

# World Economic and Financial Surveys

## Regional Economic Outlook

### **Sub-Saharan Africa**

.....

**APR 07**

©2007 International Monetary Fund

### **Cataloging-in-Publication Data**

Regional economic outlook : Sub-Saharan Africa -- [Washington, D.C.] : International Monetary Fund, 2007.

p. cm. -- (World economic and financial surveys)

Apr. 2007

Includes bibliographical references.

ISBN 978-1-58906-639-7

1. Economic forecasting -- Africa, Sub-Saharan. 2. African cooperation. 3. Africa, Sub-Saharan -- Economic conditions -- 1960- 4. Africa, Sub-Saharan -- Economic conditions -- 1960- -- Statistics. I. Title: REO. II. International Monetary Fund. III. Series (World economic and financial surveys)  
HC800 .R445 2007

Price: US\$31.00

(US\$26.00 to full-time faculty members  
and students at universities and colleges)

Please send orders to:

International Monetary Fund, Publication Services  
700 19th St. N.W., Washington, D.C. 20431, U.S.A.

Tel.: (202) 623-7430    Telefax: (202) 623-7201

E-mail: [publications@imf.org](mailto:publications@imf.org)

Internet: [www.imf.org](http://www.imf.org)

# Contents

Abbreviations .....	vi
Preface.....	vii
<b>I. Highlights .....</b>	<b>1</b>
<b>II. Developments in 2006 and Prospects for 2007 .....</b>	<b>3</b>
Developments in 2006.....	3
Prospects for 2007 .....	17
<b>III. Macroeconomic Challenges for Africa’s Oil Producers: How to Seize the Opportunities and Avoid the Pitfalls .....</b>	<b>22</b>
Introduction .....	22
Policy Challenges Ahead .....	25
Conclusions .....	37
<b>IV. Sub-Saharan Africa’s Emerging Export Pattern.....</b>	<b>38</b>
Introduction .....	38
Evolution of SSA Export Patterns through 2005.....	39
Export Patterns by Product.....	41
Export Patterns by SSA Country Groupings.....	43
A Closer Look at SSA’s Manufacturing Exports .....	44
Benchmarking SSA’s Trade Performance .....	46
Making Trade an Engine of Development.....	49
Constraints on Manufacturing in SSA .....	50
<b>V. Local-Currency Government Debt Markets in Africa: Experiences and Policy Challenges ...</b>	<b>55</b>
Introduction .....	55
Government Debt Markets and Economic Performance .....	55
Principal Characteristics and Size of Government Debt Markets in Africa .....	56
Structural Challenges in Domestic Debt Markets .....	64
Strategies for Sustainable Market Development .....	66
<b>Appendix I. Additional Tables and Figures .....</b>	<b>69</b>
<b>Appendix II. Methodological Notes to Chapter IV .....</b>	<b>75</b>
<b>Statistical Appendix .....</b>	<b>76</b>
Data and Conventions .....	76
List of Tables.....	77
<b>References.....</b>	<b>103</b>
<b>Publications of the IMF African Department, 2003-2007.....</b>	<b>108</b>

**Tables**

2.1. Sub-Saharan Africa: Selected Indicators, 2002-07 .....	4
3.1. Sub-Saharan African OPCs: Quality of Public Sector Management and Institutions, 2005 .....	35
4.1. Sectoral Composition of Exports, 1985-2005 .....	42
4.2. Growth Rates of Broad Export Categories, 1985-2005 .....	42
4.3. Destination Shares of Broad Export Categories, 1990 and 2005.....	42
4.4. Top Two Markets and Suppliers of Major Manufacturing Exports,.....	45
4.5. Undertrading in Developing Countries, 2000-05.....	47
4.6. Undertrading in Sub-Saharan Africa, 2000-05 .....	48
5.1. Domestic Debt in Sub-Saharan Africa, 1980-2000 .....	59
5.2. Commercial Bank Holdings of Domestic Debt .....	63

**Figures**

2.1. Sub-Saharan Africa: Real GDP Growth.....	3
2.2. Sub-Saharan Africa: Contribution to GDP Growth.....	3
2.3. Sub-Saharan Africa: Inflation, 2000-06.....	5
2.4. Sub-Saharan Africa: Commodity Prices.....	7
2.5. Sub-Saharan Africa: Foreign Reserves .....	7
2.6. Sub-Saharan Africa: Destination of Exports .....	8
2.7. Sub-Saharan Africa: External Debt, 2000-06.....	8
2.8. Sub-Saharan Africa: Components of Total Net Official Development Assistance .....	10
2.9. Sub-Saharan Africa: Real Effective Exchange Rate.....	10
2.10. Sub-Saharan Africa: Debt Trading Volumes.....	11
2.11. Oil-Exporting Countries: Contribution to GDP Growth.....	13
2.12. SSA Oil-Exporting Countries: Fiscal Spending and Oil Revenues, 2002-06 .....	15
2.13. SSA Oil-Exporting Countries: External Spending and Oil Exports, 2002-06.....	15
2.14. SSA Oil-Exporting Countries: Current Account and Official Reserves .....	15
2.15. International Comparison: <i>Doing Business</i> Indicators.....	16
2.16. Oil-Importing Countries: Contribution to GDP Growth.....	16
2.17. Sub-Saharan Africa: Real GDP Growth, 2007.....	17
2.18. Sub-Saharan Africa: Median Inflation and Countries with Inflation Below 10 Percent .....	18
2.19. Sub-Saharan Africa, Euro Area, and the United States: Real GDP Growth .....	20
2.20. Sub-Saharan Africa, Euro Area, and the United States: GDP Growth Correlation.....	20
3.1. SSA: Oil Production and Oil Prices, 1965-2006.....	22
3.2. SSA Oil-Producing Countries: Oil and Non-Oil Revenues, 2002 and 2006 .....	23
3.3. SSA Oil-Producing Countries: Portion of Oil Revenue Spent, 2002 and 2006 .....	23
3.4. SSA Oil-Producing Countries: Change in International Reserves and Non-Oil Primary Fiscal Balances, 2002 and 2006 .....	24
3.5. SSA Oil-Producing Countries: Impact of Fiscal Policies, 1970-2006.....	24
3.6. Selected Indicators in Oil-Producing Countries, 2005 .....	26
3.7. SSA Oil-Producing Countries: Oil and Gas Production, 2001-56 .....	28
3.8. SSA Oil-Producing Countries: Non-hydrocarbon Primary Balance, 2003-45 .....	30
3.9. SSA Oil-Producing Countries: Permanently Sustainable Non-Oil Primary Deficits (3.2 percent return).....	30

3.10. SSA Oil-Producing Countries: Permanently Sustainable Non-Oil Primary Deficits (4 percent return).....	30
3.11 SSA Oil-Producing Countries: Real Growth and Sustainable Government Expenditure, 2003-55...	31
3.12. Nigeria: Impact of Scaling Up Government Spending, 2002-12 .....	33
4.1. Share of World Trade by Region, 1970-2005 .....	38
4.2. Destination of Sub-Saharan African Exports .....	39
4.3. Total Merchandise Exports by Destination, 1985 and 2005 .....	39
4.4. Destination Shares of Sub-Saharan African Exports, 1990 and 2005 .....	41
4.5. Exports of Major Merchandise Categories, 1985-2005.....	41
4.6. Selected Economies: Major Product Category Shares of Total Exports.....	49
5.1. Holders of Domestic Debt in Selected African Countries, 2000 .....	58
5.2. Securitized Debt in Selected African Countries, 2004.....	61
5.3. Holders of Debt in Selected African Countries, 2001-05 .....	62

## Boxes

2.1. Trends in Poverty and Inequality in Sub-Saharan Africa .....	6
2.2. Information and Communication Technologies in Sub-Saharan Africa .....	9
2.3. Debt Relief and Credit Rating in Sub-Saharan Africa.....	12
2.4. Macroeconomic Implications of Climate Change in Sub-Saharan Africa .....	14
2.5 Policies to Promote Private Sector Development in Sub-Saharan Africa .....	19
3.1. Limited Oil Reserves and Long-Term Fiscal Policies.....	27
3.2. Oil and Gas Reserves in Sub-Saharan Africa .....	29
3.3. Simulating the Impact of Scaled-Up Public Spending.....	32
3.4. Implementation of the Extractive Industries Transparency Initiative (EITI) in Africa.....	36
4.1. China's Financial Relations with Sub-Saharan Africa .....	40
4.2. International Service Outsourcing to Sub-Saharan Africa .....	53
5.1. Is There a Link Between Domestic Debt and Growth?.....	57
5.2. Government Securities Markets in Kenya .....	61
5.3. Debt Management: The Essentials .....	65
5.4. Government Debt and Private Bond Market Development in Africa .....	67

# Abbreviations

AGOA	African Growth and Opportunity Act
ATC	Agreement on Textiles and Clothing
CEMAC	Central African Economic and Monetary Community
COMESA	Common Market of Eastern and Southern Africa
CPIA	Country Policy and Institutional Assessment index
EBA	Everything But Arms Initiative
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
EPZ	Export Processing Zones
EU	European Union
FDI	Foreign direct investment
GCC	Cooperation Council for the Arab States of the Gulf
GG	Greenhouse Gas
HIPC	Heavily Indebted Poor Countries
ISO	International service outsourcing
IT	Information Technology
LAC	Latin America–Caribbean
LAR	Liquid asset ratio
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MENA	Middle East–North Africa
MFN	Most-favored-nation (tariff)
MTEF	Medium-Term Fiscal or Expenditure Frameworks
NSE	Nairobi Stock Exchange
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OPC	Oil-producing country
PFM	Public financial management
PRSP	Poverty Reduction Strategy Paper
RTA	Regional trade agreement
SACU	Southern African Customs Union
SADC	Southern African Development Community
S&P	Standard and Poor
SDDS	Special Data Dissemination Standard
SFI	Special fiscal institutions
SITC	Standard International Trade Classification
SSA	Sub-Saharan Africa
TFP	Total factor productivity growth
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development
WAEMU	West African Economic and Monetary Union
WEO	World Economic Outlook
WTO	World Trade Organization

# Preface

This report was prepared in the Policy Wing of the African Department of the International Monetary Fund, under the direction of Benedicte Vibe Christensen, Deputy Director. The research was coordinated by Sanjeev Gupta with contributions from Anne-Marie Gulde, Roger Nord, Dan Ghura and S.M. Ali Abbas, Kevin Carey, Naly Carvalho, Valeria Fichera, Dmitry Gershenson, Michael Gorbanyov, Markus Haacker, Jiro Honda, Ulrich Jacoby (who also coordinated the production of the paper), Arto Kovanen, Calvin McDonald, Oduetse A. Motshidisi, Zuzana Murgasova, Piroska M. Nagy, Jan-Peter Olters, Christiane Roehler, Chad Steinberg, Volker Treichel, and Smita Wagh. Gustavo Ramirez and Francis Tyaba prepared the charts and statistical tables, Anne Grant provided editorial assistance, and Emma Morgan was responsible for document production.

The report benefited from comments from staff in the African Department and other departments of the IMF. Opinions expressed in this report are those of the authors and do not necessarily represent the views of the IMF or its Executive Board. The report is based on data available as of March 29, 2007. James McEuen of the IMF's External Relations Department copyedited the manuscript and Marina Primorac coordinated production of the printed publication.





# I. Highlights

For the third year in a row, sub-Saharan Africa (SSA) recorded growth in the 5-6 percent range (Chapter II). In 2006 economic growth was over 5 percent, and for 2007 a pick-up to 6-7 percent is expected, mainly due to higher production in the oil-producing countries (OPCs). Growth was equally strong in OPCs and non-oil-producing countries; more than half of non-oil-producing countries grew at 5 percent or more in 2006, and almost two-thirds are projected to do so in 2007. Nevertheless, some non-oil countries—including in the WAEMU (West African Economic and Monetary Union) zone and postconflict countries—failed to catch up to the regional average. The higher growth in the region is attributable both to positive external developments, such as strong foreign demand, and to strong domestic investment and productivity gains supported by sound economic policies in most countries.

The trend growth performance is inching toward the 7 percent rate earlier established as a target for SSA to achieve the income poverty Millennium Development Goal (MDG). While it is too early to assess whether higher growth has translated into a reduction in poverty, we do know that governments are spending more to reduce poverty and provide critical government services, financed in part by debt relief. Policymakers are also confronted with the challenges of population growth, which in SSA clearly exceeds that of other developing regions, and the high incidence of HIV and malaria. The potential impact of climate change adds to the uncertainty.

Commodity producers have saved a significant part of their additional revenue. That did not happen in past commodity price booms, when large and unproductive investment projects quickly exhausted the gains. Both OPCs and non-oil-producing countries are now faced with pressures for higher wages and the need to create fiscal space for investments in electric power and roads to alleviate bottlenecks to growth. These pressures intensified

with the promises of scaled-up aid—promises that have yet to materialize—and debt relief under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI). With higher resource levels and increasing spending pressures, it becomes even more critical to strengthen governance, in particular public financial management (PFM) systems, to ensure that resources are used efficiently and transparently.

Faced with historically high prices and finite resources, oil producers must now deal with the complexities of managing their resources (Chapter III). The question is not whether the resources should be spent, but how and how fast. Countries might choose to use their wealth in different ways, such as adopting a framework based on a permanent income hypothesis (since the resources are finite) or on current social needs, as long as the spending is consistent with fiscal sustainability. In any case, OPCs need to ensure that, unlike in past commodity booms, the resources are productively used to yield high returns. Unless properly managed, scaling up spending could put substantial upward pressure on prices, causing an excessive real appreciation of the exchange rate. The risk can be mitigated by policies that ease absorptive capacity, such as liberalizing trade, reducing the numerous costs of doing business, and making labor markets more flexible. Whether countries should set up special oil funds to smooth spending over time depends on whether their governments are able to achieve overall fiscal surpluses as well as on their ability to safeguard resources for intended needs. In any case, only firm management of public finances will ensure that resources are spent efficiently.

The recent commodity boom has improved SSA's export prospects (Chapter IV). Trade with Asia, particularly China, has expanded dramatically, although European Union countries and the United States still account for 2½ times the export shares of Asia. Nevertheless, the export of commodities has not been accompanied by export diversification. Oil

and other commodities are still the main export items; SSA's exports of manufactures are still confined to a few product categories. The emergence of clothing exports reflects the impact of African Growth and Opportunity Act (AGOA) and the fact that expiration of the Multi-Fiber Arrangement did not have as dire an effect as expected.

Most countries have neither managed to achieve a labor-intensive manufacturing export surge nor climbed up the value chain of their commodity-based exports. This is largely due to lack of infrastructure and the costs of doing business, including forbiddingly high total shipping costs. Experience from other parts of the world shows that trade could be an important engine of growth and that it does not necessarily require a transition to predominantly manufacturing-based exports. Tackling structural impediments to growth and trade in valued-added industries linked to agriculture and commodities is therefore important if SSA is to realize its growth potential.

African governments have increasingly turned to domestic debt markets as a way to finance their fiscal deficits (Chapter V). Local-currency government debt markets can increase the efficiency and transparency of budgetary financing. They can also give impetus to financial sector development by creating a benchmark instrument that will help establish a yield curve.

Corporate bond markets, which could help overcome the longer-term financing constraints of Africa's private sector, generally develop only after government bond markets are in place, but most African domestic debt markets are still in their infancy. To achieve the full benefits, market infrastructure and debt management are essential. Limiting fiscal deficits will reduce the risk of crowding out. A review of the capital accounts may be needed to ensure that domestic interest rates are linked to world rates. Policymakers should also consider how foreigners can participate in domestic debt markets, taking into account the possible variability of capital flows.

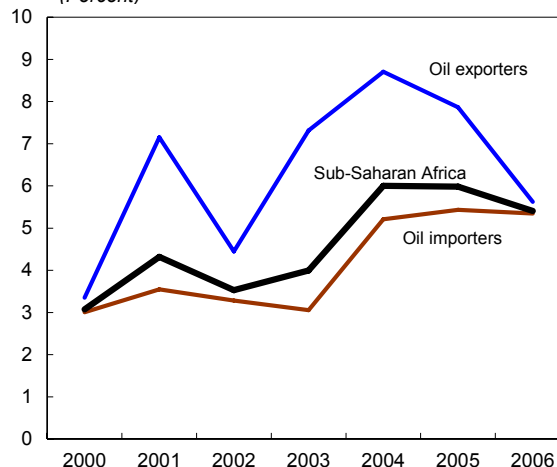
## II. Developments in 2006 and Prospects for 2007

### Developments in 2006

Economic growth in sub-Saharan Africa (SSA) in 2006 remained robust at 5.4 percent, after growth of 6 percent in 2004 and 2005 (Table 2.1). Growth moderated in oil-exporting countries because they had temporary difficulties in expanding oil production (Figure 2.1). Growth in the region was increasingly driven by domestic investment, rising productivity, and, to a lesser degree, government consumption, together more than offsetting the declining contribution from private consumption (Figure 2.2).<sup>1</sup> Higher oil revenues and debt relief supported increased government spending. The recent uptick in investment augurs well for SSA's future growth because it is broadly spread throughout the region in both OPCs and oil-importing countries.

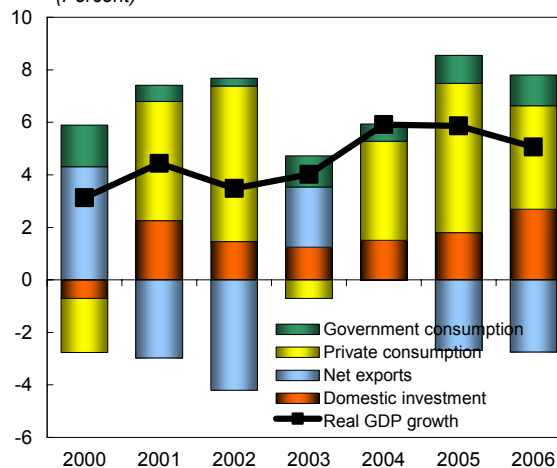
The global environment in 2006 was favorable for SSA. Healthy economic growth in most parts of the world raised demand for the region's exports. Global demand for fuel and other commodities was particularly strong, and their prices rose through most of the year, boosting SSA's terms of trade, especially for OPCs. Even for oil importers the terms of trade improved in aggregate, deteriorating in only about one-third of them. For many countries the depreciation of the U.S. dollar helped buffer rising oil prices.

**Figure 2.1. Sub-Saharan Africa: Real GDP Growth (Percent)**



Source: IMF, African Department database.

**Figure 2.2. Sub-Saharan Africa: Contribution to GDP Growth (Percent)**



Source: IMF, African Department database.

Note: This chapter was prepared by Sanjeev Gupta, Ulrich Jacoby, and Calvin McDonald.

<sup>1</sup> After negative growth in Africa in the first half of the 1990s, productivity turned positive after 1996 and has been steadily accelerating since 2000. While still below gains in most other developing regions, productivity reached almost 3 percent in 2006 (IMF, 2007, Figure 1.14). An earlier study found that total factor productivity growth (TFP) improved strongly in the second half of the 1990s for the first time since the 1960s, and that growth accelerations were accompanied by strong productivity growth. The improvements were closely associated with sound macroeconomic policies, growth in trade, and institutional improvements. See IMF (2005, Chapter IV).

**Table 2.1. Sub-Saharan Africa: Selected Indicators, 2002-07**

	Estimate					Current Projections
	2002	2003	2004	2005	2006	2007
<i>Percentage change</i>						
Real GDP	3.5	4.0	6.0	6.0	5.4	6.7
<i>Of which:</i> Oil exporters <sup>1</sup>	4.4	7.3	8.7	7.9	5.6	11.6
Oil importers	3.3	3.1	5.2	5.4	5.3	5.2
Real non-oil GDP	3.8	3.3	5.5	5.7	6.4	7.4
Consumer prices (average) <sup>2</sup>	9.9	9.7	6.1	8.1	7.2	7.1
<i>Of which:</i> Oil exporters	18.8	17.0	12.5	13.2	7.7	6.6
Oil importers <sup>2</sup>	7.6	7.7	4.3	6.7	7.1	7.3
Per capita GDP	1.5	2.0	4.1	4.0	3.4	4.7
<i>Percent of GDP</i>						
Exports of goods and services	32.4	33.8	36.0	39.3	42.1	40.6
Imports of goods and services	32.8	33.3	34.6	35.9	38.8	39.6
Gross domestic saving	15.5	18.6	21.0	22.2	23.2	21.5
Gross domestic investment	16.4	18.7	19.3	19.2	20.4	21.4
Fiscal balance (including grants)	-2.7	-2.2	-0.4	1.5	4.1	-0.1
<i>Of which:</i> Grants	1.5	1.6	1.5	1.5	1.4	1.3
Current account (including grants)	-3.3	-2.5	-1.8	-0.6	-0.6	-1.7
<i>Of which:</i> Oil exporters	-8.0	-3.6	2.5	8.0	10.6	7.4
Terms of trade (percent change)	1.0	1.1	2.7	8.5	9.8	-5.1
<i>Of which:</i> Oil exporters	5.3	1.0	7.8	28.1	14.8	-10.0
Oil importers	-0.5	1.2	0.8	-0.7	6.0	-1.5
Reserves (in months of imports) <sup>3</sup>	4.4	4.1	4.9	5.3	6.2	6.8
<i>Memorandum items:</i>						
Oil price (U.S. dollars per barrel)	25.0	28.9	37.8	53.4	64.3	60.8
Advanced country import growth (in percent)	2.6	4.1	9.1	6.1	7.4	4.7
Real GDP growth in other regions						
Sub-Saharan Africa (WEO definition) <sup>4</sup>	3.7	4.2	6.0	6.0	5.7	6.8
Developing Asia	7.0	8.4	8.7	9.2	9.4	8.8
Middle East	3.9	6.5	5.6	5.4	5.7	5.5
Commonwealth of Independent States	5.3	7.9	8.4	6.6	7.7	7.0

Sources: IMF, African Department database; and *World Economic Outlook (WEO)* database.

Note: Data as of March 29, 2007. Arithmetic average of data for individual countries, weighted by GDP.

<sup>1</sup> Defined on the basis of net oil exports; includes Angola, Cameroon, Chad, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, and Nigeria.

<sup>2</sup> Excluding Zimbabwe.

<sup>3</sup> Excluding South Africa.

<sup>4</sup> Includes the countries covered by the IMF African Department plus Djibouti, Mauritania, and Sudan.

While SSA has profited from commodity booms in the past, they were followed by painful and protracted adjustment periods that wiped out most of the previous growth gains. This time, spending is boosted not only by higher commodity revenues but also by debt relief, but growth also seems to be supported by more prudent macroeconomic policies in most countries, making it more sustainable. The change is most obvious in resource-poor landlocked countries, where over the past three years growth has outperformed that of nonfuel-resource-intensive and coastal countries.<sup>2</sup> As inflation has declined, it has increased the real resources available to the private sector, resulting in higher domestic savings.

Growth in per capita income exceeded 3 percent in 2006 against 4 percent in the previous two years.<sup>3</sup> The challenge now is to accelerate growth and spread it throughout the region to achieve the income poverty goal of the MDGs. At present only about half a dozen countries seem to be on track to meet it. The limited poverty data for 19 countries

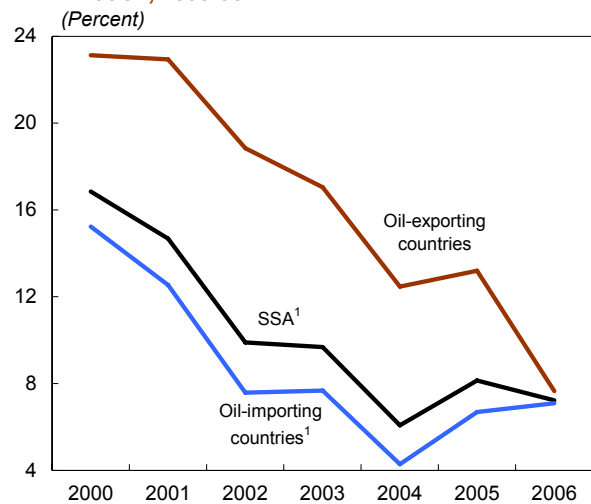
<sup>2</sup> In addition to countries being classified as oil importers or exporters, they were also classified as resource-intensive, with subgroups oil and non-oil; and nonresource-intensive, with subgroups coastal and landlocked. These groupings follow Collier and O'Connell (2006), who show that the effect of resource endowments is independent of location and thus classify all SSA economies by endowment and location. A country is classified as resource-intensive if primary commodity rents, that is, revenue minus extraction costs, exceed 10 percent of GDP (on this criterion South Africa is not resource-intensive). In terms of location, countries are classified by whether they have ocean access (coastal) or are landlocked. A country is classified as landlocked if its access to the sea is limited and is likely to be a significant impediment to trade; hence, the Democratic Republic of the Congo is classified as landlocked. For further details, see the section on Data and Conventions in the Statistical Appendix.

