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Africa @ the Centre

*The OECD Development Centre's ongoing work on African economies
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The OECD Development Centre undertakes independent analysis and provides a forum for informal dialogue among policy and decision makers in the public and private sectors of both its member and partner countries. The Centre's work complements that of the other units of the OECD Development Cluster and the other committees of the Organisation. Although its mandate covers all developing countries, African economies are the object of particular attention.

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1. The African Economic Outlook (AEO)

The *African Economic Outlook* (AEO) has been created to address the need among decision makers for reliable and comparable up-to-date data and analysis on Africa's economic, political and social trends. Produced with the support of a local network of experts, the work for the report is carried out and published jointly with the African Development Bank (AfDB). The project benefits from financial support from the European Commission.

Now in its fifth edition, the AEO comprises a series of individual country studies (covering a representative sample of 30 countries that together account for 90% of the continent's population and output), a statistical annex covering a wide spectrum of economic, social and political data, short-term macroeconomic forecasts, a synthesis of economic prospects as well as a continent-wide analysis of an important topical theme -- the new edition of the report (2006) focuses on the promotion and financing of transport infrastructure.¹

Recent editions of the AEO have received extensive media coverage (BBC, CNN, Corriere della Sera, FT, La Tribune, Le Monde, Les Echos, Libération, Business Day (South Africa), Al Watan (Algeria), Angop and Jornal de Angola (Angola), the East African (Kenya), the Daily Observer (Liberia), the Monitor (Uganda), the PANA, the African News Agency; etc.).

The 2006 edition was launched in May 2006 at the AfDB Annual Meeting in Ouagadougou and in Paris, at the Centre d'Accueil de la Presse Étrangère. As in previous years, the report was the masterpiece of the annual Forum on African Perspectives organised jointly by the OECD Development Centre and the AfDB, in Paris.² The key findings of the 2006 report³ are regularly presented at a variety of governmental and academic forums.

Individual country notes and additional information on the AEO project can be downloaded free of charge from the OECD web site: www.oecd.org/dev/aeo

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¹ Privatisation was the thematic focus of the second edition (see also the Development Centre Study on Privatisation in Sub-Saharan Africa); the third edition examined the energy sector (see also the Development Centre *Policy Insights No. 8*); the third edition shed light on the financing of SME Development (see also the *Policy Insights No. 7*). *Policy Insights No.21* presents the key points of the 2006 volume's thematic focus.

² The 2002 Forum provided the occasion for the first official visit to the OECD by a serving African Head of State when Abdoulaye Wade, President of the Republic of Senegal, came to launch the first edition of the report.

³ See also *Policy Insights No.20* and *Policy Insights No.22*

2. Policy Coherence for Development

In this activity the Centre is assessing the impact of policy decisions taken in OECD countries on development outcomes in developing and transition economies. As well as aid and development co-operation policies, the project also encompasses policies governing migration, investment and trade. In addition, we are exploring the interactions of policy domains and the flows they influence (e.g., does a liberalised trade regime increase or reduce the flow of migrants?)

This work is organised around a number of conceptual and stock-taking background papers, and a series of approximately fifteen country case studies, roughly half of which are of African countries (Ghana, Kenya, Mali, Morocco, Mozambique, Senegal and Uganda). Each country case study analyses the joint impact of two policy vectors (e.g., aid and migration policies) on development in that country.

The results of these country case studies will be synthesised shortly in a series of publications, including two Studies: one on *Migration and Development* (late 2006), the other on *Policy Coherence and Africa's Development* (early 2007).

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3. Aid for trade and Private Sector Development in Africa

The Doha Ministerial Declaration underlined the desire of WTO member countries to help least-developed countries (LDCs) take full advantage of improved market access and diversify their production base and exports. Since Doha, bilateral donors and multilateral aid agencies have been expanding significantly their trade-related technical assistance and capacity building programmes, in short; "aid for trade". The OECD has also played an important role in monitoring donor activities and improving aid effectiveness. In support of these efforts, which are particularly important for Africa's low-income, commodity-dependent economies, the Centre is currently devoting considerable attention to monitoring and assessing the role of donors in supporting trade-related capacity development in LDCs.⁴

Over the period of 2005-2006, the Centre has been conducting 4 country case studies (Mali, Senegal, Tanzania and Zambia) with the financial support from the Government of Japan. A synthesis of this work will be used as an input for the forthcoming OECD Policy Dialogue meeting scheduled for late September 2006 in Doha. Moreover, the Centre and the OECD's Development Co-operation Directorate have been working closely to respond to the urgent need for monitoring trade capacity building initiatives, in particular by surveying donors' activities in this field⁵

Further work by the Centre is looking at the internationalisation strategies of the developing countries' largest companies, in particular those of Egypt and South Africa.

