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Overview of economic and social conditions in Africa, 2012

Summary

After rebounding strongly in 2010, Africa's growth momentum slowed in 2011, reflecting a sharp contraction of economic activity in North Africa as a result of political unrest and the indirect effects of the continued economic crisis in developed countries. However, many African countries sustained strong growth, supported by rising commodity prices and export demand, in addition to strong domestic demand. Africa's growth momentum is expected to continue in the medium term, with output for the continent as a whole set to recover strongly in 2012. The world economy, meanwhile, continues to struggle to spur and sustain the recovery from the 2007-2009 economic and financial crisis. World growth weakened significantly in 2011. In the advanced economies, growth declined as confidence fell sharply owing to the combination of weak growth in the United States of America and an escalation of sovereign debt and financial sector crises in the euro area. Emerging and developing economies, in contrast, performed relatively well. This performance remained low, however, when compared with the faster growth experienced before the crises. Most countries faced negative shocks that slowed their economic activity. These shocks included growing uncertainties and vulnerabilities created by the deterioration in the external environment, rising inflationary pressures, increased income inequalities and escalated social tensions. The continuing euro area sovereign debt crisis poses the most significant risk to the global economic outlook to date. African economies are not immune to the deterioration of the global economic environment and may be affected on several fronts, in particular through trade and capital flows. Africa is nevertheless poised to weather the risks and uncertainties associated with the euro area debt crisis. For more than a decade, the continent has deepened domestic sources of growth and has strengthened both intra-trade and trade with faster-growing economies in Asia and Latin America, away from Europe. This may help Africa to mitigate the growth impact of a possible decline in trade with, and capital inflows from, the euro area. Progress towards achieving Africa's social and human

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

I. Developments in the world economy and implications for Africa

1. Global economic growth slowed in 2011 as risks and uncertainties increased with the escalation of the euro area sovereign debt crisis. The shift of toxic assets from private to Government balance sheets in major developed economies in the aftermath of the recent global financial crisis failed to revive the global financial system as envisaged, instead leading to fragile fiscal positions in those countries and generating new global financial turmoil with lower consumer and business confidence. Structural reforms to enhance economic competitiveness and create growth have been introduced in the euro area crisis countries in tandem with fiscal austerity. The sovereign debt crisis continues to constitute the most severe downside risk for the world economy in 2012. Increasing income inequality and continued global macroeconomic imbalances also represent major threats to the world economy in the medium term and must be addressed through closer policy coordination, especially among major developed economies.

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

3. The world economic slowdown exacerbated the global employment crisis, Governments' intensified efforts to create jobs notwithstanding. According to the International Labour Organization (ILO), in the developed world, especially the euro area, the unemployment rate remained above 9 per cent for most of 2011. Young people were the most severely affected, with an unemployment rate of 12.6 per cent.

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

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

6. World trade continued to recover in 2011, but at a slower pace than in 2010. Both intraregional trade and intra-trade among developing countries increased, fuelled by growing demand from emerging economies in recent years. The outlook for world trade in 2012 is overshadowed by the weakened world economic growth

prospects, which have dampened import demand in developed economies. With high global unemployment rates, intensified protectionism is likely to emerge as the biggest challenge to world trade in 2012. Trade patterns among the world's major countries and regions contributed to largely stable current account balances in 2011. The United States of America ran a huge deficit against China's surplus, while the euro area's current account was nearly balanced but Japan's current account surplus narrowed.

7. World capital flows were affected by increased risk aversion in 2011. Global foreign direct investment (FDI) flows continued to recover, but at a slower pace than in 2010, reflecting weakened world growth prospects and heightened risk aversion on the part of investors. Increased uncertainties and vulnerabilities in the world economy are likely to prevent a strong rebound of global FDI flows in 2012 and the near term. Developing and emerging economies are expected to solidify their favourable destination positions. High-technology sectors in emerging economies are likely to attract more FDI inflows. World remittance inflows, conversely, showed a strong recovery in 2011 to near pre-crisis levels, whereas official development assistance (ODA), which increased in 2010, grew at a much slower pace in 2011 as a result of weakened growth prospects and fiscal consolidation in many donor countries. This out-turn is expected to continue in the medium term.