<sup>3</sup> Volume GDP underestimates the increase in real incomes and purchasing power that may be induced by changes in the terms of trade. The command GDP indicator adjusts for these by deflating exports with the import price deflator, a measure of how terms-of-trade shifts affect a country's purchasing power—i.e., its ability to *command* goods and services. On the basis of command GDP, per capita income growth in SSA averaged about 8.5 percent annually for 2004-06, reflecting the large terms-of-trade gains of oil exporters. However, those gains are probably overstated because a portion of revenues from the oil exports accrue to foreign oil companies. For oil importers, the corresponding rates are close to annual per capita GDP growth.

covering 1984 to 2004 shows that economic growth is a critical ingredient for reducing poverty (Box 2.1). Country evidence also suggests that growth needs to be supported by targeted distribution policies to make inroads into poverty.<sup>4</sup> As a region, SSA is off-track on all the MDGs, although some countries are making rapid progress. Six of the seven top developing countries in expanding completion rates for primary education between 2000 and 2005 are in SSA, as are 5 of the 10 countries making the fastest progress toward improving access to clean water and sanitation.

Inflation in the region was subdued, thanks to prudent macroeconomic policies and another good harvest. In aggregate, inflation (excluding Zimbabwe) declined from 8.1 percent in 2005 to 7.2 percent in 2006 (Figure 2.3), even though in many countries high international oil prices were

**Figure 2.3. Sub-Saharan Africa: Inflation, 2000-06**



Source: IMF, African Department database.

<sup>1</sup> Excluding Zimbabwe.

<sup>4</sup> The *Global Monitoring Report 2007* (World Bank and IMF, 2007, forthcoming) finds that although between 1999 and 2004, poverty in SSA was reduced by almost 5 percentage points, to about 41 percent, due to population growth the number of people living below the poverty line was unchanged at about 300 million.

### Box 2.1. Trends in Poverty and Inequality in Sub-Saharan Africa

Sustained growth and effective distribution policies will be critical to whether SSA halves poverty by 2015. From household survey data from 19 SSA countries it appears that countries that sustained real per capita growth above 1 percent between surveys have reduced the share of their population living on less than a dollar a day—except in Botswana and Lesotho, where income inequality is the highest in the region.<sup>1</sup> (figure). Since these surveys precede the recent improved growth in SSA, its effects on poverty are still unknown. National poverty data from a subsample indicate that urban poverty is more likely than is rural to fall with high per capita growth. In part, this may reflect problems in measuring both poverty and growth, given the overlap between the urban and formal sectors in many countries. A notable exception is Mozambique, where rural poverty has declined more than urban.

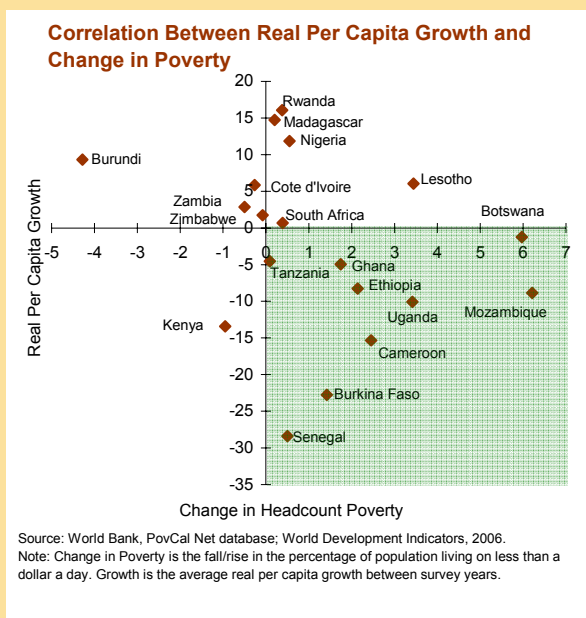
While inequality has been reduced in almost half the countries in the sample, it has risen further in the others, some of which started off with already large inequalities. On the Gini index, Botswana, Lesotho, and South Africa have among the least egalitarian income distributions in the region.<sup>2</sup> Analysts have attributed inequality in SSA to historical factors, persistent hierarchical sociopolitical structures, and ethnic fractionalization (Milanovic, 2003). In SSA countries with a high Gini index, the consumption share of the richest quintile has risen, and that of the poorest has fallen; the share of the middle class (fourth through sixth deciles) is among the lowest in the region, and it fell or held constant between surveys. This distributional pattern may have undermined the emergence of the sizable middle class needed to propel foreign and domestic investment in the region.

Public policy could do more to address poverty and income distribution. The incidence of government in-kind transfers like health and education spending is particularly skewed in SSA. The richest quintile receives 32 percent of education spending, and the poorest just 13 percent (Chu, Davoodi, and Gupta, 2004; Davoodi, Tiongson, and Asawanuchit, 2003). In 2000, by directing social spending to the poor, South Africa was able to lower its before-tax, before-transfer Gini of 0.57 (among the highest in the world) to 0.35, a substantial improvement from 1993, when its social spending was seen as relatively neutral (South Africa, 2003).

Note: This box was prepared by Smita Wagh.

<sup>1</sup>The analysis is based on household survey data released between 1984 and 2004. Data availability dictated the choice of countries and years for comparison (see Appendix I, Table A1 for countries and years covered), and the consistency and comparability of household surveys over time may not be reliable. Unless otherwise indicated, poverty data refer to the dollar-a-day poverty line; using national measures would have restricted the sample size.

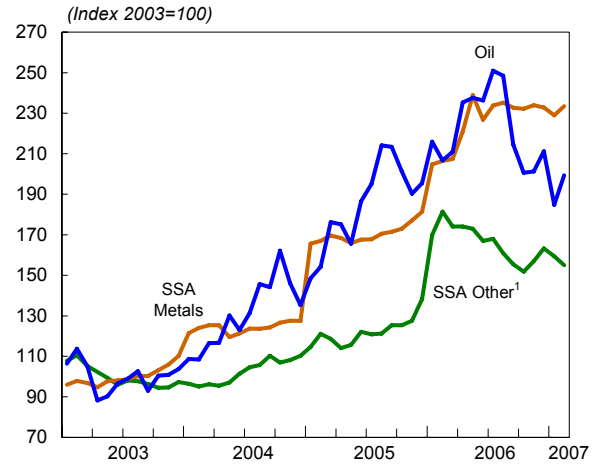
<sup>2</sup>The Gini coefficient is calculated by dividing the area lying between the Lorenz curve (which plots cumulative income shares for a population) and a 45-degree diagonal by the total area lying under the 45-degree line. A value of 0 indicates complete equality; a value of 1, maximum inequality.



passed through to domestic buyers.<sup>5</sup> Inflation declined strongly in OPCs, reflecting stabilization gains in both Angola and Nigeria. Nigeria also benefited from a good harvest, as did many other SSA countries, which eased the food supply. With few exceptions bank financing of the budget deficit was negligible, and monetary policy responded early to inflationary pressures in a number of countries.

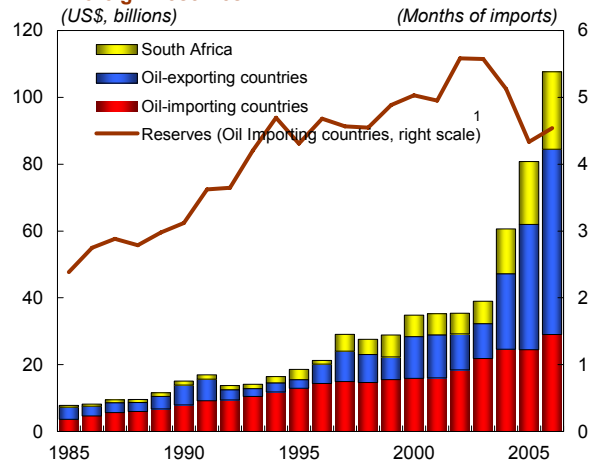
Global demand, especially for commodities, helped strengthen the external position of many SSA countries. Oil exporter revenues from rising prices more than offset a slowdown in output (Figure 2.4). Rising nonfuel commodity prices counterbalanced the impact of high fuel prices on oil importers; in fact, in 2006 their terms of trade improved by 6 percent. Developments in late 2006 were particularly favorable for nonfuel commodity exporters because their export prices remained relatively strong while oil prices declined. SSA's current account (including grants) was broadly in balance. With strong capital inflows (see below), the reserve position of SSA countries improved markedly; even oil importers (excluding South Africa) on average managed to raise their import cover slightly to 4.5 months of imports (Figure 2.5).

**Figure 2.4. Sub-Saharan Africa: Commodity Prices**  
(Index 2003=100)



Sources: IMF, Commodity Prices; and UN Comtrade.  
<sup>1</sup> Composite of cocoa, coffee, sugar, tea, and wood, weighted by SSA exports.

**Figure 2.5. Sub-Saharan Africa: Foreign Reserves**  
(US\$, billions) (Months of imports)



Source: IMF, African Department database.  
<sup>1</sup> Excluding South Africa.

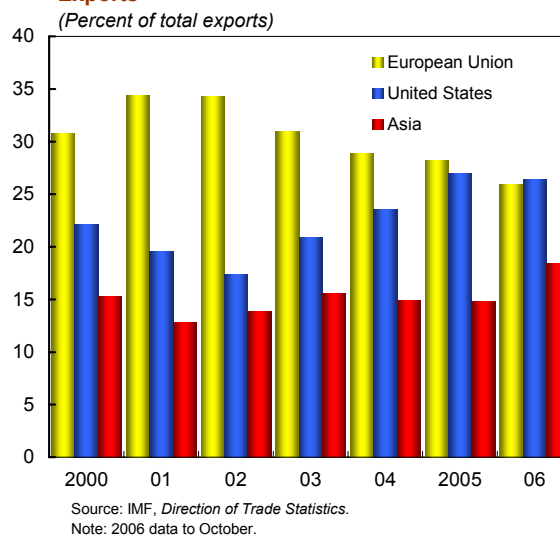
<sup>5</sup> In a survey of 31 SSA countries, it was found that the average pass-through of higher international prices to domestic prices was 105 percent for gasoline. Pass-through in oil importers was higher at 120 percent (exceeding 100 percent due to ad valorem taxation and transportation costs), while oil exporters averaged slightly more than half of that (IMF, 2006)

With the global commodity boom, Asia and the United States have emerged as major trading partners for SSA (Figure 2.6). While the European Union is still the dominant trading partner for most SSA countries, rising exports of fuels and other commodities to destinations outside the European Union and rising textile exports to the United States generated by its AGOA have changed the pattern of SSA exports. Chapter IV presents an analysis of how SSA's exports are evolving and discusses policies that are essential to further integrate the region into the global economy. Communication and information technologies can help SSA countries lower their costs and increase productivity. The rising use of cell phones, for example, facilitates access to financial services and a deepening of financial markets. While access to these technologies in SSA is still well below the world average, the region is slowly catching up (Box 2.2).

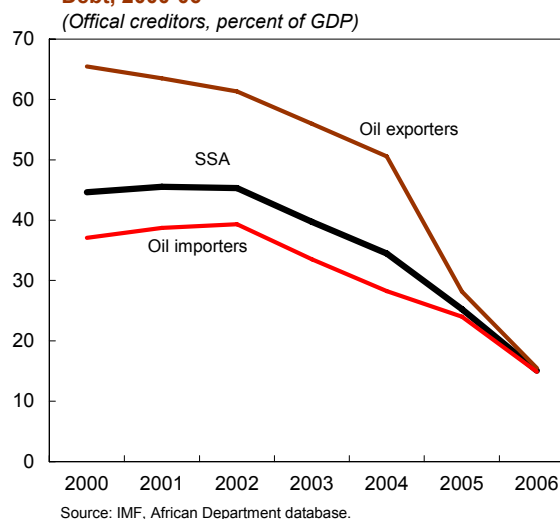
SSA's external debt continued to decline in 2006 as a result of comprehensive debt relief from the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, the Multilateral Debt Relief Initiative (MDRI), and the Paris Club agreement with Nigeria. Reflecting these factors and strong GDP growth, debt in SSA (excluding South Africa) declined by 18 percentage points, to 24 percent of GDP (Figure 2.7). Nigeria's debt to Paris Club creditors was reduced by \$18 billion.<sup>6</sup> Sixteen countries in SSA received MDRI debt relief from the IMF in 2006 valued at \$3.0 billion, including Cameroon, which reached the HIPC completion point in April, and Malawi and Sierra Leone, which reached it in August and December, respectively. Eight more SSA countries could qualify for MDRI relief once they reach the HIPC completion point.<sup>7</sup>

<sup>6</sup> The second tranche of the October 2005 Paris Club agreement with Nigeria was implemented in May 2006. About 60 percent of Nigeria's debt to Paris Club creditors has been canceled as part of the agreement, Nigeria also cleared arrears and repaid early a substantial portion of outstanding debt.

**Figure 2.6. Sub-Saharan Africa: Destination of Exports**



**Figure 2.7. Sub-Saharan Africa: External Debt, 2000-06**



<sup>7</sup> They are Burundi, Chad, the Democratic Republic of the Congo, The Gambia, Guinea, Guinea-Bissau, Republic of Congo, and São Tomé and Príncipe. Another six SSA countries (Central African Republic, Comoros, Côte d'Ivoire, Eritrea, Liberia, and Togo) met the income and indebtedness criteria of the enhanced HIPC Initiative (based on end-2004 data) and may wish to be considered for debt relief.



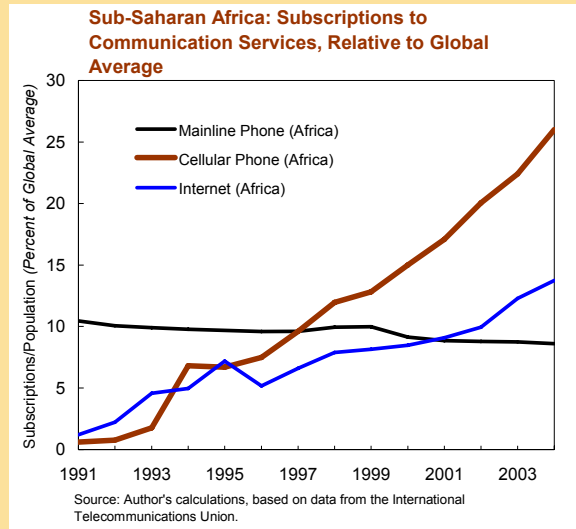
**Box 2.2. Information and Communication Technologies in Sub-Saharan Africa**

The spread of information and communication technologies has enabled or contributed to the transformation of the global economy, characterized by shifts in the location of economic activities, increased fragmentation of production processes, and emergence of some new types of trade, most notably in services. While access to communication services is relatively low in Africa compared with other regions, Africa is rapidly narrowing the gap—it is one of the fastest-growing markets for cellular phone services globally—which is creating opportunities for both trade and domestic businesses. Information technology (IT)-related capital deepening is estimated to have accelerated growth of GDP in SSA by about 0.2 percentage points annually, up to an additional 3 percent of GDP cumulatively over 1991-2005. This is about half the growth impact of IT investment in OECD countries.

There has been a substantial improvement in access to communication services in SSA over the past ten years (figure). Most notably, cell phone subscriptions grew 60 percent annually between 1994 and 2004, while mainline services grew moderately at only 6

percent annually. As a result access to communication services in SSA has almost doubled (to 19 percent) relative to the global average between 1991 and 2004. The number of Internet users has also grown briskly, to 14 percent of the global average.

While GDP per capita appears to be a primary determinant of access to information and communication technologies, domestic policies and regulation also have an effect. For example, the quality of the regulatory environment matters, and greater competition among service providers lowers prices and translates into higher coverage of cell phone services. A more competitive market for cell phones is also associated with lower prices for mainline services.



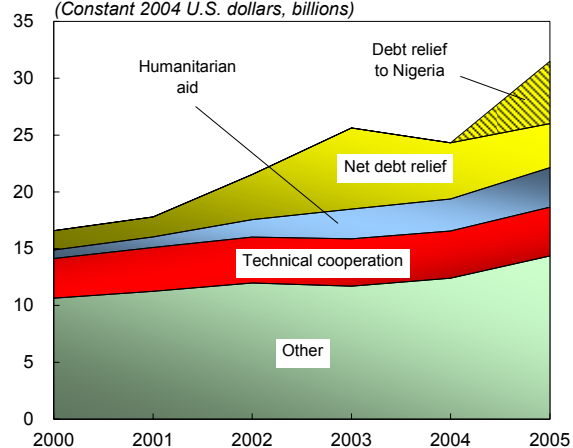
Note: This box was prepared by Markus Haacker; see also Haacker (2007a and 2007b).

The scaling up of aid promised at the Gleneagles Economic Summit is yet to materialize. Official grants to SSA (excluding Nigeria and South Africa) were broadly unchanged in 2006 at 2.7 percent of GDP—about the average for the past decade. Rising grants due to the MDRI were offset by lower disbursements to Ethiopia, Rwanda, Niger, Burundi, and some of the mature stabilizers, notably Uganda and Tanzania.<sup>8</sup> While total bilateral official development assistance (ODA) to SSA rose by more than 30 percent in real terms in 2005, the increase was almost entirely due to the Paris Club agreement with Nigeria and a moderate increase in emergency assistance. Without the debt relief to Nigeria, ODA flows to SSA have been basically flat since 2003 (Figure 2.8). In contrast, emerging creditors such as China have increased their financial assistance to SSA, be it in the form of loans, grants, debt relief, or direct investment. The additional resources are welcome as part of scaled-up assistance from the international community. It will be important that the terms and volume of this assistance be compatible with preserving debt sustainability over the longer term, be provided in a transparent manner, and be aligned with national priorities of the receiving countries as formulated in their Poverty Reduction Strategy Papers (PRSPs).

Rising oil revenue and capital inflows drove appreciation of the real exchange rates in many countries. Oil revenues pushed the real exchange rate in oil-exporting countries up by over 3 percent by the end of 2006 (Figure 2.9). In oil-importing countries, two developments stand out: the depreciation in South Africa by 14½ percent and, to a smaller degree, in Namibia; and the real appreciation of 250 percent in Zimbabwe. Excluding both South Africa and Zimbabwe, real

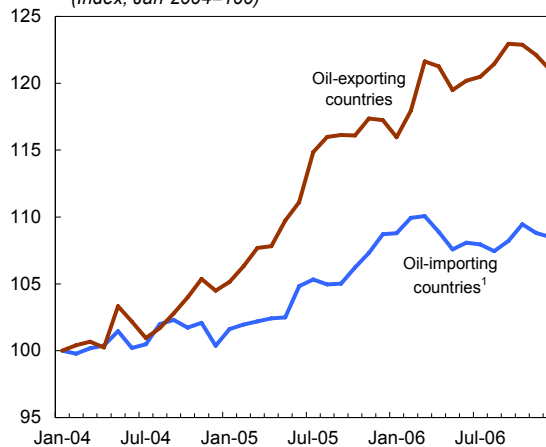
exchange rates for oil importers in the aggregate were stable. In Ethiopia, Kenya, and Madagascar, among others, real exchange rates appreciated by more than 5 percent. Except in Kenya this was a result of factors like scaled-up expenditures, aid, and high nonfuel commodity exports; in Kenya appreciation was driven by increased tourism receipts, remittances, and capital inflows.

**Figure 2.8. Sub-Saharan Africa: Components of Total Net Official Development Assistance**  
(Constant 2004 U.S. dollars, billions)



Source: OECD, DAC-ODA. Data as of January 15, 2007.

**Figure 2.9. Sub-Saharan Africa: Real Effective Exchange Rate**  
(Index, Jan-2004=100)



Source: IMF, Information Notice System.

<sup>1</sup> Excluding South Africa and Zimbabwe.

<sup>8</sup> Since MDRI relief is reflected in both grants and a reduction of scheduled debt service, the grant data shown in Table SA20 of the Statistical Appendix do not fully capture it. In addition, classification in the fiscal and external accounts varies by country depending on the classification system (government finance statistics and balance of payment statistics), accrual or cash budgeting, and the arrangements between central bank accounts and the budget for transfer of the IMF's MDRI relief.

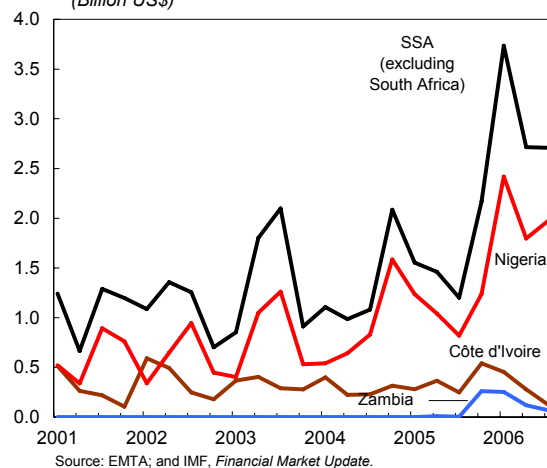
Countries confronted with real exchange rate appreciation should be alert to Dutch disease effects. Real exchange rate appreciation is increasingly an issue for both commodity exporters and importers, fueled by rising inflows of commodity revenues, aid, and capital as well as increased spending. Macroeconomic policies need to address the challenges of Dutch disease, including through close coordination between fiscal and monetary policies, raising productivity and strengthening the supply side of their economies by promoting private sector activity, and liberalizing their trade regimes.<sup>9</sup>

Investor interest has been boosted by the region's growth performance, the commodity boom, and comprehensive debt relief. Net foreign direct investment (FDI) (excluding South Africa) almost doubled since 2002, reaching \$18 billion in 2006.<sup>10</sup> Resource intensive countries, mainly oil-producers, attracted almost four-fifths of FDI, but non-resource-intensive countries (excluding South Africa) also recorded rising inflows. Investor interest is also evident from the activity of hedge funds and institutional investors in local currency debt markets. Nigeria received inflows of about \$1 billion in the first half of 2006, and there have been significant inflows into Ghana, Kenya, Uganda, and Zambia (Figure 2.10). Investors have been attracted by high yields relative to the perceived risk, better macroeconomic fundamentals, and diversification benefits.<sup>11</sup> While the improved investor sentiment is supported by rising ratings for sovereign SSA debt (Box 2.3), most SSA countries still need substantial

structural reforms, including strengthening their institutional framework, to develop functioning debt markets and to improve their capacity to manage domestic debt (Chapter V).

Food security has improved as the result of another good harvest in 2006. It is estimated that cereal production in Africa increased in the 2006 agricultural season, with bumper harvests in several West and Southern African countries. But severe floods and outbreaks of disease are threatening food security in East Africa, in particular in parts of Ethiopia, Kenya, and Uganda. Conflict and refugee movements are jeopardizing food security in Chad and the Central African Republic. In Zimbabwe high inflation, foreign exchange shortages, and poor agricultural policies—in particular insecurity in land tenure and distorted pricing—are undermining food security, especially in rural areas. Overall, some 18 million people in SSA are considered to be at risk of

**Figure 2.10. Sub-Saharan Africa: Debt Trading Volumes (Billion US\$)**



<sup>9</sup> See also Gupta (2006), Chapter 2 on managing the real exchange rate.