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⁴ The Centre has worked on several well-targeted country case studies in Africa -- Trading Competitively: Trade Capacity Building in Sub-Saharan Africa, Development Centre Studies, 2002; and Asia -- Private Sector Development in Asia. Evidence from the Mekong sub-region" Development Centre Studies, forthcoming 2006, as well as organising regional workshops in Kenya (August 2002) and Cambodia (December 2003), in co-operation with other OECD directorates.

⁵ See an Executive Summary of Trade-Related Technical Assistance and Capacity Building: What do Recent Thematic Evaluations Tell Us? (COM/DCD/DEV(2006)1).

4. Governance-Investment Interactions

Building on results of its recent inquiry into the importance of local corporate governance for developing countries, including in South Africa, the Centre is now assessing how a country's system of governance (comprising both corporate governance and key features of public governance) influences not only the level of domestic and international investment in its economy, but the extent to which that investment contributes to real long-term productivity growth or, on the contrary, is more predatory or wasteful in nature. The analysis examines the reverse causal relationship as well: how do investors affect the country's system of governance over time. Outputs will include country studies of Morocco and Cameroon, and in-depth analysis of quantitative governance indicators (soon to be published under the title "Uses and Abuses of Governance Indicators") and of the potential for local and foreign institutional investors to serve as effective agents for improving the quality of governance in developing countries.

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5. Institutions and entrepreneurship in Africa

Overcoming the institutional bottlenecks that are constraining entrepreneurial activities and the development of the private sector is a prerequisite for achieving pro-poor growth. The Centre is therefore examining the African agricultural sector in order to assess the extent to which slow agricultural development is attributable to specifically agricultural institutions – agricultural input and output markets, land tenure, research and extension – as opposed to the general environment outside agriculture – physical, legal or financial infrastructure, and political governance.⁶ As part of the Centre's contribution to the AGR/IFAD/France "Support for African Agriculture" project, this work includes case studies on specific institutional issues in Ghana (research and extension mechanisms) and Cameroon (Farmers' Organisations and Public Private dialogue).

Complementary to these activities, the Centre is also addressing the fundamental question of why incentives saving and investment in productive activities in Africa are so low. This work attempts to identify and measure the impact of cultural practices on the saving and investment behaviour of households by comparing African experiences with other regions in the world. The overall objective of both activities is to draw lessons of how institutional constraints can most effectively be dealt with.

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⁶See Institutional Bottlenecks for Agricultural Development: A Stock-Taking Exercise Based on Evidence from Sub-Saharan Africa, DEV *Working Paper* No. 248.

6. Financing Development in Africa

The Centre's recent work in this area has sought to address the following questions: How can the risks associated with investment in Africa be reduced? What measures could be implemented to reduce financing costs in African economies? How can African economies be assured of stable and durable resources? Do South Africa's capital markets have the potential to play the role of "financial hub" for its neighbouring countries, if not for the African continent as a whole? Initial results of this work were published in 2005 as a Development Centre Study under the title *Reducing Capital Cost in Southern Africa*.

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7. Public-Private Dialogue

The participation of business organisations is widely advocated as a means of enhancing the efficiency of economic policy making and the quality of governance. The question of how public-private dialogue (PPD) can deliver in commodity-dependent countries with weak state institutions, burgeoning business organisations and an elusive "civil society" is therefore an important one.

The Centre is currently reviewing the lessons from various developing countries' experiences of PPD. A forthcoming *Study* indicates ways for donors to work around institutional obstacles in developing (particularly African) countries, and successfully promote PPD.

In partnership with the Initiative for Central Africa (www.inica.org) and the Economic Commission for Africa, the Centre recently organised a workshop on the contribution of oil industries to the development of Central African countries. The workshop sought above all to facilitate tripartite consultation between civil society, private sector and governments of the region.

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8. Impact on Africa of the Economic Ascendancy of China and India

The Centre has been undertaking innovative work on the current and likely future impact of China and India on global trade, especially with regard to developing countries, and in particular those in Africa. Following up on an Experts' Workshop on the topic of "China and India: What's in it for Africa?", held in March this year, the Centre published in May a *Study* of the same title.

This *Study* assesses the ways in which African countries can most effectively reap the benefits from the rise of China and India, whilst minimising, via the adoption of smart policies designed to distribute windfall gains and invest them for future growth, the substantial risks to poverty reduction, industrial upgrading and employment.