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

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

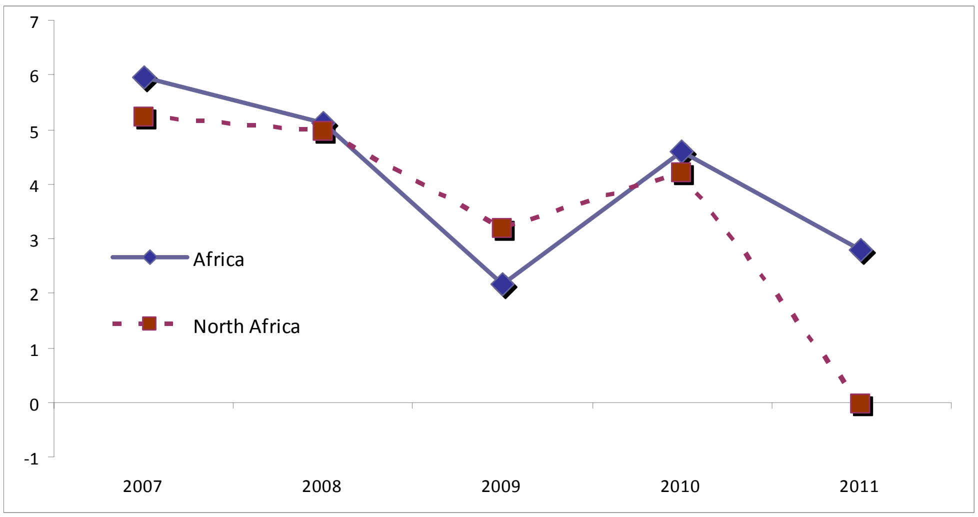
II. Economic performance in Africa in 2011

Weakened economic recovery amid social and political unrest

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

11. The intensity and persistence of the social and political turmoil in North Africa increased investor risk aversion sharply, prompting capital inflows and private investment to decline. According to the International Monetary Fund (IMF), production and exports of oil (the mainstays of North Africa) were also disrupted severely, notably in Libya, and tourism collapsed. Consequently, North Africa recorded zero growth in 2011, down from 4.2 per cent in 2010, as Libya's economy contracted by 22 per cent and Tunisia's economy by 0.6 per cent.

Figure I
Growth in Africa's real gross domestic product, 2007-2012
(Percentage)



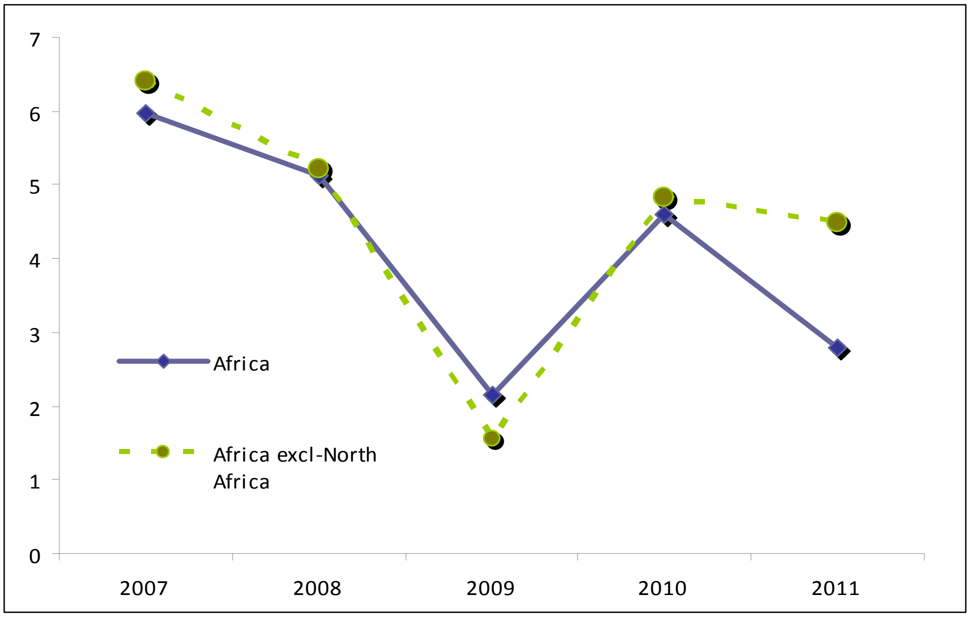
Source: Department of Economic and Social Affairs, 2011.