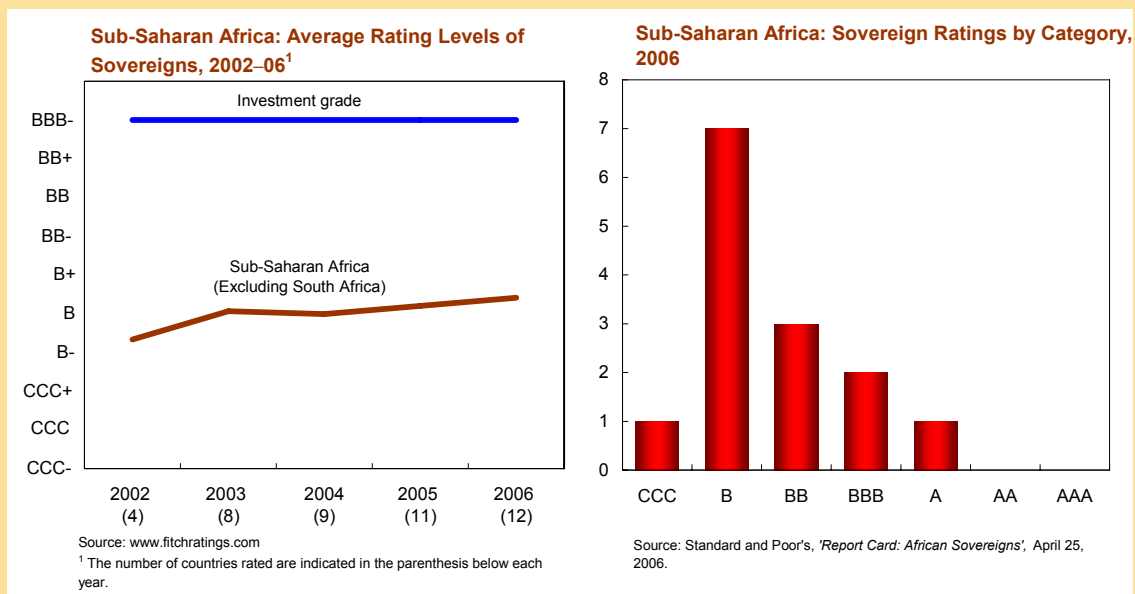
<sup>10</sup> A recent study by the Multilateral Investment Guarantee Agency (MIGA) benchmarked FDI competitiveness in nine SSA economies. While FDI partners cited various advantages to operating in SSA, such as preferential trade access, climate, access to regional markets, and low labor costs, they also reported significant problems including reliability of supply and cost of key utilities, scarcity of skilled labor, and cumbersome business procedures (MIGA, 2006).

<sup>11</sup> Settlement costs for SSA securities have also been declining because increasingly they can be settled on standard international trading platforms.

**Box 2.3. Debt Relief and Credit Rating in Sub-Saharan Africa**

The number of SSA countries rated by international rating agencies has grown in recent years. Financed by two donor-led initiatives, in 2006 Standard and Poor’s (S&P) rated 14 countries, including South Africa (first figure), while Fitch rated 12 countries by end-September 2006 (second figure).<sup>1</sup> The sovereign ratings are based on such considerations as external and domestic indebtedness; sustainability of macroeconomic policies; the degree of development; financial sector and political stability; transparency in government operations; and the quality of domestic institutions.

The median rating of countries in SSA, excluding South Africa, is B. This is far below investment grade (see the figures). Fitch also rates two monetary zones (WAEMU and CEMAC), which peg their currency to the euro, at BBB-, i.e., at the investment grade level, mainly because of the support from France embodied in the zone arrangements.



Rating agencies view HIPC and MDRI debt relief as voluntary debt restructuring, not selective default, because it is not initiated by debtors.<sup>2</sup> These initiatives have lowered external debt in the relevant countries to levels found in peer B-rated or even BB- rated countries. However, the debt relief itself has not resulted in immediate upgrades in ratings, albeit it has improved the outlook for some countries. For these, it does present an opportunity to access international capital markets (Ghana, Senegal, and to lesser extent Benin, Burkina Faso, Mozambique, and Mali) so long as the borrowed funds are growth-enhancing and debt sustainability is ensured.<sup>3</sup> The other countries must continue to rely on concessional financing even after the MDRI. But even for the good performers, rating agencies warn that borrowing strategies must be cautious and supported by continued sound macroeconomic policies so that the benefits of hard-won debt sustainability are not squandered.

Note: This box was prepared by Piroska M. Nagy.

<sup>1</sup> First ratings of SSA sovereigns were sponsored by United Nations Development Program (UNDP) and U.S. Agency for International Development (USAID).

<sup>2</sup> See Fitch Ratings, *Republic of Ghana* (April 25, 2006), and *Sub-Saharan Africa – 2006 Outlook* (May 2006).

<sup>3</sup> See Standard & Poor’s, *Filling the Funding Gap for African Sovereigns After Debt Relief* (April 2006), and *Report Card: African Sovereign* (April 2006).

starvation. There is also growing recognition that climate change due to the emission of greenhouse gases could precipitate more floods and drought in SSA (Box 2.4).

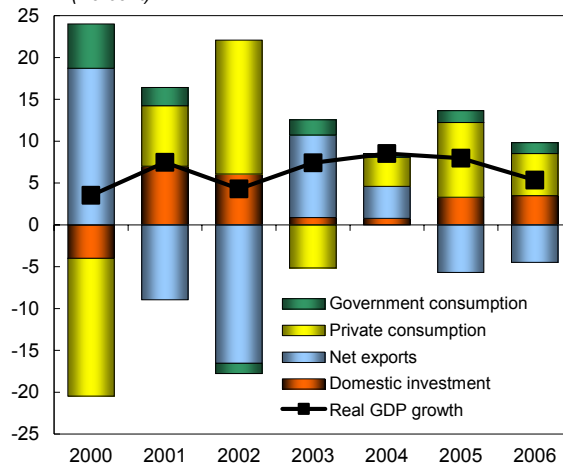
HIV prevalence rates seem to be plateauing at a high level in most SSA countries.<sup>12</sup> The number of people infected with HIV/AIDS in SSA rose to 24.7 million in 2006, almost two-thirds of the global total and up 2.3 percent from 2004. However, because the population also grew, the prevalence rate for adults aged 15 to 49 edged down from 6.0 percent in 2004 to 5.9 percent in 2006. Though antiretroviral treatment reached over 1 million people in mid-2006, a ten-fold increase since the end of 2003, only one-fourth of those in need of the therapy actually receive it. HIV-related mortality in the region is still rising, and the number of orphans is growing rapidly, reaching 12 million in 2005.<sup>13</sup> The HIV pandemic continues to impose a heavy social and economic burden on the region, undermining efforts to reduce poverty and make progress toward the MDGs.

### Economic developments in oil exporters

Economic growth in SSA oil-exporting countries slowed in 2006 (Figure 2.11). Overall growth dropped to 5½ percent in 2006, though non-oil GDP growth rose strongly. In Nigeria unrest in the Niger delta hindered oil production and caused GDP growth to slow, despite strong growth in the non-oil sector. In Angola a delay in the coming on-stream of new oil fields lowered growth to 15 percent. The maturing of its largest oil fields caused a steep decline in Equatorial Guinea's growth rate; and in Chad GDP growth dropped because technical difficulties slowed oil production, and the completion of the Cameroon-Chad oil pipeline reduced non-oil sector growth. In Côte d'Ivoire, growth again stagnated. Cameroon was the only OPC where growth accelerated.

Growth was supported by investment and private consumption. While the former picked up somewhat, private consumption lost steam. Similarly, government consumption, which had been slightly expansionary in 2005, slipped to neutral. The contribution of net exports to real growth was again negative. Non-oil growth in oil exporters picked up markedly, to 10 percent, higher than their overall growth rate. In Angola, Equatorial Guinea, Nigeria, Chad, and Gabon, strong non-oil activity partially offset the slowdown in the oil sector, indicating that these countries are making progress in diversifying their economies. But in Cameroon, the Republic of Congo, and Côte d'Ivoire, non-oil growth was below that in the oil sector.

**Figure 2.11. Oil-Exporting Countries: Contribution to GDP Growth (Percent)**



Source: IMF, African Department database.

Inflation in oil-exporting countries as a group dropped to 7¾ percent, reaching single digits for the first time since 1990. This reflects mainly strong stabilization gains in Nigeria and Angola, which have both sought to sterilize surging oil revenues. As noted earlier, Nigeria also benefited from falling food prices as a result of a good harvest. In the other oil-exporting countries, inflation continued at the benign levels recorded in recent years. However, strong fiscal demand and delayed pass-through of higher oil prices along with high meat prices in Chad and Gabon has pushed inflation in CEMAC OPCs well above that in WAEMU countries.

<sup>12</sup> If not stated otherwise, all data are from UNAIDS/WHO (2006).

<sup>13</sup> UNAIDS (2006)

### Box 2.4. Macroeconomic Implications of Climate Change in Sub-Saharan Africa

Scientists agree that global warming has already begun and will continue for centuries (Intergovernmental Panel on Climate Change, 2001). There is strong evidence that the earth's temperature has been rising in recent decades as concentrations of greenhouse gases (GGs) increased in the atmosphere. This is likely to have implications for global climate patterns, with potentially severe negative consequences for human life and economic activity (Stern, 2006).

Addressing the challenges posed by climate change will necessitate a concerted and costly effort (Stern, 2006). The required response comprises *mitigation* (reduction in GG emissions) and *adaptation* (dealing with the consequences of climate change). Forceful mitigation by high-income and emerging economies—the principal emitters of GGs—is essential. Adaptation, on the other hand, is the chief concern for sub-Saharan Africa (SSA), the region that contributes the least to GG emissions but that is uniquely vulnerable because it is already hot and under substantial environmental stress (Rice, 2006; United Nations, 2006b). There is a case for additional aid flows to the region to compensate it for the deleterious effects of climate change for which it has not been responsible.

The impact of climate change on SSA could be dramatic (Nkomo, Nyong, and Kulindwa 2006; United Nations, 2006a). Declining and more variable rainfall could jeopardize already-scarce water resources so that by 2025 the number of people short of water on the continent of Africa could increase by 60 percent, to 480 million. Rising temperatures and more frequent floods are likely to increase the incidence of diseases like malaria. Agricultural production in rain-fed areas is likely to be affected; certain activities, such as coffee growing in Uganda or nomadic livestock husbandry in Kenya (Beaumont, 2006), might be completely wiped out. Rising sea levels could threaten both important agricultural areas and coastal communities, including major commercial centers like Cape Town, Dar Es Salaam, and Lagos. Subsistence farmers and other poor people are likely to bear the brunt of the adverse impact of climate change. Worst of all, perhaps, competition for scarce resources could exacerbate conflict in the region.

Climate change could present governments in the region with macroeconomic challenges. Inflationary pressures could surface as the supply of domestically produced food falls and budgets must devote increasing resources to preparing for climate contingencies. If governments import more—because, for example, persistent droughts mean more foodstuffs must be imported—the balance of payments could deteriorate. If, in contrast, they spend more on domestically produced goods and services—because, for example, rising sea levels require labor-intensive infrastructure upgrades—the real exchange rate would appreciate, undermining competitiveness. While separate estimates for SSA are not available, for the developing countries as a whole the annual costs of adapting to climate change could amount to tens of billions of dollars (Stern, 2006). Mitigation by high-income and emerging economies could partially alleviate these challenges, by both reducing GG emissions and supporting the transfer of resources to SSA. The latter could be via trade in emissions caps and/or investment in SSA's emission-reducing projects under the Clean Development Mechanism.

Governments have three avenues for adapting to climate change (Stern, 2006):

- Adopt policies to achieve high and sustainable economic growth so as to increase resources for covering the cost of the challenges arising from climate change;
- Promote risk-sharing through efficient insurance markets and establish cost-effective and well-targeted social safety nets; and
- Allocate resources to critical projects to, for example, improve water supplies, build up coastal defenses, upgrade roads and bridges to enable them to withstand more extreme weather events, and invest in health and education.

Note: This box was prepared by Dmitry Gershenson.

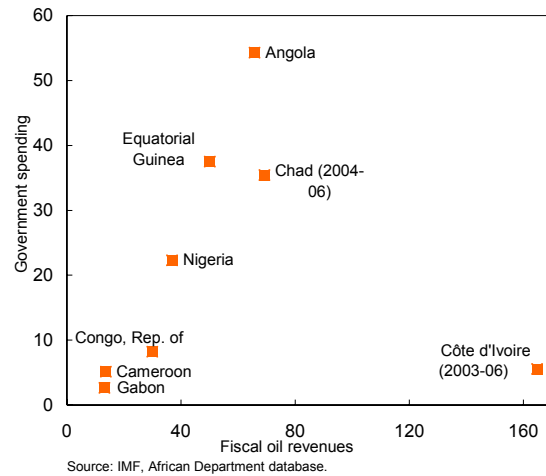
Once again the fiscal position of OPCs improved. In the aggregate they posted an overall fiscal surplus (excluding grants) of 8 percent of GDP, with Equatorial Guinea and Gabon exceeding 10 percent, and the Republic of Congo exceeding 20 percent of GDP. Bringing the average down were Chad, which recorded a deficit of 2 percent of GDP because of exceptional security expenditures, and Côte d'Ivoire, whose fiscal deficit remained at 3 percent of GDP. While improvements in the overall balance are impressive, this measure covers up vulnerabilities of the budget to fluctuations in oil prices that are better captured by the ratio of non-oil deficit to non-oil GDP. Excluding Equatorial Guinea, which is an outlier, this ratio on average improved slightly, to 27<sup>3</sup>/<sub>4</sub> percent, although with large variations between countries (Appendix I, Table A2).<sup>14</sup> In half of the SSA oil exporters the ratio exceeded 40 percent.

In general, improvement in the fiscal position is mainly a result of increased oil revenue coupled with a comparatively moderate increase in expenditures—a confluence that has prevailed over the past four years (Figure 2.12). On average over 2002–06, a 1 percent increase in fiscal oil revenue was associated with a 0.3 percent increase in fiscal spending. However, this ratio increased in 2006 (see Chapter III).

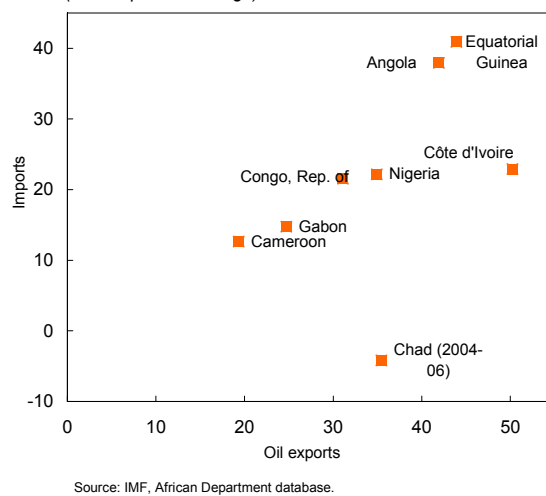
Saved oil revenue bolstered the external position of SSA oil exporters. The surplus in their external current account (excluding grants) increased further, to 8<sup>3</sup>/<sub>4</sub> percent of GDP. On average for 2002–06, a 1 percent increase in oil export revenue was associated with a 0.8 percent increase in imports (Figure 2.13), mainly because of continuing investment in oil exploration, production, and infrastructure. Since 2002, OPCs have accumulated additional foreign exchange reserves of almost \$45 billion, fed by a cumulative current account surplus of \$35 billion and healthy inflows of FDI (Figure 2.14).

<sup>14</sup> In some countries, the improvement in the non-oil deficit was partially due to their inability to expand spending rapidly.

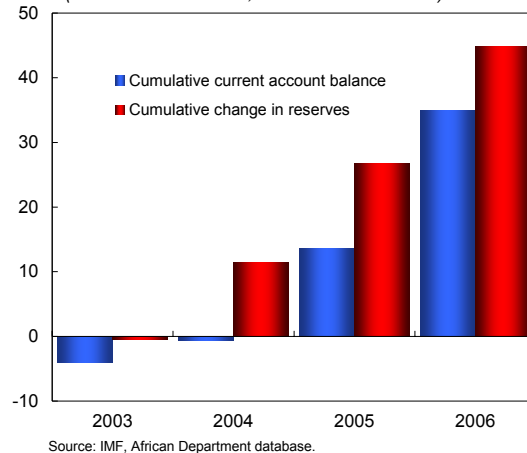
**Figure 2.12. SSA Oil-Exporting Countries: Fiscal Spending and Oil Revenues, 2002-06**  
(Annual percent change)



**Figure 2.13. SSA Oil-Exporting Countries: External Spending and Oil Exports, 2002-06**  
(Annual percent change)



**Figure 2.14. SSA Oil-Exporting Countries: Current Account and Official Reserves**  
(Billions of U.S. dollars, cumulative since 2003)



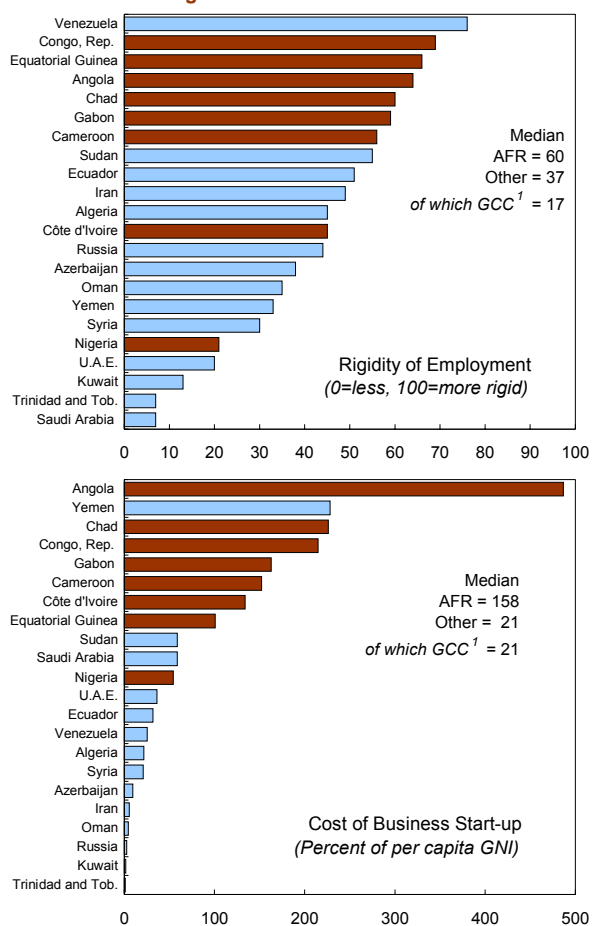
The macroeconomic policies of oil exporters continued to be broadly sound in 2006. While scaling up their spending on social and infrastructure needs, they have recognized that their absorptive and implementation capacity is limited and saved a large portion of the windfall profits from higher oil revenue. The resulting improvement in their fiscal and external position has made them more resilient to sudden declines in oil prices. Monetary policy was tightened somewhat by limiting credit to the private sector to accommodate an expansionary fiscal policy, and will need to remain vigilant to second-round effects of high oil prices. In the fiscal area, fuel price subsidies should be further reduced, and some countries will need to address emerging weaknesses in their fiscal controls—such as off-budget spending and nonconcessional borrowing—and strengthen efforts to ensure the quality of spending. While pressing development needs have expanded the role of the government in the economy, these countries must improve the business environment to facilitate private sector growth.

OPCs also need to implement structural reforms to create jobs, diversify their economies, and expand their absorptive capacity. In comparison with oil producers in other regions, those in SSA suffer from a relatively poor business environment. Except for Côte d'Ivoire and Nigeria, their financial sectors are far less developed than those of OPCs elsewhere (see Figure 3.6 in Chapter III) and even of most other SSA countries. Except for Nigeria OPCs in SSA also have a much more rigid labor market than other oil producers (Figure 2.15).

### Economic developments in oil importers

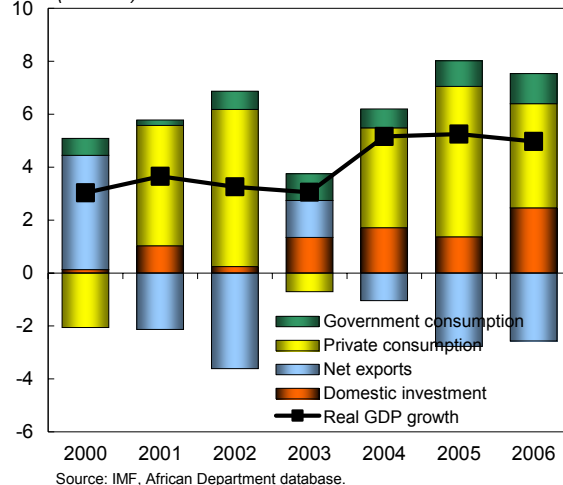
Growth in oil-importing SSA countries proved resilient in 2006. Aggregate growth in this group was 5¼ percent, almost unchanged from 2005. It was supported by high nonfuel commodity prices, a good agricultural season, and rising investment. Consumption was again the biggest contributor to growth, although less so than previously (Figure 2.16). Meanwhile, investment picked up markedly. The expansion of government

**Figure 2.15. International Comparison: Doing Business Indicators**



Source: World Bank, *Doing Business*, 2006.  
<sup>1</sup> GCC=Gulf Cooperation Council members.

**Figure 2.16. Oil-Importing Countries: Contribution to GDP Growth (Percent)**





consumption and investment reflects the stepped-up efforts of many countries in the region to attain the MDGs; related to this, real growth of imports again outstripped growth of exports. Half the countries in this group recorded GDP growth rates of 5 percent or more, including Ethiopia, Liberia, Malawi, Mozambique, São Tomé and Príncipe, and Sierra Leone where growth was buoyant. In South Africa, by far the largest economy in SSA, growth was roughly unchanged at 5 percent. Zimbabwe was the only country in SSA where real GDP declined.

Inflation in general was kept under control. Despite pressures from high oil prices, inflation was broadly unchanged at 7 percent (excluding Zimbabwe) as a result of prudent macroeconomic policies and good 2005/06 harvests in many countries. However, price pressures increased in over one-third of oil importers. Strong domestic and foreign demand, rising oil prices, and the depreciation of the rand pushed up inflation in South Africa, where monetary policy responded quickly to contain price pressures. In Ethiopia, Guinea, and São Tomé and Príncipe inflationary pressures resulted from fuel price increases and an expansionary monetary policy. Inflation in Zimbabwe again accelerated, to above 1,000 percent by the end of 2006.

Swift adjustment of domestic fuel prices helped safeguard the fiscal position of oil importers. Increased efforts to mobilize revenue also supported higher spending on critical programs. The decline of the U.S. dollar and slight real appreciation, especially in the CFA zone, dampened the impact of high oil prices and reduced the cost of imports.

Public spending on poverty reduction expanded the fiscal deficit excluding grants. In contrast, the fiscal balance including grants recorded a surplus of 1 percent of GDP, mainly because of MDRI relief. Fiscal spending by oil importers expanded by 0.5 percent of GDP as many countries stepped up their spending on poverty reduction. The overall revenue ratio increased by 0.5 percentage point. Landlocked and coastal countries made serious efforts to increase revenue, which rose by 0.6 percent of GDP, whereas in non-oil resource-

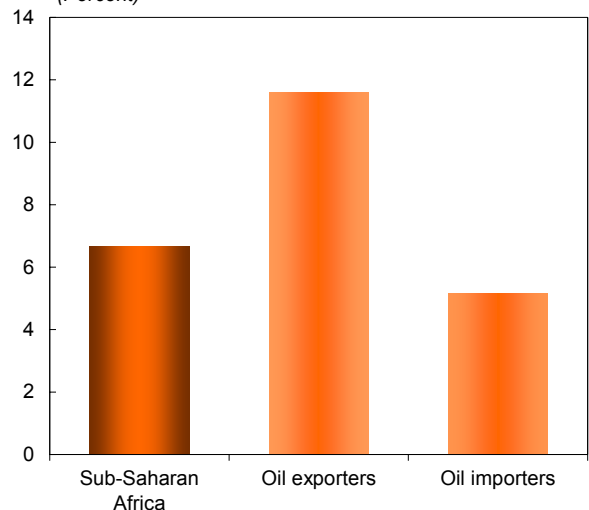
intensive countries the revenue ratio fell by 1 percentage point.

