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AFRICAN DEVELOPMENT  
BANK GROUP



# AFRICAN ECONOMIC OUTLOOK

## The 60-second guide

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

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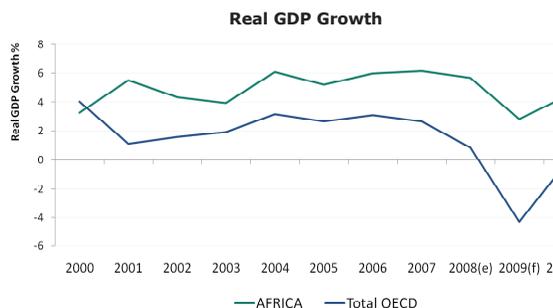
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# 2009

## HOW IS THE CRISIS AFFECTING AFRICA?

Initial effects of the crisis will be felt through trade due to a fall in commodity prices (mineral and non-mineral) and plummeting demand from developed countries. In fact, many of the new export industries in Sub-Saharan Africa are at risk of collapsing. Workers' remittances, trade finance and FDI are also expected to dry up, posing grave risks to balance of payment sustainability. Nonetheless, the reorientation of trade towards emerging markets, prudent macroeconomic reforms and debt relief have Africa better placed to weather the crisis compared to 10 years ago.



Source: OECD Development Centre / African Development Bank, 2009.

### DID YOU KNOW?

Between 2005 and 2007, more than three-quarters of Africa's exports went to Asia.

## WHAT CAN AFRICAN GOVERNMENTS DO TO MITIGATE THE DAMAGE?

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

### DID YOU KNOW?

In more than half of African countries, tax revenue represents less than 20 per cent of GDP as compared to 36 per cent in OECD countries.

## WHAT CHANGES MIGHT WE EXPECT TO THE SOCIAL AND POLITICAL LANDSCAPE?

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

### DID YOU KNOW?

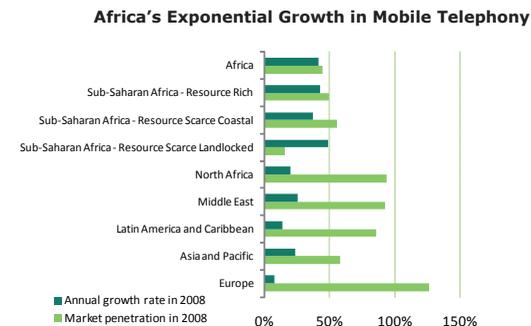
The rate of return on FDI is higher in Africa than anywhere else in the developing world.

## HOW CAN AFRICAN GOVERNMENTS BEST POSITION THEMSELVES FOR AN EVENTUAL RECOVERY?

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

### DID YOU KNOW?

Africa was the first region in the world to offer free, mobile roaming services across several countries. Today, 4 out of 10 Africans have a mobile phone line.



Source: OECD Development Centre, based on *Wireless Intelligence*, 2009.