Sustained strong growth impetus in many African economies

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

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

Figure II
Africa's economic growth, 2007-2011 (change in real GDP)
(Percentage)



Source: Department of Economic and Social Affairs, 2011.

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

Negative effects of rising commodity prices and drought on some countries

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

16. Drought in some countries, such as Chad, the Niger and those in the Horn of Africa (notably Somalia), adversely affected agricultural output, leading to famine among rural poor households.

Varied growth performance among countries

17. As in previous years, growth in 2011 was highly uneven across countries and groupings (see table 1). For the first time in five years, the growth of the continent's oil exporters lagged behind that of oil importers. Growth in the oil-exporting group

decelerated from 5.1 per cent in 2010 to 1.5 per cent in 2011, large windfall oil export gains from rising global oil prices notwithstanding. The slowdown stemmed from political instabilities in oil-rich North African countries, in particular Libya.

Table 1
Economic growth rates in Africa by country group, 2007-2011
(Percentage)

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

Source: Department of Economic and Social Affairs, 2011.

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

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

20. In West Africa, conversely, economic activity moderated in 2011, affected by contraction in Côte d’Ivoire. Subregional growth fell to 5.6 per cent in 2011 from 6.9 per cent in 2010, weighed down by that country’s 0.4 per cent contraction caused by post-election violence and a collapse of exports and the financial sector. Lower oil production by Nigeria also contributed. These factors were, however, largely counterbalanced by faster growth in Ghana (12.2 per cent), boosted by the

resumption of commercial oil exploitation. The agriculture, mining and service sectors also grew strongly in 2011.

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

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

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

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

High levels of unemployment: a concern

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

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

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

Increased inflationary pressure in 2011

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

Economic policy supportive of growth

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

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

31. It is too early to tell, however, whether tight monetary policy is the best instrument to curb inflation and stimulate growth at this time. Many countries are likely to keep monetary policy accommodative, given that a solid global recovery is unlikely to materialize soon and will not materialize until the euro area sovereign debt crisis is definitively resolved.

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

Improved external position

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

Stable capital flows

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

35. FDI flows into Africa were estimated at $52.4 billion in 2011, close to the 2010 level. In 2012, they are projected by the Economist Intelligence Unit to reach $55 billion. Although the bulk of the FDI flows went to the extractive industries, there is evidence that they are becoming more diversified in terms of source and destination (see, for example, the 2011 edition of the *African Economic Outlook*). Portfolio inflows were generally weak, however, having been dragged down by the decline in African stock markets (25 per cent in the first half of 2011) because of the political transition in Egypt and Tunisia, which house two of the largest stock markets in Africa.

III. Trends in social development in Africa in 2011

36. The continent's progress in delivering social outcomes has accelerated, and trends in social and human development have generally been positive. Progress has, however, been uneven among countries, and has been too slow to make it possible to reach the internationally agreed development goals, in particular the Millennium Development Goals. The continent has made good progress in increasing primary enrolment and promoting gender equality at this level, reducing the prevalence of HIV/AIDS and cutting the under-5 mortality rate. Nevertheless, progress on health indicators has generally been lacklustre, sanitation has improved only marginally and poverty rates are unlikely to be halved by 2015 (from 2000 rates) in many countries.

Nevertheless, the progress in a global context of economic slowdown demonstrates Africa’s resilience and commitment towards improving its people’s welfare.

Modest progress in poverty reduction

37. Efforts to reduce poverty have not yielded adequate dividends, Africa’s positive growth experience in recent years notwithstanding. Only North Africa has seen commendable reductions in poverty. The proportion of people in Central, Eastern, Southern and Western Africa living on less than $1.25 a day declined between 1990 and 2005, but only from 58 per cent to 51 per cent. On the basis of recent and forecast growth trends, Africa is unlikely to halve the rate of extreme poverty by 2015.

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

39. The share of the working poor in total employment remained constant at around 16 per cent in 2008 and 2009 (see table 2). The relatively high incidence of poor workers in Africa is linked to the precarious nature of their jobs: three in every four workers are in vulnerable employment. A decline in such employment in sub-Saharan Africa between 2000 and 2009 (from 79.5 per cent to 75.8 per cent) notwithstanding, the figures remain extremely high and represent a serious challenge for African Governments.

Table 2
Working poor in Africa

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

Source: ILO, 2011.