The external position improved slightly despite higher fuel prices. While imports stagnated in SSA oil importers (excluding South Africa), an increase in their exports by  $\frac{3}{4}$  of 1 percentage point, to 31 percent of GDP, helped pay the higher oil bill. The current account deficit (excluding South Africa) narrowed slightly and foreign exchange reserves edged up to 4.5 months of imports, compared with 4.3 months in 2005 and 5.6 months in 2003. In South Africa strong domestic demand led import growth to exceed the brisk growth in exports, widening the current account deficit from 4 percent in 2005 to  $6\frac{1}{2}$  percent of GDP. Nonetheless, reserves increased slightly.

### Prospects for 2007

SSA economic growth is forecast to accelerate to  $6\frac{3}{4}$  percent in 2007 (Figure 2.17). A renewed rise in oil production is expected to boost growth for OPCs to more than 10 percent; in Angola growth is expected to exceed 30 percent. However, with a fall in oil prices the magnitude of fiscal and external balances is likely to be smaller. In oil importers, robust demand for nonfuel commodity exports and

**Figure 2.17. Sub-Saharan Africa: Real GDP Growth, 2007 (Percent)**



Source: IMF, African Department database.

a positive outlook for the agricultural season are expected to keep growth steady at about 5 percent. Growth is expected to broaden further in this group, with real GDP expected to expand by 5 percent or more in almost two-thirds of those countries.

Inflation is expected to remain stable at 7 percent for the region as a whole (excluding Zimbabwe). In OPCs, further stabilization is again expected in Angola, Cameroon, and Chad, while inflation in most other oil exporters is forecast to hover around the benign levels prevailing in their currency unions. In oil importers (excluding Zimbabwe), lower fuel prices, an improved food situation, and vigilant macroeconomic policies should help contain inflation to about 7 percent. SSA countries in general have made impressive progress in recent years in bringing inflation down to single digits, with a vast majority (35 of 44 countries) expected to be in that group in 2007 (Figure 2.18). Unfortunately, in Zimbabwe inflation is projected to accelerate toward 3,000 percent.

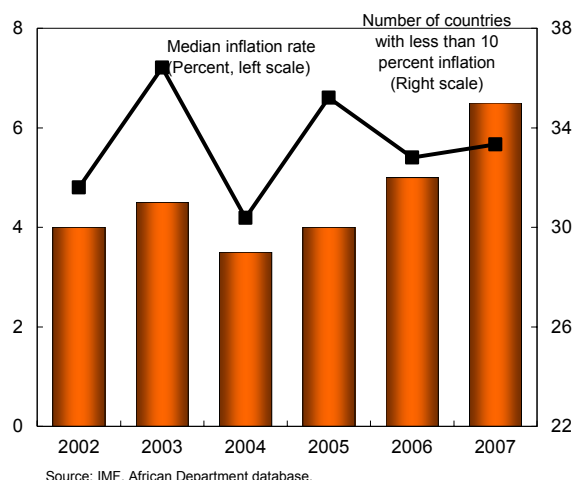
Fiscal and external balances (excluding grants) are likely to come under pressure, with lower prices for oil and other commodities. The overall fiscal balance for SSA (excluding grants) is projected to drop into negative territory again, with a small deficit of about ¼ percent of GDP, driven by declining balances in oil exporters and further efforts to reach the MDGs. The terms of trade for SSA as a whole are expected to worsen by 5 percent, with OPCs facing a drop of 10 percent and a reduction in their current account surplus. In contrast, the current account deficit of oil importers is expected to be stable and the terms of trade to deteriorate by only 1½ percent. SSA's reserve position (excluding South Africa) should improve further, to almost 7 months of imports, reflecting the rising reserves of oil exporters and stable reserves of oil importers.

Preserving recent stabilization gains and broadening growth will require vigilance and continued reform. Lower fuel prices are giving some respite and should help to further consolidate macroeconomic stabilization gains. On the other hand, expectations of the people are very high in many African

countries because of debt relief and the promised scaling-up of aid flows. Many governments in the region face pressures for increased outlays on infrastructure, in the social sectors, and for rural development. The development needs are genuine, but policymakers will have to manage the expectations well if they are to preserve macroeconomic stability. To effectively absorb higher aid, fiscal and monetary policies need to be well coordinated. Domestic absorption can be raised by liberalizing trade.

Reforms to increase the domestic supply response to higher aid flows and enhance productivity should be pursued. Here the role of the private sector is critical, but the stagnation of credit to private nonbank businesses indicates that more needs to be done if the private sector is to be the engine of growth (Box 2.5). Structural reforms to enhance the business climate and investment in key infrastructure would further increase the region's growth potential. While still at the bottom in the World Bank's *Doing Business* survey for 2007, SSA for the first time was among the top three reforming regions. Ghana and Tanzania were among the top 10 reforming countries, and Nigeria and Rwanda were among a select group that were implementing three or more reforms. The challenge is for more countries to adopt reforms to reduce the cost of doing business.

**Figure 2.18. Sub-Saharan Africa: Median Inflation and Countries with Inflation Below 10 Percent**



Source: IMF, African Department database.

### Box 2.5. Policies to Promote Private Sector Development in Sub-Saharan Africa

A dynamic private sector is essential for raising SSA's growth rates, reducing poverty, and integrating Africa into the global economy. Currently entrepreneurs in SSA face more regulatory obstacles than in any other region of the world. The World Bank's *Doing Business 2007* report ranked 175 countries on ease of doing business; the average SSA country rank was 131. Obstacles span the range of private sector activity, from licensing through employment and credit to administrative transactions. For instance, it takes about 11 procedures and 2 months to start a business in SSA compared with 8 procedures and 1 month in South Asia, and it costs three times as much in terms of income per capita. Labor market regulations in SSA are among the most rigid in the world; they undermine private sector development, weaken external competitiveness, and discourage foreign investors.

Recently reform of the business environment has picked up. After lagging behind for years, two-thirds of SSA countries implemented at least one positive reform in 2005/06. Only Eastern Europe, Central Asia, and OECD high-income countries did better. While these reforms were relatively easy ("stroke of a pen"), a broader agenda remains pressing, such as reforming the financial sector and streamlining and enhancing the transparency of the legal and administrative system.

In its core area of responsibility, the IMF helps members achieve and maintain macroeconomic stability, which is a precondition for private sector development. In doing so, policies have to be targeted to bring about sufficient public expenditures for human and physical infrastructure, adequate credit to the private sector, and tax systems free of distortions. The IMF continues to emphasize the importance of good governance.

Developing and strengthening financial systems in SSA countries is important for increasing savings and investment. To enhance efficiency and competitiveness in the banking sector, financial sector reforms should focus on

- restructuring major banks and nonbank financial institutions;
- reducing state ownership in banking systems;
- encouraging the entry of new institutions, including foreign banks;
- liberalizing interest rates and eliminating directed credit programs;
- strengthening prudential supervision and modernizing banking laws;
- improving payments systems; and
- giving central banks more autonomy and increasing their reliance on indirect rather than direct monetary policy instruments.

The development of functioning financial markets would be a next step that could help reduce outflows of portfolio capital from SSA and attract inflows. Other measures to broaden access to credit are to facilitate the recovery of collateral, expand microfinance and rural credit, and provide working capital and long-term financing for smaller firms.

Reducing internal barriers would increase intraregional trade and make SSA more attractive for foreign and domestic investors. Expanding and improving infrastructure would help reduce the high shipping costs that impede trade within Africa and limit the scope for economies of scale. Reducing nontariff barriers, such as quantitative restrictions, import bans, roadblocks, and high administrative charges, would also foster trade. Complicated and restrictive rules of origin under various regional trade arrangements should be simplified, and the efficiency and governance of customs administrations need to be strengthened to promote intra- and extraregional trade.

Finally, countries should seek to collaborate with private investors. The IMF is supporting national investors councils that bring together African leaders and local and foreign business executives to identify investment opportunities, obstacles to private investment, and options for removing the latter.

Note: This box was prepared by Ulrich Jacoby.

**Risks to the Outlook**

The outlook for SSA in 2007 is positive, and the risks seem moderate and manageable. Moreover, the policies of most countries support recent stabilization gains. The primary downside risks are the pace of slowdown in the global economy and how it will affect oil and other commodity prices, interest rates, and private investor sentiment.

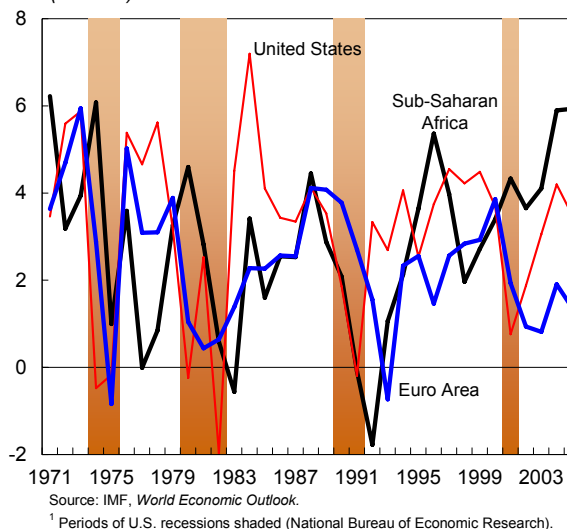
Economic growth in SSA in 2007 could be negatively affected if an abrupt unanticipated slowdown in the United States spilled over into the global economy. Short of that, correlations between the U.S. economy and SSA have historically been weak, although trade linkages have expanded in recent years.<sup>15</sup> There is evidence of a stronger correlation between SSA and Europe (Figures 2.19 and 2.20).<sup>16</sup> Thus, any economic slowdown in the euro area could have a more significant impact on growth in SSA.

While the co-movement of growth in SSA and in Asia has traditionally been weak, this is changing as the two regions become more integrated. For example, Asia now receives about 25 percent of SSA’s exports, twice as much as a decade ago. China and India together account for about 10 percent of both SSA’s exports and imports. They are also making substantial investments in SSA.

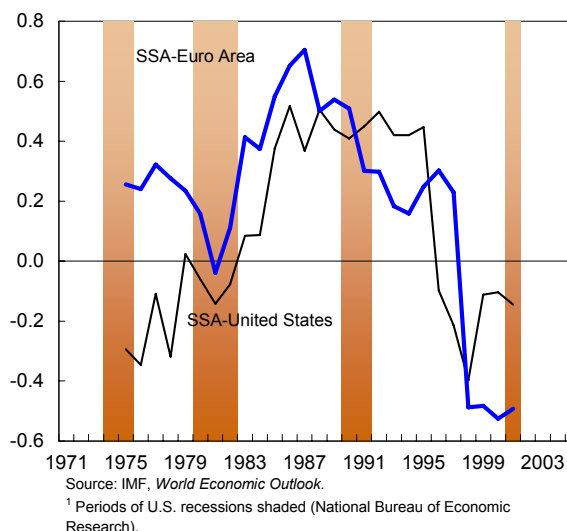
If the slowdown in the world economy is worse than expected, it could hurt commodity prices. Real commodity prices, both oil and nonoil, have risen steadily since the early 2000s—to SSA’s benefit. While in 2006 oil-exporting countries in SSA saw another dramatic improvement in their terms of trade, those of oil importers also increased, by 6 percent, because nonfuel commodity export prices rose significantly. A sudden decline in commodity

prices because of a sharp downturn in the global economy is a risk to commodity exporters in the region.

**Figure 2.19. Sub-Saharan Africa, Euro Area, and the United States: Real GDP Growth<sup>1</sup>**  
(Percent)



**Figure 2.20. Sub-Saharan Africa, Euro Area, and the United States: GDP Growth Correlation<sup>1</sup>**  
(Centered 9-year correlation coefficient)



<sup>15</sup> Factors that determine co-movements include trade linkages, sectoral linkages, and financial integration.

<sup>16</sup> The median real growth correlation between SSA and the United States between 1971 and 2005 is not significant (estimated at .08), but the correlation was stronger for some countries during the 1991–2005 period.

Higher-than-envisioned oil and commodity prices would hurt net commodity importers like Malawi, Madagascar, Senegal, and Uganda, which would suffer significant GDP losses.<sup>17</sup> Accumulating reserves, adopting flexible exchange rate policies, and fully passing through oil price increases are policy responses that will help protect these economies against unanticipated price increases.

A reversal of portfolio flows would pose major macroeconomic challenges for a few SSA countries. In the search for high yields, some SSA countries are attracting increased inflows of portfolio capital. A sudden shift in investor sentiment could cause these flows to reverse. SSA countries should continue to strengthen public debt management and enhance supervision of the banking system to track capital flows and the repayment schedules on government securities held by nonresidents. Monetary and exchange rate policies will need to be sufficiently flexible to respond to volatile movements in capital.

A number of security and political risks currently face the region. Chief among these is the continuing crisis in the Darfur region of Sudan, the current conflict engulfing Ethiopia and Somalia, the political problems affecting Côte d'Ivoire and Guinea, and fragilities remaining after the recent elections in the Democratic Republic of Congo. The recurring disruptions to oil production in the Niger delta pose an economic risk to Nigeria, which also faces the risk of an election-year relaxation in policies. Management of the security risks will in most cases require action by the African Union and the international community.

---

<sup>17</sup> See IMF (2006), Chapter IV.

# III. Macroeconomic Challenges for Africa's Oil Producers: How to Seize the Opportunities and Avoid the Pitfalls

## Introduction

In the past three years buoyant oil prices, and in some countries increasing oil production, have allowed OPCs in SSA to substantially increase their oil exports and thus their revenues (Figure 3.1).<sup>18</sup> Together with recent debt relief these resources, used judiciously, provide a unique opportunity to improve living standards and make significant progress toward the MDGs. The needs in OPCs for both physical infrastructure and social development are huge—and electorates are pressuring OPC policymakers to scale up public spending from the suddenly abundant resources.

In the past, OPCs have been challenged to reap the full benefit of their resource endowments. Boom-bust cycles, poor public financial management (PFM), fragile institutions, and weak oversight have left many OPCs saddled with unsustainable amounts of debt even as income deteriorated and social conditions worsened.<sup>19</sup> The risks of violent conflict have also been high.<sup>20</sup> Although during the current boom most SSA OPCs have been more prudent in the use of oil resources than in the past, nevertheless public spending has increased—and could rise further if oil prices hold up.

---

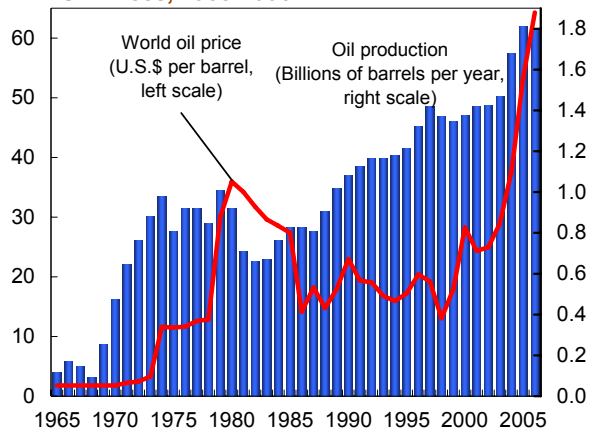
Note: This chapter was prepared under the guidance of Roger Nord and Dan Ghura. Principal contributors were Zuzana Murgasova, Jan-Peter Olters, Valeria Fichera, Arto Kovanen, Volker Treichel, Michael Gorbanyov, Chad Steinberg, Jiro Honda, Christiane Roehler, and Naly Carvalho.

<sup>18</sup>This analysis deals with Angola, Cameroon, Chad, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, and Nigeria, all of which exported oil for at least five years during the period under consideration.

<sup>19</sup>See Sachs and Warner (1995), Leite and Weidmann (2002), Sala-i-Martin and Subramanian (2003), and Collier and Hoeffler (2005).

<sup>20</sup>See Bannon and Collier (2003).

**Figure 3.1. SSA: Oil Production and Oil Prices, 1965-2006**



Sources: BP, *Statistical Review of World Energy*, June 2006; and IMF, *World Economic Outlook*, 2006.

Policymakers therefore face three constraints that are binding to differing degrees in different countries:

- Fiscal space is constrained by long-term oil revenue.
- Absorptive capacity is limited in the short term.
- Implementation capacity is often inadequate, varying with the quality of institutions and PFM.

These constraints are not immutable. The challenge for public policy is to address them and create the space needed for higher and more effective public spending.

Pressing needs, notably in infrastructure and social services, warrant a scaling-up of public spending, even if this temporarily raises fiscal deficits above levels that are sustainable over the long run.

However, reaping the full benefits in terms of sustainable higher economic growth and poverty reduction will require careful management of the macroeconomic consequences of higher spending,

and ensuring that spending is of high quality. Yet current institutions are not sufficiently developed to perform these tasks in a fully satisfactory manner, also in light of the OPC's limited capacity to spend effectively. In addition, adequate structural reform will be required to increase potential output. Addressing these issues is critical if resources are to be used productively.<sup>21</sup>

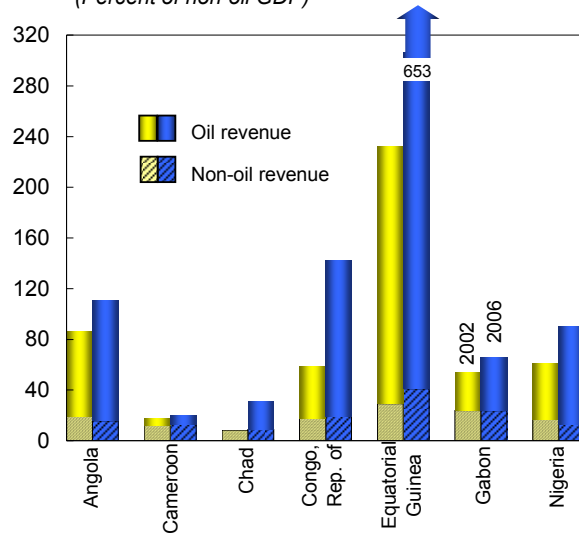
**The Evidence of Past and Present**

Oil revenues are a significant source of fiscal income for the SSA OPCs, demonstrating the oil sector's importance in output growth and capacity to generate export revenues. Revenues from oil account for more than half of all revenues in Angola, the Republic of Congo, Equatorial Guinea, Gabon, and Nigeria (Figure 3.2). They account for a much smaller share of total government revenues among mature producers like Cameroon and emerging ones like Chad and Côte d'Ivoire. In SSA OPCs as a group, government oil revenues increased in dollar terms about 3½ times between 2002 and 2006. While the meteoric rise of oil prices since 2002 is responsible for a substantial part of the revenue upsurge, production also expanded significantly, on average by 45 percent, particularly in Angola, Chad, and Equatorial Guinea. Oil output is expected to rise further in Angola and Nigeria, among other SSA OPCs, in the coming years.

Government expenditure has not been rising recently at the same rate as oil revenues. In 2002, before the oil boom, in many OPCs (e.g., Angola, Republic of Congo, and Nigeria) non-oil deficits exceeded oil revenues; since then, in all SSA OPCs the ratio of non-oil fiscal deficit to oil revenues has noticeably improved (Figure 3.3). This reflects mainly the rapid rise in oil revenues but in some cases also the narrowing of non-oil fiscal balances.

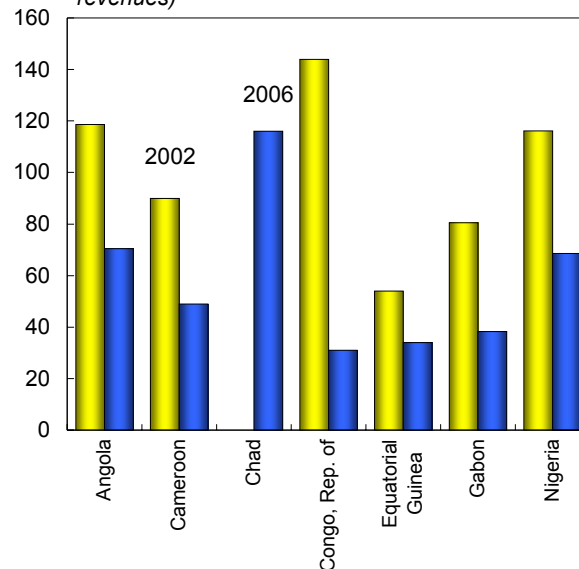
As a result, in 2006 the SSA OPCs on average spent only about half their oil revenues to finance non-oil fiscal deficits.

**Figure 3.2. SSA Oil-Producing Countries: Oil and Non-Oil Revenues, 2002 and 2006**  
(Percent of non-oil GDP)



Sources: Authorities' data; and IMF staff estimates.

**Figure 3.3. SSA Oil-Producing Countries: Portion of Oil Revenue Spent, 2002 and 2006**  
(Percent, ratio of non-oil fiscal deficit to oil revenues)

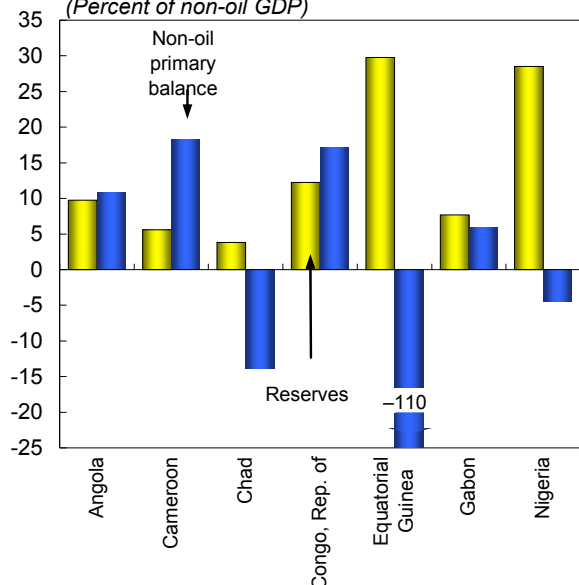


Sources: Country authorities; and IMF staff estimates.

<sup>21</sup> There are, of course, alternatives to raising public spending, which is the theme of this chapter. In some advanced economies (e.g., Alaska and Alberta), a proportion of oil windfall revenue is distributed directly to the population. Sala-i-Martin and Subramanian (2003) discuss this option for Nigeria. For Namibia, Strauss (2006) advocates conditional cash grants.

The relatively cautious fiscal policies in many SSA OPCs are helping reduce their macroeconomic vulnerabilities (Figure 3.4). SSA OPCs have used oil revenues to strengthen their external positions by reducing external debt (Gabon, Nigeria); accumulating external reserves (Angola, Republic of Congo, Equatorial Guinea, Gabon, and Nigeria); and reducing domestic and external arrears (Angola, Equatorial Guinea, Gabon, and Nigeria). Angola, Cameroon, and the Republic of Congo also improved their non-oil primary fiscal balances.

