to poverty.

Labour participation rates remain low in North Africa (40.9% from 1990 to 2015). Youth and women are the most disfavoured in the labour market. The main challenge in youth unemployment is the lack of high skilled jobs for the increasingly educated population. Youth unemployment (age 15-24) is 28.8%, double the world average. Only 16.6% of young women are employed or seeking employment, compared with 46.8% of young men. Around one-quarter of these young workers live in poverty. About 26% of young people between the ages of 15 and 24 are not in education, employment or training (NEET), the second highest rate globally.

To overcome these challenges, policies will need to improve and strengthen political stability and institutional accountability, accelerate the structural transformation of economies, and target job creation for women and youth via structural policy levers. The following actions are recommended:

- Shifting economies towards strategic sectors that create added value and employment for young and qualified workers. Developing the manufacturing sector and focusing on exporting goods and services to the rest of Africa could help achieve that objective.
- Promoting flexibility in the workplace to encourage female participation, support female entrepreneurs and align education with labour market needs to ensure higher youth employment.

In West Africa

Between 2000 and 2014, West Africa has experienced one of the continent's strongest growth rates at above 5%. Yet it is uneven as Nigeria, Ghana and Côte d'Ivoire represent 85% of regional GDP. High informality, increasing inequalities and poverty also undermine growth resilience.

West Africa's demographic growth, growing regional demand and emerging middle class are big opportunities for development, but call for the creation of millions of jobs in the formal economy. Economic growth is mainly driven by the exploitation of raw materials and the agricultural sector, activities that do not offer enough job opportunities for youth. As a result, youth and women, who are also excluded from the formal job market, resort to informal sector activities, which represent between 68% and 90% of jobs (Table 4). Lack of formal jobs is becoming a major challenge, as those aged 15-24 years will represent 20% of the population by 2035 (117 million).

Table 4. **Informal sector share of non-agricultural employment by gender in West Africa**

Country	Year	Informal sector share (%)	Gender share (%)	
			Women	Men
Benin	2011	94.5	97.7	90.2
Côte d'Ivoire	2016	87.7	93.8	82.4
Gambia	2012	68.2	77.6	62.0
Ghana	2015	83.2	88.3	75.9
Liberia	2010	77.6	86.3	68.8
Mali	2015	92.1	96.9	87.9
Niger	2011	86.4	95.2	76.4
Senegal	2015	90.4	93.5	88.2

Source: Authors' calculations based on ILO (2017) *ILOStat* database.

Even though access to basic services has improved, the distribution of income remains unequal. Due to rapid population growth, the number of people living in extreme poverty grew from 98.9 million (55.4%) in 1990 to 144.4 million (43.8%) in 2013. Inequalities remain high, with a Gini coefficient of 0.39 in 2014, and this is higher in several countries. The human development index (HDI) is one of the lowest of the continent, at 0.47. Social security remains insufficient and half of West African countries display strong gender inequality.

To generate sustainable and inclusive growth, developing strategies need to rely on three main axes:

- Developing the domestic private sector by supporting business clusters, improving regulatory frameworks and tax systems to attract investment, and promoting economic diversification.
- Strengthening rural-urban linkages by improving the capacity of intermediary cities, improving domestic and cross-border infrastructure and corridors, and promoting agribusiness activities.
- Investing further in universal education, particularly of girls, while improving the quality of education and of professional skills development to match labour market demand.

References

ILO (2017), *ILOSTAT* (database), www.ilo.org/ilostat/ (accessed 1 March 2018).

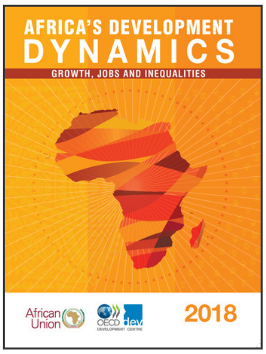
IMF (2018), *World Economic Outlook, April 2018* (database), www.imf.org/external/pubs/ft/weo/2018/01/weodata/index.aspx (accessed 20 April 2018).

OECD-DAC (2017), *International Development Statistics* (database), www.oecd.org/dac/stats/idsonline.htm (accessed 15 February 2018).

UN Statistics Division (2017), *UN COMTRADE* (database), http://wits.worldbank.org/wits/ (accessed 1 February 2018).

World Bank (2017a), *World Development Indicators* (database), http://wdi.worldbank.org (accessed 15 February 2018).

World Bank (2017b), *PovcalNet* (database), http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx (accessed 20 April 2018).



From:

Africa's Development Dynamics 2018

Growth, Jobs and Inequalities

Access the complete publication at:
https://doi.org/10.1787/9789264302501-en

Please cite this chapter as:

African Union Commission/OECD (2018), "Overview: Harnessing Africa's development dynamics to realise Agenda 2063", in *Africa's Development Dynamics 2018: Growth, Jobs and Inequalities*, OECD Publishing, Paris/African Union Commission, Addis Ababa.

DOI: https://doi.org/10.1787/9789264302501-5-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.