High levels of inequality undermining efforts to reduce poverty

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

41. For example, in sub-Saharan Africa, an urban-dweller is 1.8 times more likely to use an improved drinking water source than a rural-dweller. Furthermore, the poorest 20 per cent of the population in urban areas are almost six times more likely to rely on an unimproved drinking water source than the richest 20 per cent. In

urban areas, the poorest households are 12 times less likely than the richest to have a piped drinking water supply on the premises.

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

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

Source: Augustin Kwasi Fosu, *Growth, inequality, and poverty reduction in developing countries: recent global evidence*. Available from www.wider.unu.edu/publications/working-papers/2011/en_GB/wp2011-001/.

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

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

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

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

Empowerment of women slowly gaining traction

45. Women are increasingly taking centre stage in Africa's development process. Over the past decade, sub-Saharan Africa has seen a large increase in the representation of women in national parliaments, from 13 per cent in 2000 to 20 per cent in 2011. Some 80 per cent of African countries with data increased that proportion between 1990 and 2010. The top three performers in 2010 were Rwanda (56 per cent), South Africa (45 per cent) and Mozambique (39 per cent). Rwanda's achievement is especially impressive, and stands as an inspiration to other African countries: according to *The Africa Report*, women account for 38 per cent of ministers, 35 per cent of senators, 56 per cent of deputies, 40 per cent of governors and 36 per cent of judges.

46. In addition, the share of wage-earning women in non-agricultural sectors increased slightly from 24 per cent to 33 per cent between 1990 and 2009, as described in the *Millennium Development Goals Report 2011* (United Nations publication, Sales No. E.11.I.10).

Significant steps in preventing new HIV/AIDS infections

47. Addressing the scourge of HIV/AIDS, malaria and other diseases that deprive the continent of its productive labour force is critical if Africa is to realize its growth potential. Africa, excluding North Africa, accounts for about 68 per cent of all people living with HIV and 70 per cent of new HIV infections. Although sub-Saharan Africa is the region most heavily affected by HIV, the rate of new infections has shown a notable decline, from 2.2 million in 2001 to 1.9 million in 2010. The epidemic remains most severe in southern Africa, which accounted for almost half of all deaths from AIDS-related illnesses in 2010; it is less prevalent in North Africa. Heightened awareness campaigns to elicit behavioural change and the promotion and use of condoms and antiretroviral treatment have curbed the numbers of new infections and AIDS-related deaths.

Progress in malaria treatment

48. The estimated number of malaria cases worldwide fell from 233 million in 2000 to 225 million in 2009. Since 2000, 11 countries in Africa have shown reductions of more than half in the number of confirmed malaria cases (and/or reported hospital admissions for malaria) and deaths. Likely reasons include increased use of insecticide-treated bed nets, in particular in rural areas; improved diagnostic testing and surveillance; and wider access to anti-malaria drugs. Collectively, these measures have helped to save an estimated 1.1 million lives in Africa over the past 10 years. Nevertheless, malaria remains a leading cause of mortality and morbidity in Africa: according to World Health Organization (WHO) statistics, of estimated malaria deaths worldwide, 91 per cent were in Africa, and 86 per cent of those in this group were children under 5 years of age.

Child and maternal mortality declining but too high

49. Africa has some of the world's highest under-5 mortality rates and maternal mortality ratios, but has registered modest declines in recent years. Egypt and Tunisia have achieved a two-thirds reduction in child mortality since 1990. Across sub-Saharan Africa, under-5 mortality fell from 174 per 1,000 live births to 121

between 1990 and 2009. Better still, the average rate of reduction in under-5 mortality rose from 1.2 per cent in 1990-2000 to 2.4 per cent in 2000-2010.

50. At 620 deaths per 100,000 live births in 2008, according to WHO, the maternal mortality ratio in sub-Saharan Africa is not only among the highest in the world but is declining extremely slowly compared with other regions. Of the sub-Saharan countries with data for 2008, 24 registered a ratio of more than 500 deaths per 100,000 live births.[1] Progress has been faster in North Africa, which recorded a 69 per cent decline between 1990 and 2010, compared with a 1 per cent decline in the rest of Africa. North Africa's success was, according to the *Millennium Development Goals Report 2011*, driven by a sharp increase in the number of deliveries attended by skilled health personnel.