**Figure 3.4. SSA Oil-Producing Countries: Change in International Reserves and Non-Oil Primary Fiscal Balances, 2002 and 2006 (Percent of non-oil GDP)**

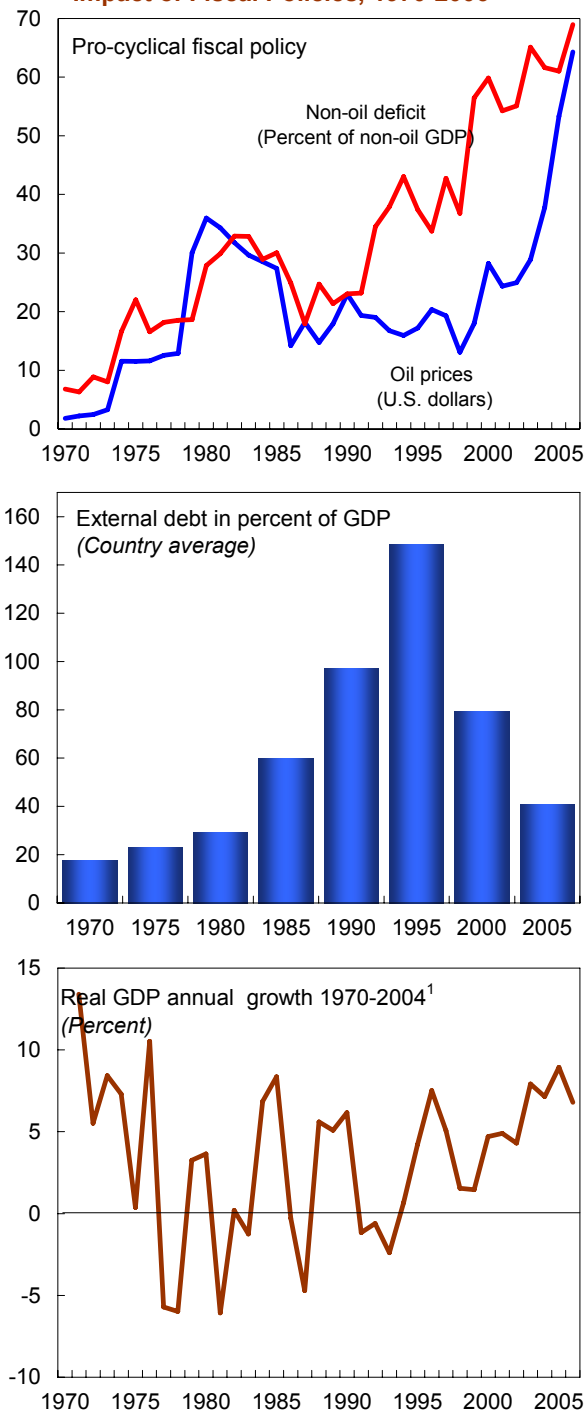


Sources: Country authorities; and IMF staff estimates.

SSA OPCs have experienced repeated boom-bust cycles over the past three decades (Figure 3.5). Before the first oil shock of the 1970s, SSA OPCs on average enjoyed favorable macroeconomic conditions: robust economic growth, moderate inflation, manageable fiscal deficits and external debt, and external current account surpluses. The procyclical policies they followed during the oil booms of the 1970s and 1980s were intended to use the oil bonanza for economic and social development and encourage economic diversification. These objectives were not achieved. Instead, the policies gave rise to economic imbalances that caused major distress when oil

prices plunged in the 1980s and stayed low for over a decade.

**Figure 3.5. SSA Oil-Producing Countries: Impact of Fiscal Policies, 1970-2006**



Sources: Country authorities, and IMF staff estimates.

<sup>1</sup> Arithmetic average for individual countries, weighted by GDP in U.S. dollars.



Disappointing performance during previous oil booms underlines the importance of sound macroeconomic policies and strong institutions. The large public investment projects in the 1970s and 1980s, when governance and institutions were extremely weak, were often undertaken with little scrutiny and accountability, and were accounted for outside government budgets. The return on public investment was correspondingly low. Meanwhile, poor macroeconomic management of oil cycles in some SSA OPCs resulted in high inflation, large exchange rate appreciation, and erosion of the competitiveness of non-oil sectors. Because many leveraged their oil wealth to access credit from foreign suppliers and governments, in several countries in the early 1990s external debt rose well above 100 percent of GDP. These macroeconomic imbalances eventually required difficult policy adjustments, such as sharp fiscal contraction, exchange rate adjustment, and debt rescheduling.

Compared with oil producers in other regions, those in SSA face larger developmental needs and greater institutional challenges. The differences are particularly stark in comparison with the OPCs in the Cooperation Council for the Arab States of the Gulf (GCC) (Figure 3.6). African oil producers have much shorter oil horizons and smaller oil reserves per capita, so spending their oil wealth must be planned more prudently. At the same time, their dependence on oil revenue is high, and they also face a far larger infrastructure gap and developmental challenges in the social areas, so their spending needs tend to exceed those of other OPCs.

If public spending is to be scaled up in SSA OPCs, obstacles facing the private sector need to be addressed. On a series of international rankings, private investors in SSA OPCs face more hurdles than investors in other OPCs. The unfavorable business environment can impose significant costs on the private sector in terms of starting a business, the time it takes to register property, and the rigidity of labor markets. Such governance indicators as government effectiveness, the rule of law, and regulatory quality are markedly weaker in SSA OPCs. They also have immature financial sectors—a

strong financial sector is typically a leading indicator of long-term economic growth<sup>22</sup>—and many private firms are forced to rely mainly on self-financing.

## Policy Challenges Ahead

At current oil prices, SSA OPCs have the resources to address their most pressing social needs and accelerate socioeconomic development. But increasing government spending does not per se lead to higher growth or better social indicators. History, international comparisons, and institutional fragility suggest that if scaling up is not accompanied by a substantial strengthening of public institutions and budgetary procedures, it could bring on a repetition of the boom-bust cycles that previously failed to reduce poverty.

Economic policies need to address both short-term macroeconomic stability and long-term fiscal sustainability. In the short term, policymakers must ensure that increased public spending does not pose undue macroeconomic risks, particularly of inflation. At the same time, historical price volatility and finite oil resources point up the importance of long-term fiscal sustainability. In determining the pace and scale of additional public spending, policymakers confront, to differing degrees, the three main constraints: fiscal space, macroeconomic absorptive capacity, and administrative absorptive capacity.

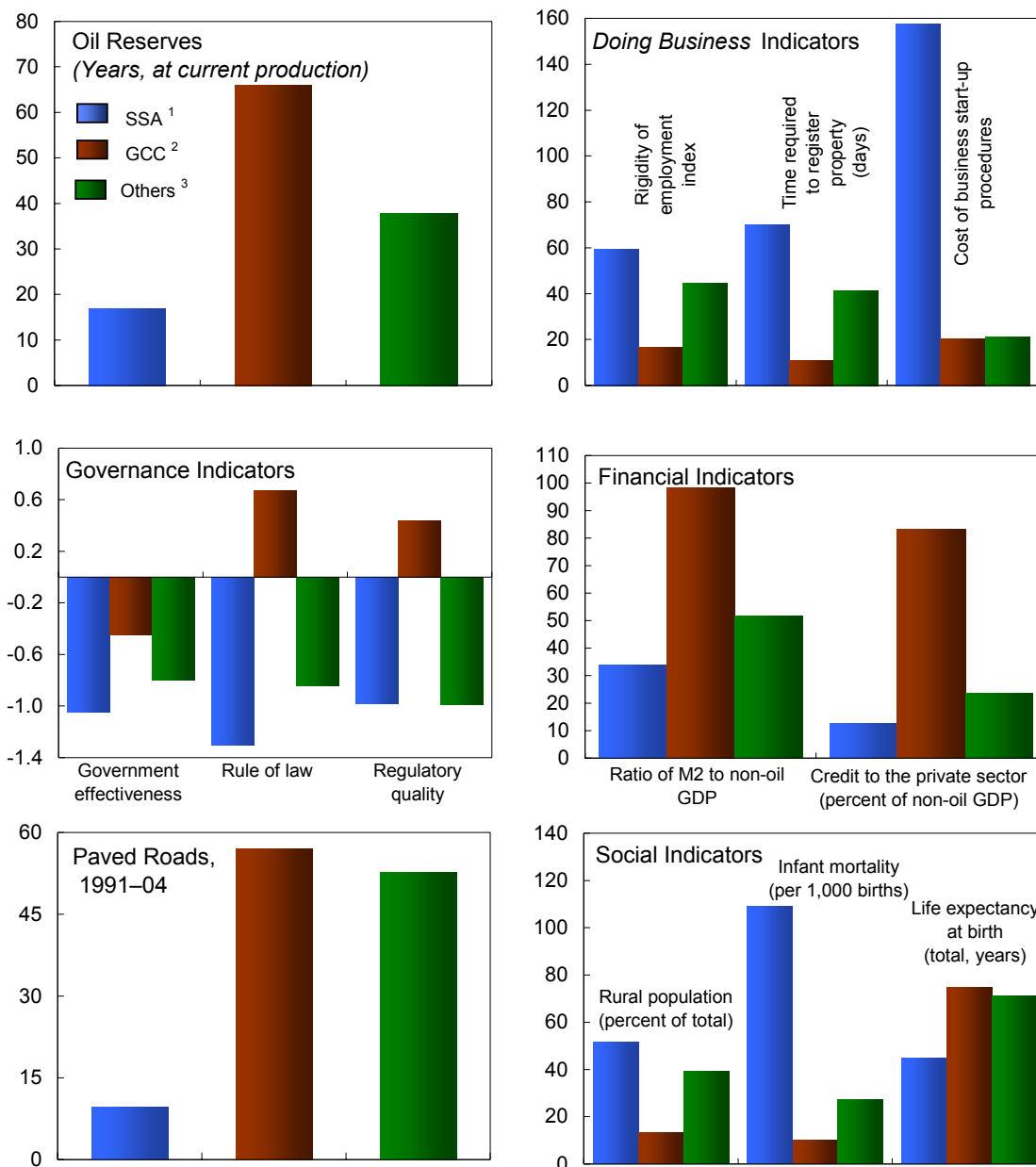
## Defining the fiscal space

Because oil revenues are temporary and volatile, a fiscal strategy must be designed that will transform current oil wealth into financial assets or high-yield public investment. If oil reserves were limitless, governments could consume oil revenues directly, but because resources are being depleted,<sup>23</sup> public consumption needs to be financed from alternative revenue sources so that it can be sustained after reserves are exhausted.

<sup>22</sup>See, e.g., King and Levine (1993).

<sup>23</sup>At current production levels, SSA OPCs will have depleted their proven oil reserves in less than 20 years.

**Figure 3.6. Selected Indicators in Oil-Producing Countries, 2005**



Sources: World Bank, *World Development Indicators*, 2006, and *Governance Indicators*, 2006.

<sup>1</sup> SSA oil-producing countries are Angola, Cameroon, Chad, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, and Nigeria.

<sup>2</sup> GCC-Gulf Cooperation Council members are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

<sup>3</sup> Others are Algeria, Azerbaijan, Ecuador, Islamic Republic of Iran, Libya, Russian Federation, Sudan, Syria, Trinidad and Tobago, Turkmenistan, Venezuela, and Yemen.

Previous boom-bust cycles taught governments to avoid aligning government consumption with international oil prices. A possible approach based on a permanent-income hypothesis would suggest defining on the basis of available hydrocarbon reserves a long-term fiscal policy that has governments accumulate financial assets during the years of oil production, the returns from which can finance primary deficits in post-oil years

(Box 3.1).<sup>24</sup> A natural implication of this approach is that any fiscal stance that is more expansionary than is permanently sustainable will eventually have to be adjusted. Governments thus must choose between designing a gradual fiscal adjustment path while overall fiscal balances are in surplus or having to contract fiscal policy sharply and abruptly, often to the detriment of the most disadvantaged segments of society, once oil revenues start to decline.

### Box 3.1. Limited Oil Reserves and Long-Term Fiscal Policies

A key question for fiscal policy is how to address the gradual depletion of oil reserves, often the main source of government revenue. Policymakers need to determine an appropriate mix of spending, including investing in physical and human capital, and financial savings. Different social preferences can yield different results, all of which may be consistent with long-term fiscal sustainability.

One approach is to choose a fiscal strategy that aims at preserving the sum of oil reserves and productive financial, infrastructure, and social assets. Like Friedman's (1957) permanent-income hypothesis (PIH), such a policy would limit public consumption to the net present value of future oil and non-oil revenue streams (the government's "permanent income"). The quantitative results presented here are based on Olter (2007), who applied the Barnett-Ossowski (2003) and Leigh-Olter (2006) framework to all SSA OPCs.

PIH models give OPCs long-run fiscal benchmarks. In the model, a social planner solves an infinite-horizon utility maximization problem that has an intertemporal budget constraint. The optimal policy would be to set spending on a constant path equal to the expected annuity value of oil wealth and non-oil revenue. Governments invest a certain fraction of their oil revenues in alternative forms of wealth (in this case, financial). These assets generate a rate of return from which, when oil reserves are depleted, the government can finance a primary deficit indefinitely.

Habits justify fiscal adjustment to sustainable levels over the medium term. While basic PIH models estimate long-run fiscal targets, Leigh and Olter (2006) expand this approach to permit "habits"—the notion that consumers become addicted to the level of public consumption enjoyed in previous periods. They alter the utility function so that current-period utility depends not only on current spending but also on past expenditure so that they can calculate both the permanently sustainable non-oil deficit and the optimal adjustment path toward that level. This model was recently applied to the Republic of Congo (Carcillo, Leigh, and Villafuerte, 2007), allowing for a temporary period of catch-up growth during which growth rates can exceed the real rate of interest.

Future research will have to specifically address a number of limitations, including the model's implicit abstraction from productive investments as a policy variable. From an operational viewpoint, the PIH framework can be thought of as viewing the financial rate of return as a benchmark against which to judge the social desirability of capital expenditure. The implication is that the non-oil primary deficit could exceed the permanently sustainable level by public investments whose (social) rates of return exceed financial rates of return.

<sup>24</sup> There are, of course, dissenting voices. Takizawa, Gardner, and Ueda (2004), e.g., argue that countries could in principle be better off spending their oil wealth upfront—if government spending has positive externalities that would increase the return on private investments and stimulate growth. However, faced with the dual constraints of poor infrastructure and weak institutions, they conclude that there are advantages to postponing spending until it can be used more effectively. In a study of oil-revenue management in Chad, Dabán and Lacoche (2007) argue that, given the country's immediate social and institutional challenges, keeping real oil wealth constant for future generations would imply excessive fiscal prudence today and thus not address the country's needs effectively either today or in the future.

Any estimate of a fiscal deficit that could be financed ad infinitum is fraught with uncertainty, and any benchmark results need to be updated regularly as new information becomes available. Some critical factors determining whether fiscal policy is sustainable are outside the control of governments (exogenous). Others, however, are the direct result of policy choices. These endogenous factors define the principal challenges to policymakers in SSA OPCs over the medium term.

**Exogenous factors.** Estimates of recoverable oil reserves are imprecise and continuously revised. Oil in the ground is only considered a reserve if it can be recovered with a certain probability and within given economic constraints. Recovery probability of at least 90 percent typically refers to proven reserves, 50 percent to probable ones. Because the marginal cost of oil extraction is positive, both the size and the recovery factor of a given field are uncertain. New discoveries of oil and gas fields, improved technologies to exploit reserves in mature fields, and the ability to commercialize gas reserves and minimize flaring (see also Box 3.2) would all increase recoverable reserves and thus hydrocarbon production (Figure 3.7). Similarly, unexpected changes to international oil prices, especially if they are long-lasting, can have very substantial effects on oil revenue and fiscal sustainability.<sup>25</sup> With all this uncertainty, it is important to avoid cyclical fiscal spending as well as basing policies on overly optimistic scenarios.<sup>26</sup>

**Endogenous factors.** Governments can devise effective financial investment strategies that promise to generate the highest possible rates of return on OPC oil saving for a given level of risk.<sup>27</sup> Equally important, OPCs can implement structural reforms to increase the productivity of public investments so as to crowd in private investment, stimulate growth,

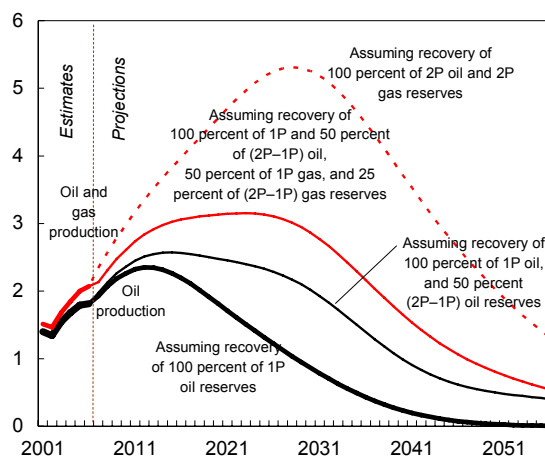
<sup>25</sup>For a discussion of the effects of changing oil prices on the permanently sustainable non-oil primary deficit, see, e.g., Olters (2007).

<sup>26</sup>In this regard, countries should conduct periodic updates of sustainability calculations and enhance their risk analysis.

and increase the sustainability of government expenditure.

Expectations of the ultimate recoverability of oil and gas reserves have considerable influence in assessing fiscal sustainability. Proven oil reserves alone—the most conservative assumption—would not be enough to maintain forever the current aggregate level of public expenditure in an SSA OPC economy, even if oil prices remain at their current heights.<sup>28</sup> Proven reserves would only allow for a non-oil primary deficit of 8½ percent of non-oil GDP; the average for 2004–06 was 27 percent.

**Figure 3.7. SSA Oil-Producing Countries: Oil and Gas Production, 2001–56<sup>1</sup>**  
(Billions of barrels of oil equivalents)



Source: Olters (2007).

<sup>1</sup> See Box 3.2 for definition of terms.

<sup>27</sup>The baseline simulations assume a real rate of return of 3.2 percent. While the rate exceeds the historical performance of oil funds in some SSA OPCs—notably those in the Central African Economic and Monetary Union (CEMAC) zone, for which the regional central bank pays only a marginally positive real rate—it is at the lower end of rates for diversified, long-term, low-risk portfolios in the major currencies. Oil funds with published returns have done considerably better. For example, Norges Bank (2006) reports a real return on the Norwegian Government Petroleum Insurance Fund in 2005 of 4.3 percent, measured in terms of the currency basket that corresponds to the composition of the fund's benchmark portfolio.

<sup>28</sup>The simulations are based on the IMF's December 2006 *World Economic Outlook* oil price assumptions through 2011 and constant real prices thereafter.

**Box 3.2. Oil and Gas Reserves in Sub-Saharan Africa**

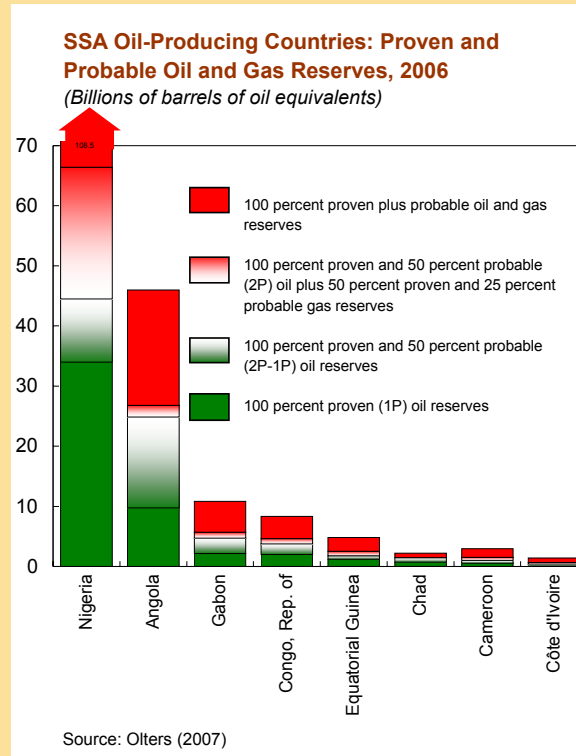
**Oil.** Sub-Saharan Africa has at its disposal proven oil reserves of more than 50 billion barrels (bbl), just over 4 percent of world reserves (figure). But its oil wealth might be considerably higher. Geologists think there are additional probable reserves of more than 60 billion bbl, mostly offshore in the Gulf of Guinea.

**Gas.** Some countries also have substantial reserves of natural gas, typically a byproduct of oil exploration.

While there has been considerable progress in commercializing gas, notably in Côte d'Ivoire, Equatorial Guinea, and Nigeria, African countries generally have found it difficult to do so. As a result, this potentially very valuable commodity—an estimated 38 billion barrels of oil equivalents (boe) for proven reserves and another 31 billion boe of probable reserves—is still flared at high rates.

For both commodities, the following definitions of reserves have been applied:

- *Proven (1P) reserves* are the estimated quantities of oil that geological and engineering data demonstrate, generally with a probability of at least 90 percent, to be recoverable from already discovered fields under current economic and operating conditions. Proven reserves are a conservative estimate of future cumulative production.
- *Probable (2P-1P) reserves* are reserves that the geological and engineering data suggest, with a probability of at least 50 percent, can be extracted under given economic and technological conditions.

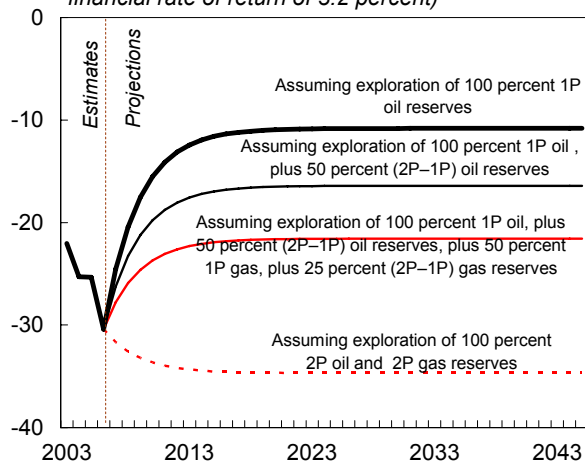


The simulations are based on four scenarios. In the most conservative (green), OPCs exploit all their proven oil reserves. In the most optimistic (red), OPCs commercialize all their proven and probable oil and gas reserves. Intermediary scenarios take into account the lower extraction likelihood of probable oil reserves and the technical obstacles to recovering gas.

The gradual medium-term adjustment path shown in Figure 3.8 reflects the inclusion of habits, as proposed by Leigh and Olters (2006). The fiscal positions of individual SSA OPCs fluctuate considerably around the aggregate simulation. More optimistic reserve and recovery assumptions reduce the gap between the actual and the permanently sustainable fiscal position. On the most optimistic assumption—SSA OPCs recover all their proven and probable oil and gas reserves—the estimated permanently sustainable non-oil primary deficit for the aggregated SSA OPC economy would increase to about 28 percent of non-oil GDP, near the 2004–06 average.

**Figure 3.8. SSA Oil-Producing Countries: Non-hydrocarbon Primary Balance, 2003–45**

*(Percent of non-hydrocarbon GDP; assuming a financial rate of return of 3.2 percent)*



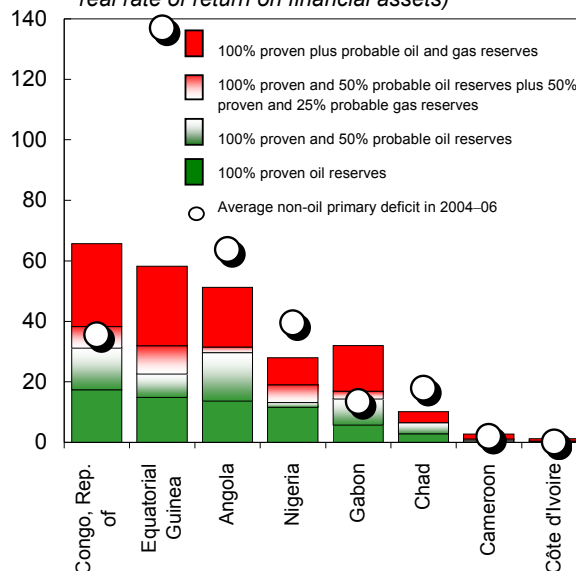
Source: Olters (2007).

While providing a policy benchmark for the long-term design of fiscal policies, this analysis has two important policy implications:

- A proactive policy for increasing the rates of return on financial, infrastructure, and social investments would help expand the fiscal envelope. As summarized in Figures 3.9 and 3.10, even a relatively modest increase in the average real rate of return from 3.2 percent to 4 percent would increase the non-oil primary deficit that could be financed permanently from the return on accumulated savings.

**Figure 3.9. SSA Oil-Producing Countries: Permanently Sustainable Non-Oil Primary Deficits (3.2 percent return)**

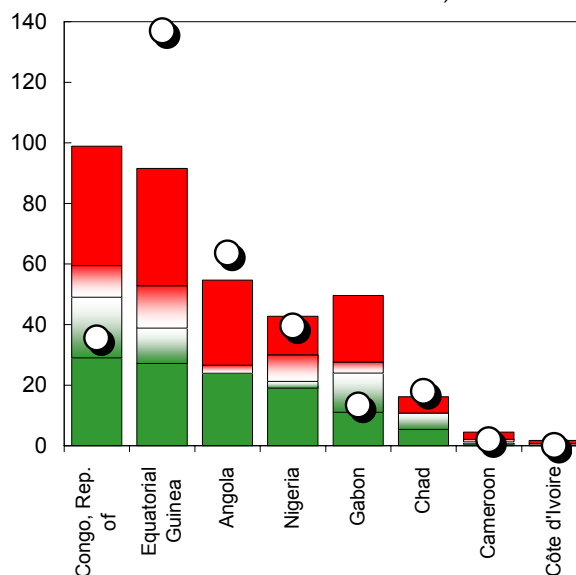
*(Percent of non-oil GDP; assuming a 3.2 percent real rate of return on financial assets)*



Source: Olters (2007).