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PUBLICATIONS ON AFRICA 2004-2006

THE RISE OF CHINA AND INDIA: WHAT'S IN IT FOR AFRICA? (May 2006)

Development Centre Study, Andrea Goldstein, Nicolas Pinaud, Helmut Reisen and Xiaobao Chen.

AFRICAN ECONOMIC OUTLOOK 2005/2006 (May 2006)

Co-published with the African Development Bank.

AFRICAN ECONOMIC OUTLOOK 2006: A TWO-SPEED CONTINENT? (2006)

Policy Insight #22, Céline Kauffmann, Nicolas Pinaud and Lucia Wegner.

IS MORE MONEY ENOUGH TO FIX AFRICA'S TRANSPORT INFRASTRUCTURE? (2006)

Policy Insight #21, Andrea Goldstein and Céline Kauffmann.

AFRICAN ECONOMIC OUTLOOK 2006: "MOVING TOWARDS POLITICAL STABILITY?" (2006)

Policy Insights #20, Lucia Wegner and Henri-Bernard Solignac Lecomte.

THE RISE OF CHINA AND INDIA: WHAT'S IN IT FOR AFRICA? (2006)

Policy Insights #19, Andrea Goldstein, Nicolas Pinaud, Helmut Reisen and Xiaobao Chen.

DO INSTITUTIONS BLOCK AGRICULTURAL DEVELOPMENT IN AFRICA? (2006)

Policy Insights #17, Juan de Laiglesia.

INSTITUTIONAL BOTTLENECKS FOR AGRICULTURAL DEVELOPMENT: A STOCK-TAKING EXERCISE BASED ON EVIDENCE FROM SUB-SAHARAN AFRICA (2006)

Working Paper #248, Juan R. de Laiglesia.

REDUCING CAPITAL COST IN SOUTHERN AFRICA (2005)

Development Centre Study, Martín Grandes and Nicolas Pinaud.

PRIVATISATION: A CHALLENGE FOR SUB-SAHARAN AFRICA (2005)

Policy Insights #4, Lucia Wegner.

GUARANTEEING DEVELOPMENT? THE IMPACT OF FINANCIAL GUARANTEES (2005)

Development Centre Study, James Winpenny.

AFRICAN ECONOMIC OUTLOOK 2004/2005 (2005)

Co-published with the African Development Bank.

TRADE AND STRUCTURAL ADJUSTMENT POLICIES IN SELECTED DEVELOPING COUNTRIES (2005)

Working Paper #245 Jens Andersson, Federico Bonaglia, Kiichiro Fukasaku and Caroline Lesser.

ENERGY AND POVERTY IN AFRICA (2005)

Policy Insights #8, Céline Kauffmann.

FINANCING SMES IN AFRICA (2005)

Policy Insights #7, Céline Kauffmann.

AFRICAN ECONOMIC PERFORMANCE IN 2004: A PROMISE OF THINGS TO COME? (2005)

Policy Insights #6, Nicolas Pinaud and Lucia Wegner.

REGIONAL INTEGRATION FDI AND COMPETITIVENESS IN SOUTHERN AFRICA (2004)

Development Centre Study, Andrea Goldstein.

AFRICAN ECONOMIC OUTLOOK 2003/2004 (2004)

Co-published with the African Development Bank.

PRIVATISATION IN SUB-SAHARAN AFRICA: WHERE DO WE STAND? (2004)

Development Centre Study, Jean-Claude Berthélemy, Céline Kauffmann, Marie-Anne Valfort, Lucia Wegner.

OWNERSHIP AND PARTNERSHIP: WHAT ROLE FOR CIVIL SOCIETY IN POVERTY REDUCTION STRATEGIES?
(2004)

Development Centre Study, Henri-Bernard Solignac Lecomte, Ian Smillie.

CORPORATE GOVERNANCE IN DEVELOPMENT: THE EXPERIENCES OF BRAZIL, CHILE, INDIA, & SOUTH
AFRICA (2004)

Co-published with the Centre for International Private Enterprise (CIPE), edited by Charles P. Oman.

EXTENDING INSURANCE ? FUNERAL ASSOCIATIONS IN ETHIOPIA AND TANZANIA (2004)

Working Paper #240, Stefan Dercon, Tessa Bold, Joachim de Weerd and Alula Pankhurst.

WHICH POLICIES CAN REDUCE THE COST OF CAPITAL IN SOUTHERN AFRICA ? (2004)

Policy Brief #25, Martín Grandes and Nicolas Pinaud.

LA CONDITION DES FEMMES EN INDE, KENYA, SOUDAN ET TUNISIE (2004)

Working Paper #235, Christian Morrisson.

With the exception of Working papers, all publications are available in English and French