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

IV. Meeting the challenges

Integrated approach

52. Attaining the Millennium Development Goals by 2015 will require an integrated approach that incorporates the interrelatedness of social and human development. By focusing efforts on interventions that have the greatest knock-on effects on other social and human indicators, policymakers can heighten the developmental impact of scarce human and financial resources.

53. Empirical evidence of the linkages among such indicators is abundant. Several studies have demonstrated, for example, the impact of female education on child mortality rates and undernutrition. Some studies report that the difference in under-5 mortality rates between women with more than seven years of education and those with none is 80-120 per 100,000 live births.

54. Better female education also reduces child undernutrition, which is closely linked to child mortality. Some studies show that an increase of 1 percentage point in female secondary enrolment reduces the proportion of underweight children by 0.17 percentage points. Similar findings are also observed regarding the impact of female literacy on child undernutrition.

Equity in access through social protection

55. Fiscally sustainable social protection programmes that not only provide income support but also strengthen the productive capacities of vulnerable groups can reduce inequality while promoting inclusive growth.[2] Sub-Saharan Africa spends

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[1] Angola, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Guinea-Bissau, Kenya, Lesotho, Liberia, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sierra Leone, Somalia, Sudan, United Republic of Tanzania and Zimbabwe.

[2] Social protection may be defined loosely as "a set of measures that support society's poorest and most vulnerable members and help individuals, households and communities to better manage risks".

only 8.7 per cent of GDP on social services, the lowest of all the world's regions, and merely 5.6 per cent when public health spending is not included. This low level undoubtedly translates into poor provision of social services to neglected population groups. Some studies have shown that the countries with the highest investment in social security tend to exhibit low poverty rates and low labour market informality.

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

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

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

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

Source: Economic Commission for Africa, 2010.

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

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

60. Successful social protection programmes are well targeted, anchored by strong political support, effectively coordinated and not overly dependent on external funding. Other significant conditions for success are institutional frameworks to

increase the likelihood of predictable and adequate funding, national guidelines and budget provisions, and close attention to the programmes' fiscal sustainability.

61. In that regard, African countries must plan for sustainable social protection by efficiently mobilizing domestic resources, reallocating budgets and cautiously using external support. When Governments adopt specific social protection instruments (such as cash transfers) without complementary interventions that support livelihoods (such as skills acquisition), they make it difficult for people to escape from the poverty trap and undermine fiscal sustainability.

62. Lastly, for social protection to strengthen social development, authorities should manage schemes holistically, considering both life cycle risks (such as early childhood and old age) and livelihood risks (such as unemployment or food production shocks). Run this way, programmes tend to generate maximum benefits for reaching the Millennium Development Goals and other human development indicators.

Africa's outlook: steady growth in the medium term

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

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

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

Table 5
Africa's growth rates

			Projections	
	2010	*2011*	*2012*	*2013*
Africa	4.6	2.7	5.1	5.2
Africa, excluding North Africa	4.8	4.5	5.3	5.1
North Africa	4.2	0.0	4.7	5.4
West Africa	6.9	5.6	6.3	6.5

			Projections	
	2010	*2011*	*2012*	*2013*
Central Africa	5.2	4.2	4.7	3.7
Eastern Africa	5.8	5.8	6.3	5.8
Southern Africa	3.2	3.5	4.5	4.2
Oil-exporting countries	5.1	1.5	5.6	5.8
Oil-importing countries	4.0	4.2	4.5	4.5
Mineral-rich countries	3.8	4.1	4.5	4.1
Non-mineral-rich countries, non-oil-rich countries	4.5	4.5	4.6	5.3

Source: Department of Economic and Social Affairs, 2011.

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

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

V. Conclusion and issues for discussion

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

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

70. Realizing Africa's growth potential hinges crucially on its ability to effectively develop the productive capacities of its people, in particular through investment in

education and health. The progress made on a number of social indicators notwithstanding, the pace has been slow and performance varies considerably among and within countries. The record to date points to the need for targeted investment in educational quality, access to health services and water and sanitation. In addressing these gaps, policymakers must, however, be mindful of and explicitly address disparities in access to social services in the spatial (e.g. rural-urban), vertical (high-income versus low-income households) and horizontal (e.g. ethnic and gender) dimensions. Furthermore, the deteriorating external environment and its implications for development financing require African countries to be more strategic and judicious in the use of funds.

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