**Figure 3.10. SSA Oil-Producing Countries: Permanently Sustainable Non-Oil Primary Deficits (4 percent return)**

*(Percent of non-oil GDP; assuming a 4 percent real rate of return on financial assets)*

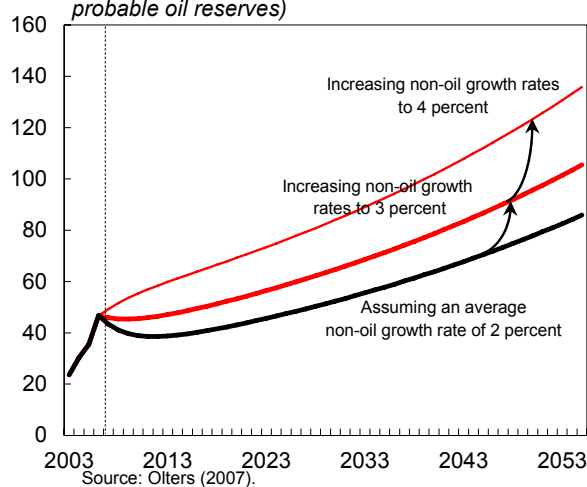


Source: Olters (2007).

- Carefully designed and effectively implemented public investments to accelerate non-oil growth also increase the government's fiscal space. The model treats the relation between public spending and non-oil growth rates as exogenous. But changing the growth assumptions<sup>29</sup> so that government spending becomes more targeted and effective and thus capable of crowding in private investments sets off a virtuous cycle of accelerating non-oil growth, increasing non-oil tax revenues, and higher sustainable government expenditure (Figure 3.11). Clearly, with higher non-oil growth and more rapid diversification of the economy, the relative importance of oil funds would decrease.

**Figure 3.11. SSA Oil-Producing Countries: Real Growth and Sustainable Government Expenditure, 2003–55**

(Billions of 2005 U.S. dollars; assuming the recovery of 100 percent proven and 50 percent probable oil reserves)



<sup>29</sup> The non-oil growth assumptions are the same for all SSA OPCs and are identical to those used in Leigh and Olters (2006).

### Identifying macroeconomic absorptive capacity

While scaling up public spending in SSA OPCs could be warranted by their vast developmental needs, the process must be managed carefully to avoid destabilizing the economy. Risks could arise from inflation, real appreciation, and loss of competitiveness (Dutch disease).<sup>30</sup> Policymakers should therefore identify measures and policies to ensure that the economy can absorb higher spending effectively.<sup>31</sup> Furthermore, the possible macroeconomic costs of higher spending need to be balanced against the long-term positive effect on growth that is expected to result from the spending. This section reviews the structural aspects of an economy that determine short-run absorptive capacity and the policy choices governments can make to help manage and improve macroeconomic outcomes. It quantifies the effects using Nigeria as an example.

### Structural determinants of absorptive capacity

The initial macroeconomic impact of scaling up spending will vary depending on the structure of the economy. Initial domestic demand pressures will be less pronounced in smaller and more open economies that can draw on a large pool of labor either domestically or from abroad. The adjustment process will require a real exchange appreciation to return the economy to both internal and external equilibrium. The magnitude of the appreciation will depend on whether the initial increase in domestic demand is externalized or absorbed through a supply response.

<sup>30</sup> See Corden and Neary (1982), van Wijnbergen (1984), Corden (1984), and Neary and van Wijnbergen (1986). While there is no consensus on the effect of the real exchange rate on growth in African countries, recent research suggests that aid inflows can adversely affect competitiveness; see, in particular, Rajan and Subramanian (2005).

<sup>31</sup> See Gupta, Powell, and Yang (2006), Sobolev and Yamauchi (2005), and Dunn (2006).

- *Import content and openness.* In more open economies, the impact of higher government spending is more likely to be externalized.
- *Short-run supply response.* The short-run supply response will depend on whether there is labor available to absorb the increase in demand; thus, economies with high unemployment may initially experience a rise in output. Also, economies that are open to foreign workers and can draw on a skilled labor force in the region may also benefit from an increase in output.

The importance of the economic structure can be illustrated in a case study of Nigeria (Box 3.3).

Because it is a large economy and thus less open, the import content of public spending in Nigeria is likely to be lower than elsewhere. It is also likely to be short of skilled labor. Thus, without corrective macroeconomic and structural policies, domestic demand pressures would be large and the short-term supply response muted. Nigeria would therefore probably experience a prolonged period of double-digit inflation if government spending increased to 10 percent of non-oil GDP (Figure 3.12—scenario with no sterilization). In contrast, SSA OPCs that have a higher propensity to import and whose labor markets are open to foreign workers would see less pressure from domestic demand and inflation.

### Box 3.3. Simulating the Impact of Scaled-Up Public Spending

A simple financial programming model illustrates the range of possible outcomes of scaling up in Nigeria. The core behavioral equations are the quantity theory of money and the relationship between non-oil imports and the real exchange rate. Short-run dynamics are determined by the slope of the aggregate supply curve and shifts in aggregate demand, as proxied by changes in broad money. Medium-term dynamics are determined by shifts in aggregate supply as determined by the marginal product of capital and the composition of spending.

The simulations are based on a substantial scaling up of spending. A permanent increase in public spending of 10 percent of non-oil GDP (compared to the country-specific baseline projections from the *World Economic Outlook*) is assumed; this is consistent with the objectives of reducing poverty and reaching the MDGs. Half the spending increase is assumed to be for infrastructure and one-fourth each for education and health.

Parameters are determined from estimates in the literature. The import content of government spending is assumed to be 50 percent for infrastructure, 25 percent for health, and 5 percent for education. A higher import content for infrastructure could be justified if more capital-intensive projects were pursued. The medium-term return on investment is assumed to be 10 percent, which is consistent with the literature generally but slightly higher than a recent estimate by Caselli and Feyrer (2007). The lag on this return is assumed to be two years for infrastructure, five years for health, and seven years for education. Finally, estimates of import elasticity are based on Kee, Nicita, and Olareaga (2004), which studies import elasticities over a wide range of countries using commodity-level trade data.

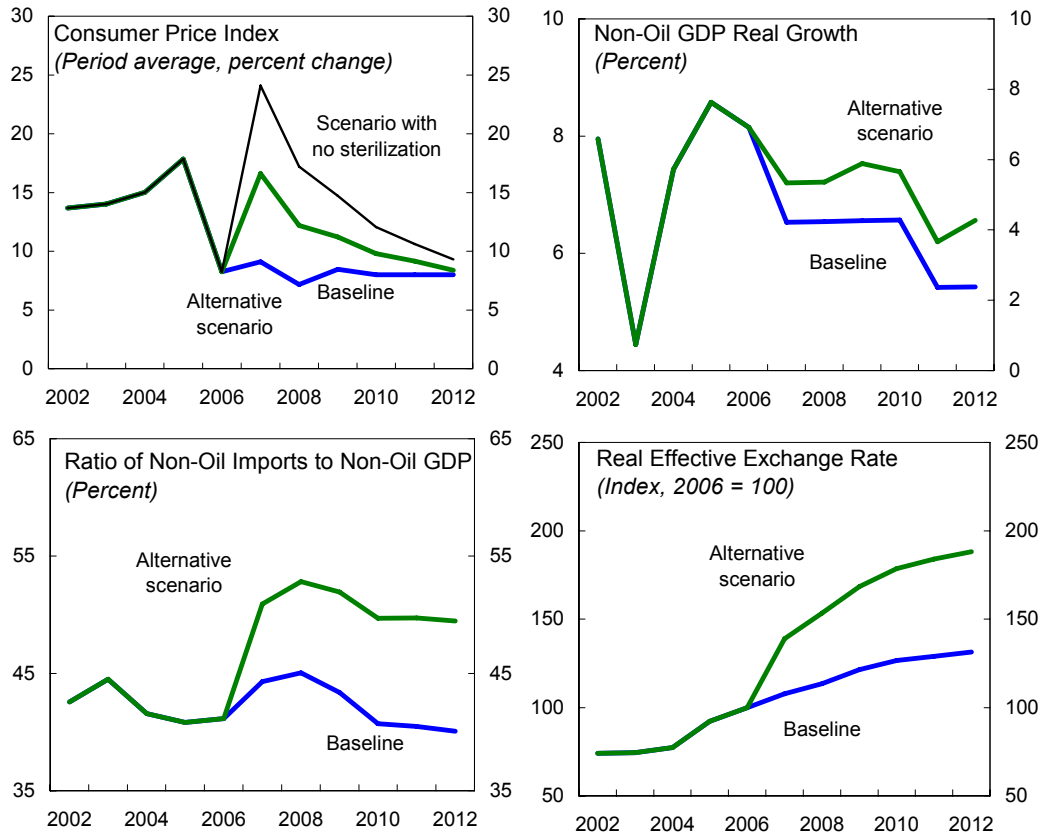


**Policy choices to help manage macroeconomic outcomes**

SSA OPCs can use exchange rate policy to help mitigate inflationary pressures. A flexible exchange rate would allow at least part of the real appreciation necessary to occur through a nominal appreciation of the currency.<sup>32</sup> In our scenario for Nigeria, the central bank opts to mop up a substantial portion of

the injected liquidity with foreign exchange sales. This mitigates the inflationary impact (Figure 3.12—alternative scenario) and quickly increases the imports necessary to bring the economy back to equilibrium.<sup>33</sup> SSA OPCs in a currency union would be unable to use the exchange rate as a shock absorber and would have to achieve real appreciation through price inflation.

**Figure 3.12. Nigeria: Impact of Scaling Up Government Spending, 2002–12**



Sources: Nigerian authorities, and IMF staff estimates and projections.  
 Note: Baseline scenarios reflect the country projection compiled for the May 2007 *World Economic Outlook* submission. In alternative scenarios, government permanently increases spending by 10 percent of non-oil GDP, and half of the increase in liquidity is sterilized.

<sup>32</sup> See, for example, Friedman (1953), who argues that the advantage of a flexible exchange rate is its ability to help smooth adjustments to real shocks.

<sup>33</sup> The central bank could also sell domestic assets to mop up liquidity. This would likely reduce domestic demand by crowding out private sector credit and then reduce the change in the real exchange rate necessary to bring the economy back to equilibrium. Alternatively, sales of foreign currency would help stimulate imports and facilitate the real resource transfer necessary to stimulate growth. For CEMAC countries the fixed exchange rate precludes sales of foreign exchange for liquidity management purposes, and sales of domestic assets would be difficult to implement because of coordination requirements and nonconvergence in economic development across member states.

Other supportive structural policies could improve the medium-term supply response, limiting both the inflationary impact and the loss of international competitiveness. Improving the business environment would boost foreign and domestic investment and help improve productivity and increase employment. Sound fiscal institutions and firm PFM would help ensure that public sector investment in infrastructure is well targeted and effective in alleviating bottlenecks to private sector activity. Further trade liberalization would facilitate a larger import response to any spending increase and limit the pressures on domestic demand.

In sum, the macroeconomic impact of scaling up could be managed as long as economic policies are accompanied by reforms directed to diversifying the non-oil economy. Depending on the initial macroeconomic situation and the structure of the economy, policymakers would need to implement a mix of macroeconomic and structural policies that would release additional fiscal resources to help reach overarching policy objectives, such as those outlined in poverty-reduction strategies and the MDGs.

### **Reinforcing administrative absorption capacity**

The quality of a country's PFM is critical if spending is to be scaled up effectively. Given the rent-seeking opportunities associated with the size and centralized receipt of oil revenues, oil-rich countries face particular PFM challenges. A careful budget formulation process is needed to direct large but exhaustible oil resources toward high priority areas, and budget implementation needs to ensure that spending is executed efficiently.

By most available measures institutional capacity is low in SSA OPCs. According to the World Bank's Country Policy and Institutional Assessment (CPIA) index, on average public sector management in SSA is weak both in absolute terms and compared with other countries in the region and oil-producing countries in other regions. Some SSA OPCs, among them Angola, Chad, and Côte d'Ivoire, are postconflict countries, where weaknesses are

pronounced across the board (Table 3.1). The capacity of most SSA OPCs to formulate, execute, and ensure the accountability of government budgets is below that of comparator countries,<sup>34</sup> and public administration in general is ineffective.<sup>35</sup> The low rating on the indicators for transparency and accountability for the use of public funds is a symptom of poor fiscal discipline.

Addressing weaknesses in institutional capacity should be a priority if public spending is to be effective. The following areas require significant attention.

- The process of policy planning and budget preparation should ensure that fiscal policies achieve their goals for oil-revenue windfalls. Once the policies are designed, their spirit should be incorporated into annual budgets. To this end, except for Angola and Equatorial Guinea the SSA OPCs have adopted PRSP-like strategic policy documents and prepared medium-term fiscal or expenditure frameworks (MTEF). However, these strategic documents could be used more effectively. In particular, the MTEFs should be based on credible economic projections and incorporated into budgets. Moreover, budgets should cover all expenditures and fully integrate oil revenues. Such processes would help governments avoid using oil windfalls on an ad hoc basis without fully exploring the medium- and long-term implications of their choices.

---

<sup>34</sup>According to IDA (2005), the indicator for the quality of budget and financial management assesses the extent to which there is (i) a comprehensive and credible budget linked to policy priorities; (ii) effective financial management to ensure that the budget is implemented as intended in a controlled and predictable way; and (iii) timely and accurate accounting and fiscal reporting, including audited public accounts and effective arrangements for follow-up.

<sup>35</sup>The criterion for the quality of public administration measures the extent to which public officials design and implement government policies and deliver services effectively.

**Table 3.1. Sub-Saharan Africa OPCs: Quality of Public Sector Management and Institutions, 2005**

	Quality of Budget and Financial Management	Efficiency of Revenue Mobilization	Quality of Public Administration	Transparency, Accountability and Corruption in the Public Sector	Average
Oil producing countries in Sub-Saharan Africa	2.9	3.2	2.5	2.4	2.6
Angola	2.5	2.5	2.5	2.5	2.5
Cameroon	3.5	4.0	3.0	2.5	3.0
Chad	3.0	2.5	2.5	2.0	2.5
Republic of Congo	3.0	3.0	2.5	2.5	2.7
Côte d'Ivoire	2.5	4.0	2.0	2.0	2.2
Nigeria	3.0	3.0	2.5	3.0	2.8
Oil-producing countries in other regions	3.3	3.5	3.0	2.9	3.0
Non-oil producing countries in Sub-Sahara Africa	3.1	3.4	2.9	2.8	2.9
All IDA-eligible countries	3.2	3.4	3.0	2.9	3.0

Source: World Bank, IDA Resource Allocation Index (IRAI), 2005.

Note: The Country Policy and Institutional Assessment is publicized only for IDA-eligible countries (except for Afghanistan, Liberia, Myanmar, Somalia, and Timor-Leste).

Scale: 1 = Lowest, 6 = Highest.

- Effective public spending requires strict execution of the approved budget. The process depends on both the administrative capacity of public officials and political discipline to respect the budgets. For many SSA OPCs more discipline and the capacity to produce realistic economic assumptions and adequate cost information would better track the original budget. Moreover, it is important to ensure that spending is high quality. Systematic strengthening of government expenditure processes would concentrate on commitment control, accounting, and financial and management reporting. Internal auditing also needs to be supported by increased material resources and staff who have the needed skills.
- Regular reporting promotes transparency and thus accountability in both revenue administration and expenditure management. SSA OPCs rarely have the capacity to produce timely and informative fiscal information. Budget classification is the basis for understanding expenditure patterns but in many countries it is not adequate to this role. Budget reports should cover the operations of local governments and autonomous units, and audited budget reports generally need to be publicized faster to reinforce

checks and balances and enhance fiscal discipline.

Given current weaknesses, strengthening administrative capacity in budget management should start with enhancing transparency. Governments should be encouraged to ensure that there is a steady and timely flow of up-to-date and credible information both internally and to the public on revenue and expenditure. This would support internal policy decision-making and accountability and also allow for public scrutiny of whether oil resources are being used to meet announced priorities. By adopting the Extractive Industries Transparency Initiative (EITI) process, some SSA OPCs have recently made great progress toward increasing oil transparency (Box 3.4).

Special fiscal institutions (SFI)—oil funds, fiscal rules and fiscal responsibility legislation, and budgetary oil prices—can be valuable safeguards for national wealth. Evidence suggests that in many cases SFIs by themselves have not been able to overcome the difficulties associated with oil revenue management, institutional weaknesses and complex political dynamics. Nevertheless, under appropriate institutional frameworks, well-designed SFIs buttressed by political commitment may help support sound fiscal policies. Past evidence from

OPCs suggests they have had mixed results, but if they are well designed, SFIs can support (not substitute for) sound fiscal policies, particularly when they complement other PFM and governance reforms.<sup>36</sup> In view of how OPCs have met past challenges, reliable institutions are arguably even more important in OPCs than in other low-income

countries. Notably, transparency and the observance of international standards like the IMF's Special Data Dissemination Standard (SDDS) or the EITI can be valuable for providing more and better information, which will boost investor confidence and private development outside as well as within the oil sector.

### **Box 3.4. Implementation of the Extractive Industries Transparency Initiative (EITI) in Africa**

Participation in the EITI, which was launched in 2003, has grown substantially in Africa, which accounts for about two-thirds of participating countries.<sup>1</sup> The African Development Bank has strongly endorsed the EITI. So far four African countries have issued reports: Cameroon, Gabon, Guinea, and Nigeria, the last being by far the most comprehensive.

At its October 2006 High Level Conference in Oslo the EITI agreed on a governance structure that has a board representing all stakeholders (Gabon, Guinea, and Nigeria are members) and a permanent secretariat. It also agreed on a mechanism for validating compliance with the six EITI criteria:

- Regular publication of all material oil, gas, and mining payments by companies to governments, and all material revenues received by governments from oil, gas, and mining companies;
- Where such audits do not already exist, a credible independent audit of payments and revenues, applying international auditing standards;
- Reconciliation of payments and revenues by a credible, independent administrator, applying international auditing standards, and publication of the administrator's opinion identifying discrepancies;
- Extension of this approach to all companies, including those that are state-owned;
- Active engagement of civil society in the design, monitoring, and evaluation of the EITI process; and
- A public, financially sustainable work plan for all the above drawn up by the host government, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

The criteria will be evaluated by independent validators to confirm the status of a country as either an EITI candidate, if it has at least completed the sign-up phase, or EITI compliant, if it has met the six criteria. A detailed scoring system will identify progress toward compliance. The first validation reports are expected in 2007.

<sup>1</sup> SSA participants are Angola, Cameroon, Chad, Democratic Republic of Congo, Republic of Congo, Equatorial Guinea, Gabon, Ghana, Guinea, Mali, Mauritania, Niger, Nigeria, São Tomé and Príncipe, and Sierra Leone. See [www.eititransparency.org](http://www.eititransparency.org).

<sup>36</sup> See Ossowski (2007) for more detailed discussions.

## Conclusions

The currently elevated international oil prices offer SSA OPCs an exceptional opportunity to address pressing socioeconomic challenges; the question is not whether to scale up public spending but how to ensure that it is effective. The historical performance of OPCs, marked by crippling boom-bust cycles and low rates of return on public spending, underlines the challenge they face. But saving is not easier than spending, particularly in countries where institutions to safeguard these savings are inadequate or nonexistent. And young democracies face impatient electorates that, legitimately, insist that their governments provide the public goods needed for development.

This chapter has therefore emphasized four issues that OPCs need to bear in mind as they proceed to use their additional resources:

- First, oil prices historically are volatile, and resource endowments are finite. In most OPCs economic policies have been more prudent during the current boom than in the past. Nevertheless, non-oil deficits are rising in many countries where scaled-up public spending is addressing pressing social and infrastructural needs. Higher deficits may be warranted if they are temporary, but they will need to return to sustainable levels eventually. Oil producers therefore need to ensure that the additional resources, whether invested in financial or real assets, yield high returns.
- Second, scaling up public spending will put pressure on macroeconomic policy in the short term. Risks could arise from inflation, real appreciation, and loss of competitiveness. Effective monetary and exchange rate policies and supportive structural reforms are necessary to contain these risks.
- Third, strong PFM is crucial to ensure that public resources are used optimally. OPCs in SSA are on average less able than other low-income countries to manage public expenditure

well, so the reform agenda is long. But strengthening public sector capacity to manage and absorb additional resources is vital.

Finally, only sound domestic institutions will guarantee long-term stability in the management of oil revenue. Experience is mixed on the value of SFIs, such as fiscal rules and oil funds, but there is enough evidence to suggest that reliable institutions are even more important in oil-exporting countries than in other low-income countries because trustworthy institutions strengthen investor confidence and boost private sector development, within and outside the oil sector. Ultimately, durable private sector-led growth is the most valuable legacy the present generation can pass on to its children.

## IV. Sub-Saharan Africa's Emerging Export Pattern

### Introduction

The share of SSA in global trade (exports plus imports) has declined from about 4 percent in 1970 to about 2 percent at present (Figure 4.1). This long-term decline is traceable to such factors as macroeconomic instability, high and cascading tariff structures, and unfavorable cost structures due to poor business environments, small domestic markets, and high indirect costs (Gupta and Yang, 2006).

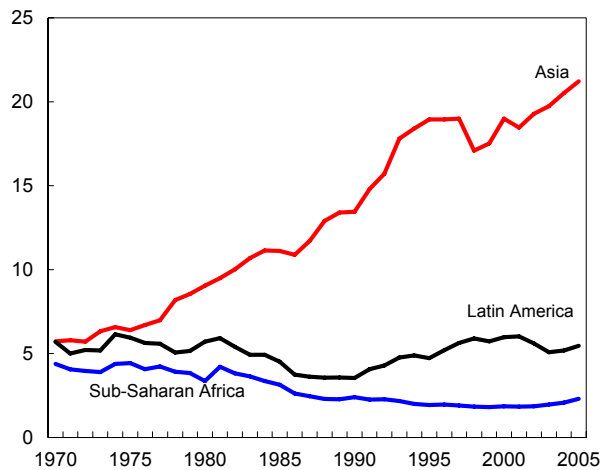
However, the region's export prospects have improved with the recent commodity boom. Because it is well endowed with natural resources, SSA has benefited from the boom, which has reoriented its exports toward rapidly growing economies. Continued rapid growth in Asia offers SSA opportunities to reverse the long-term decline in its trade share. Since most domestic markets in SSA are small, exports to Asia give SSA producers opportunities to vastly expand their markets. There is some evidence that SSA firms become more productive when they export ("learning by exporting"), so an upturn in exports could help lay the foundation for sustained growth (Bigsten and Söderbom, 2006).<sup>37</sup> In principle African producers may find opportunities for diversification as labor costs in East Asia increase and as demand changes with the growth of the middle class in China and India. Moreover, efforts to improve the business environment in SSA could make it possible for countries there to exploit untapped potential in traditional export destinations.

---

Note: This chapter was prepared by Kevin Carey, Sanjeev Gupta, and Ulrich Jacoby.

<sup>37</sup> See also Mengistae and Pattillo (2004). However, there is little evidence that the textiles export boom in SSA under the United States AGOA led to increases in productivity (World Bank, 2004); the learning-by-exporting effect may need supporting factors to be effective. See also the discussion in Section IV.

Figure 4.1. Share of World Trade by Region, 1970-2005 (Percent)



Source: IMF, *Direction of Trade Statistics*.

This chapter analyzes the export patterns emerging in SSA and assesses their implications for policy. While recent studies (World Bank, 2004; Broadman, 2006; Goldstein and others, 2006) highlight the growing trade between SSA and Asia, this study looks at all SSA's trading partners, including industrial countries. While other studies have treated the countries in SSA as a homogeneous group, this study differentiates between them on the basis of endowments (resource-intensive or not) and location (coastal or landlocked) to assess whether these considerations are relevant to exports. The study also analyzes merchandise exports in terms of product groups that are gaining acceptance in industrial and fast-growing emerging economies and whether in aggregate the region is undertrading or overtrading. It concludes with suggestions for policies that would help SSA to realize its full trade potential.

## Evolution of SSA Export Patterns through 2005

### Trade patterns by destination

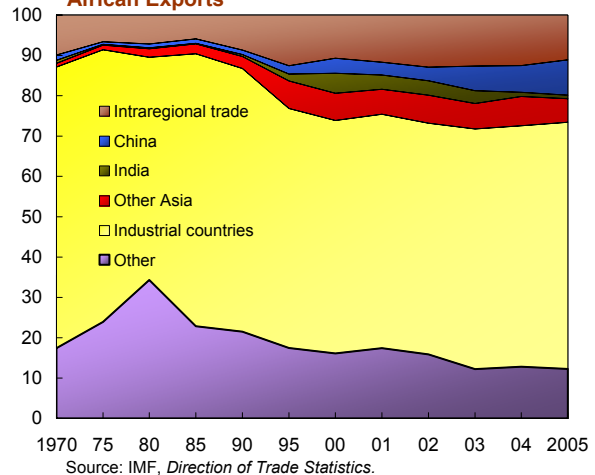
The share of SSA's exports to developing countries has more than doubled since 1990. As Asia industrializes, its demand for natural resources increases and SSA has responded to the export opportunity. Asia now receives about 25 percent of SSA's exports. China and India together account for about 10 percent of both SSA exports and imports—25 percent more than the share of these two countries in world trade (Broadman, 2006). Intra-regional trade accounts for about 10 percent of total SSA trade; the share has not increased in recent years (Figure 4.2).<sup>38</sup>

Economic relations between China and SSA have expanded enormously in recent years (see Box 4.1). In the past 15 years China has emerged as an important destination for SSA exports. In 2005, the latest year for which data are available, SSA exports to China amounted to \$19 billion, compared with negligible levels in 1990 and about \$5 billion in 2000. Growing by 30 percent annually since 2000, they account for about 20 percent of SSA's total export growth since then. SSA imports from China have also surged, from US\$3.5 billion in 2000 to over US\$13 billion in 2005. Nearly all these imports are manufactured products, reflecting China's emergence as a major exporter of manufactures in recent years.

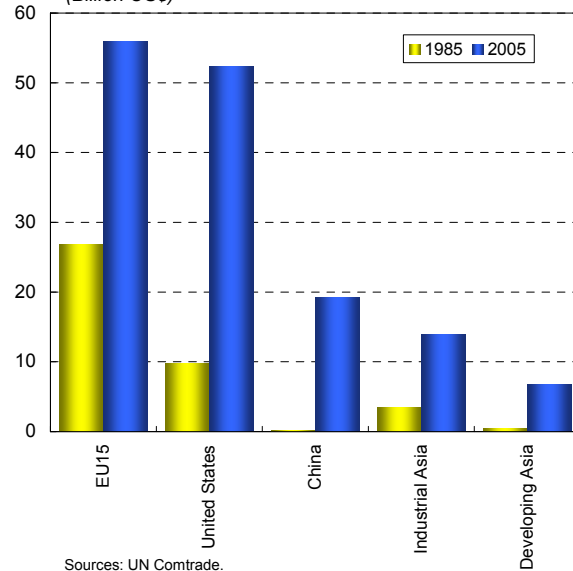
While Asia's importance to SSA has been increasing, the European Union and the United States are still its largest trading partners (Figure 4.3). Although SSA exports to China have grown rapidly—by 260 percent cumulatively between 2000 and 2005—and China is now SSA's single largest trading partner in

Asia, there has also been substantial growth in exports to traditional SSA destinations. Exports to

**Figure 4.2. Destination of Sub-Saharan African Exports**



**Figure 4.3. Total Merchandise Exports by Destination, 1985 and 2005 (Billion US\$)**



<sup>38</sup> Because Japan is classified as an industrial country in Figure 4.2, the sum of the Asian countries shown does not add to Asia's total share of SSA exports. Also, IMF Direction of Trade data do not include Taiwan Province of China.

#### Box 4.1. China's Financial Relations with Sub-Saharan Africa

China's financial assistance to SSA is substantial. Loans and credit lines are estimated at about \$19 billion, and in October 2006 at the Beijing Summit China announced assistance of about \$5 billion. The beneficiaries of the largest flows are Angola, Equatorial Guinea, Gabon, Republic of Congo, and Nigeria; Angola and Equatorial Guinea together have credit lines totaling about \$14 billion. The share of grants is small, but China recently canceled an estimated \$260 million in debt for the Democratic Republic of Congo, Ethiopia, Mali, Senegal, Togo, Rwanda, Guinea, and Uganda.

The concessionality of the loans varies widely.<sup>1</sup> Some large loans and credit lines have not been fully concessional, although they are on more favorable terms than the market. However, a recent \$2 billion credit line to Equatorial Guinea and numerous smaller loans to SSA countries are concessional. The degree of concessionality is also affected by the requirement that only Chinese companies using Chinese products bid for the projects (70 percent of Chinese credit lines in Angola have been used this way). Also, repayment of loans has sometimes been tied, as in Angola, to the supply of oil.

China's aid to SSA countries is largely aimed at financing projects in energy, telecommunications, and transportation. It is often accompanied by deals to develop mining and energy resources. For example, in return for the right to explore and exploit natural resources in the Republic of Congo, China is helping to build transportation, energy, telecommunications, and water facilities and is providing support for social sectors. However, China's activities in construction and infrastructure predate its interest in resource-linked investments; construction companies were the first Chinese companies to enter Africa. For example, China was involved with the Tanzania-Zambia railway when it was constructed in 1970.

Chinese state-owned companies often enter into joint ventures with SSA state-owned companies for resource-based projects. The Chinese company SINOPEC has invested \$3.5 billion in a partnership with the Angolan Sonangol to pump oil from recently auctioned offshore blocks. SINOPEC has also announced its intention to build a \$3 billion refinery in Angola. In Gabon, the CMEC/Sinosteel consortium—financed by the Chinese Export-Import Bank—is investing about \$3 billion in exploiting iron ore deposits; it is constructing a railway, a port, and a hydroelectric power station in return for exclusive rights to develop the mine. And a subsidiary of the China National Offshore Oil Corporation (CNOOC) recently signed a production-sharing contract with the National Oil Company of Equatorial Guinea (GEPetrol). However, joint ventures in construction are rare.

---

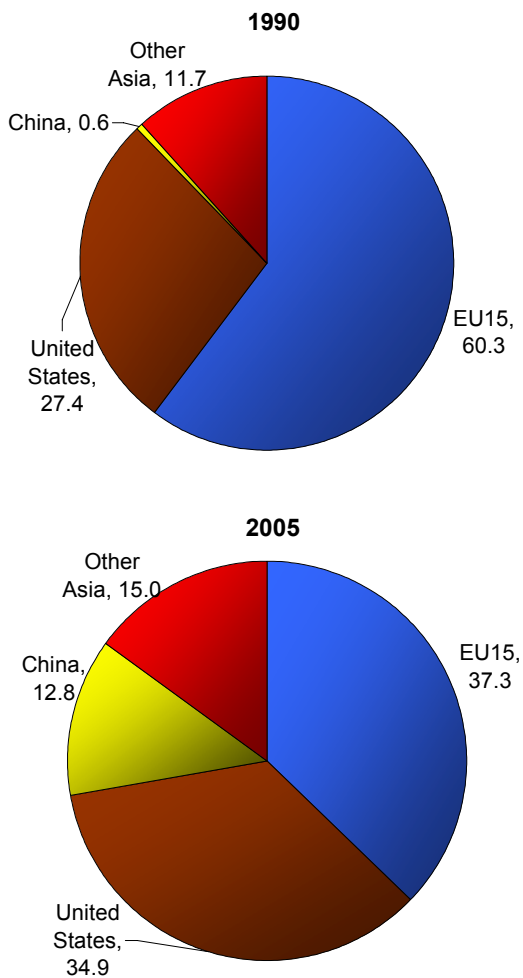
Note: This box was prepared by Volker Treichel.

<sup>1</sup> Loans are generally considered concessional if they have a minimum grant element of 35 percent based on reference commercial interest rates published by the OECD.



the EU15<sup>39</sup> grew by 66 percent between 2000 and 2005, and those to the United States grew by 112 percent. Merchandise exports to China of about \$19 billion in 2005 are dwarfed by exports to the EU15 of \$56 billion and to the United States of \$52 billion.<sup>40</sup> The share of the United States and the European Union in SSA exports is still 2½ times that of Asia and almost 6 times that of China (Figure 4.4).

**Figure 4.4. Destination Shares of Sub-Saharan African Exports, 1990 and 2005 (Percent)**



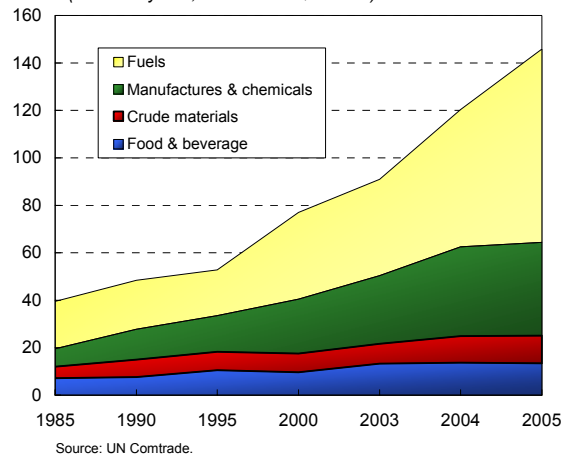
Sources: UN Comtrade; IMF staff calculations.

<sup>39</sup> The EU15 comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

### Export Patterns by Product

Fuel explains much of SSA's export surge in value terms (Figure 4.5). Total SSA exports rose by just over 75 percent between 1985 and 2000—an annual rate of about 5 percent. They have since grown by another 75 percent, tripling the annual growth rate for 2000–05 to nearly 15 percent. Oil exports alone increased by over \$20 billion between 2004 and 2005. Of the total increase in export values between 2000 and 2005, fuels accounted for 65 percent, manufactures 24 percent, and food and raw materials about 5 percent each. Since manufactures include processed natural resources, the extent to which SSA's export boom is resource-driven is obvious.

**Figure 4.5. Exports of Major Merchandise Categories, 1985-2005 (Selected years; values in US\$ billions)**



<sup>40</sup> While it would be useful to break down the growth in export values into price and volume components, this task is extremely complex because it would require disaggregated price data for each exporting country.

There is limited evidence of product diversification in the export pattern. In fact, the share of fuels has risen to over half of total SSA exports (Table 4.1), with annual increases of over 40 percent in both 2004 and 2005 (Table 4.2). Food and beverages and raw materials have seen long-term declines, though the share of manufactures has grown since 1985; the upward trend is obscured in 2005 by the large increase in oil exports.

The emergence of China as an important trade partner for SSA is most pronounced for fuels and raw materials (Table 4.3). From small amounts in 1990 China's share increased to one-fourth of raw materials and one-sixth of fuels in 2005. The share of SSA fuel exports to the United States also rose by a few percentage points. The increases came from a reduction in the EU15 share. Export patterns for food and beverages hardly changed between 1990 and 2005.

**Table 4.1. Sectoral Composition of Exports, 1985-2005  
(Percent)**

	1985	1990	1995	2000	2004	2005
Food & beverage	18.3	16.1	20.1	12.5	11.3	9.1
Raw materials	12.3	14.9	14.5	10.2	9.2	7.9
Fuels	50.0	41.8	35.9	46.9	47.6	54.9
Manufactures & chemicals	18.6	26.0	28.6	29.6	31.0	26.4

Source: UN Comtrade.

**Table 4.2. Growth Rates of Broad Export Categories, 1985-2005  
(Annualized percentage growth of nominal export values)**

	1985-90	1990-95	1995-2000	2000-03	2003-04	2004-05
Food & beverage	1.6	7.1	-1.9	12.2	3.3	-1.7
Raw materials	9.7	1.1	0.4	1.9	34.3	4.6
Fuels	0.6	-1.4	18.1	3.7	42.6	41.0
Manufactures & chemicals	14.4	3.9	10.1	8.4	30.5	4.2
Total	4.0	1.9	9.2	5.9	32.2	22.2

Source: UN Comtrade.

Note: The total includes SITC 9, which covers certain special items not included in the sectoral categories, notably arms.

**Table 4.3. Destination Shares of Broad Export Categories, 1990 and 2005  
(Percent)**

	EU15	USA	Industrial Asia	China
Food and beverage				
1990	78.9	7.6	10.9	0.7
2005	77.5	9.9	8.3	1.8
Raw materials				
1990	69.6	8.2	13.2	2.6
2005	48.6	7.3	10.6	25.5
Fuels				
1990	48.6	48.6	2.8	0.0
2005	21.5	52.0	5.8	16.3
Manufactures and chemicals				
1990	63.8	17.1	15.2	0.4
2005	52.4	19.3	17.7	5.7

Source: UN Comtrade.

Asia's share in SSA manufacturing exports grew only moderately, by about 8 percentage points, mainly in response to Chinese demand. The share of the United States also increased somewhat because of the AGOA. Again, the EU15 share declined, though Europe still accounts for over half of SSA manufacturing exports, followed by the United States and industrial Asia; exports to other Asian partners are small.

The dependence of SSA nonfuel exports on agricultural commodities has declined, and exports of certain resource-linked manufacturing products have increased (see Appendix I, Table A3). Manufactured exports accounted for nearly 60 percent of all nonfuel exports in 2005, up from 37 percent in 1985. Within manufacturing the major categories are precious stones, the share of which has more than trebled since 1985, and silver and platinum, the share of which has nearly doubled. Iron, aluminum, clothing, and vehicles are the other major product categories. By contrast, the share of most nonmanufacturing categories, especially coffee and cocoa, declined. Among the exceptions are fruit and nuts and fish, but together these account for just over 6 percent of nonfuel exports.

The evidence is mixed on whether recent growth in SSA is associated with higher exports, including manufactures. Between 2000 and 2005 SSA's oil importers on average saw an increase in annual growth of about 2 percent and in the exports-to-GDP share of around 2 percentage points,<sup>41</sup> but the relationship is weaker at the country level. While fast growers like Tanzania, Zambia, Ethiopia, and Kenya have higher export shares, countries like Ghana and Namibia have grown even though their export shares declined. Furthermore, some countries (e.g., Lesotho and Swaziland) have seen sizable increases in export shares without any surge in growth. Similarly, there is no clear relationship between growth and an increased share of manufactures in

total exports. Several countries (mostly in southern Africa) have registered large increases in the manufactured export share, but others (Ethiopia, Tanzania, and Uganda) are growing rapidly with shares of 15 percent or less.

### Export Patterns by SSA Country Groupings

It is often argued that the trade pattern is influenced by geographic characteristics, as are growth prospects more generally (Gallup and others, 1998). Here, following Collier and O'Connell (2006), countries are classified as resource-intensive, with subgroups oil and non-oil; and non-resource-intensive, with subgroups coastal and landlocked.<sup>42</sup>

While the destination of exports of SSA's oil producers is changing, those exports have become even more concentrated in fuels (Appendix I, Table A4, top panel). Since 1990 the share of fuels in total exports of SSA OPCs has increased by about 12 percentage points, to almost 90 percent. The EU15 share in oil exports fell by more than half, to about 20 percent; Asia expanded its share to 23 percent, and the United States share rose to 58 percent, an increase of more than 5 percentage points. For other product groups the EU15 is still the single largest destination, although its share has declined in favor of the United States (mainly in manufacturing and food and beverages) and Asia (mainly in raw materials<sup>43</sup> and, though less so, in manufactures).

Coastal countries are highly dependent on exports to the EU15, particularly of manufactures (Appendix I, Table A4, middle panel), which since 1990 have risen to about 60 percent of total exports. The EU15 is still the dominant destination for all export categories, though increased Asian demand for manufactures and raw materials has reduced its share and that of the United States. Except for

<sup>41</sup> The calculation compares average growth and export shares in 2004–06 with 1999–2001, to smooth out single-year fluctuations in 2000 and 2005.

<sup>42</sup> The groupings are explained in Chapter II and listed in the Statistical Appendix.

<sup>43</sup> Examples of crude materials exports are cotton, flowers, and wood.

South Africa, coastal countries are even more dependent on the European Union and export nearly as much food and beverages as manufactures; for this group, since 1990 the share of manufactures is up by only 4 percentage points.

Landlocked countries also depend on the European Union, but Asia is becoming more important to them (Appendix I, Table A4, bottom panel). Compared with coastal countries, they export fewer manufactures but substantial amounts of raw materials and food and beverages; shares of the latter two categories are steady or higher since 1990 while the share of manufactured exports has declined. The United States in recent years joined the EU15 as a dominant export destination for manufactures because of growing textile imports under the AGOA. China and other Asian countries replaced the European Union as the main destination for raw-material exports, mainly cotton. The export pattern for coastal and landlocked countries is still strongly influenced by the traditional mode of exporting raw commodities to industrial countries. The global trade regime features much less tariff escalation than in the past, due in part to extensions of the Generalized System of Preferences, such as the AGOA and the EU's Everything But Arms (EBA) initiative. However, because various constraints mitigate the impact of these liberalizing measures, the historic export pattern persists (see the section on Making Trade an Engine of Development).

## A Closer Look at SSA's Manufacturing Exports

Across all country groupings SSA's exports of manufactures are confined to a few product categories (Table A5). Seven industries<sup>44</sup> account for 75–80 percent of SSA's manufacturing exports; nonferrous metals and nonmetallic mineral manufactures (mainly diamonds) each account for about 30 percent of the total. Transport equipment

<sup>44</sup> Based on two-digit Standard International Trade Classifications (SITCs).

(10 percent) and clothing (8 percent) are the fastest-growing categories and are the only two not strongly linked to processing of resources.

While Europe is still the dominant destination for manufacturing exports, Asian destinations are becoming more important for the manufactures of OPCs and coastal countries. Asia is the fastest-growing destination for the manufacturing exports of oil producers, which tend to be raw material-based, such as wood and leather; however, these exports are a tiny proportion of total OPC exports (Appendix I, Table A4, final column). For coastal countries, the EU15 is usually the largest destination in the four main manufacturing categories, although industrial Asia is dominant for nonferrous metals. The manufacturing exports of some landlocked countries also reflect the commodity boom, but the most pronounced development is the surge in exports of clothing.<sup>45</sup> Exports of nonmetallic mineral manufactures dominate for countries rich in resources other than oil.<sup>46</sup>

<sup>45</sup> While clothing exports from landlocked countries have grown strongly since 1990, the large growth rate indicated in Appendix I, Table A4 for this category is exaggerated by the fact that the South African Customs Union (SACU) countries have only reported separate data to Comtrade since 2000; thus, for example, Lesotho's exports would be included in 2005 but not in 1990. See Appendix II.

<sup>46</sup> The industries, selected from all manufacturing two-digit categories, are those that accounted for at least 10 percent of manufacturing exports and did not experience a large decline between 1990 and 2005.

**Table 4.4. Top Two Markets and Suppliers of Major Manufacturing Exports, 2005**

Industry	Value (Million US\$)	Growth 2000-05 (Annual)	Market 1	Market 2	Supplier 1	Supplier 2
Veneers, plywood boards, and other wood	791.1	21.1	EU15	Ind. Asia	South Africa	Ghana
Pearls and precious stones	9,174.5	15.4	EU15	USA	Botswana	South Africa
Raw forms of iron	3,031.2	22.3	EU15	Ind. Asia	South Africa	Zimbabwe
Iron ingots	645.3	17.6	EU15	Dev. Asia	South Africa	n.a.
Sheet iron	940.9	39.0	EU15	China	South Africa	n.a.
Silver and platinum group metals	5,518.6	7.8	Ind. Asia	USA	South Africa	n.a.
Copper	890.6	33.5	China	Dev. Asia	Zambia	South Africa
Aluminum	2,632.0	23.4	EU15	Ind. Asia	Mozambique	South Africa
Nonelectrical machinery and appliances	1,542.7		EU15	USA	South Africa	n.a.
Road motor vehicles	2,358.5	23.1	Ind. Asia	EU15	South Africa	n.a.
Clothing (except fur)	2,401.4	7.5	USA	EU15	Mauritius	Madagascar

Source: UN Comtrade.

Note: The industries correspond to three-digit SITC product categories. Where n.a. appears for the second supplier, the first is reported as accounting for 100 percent of exports.

South Africa and other southern African countries dominate most SSA manufactured-export categories (Table 4.4). Eleven product categories account for 84 percent of all SSA manufacturing exports. For eight of the categories the EU15 constitutes the largest destination, and for seven South Africa is the dominant supplier. The products where South Africa is not in the top two suppliers reflect resource endowments (diamonds in Botswana, copper in Zambia, and hydroelectricity in Mozambique) and the emergence of a significant textile industry in some SSA countries (Mauritius and Madagascar).<sup>47</sup>

The levels of clothing exports reflect the positive impact of the AGOA and the mixed impact of the elimination (under the WTO Agreement on Textiles

and Clothing [ATC]) at the end of 2005 of remaining bilateral quotas on textiles and clothing and trade. While this had a negative effect on some countries, the ATC has not eliminated SSA's textile industry.<sup>48</sup> Besides Mauritius and Madagascar (see Table 4.4), textile exports are also important for Lesotho and Swaziland. Textile exports under the AGOA—which has been extended to 2012—have duty and quota-free access to the United States even when the clothing uses third-country fabric.<sup>49</sup> Even for exports to Europe, where the AGOA incentive does not apply, Asian firms have sought to diversify their production base by locating in Africa, partly because “excessive” penetration of European markets by Asian firms has been a sensitive issue since ATC quotas expired. Madagascar's textile

<sup>47</sup> Some studies define the manufacturing sector to exclude SITC category 68, which covers mining activities such as copper extraction. However, this classification reflects processing of raw ore (albeit with minimal added value in some cases), which arguably represents the starting point of manufacturing industry in resource-intensive countries.

<sup>48</sup> The ATC was the transitional agreement for phasing out the Multifiber Arrangement.

<sup>49</sup> Mattoo, Roy, and Subramanian (2003) show that the AGOA undercuts some of its more liberal provisions with restrictions in its product coverage and application of quotas to the total amount of U.S. textile imports that can receive relief.

industry has performed well since then by graduating to higher-value-added exports to Europe. Similarly, Mauritius records the highest value-added among SSA textile exporters to the United States.<sup>50</sup>

### Benchmarking SSA's Trade Performance

Many studies have investigated whether regions or countries undertrade or overtrade relative to a benchmark for trade flows.<sup>51</sup> Gravity models are commonly used for setting this benchmark; they derive the level of bilateral trade (exports and imports) from natural determinants. In its simplest specification, trade between any two countries is expected to be directly related to their economic size (GDP) and degree of development (GDP per capita) and inversely related to the distance between them. When the observed level of trade exceeds the model's prediction, the country pair is considered to overtrade; when it falls below, the countries are said to undertrade.

Undertrading is influenced by all barriers to trade, including structural and policy-induced impediments. The difference between actual and predicted trade—the residual—is the unexplained portion of bilateral trade flows. The estimate includes as many as possible of the natural determinants of trade flows. In addition to the core variables of size and distance, they include geographic characteristics (e.g., landlocked versus coastal), participation in customs or currency unions, and historic linkages between trading partners. The residual then captures the impact of trade policy and such impediments to trade as infrastructure, trade facilitation, and business climate when benchmarked against the impact of the included variables on the “average” country. Overtrading probably reflects structural aspects not captured by the gravity model,

such as the emergence of intra-industry trade (see below).

An IMF study of global trade in the late 1990s found modest overtrading for SSA (IMF, 2002).<sup>52</sup> It estimated a gravity model for bilateral flows from 1995 through 1999. East Asia overtraded by over 40 percent relative to the model's prediction and SSA by about 5 percent. In contrast, developing countries in the Western Hemisphere undertraded by about 10 percent and South Asia and Middle East–North Africa (MENA) by about 40 percent. Moreover, while SSA's overtrade globally may have been a modest 5 percent, the overtrade became 50 percent when both partners were from SSA.

A gravity model was estimated covering the period of the recent African trade boom. The specification and data for estimating the model are an extension of those in Rose (2002). For new estimates, the macroeconomic variables were updated to 2005 from the IMF Direction of Trade and World Economic Outlook databases, deflated to 2000 U.S. dollars.<sup>53</sup>

<sup>50</sup> This is based on the ratio of the value share to the volume share of textile exports from SSA countries to the United States.

<sup>51</sup> IMF (2002), Chapter III, provides extensive discussion and references.

<sup>52</sup> The estimation built on a background study by Rose (2002).

<sup>53</sup> Rose (2002) deflates direction-of-trade data to constant 1982–84 dollars and his GDP data were taken from the World Bank's *World Development Indicators 2000* or the Penn World Tables 5.6 (Heston, Summers, Nuxoll, and Aten, 1995) when the necessary figures were missing from the former. Baldwin and Taglioni (2006) emphasize that the impact of an inappropriate deflator is magnified in long-horizon regressions.

New estimates for 2000–05 find substantial changes in regional patterns of undertrading or overtrading (Table 4.5). While confirming the conclusion of IMF (2002) and others that East Asia is a large overtrader, they show that the extent of overtrading has almost doubled since the earlier study. SSA switches on average from modest overtrading to undertrading by over 20 percent. In intraregional trade SSA's performance has improved but is only now at the predicted level.

The results confirm the continuation of trends identified earlier. IMF (2002) supplemented the analysis of 1995–99 by benchmarking trade performance for five-year periods from 1980 through 1999. This demonstrated that SSA's tendency to overtrade was in sharp decline, from nearly 30 percent in 1980–84 to just 5 percent in 1995–99. East Asia's overtrade declined in the 1980s to 19 percent before increasing again, while South Asia's undertrade was diminishing. The new results confirm that these trends are continuing and are supported by robustness checks using alternative econometric techniques.

The new results are partly attributable to the stronger role that the degree of development plays in explaining trade patterns. The new estimates find a smaller role for GDP and a larger role for per capita GDP than IMF (2002). As the 2002 study explains, global trade patterns are increasingly driven by the fact that demand for product variety rises with economic growth, and specialization is the most efficient cost structure. Thus, consumers in rich countries demand an ever-wider variety of products, which are produced by vertically integrated structures spread across many countries. This link between product demand patterns and trade probably lies behind the rising influence of per capita incomes in the model. The systematic regional differences indicate that regions are differently placed in their ability to take advantage of this kind of trade. For trade within SSA, however, the variation in development is not as dominant; because most countries are lower-income, trade values come much closer to prediction.

**Table 4.5. Undertrading in Developing Countries, 2000-05  
(Average difference between actual and predicted trade, in logarithms)**

Region	Trade Partners	
	All	Intraregional
Sub-Saharan Africa	0.21	-0.04
South Asia	0.14	0.12
East Asia	0.82	1.68
Latin America & Caribbean	0.03	0.43
Middle East & North Africa	0.40	0.04
High-income countries	0.06	0.12

Source: IMF staff estimates

Note: Based on a gravity equation estimated on annual data. A negative number indicates a negative residual and thus undertrading; similarly, a positive number indicates overtrading.

<sup>54</sup> The regression is based on logarithms of trade and GDP. Thus multiplication by 100 approximates the percentage difference between actual and predicted trade.

<sup>55</sup> Coe and Hoffmaister (1999) also found that the degree of SSA's overtrade was falling over time. Limão and Venables (2001) find that much of the estimated undertrading in SSA can be attributed to deficient infrastructure. Carey, Gupta, and Jacoby (2007) estimate additional gravity models that take account of data selection and country effects; the results are broadly consistent with the reported analysis here.

Landlocked countries within SSA have reduced their shortfall from the benchmark in the past two or three years, but coastal and resource-intensive groups have been large undertraders since 2000. The gravity model can be used to analyze changes in trade relative to the benchmark over time. These calculations suggest that the performance of landlocked countries trended upward from 2000 through 2005, moving from undertrading (consonant with the other groups) in 2000 to overtrading by nearly 10 percent in 2004 and 2005. No change is evident for the other groups, for whom year-by-year gaps hew to the average. The shortfall shows no sign of having narrowed during the commodity export boom, which indicates that much of the growth in trade values can be explained by global factors and pre-existing country characteristics (e.g., whether the country exports fuels).

The SSA groups on average overtrade with East and South Asia and undertrade with Latin America–Caribbean (LAC) and MENA (Table 4.6). The results reflect the earlier analysis in that the regions

with general overtrading—South and East Asia—tend to overtrade with SSA subregions as well; the converse is true for undertrading. Not surprisingly, since the two groups have similar endowments, resource-intensive SSA countries have large undertrades with MENA. The large overtrade between coastal countries and South Asia may partly be explained by the presence of ethnic Indian communities in several SSA countries in eastern and southern Africa.

The boom in SSA trade has done little to offset the region’s lack of integration into global trade. Relative to the global pattern, the surge in exports from SSA’s resource-intensive countries has not closed their shortfall in trade compared with countries with similar characteristics in other regions. Nor have SSA’s coastal countries been able to exploit their advantages of lower transportation costs and shorter distance to global markets.

**Table 4.6. Undertrading in Sub-Saharan Africa, 2000-05**  
(Average difference between actual and predicted trade, in logarithms)

Region	Trade Partners		Resource-intensive
	Coastal	Landlocked	
South Asia	0.66	0.42	0.14
East Asia	0.68	0.64	0.85
Latin America & Caribbean	-1.20	-0.98	-0.44
Middle East & North Africa	-1.07	-0.78	-1.32
High-income countries	-0.38	-0.25	-0.46

Source: IMF staff estimates  
Note. See Table 4.5.



## Making Trade an Engine of Development

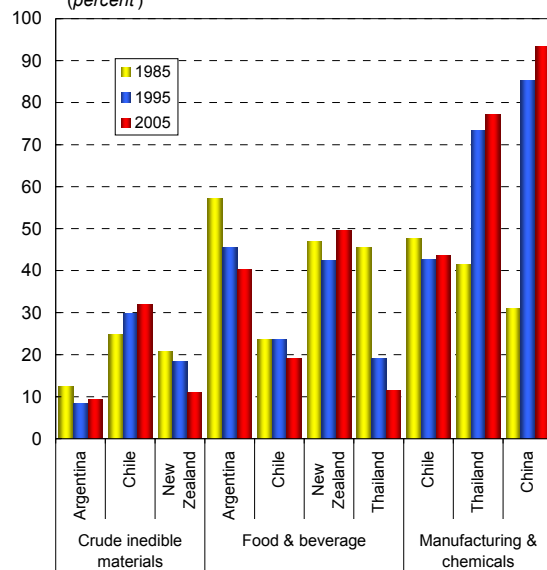
SSA seems to be performing below its export potential. Its export growth derives from both fuels and manufactures, but the latter is confined to a few resource-based products and is concentrated in southern Africa. While the trade of landlocked countries measures relatively well against the benchmark, that of coastal and resource-intensive countries falls short. Outside of fuels and manufactures, most SSA countries are dependent on primary exports the value of which has grown very sluggishly.

### Evolution of export patterns and income growth outside Africa

Experiences in other parts of the world demonstrate that a variety of export pattern trajectories can lead to income growth. Six economies whose resource endowments early in their development resembled SSA countries were chosen to indicate how SSA's export patterns might evolve. Argentina and New Zealand have large agricultural sectors, Chile has a dominant extractive industry, and Thailand, China, and Indonesia participated in the East Asian manufacturing trade boom and thus may offer guidance on how SSA could make the transition to labor-intensive manufacturing.<sup>56</sup> Figure 4.6 presents evolving export patterns from 1985 to 2005 for these countries; more detailed figures are given in Appendix I.

Increasing per capita income does not necessarily depend on a transition to predominantly manufacturing-based exports. None of the three non-Asian countries has seen a manufacturing export surge. While the manufacturing share is higher in Chile than in Argentina or New Zealand, this is partly because in Chile the copper sector is

**Figure 4.6. Selected Economies: Major Product Category Shares of Total Exports (percent)**



Source: UN Comtrade.

included in manufacturing. In Argentina and New Zealand, where agriculture is still important, manufacturing accounts for about one-third of exports, up only modestly since 1985. Nevertheless, as Johnson, Ostry, and Subramanian (2007) emphasize, growth in manufactured exports is a key characteristic of rapid growers in East Asia. This may reflect complex linkages between institutional development, the export pattern, and pro-growth policies; in particular, the impact of the export pattern on growth will depend on the quality of institutions, which itself changes as the economy grows.

Natural resource-based exports are significant in several middle- and upper-income countries. Agriculture can be a major component of exports even in middle- and upper-income economies. In 2005 food and beverages were still 40 percent of total exports in Argentina, 50 percent in New Zealand, and 20 percent in Chile. Chile is unusual among the six because there the export share of raw materials has increased since 1985 from a quarter to nearly a third of total exports. Though the share has

<sup>56</sup> Chile, China, Indonesia, and Thailand are included in the list of sustained growers identified by Johnson, Ostry and Subramanian (2007), i.e., they are countries that in about 1960 had incomes and institutional quality similar to SSA today and therefore might be indicative of SSA's growth prospects.

declined in other countries, it remains around 10 percent in Argentina and New Zealand.

In East Asian countries manufacturing has come to dominate exports. In 1985 food and beverages accounted for nearly half of exports from Thailand, and fuels accounted for a third of exports from China and nearly 70 percent of exports from Indonesia (Appendix I, Figure A1). The manufacturing share of exports from East Asia has since grown extremely rapidly; it nearly doubled in Thailand and tripled in Indonesia and China. By 2005 it had in fact reached nearly 90 percent of China's total exports.

The success of East Asia is based on facilitating the accumulation of capital and skills, reducing trade protection, and reducing transport costs (Martin, 2005). Improvements in the education system can facilitate the accumulation of skills, but skills are only productive when complemented by capital. FDI has helped, but a domestic pool of savings and an effective financial sector are also important for fostering private investment. Trade liberalization promotes manufacturing exports not least because modern manufacturing networks often involve importing and exporting of related products (Jones, 2000).

### Constraints on Manufacturing in SSA

Poor infrastructure and lack of economies of scale in domestic markets are common constraints to expanding trade. SSA markets are often characterized either by a relatively large number of small, high-cost, localized firms or by just a few firms that have significant domestic market power and thus feel little pressure to become more efficient. Local firms are also hampered by such well-documented indirect costs as poor quality of electricity and telecommunication, limited access to finance, and deficient governance. Data from the World Bank Investment Climate Assessments suggest that such indirect costs account for over 20 percent of total costs in Mozambique, Zambia, Eritrea, Tanzania, Kenya, and Ethiopia, compared with less than 10 percent in China, Nicaragua, and

Bangladesh (Eifert, Gelb, and Ramachandran, 2005). Since tackling these constraints all at once is difficult, countries have sometimes tried to get around them by establishing export processing zones (EPZs); however, these cannot be protected from a poor business climate, and they can become magnets for rent-seeking—besides eroding the country's revenue base.

External impediments to trade have considerable effect but are difficult to quantify. Among them are the costs of searching for and verifying business opportunities, setting up marketing channels, and having access to communications and logistics systems for receiving and delivering orders. Informal means of relieving these, such as the use of ethnic networks and personal contacts, have been important for Indian firms in SSA; Chinese firms have traditionally relied more on government-to-government links or targeted investments in the natural resource sector, but for them ethnic networks are of increasing importance.<sup>57</sup>

Poor transport infrastructure and multiple border crossings and administrative checkpoints significantly deter trade. For example, an Indian firm operating in Ghana found that the transportation cost per container from Accra to Lagos (\$1,000) was so high that it was better to invest directly in Nigeria than to export to it (Broadman, 2006). Limão and Venables (2001) find that transportation costs to landlocked countries are in excess of those that would be predicted by ground distance alone, suggesting that border delays, logistics, and transit fees are putting these countries at a further disadvantage.

Elements of trade policy in many SSA countries were inimical to the development of manufacturing exports. The historic emphasis on import protection shifted relative prices against exporting sectors, discouraging their production. Tariffs on imported

---

<sup>57</sup> Access to ethnic networks may explain why firms controlled by minority entrepreneurs tend to outperform those controlled by majority entrepreneurs in eastern and southern Africa (Ramachandran and Shah, 1999).

intermediate inputs raised the cost of producing exportable goods, and regional trade agreement (RTA) incentives to source inputs regionally in compliance with rules of origin placed exportable products at a cost disadvantage on world markets. Tokarick (2006) presented export-tax equivalents of tariff barriers in various countries (based on 2001 data) and found that the tariff structures of Tanzania, Mozambique, and Malawi imposed an effective tax on their exports of about 10 percent.

Integration into global production networks could help boost SSA's nonprimary exports. Global trade patterns reflect the growing importance of intra-industry trade because production can now be more dispersed than in the past (World Bank, 2004; Broadman, 2006). Supply chains can be classified into two types: producer-driven (directed from upstream) and buyer-driven (directed from downstream). Buyer-driven networks may be better suited for SSA because they require less vertical integration, are less capital-intensive, and are often interested in areas where SSA already has some capacity, such as tourism and the production of clothing, food, and furniture. Yet in SSA the process of integration into production networks tends to be led by foreign, not domestic, firms. For the most part, the constraints on integration into global production networks are the same as the constraints on business development generally.

Attempts to build the textile industry in SSA have revealed structural constraints that often offset comparative advantages. As a cotton producer, SSA has potential to move up the value chain in textile production. The global trade regime provided incentives to the industry through the AGOA and the decisions of Asian producers to relocate production to SSA to circumvent industrial country quotas. Yet the textile industry in SSA still struggles with high production costs (transport, electricity, etc.); the limited supply and higher cost of domestically produced yarn; and restrictive rules of origin. Even when use of cheaper Asian yarn is allowed, as under the AGOA, the industry, as in Lesotho, has an extremely fragile cost base that is vulnerable to exchange rate appreciation.

Coastal countries are best placed to participate in the global manufacturing export boom, but except for South Africa they have made little progress.<sup>58</sup> The manufacturing that does take place is often linked to resources and cannot be viewed as emerging intra-industry trade, though it is not surprising that SSA's manufacturing base would be linked to its comparative advantage in resources. Landlocked countries depend on agriculture and raw material exports; transportation to ports is a significant burden on the development of manufacturing. And while resource-intensive countries have been the biggest beneficiaries of the global commodity boom, the result has been to lessen their product diversification even as regional trade has diversified.

The current orientation of the global trade regime limits the ability of SSA as a whole to benefit from preferential trade arrangements, but SSA's own external trade policies do not help. The tendency toward regionalism in global trade has led to "hub and spoke" trading patterns in which SSA countries are at best one spoke for a large global trade partner (Yang and Gupta, 2005). The key preferential trade arrangements—the AGOA and EBA—limit their full benefits to SSA's least developed countries. While these countries in principle thus face no export restrictions to the United States and the European Union, they also have the least capacity to build significant manufacturing capability. The restrictive rules of content in the trade arrangements (except for the AGOA's textile provisions) make it difficult for a beneficiary country to partner with a low-cost provider of inputs (likely to be an Asian country) that has more manufacturing capacity but is not eligible for the AGOA or EBA. This makes SSA countries less attractive as an exporting base for supply chains that include countries ineligible for trade preferences; such operations would thus face a more unfavorable trade regime (e.g., tariff escalation

---

<sup>58</sup> Collier (2006) argues that SSA's coastal countries should have entered labor-intensive manufacturing in the 1980s, when East Asia was beginning to transition to this mode of exporting. Entry into the sector now is much more difficult because the agglomeration effects reaped by East Asian countries are difficult to replicate when competitors are already in place.

and tariff-rate quotas) that impedes the growth of their manufacturing and processing sectors.<sup>59</sup> As agricultural exporters SSA countries bear the costs of agricultural protection and subsidies, which restricts their market access and depresses the price of export commodities like cotton. However, the restrictive external trade regimes of African countries, including high tariffs and other trade barriers, contribute to the undertrading the section on Benchmarking SSA's Trade Performance.

### Policy recommendations

Most countries in the region have neither managed to achieve a labor-intensive manufacturing export surge nor climbed up the value chain of their commodity-based exports. But certain policies could help improve their prospects.

Keeping the economy stable, building high quality infrastructure, and reducing the cost of doing business are universally essential to promoting growth and trade. They would also help the region gain a share of the growing outsourcing of services by industrial countries (see Box 4.2).

SSA countries should proceed with trade liberalization through a gradual but substantial reduction in most-favored-nation (MFN) tariffs around the region and in the external tariffs in RTAs.<sup>60</sup> This will improve resource allocation while limiting the incentives to circumvent customs. It will also reduce the risk of trade diversion in RTAs and the EU Economic Partnership Agreements (EPAs).

RTAs should seek to broaden their product coverage to all goods and services. They should also

promote liberal rules of origin, because requirements for high domestic or regional value-added are difficult for SSA exporters to meet. Current RTAs in the region are too small and undiversified to produce most of the inputs SSA firms require, so high import costs reduce their competitiveness and have created a tilt toward inward-looking trade. The EPA now being negotiated with the European Union may be a way to address nontariff barriers in RTAs. Policy reforms that help draw more firms into the formal sector are essential for boosting exports, because the logistical requirements of exporting are difficult, if not impossible, for an informal-sector firm to meet (Krueger, 2007).

Reducing total shipping costs is an important objective for SSA. Although direct global shipping costs have declined over time and are the least constraining element on SSA's trade linkages, there are indirect costs related to infrastructure and institutions, such as port charges, customs clearing, and internal freight. These, which often far exceed international freight costs, are a major source of relative cost differentials between countries (Martin, 2005). Moreover, a global reduction in shipping costs does not necessarily translate into an equivalent reduction for SSA because the East Asian trade boom has reoriented fleets toward the Pacific Ocean. One study (Hummels, 2001) estimates that each extra day of shipping time adds 0.8 percent to ad valorem costs—an important consideration when picking up cargo in an SSA port requires a detour from a regular shipping route. Djankov, Freund, and Pham (2006) use the World Bank's Doing Business data to estimate that each additional day's delay before shipping reduces trade by 1 percent. Delays are particularly costly for time-sensitive perishable goods of the type that SSA is likely to be exporting.

<sup>59</sup> The rules of origin for the AGOA, EBA, and the EU's Cotonou Agreement, i.e., determining how much third-country content is admissible while retaining preferential access, are complex and differ in important ways. Cotonou has quite liberal rules of origin but in other respects is more restrictive than the EBA or AGOA; this complexity imposes an additional compliance burden on beneficiary countries.

<sup>60</sup> The average tariff in SSA is still the highest among developing regions, though it has fallen from 22 percent in 1997 to 15 percent in 2006. The average masks large variations between countries and commodities.

### Box 4.2. International Service Outsourcing to Sub-Saharan Africa

International service outsourcing (ISO) refers to companies procuring services in foreign countries (Amiti and Wei, 2004). It is estimated that ISO generates \$160–200 billion a year, and its annual growth rate exceeds 20 percent (Bartels, 2005). ISO ranges from relatively low value-added data coding and customer service (call centers) to more sophisticated business processing (billing services, claims processing) to high value-added information technology and professional services (accounting, healthcare, engineering).

ISO to SSA has so far been marginal. It is concentrated in just a few countries and in low-value-added activities. Call centers in Ghana, Kenya, and Senegal employ several thousand people (Day, 2005; Lacey, 2005). South Africa as the regional leader has more than 30,000 call center jobs, but that is still only 0.5 percent of such jobs worldwide (Lacey, 2005).

SSA has considerable disadvantages in building the ISO sector, but it has some advantages over better-known ISO locations. The challenges it must confront are formidable: high telecommunication costs, unreliable supplies of electricity, poor transport infrastructure, lack of skilled workers, and relatively high wages (Zachary, 2004). Yet countries in SSA benefit from falling phone rates due to a new fiber-optic connection to Europe and European time zones. And South Africa in particular can draw on a reservoir of business skills from its mature insurance and banking sectors (McLaughlin, 2004; Farrell, 2006).

The key to attracting ISO to SSA is public investment in infrastructure and education. Good infrastructure reduces set-up and operating costs for most businesses and is of particular importance for ISO, an industry that depends heavily on reliable communication links. Local employees who possess the necessary skills are also crucial. Since countries in SSA often lag behind countries elsewhere in providing infrastructure and education, public investment in these areas would benefit not only the outsourcing industry but also the economy as a whole.

Note: This box was prepared by Dmitry Gershenson.

Coastal countries should work to make themselves more attractive to global supply chains. That means tackling the domestic portion of such indirect costs as transportation and logistics, especially bottleneck areas like customs clearance. Trade liberalization can help attract firms whose operations are spread throughout the world. Liberalizing their trade with neighboring landlocked countries can help coastal countries become regional hubs for distribution or assembly. RTAs help, but the emphasis should be on deepening agreements through progress on nontariff barriers rather than adding new RTAs.<sup>61</sup> Improved regional infrastructure will also expand market size, but it will only be effective if border and other checkpoint procedures are rationalized. Since

international trade networks are increasingly involved in services as well as goods, improvements in telecommunications are also critical.

Landlocked countries should work on reducing transportation costs and deepening regional integration, in particular with coastal countries. That would help add value to their traditional exports and allow them to better exploit their preferential access to the European Union and the United States. While it may not be currently feasible for these countries to build major manufacturing capacity, they could expand domestic processing of agricultural and raw materials in line with the experience of higher-income countries that still specialize in agriculture.

<sup>61</sup> Hinkle and Newfarmer (2005) note that the negotiation of EPAs with the European Union will require clarification of conflicting obligations under existing overlapping RTAs of which a country may be a member.

For example, tea and coffee have declined to minor shares of SSA exports, even though they are sold as premium products in industrial countries. Beverage exporters could capture more value by packaging, branding, and grading these exports, but they will need assistance from partners to build up their capacity.<sup>62</sup> Promotion of manufacturing should be based on existing advantages and should focus on enhancing local capacity rather than on interventions like subsidies or export taxes. For example, domestic production of cotton yarn would lessen the burden of rules of origin in preferential trade agreements and mitigate uncertainty about the renewal of the AGOA, with its more liberal rules of origin. However, efforts to expand yarn production within the public sector have not been successful and the record shows that export taxes on raw cotton penalize cotton growers.

Resource-intensive countries should strive to boost productivity in export-processing industries. Many of SSA's resource exporters have small populations, which limits their ability to diversify their economies, but they often lack the capacity to add more value to their resource endowments.

Diamonds are shipped from southern Africa to Europe (and, increasingly, India) for grading and polishing. Oil is exported in raw form for refining in a third country and then re-imported for retail sale. Metals and ores leave the region immediately after extraction for use in manufacturing processes in other parts of the world. Experiences outside SSA show that it is possible to be relatively specialized in resource-based exporting at higher income levels, but this is contingent upon moving up the value chain. However, attempts to encourage local processing using export taxes or controls on raw commodity exports have not been successful: some of the burden is borne by domestic suppliers, and the implicit subsidy to the processing stage gets dissipated in rents. An in-depth diagnostic study of current impediments and costs and benefits of

suggested interventions should guide policy choices, especially as the costs of more aggressive interventions are often opaque.<sup>63</sup>

SSA countries will need help to boost their capacity to compete in global export markets, and especially to meet international product standards. Many of the hurdles to exporting derive from technical and quality standards needed for entry into certain markets; this is especially true of attempts to move up the value chain in processing primary products. SSA countries would benefit from cooperation with partners in industrial countries in building this capacity, and they can push the process by adopting international standards for the broadest possible range of goods and services. The scope for seeking out partnerships with Asian firms is significant as their home labor costs rise, especially given their success in entering Western markets; nevertheless, SSA will only be an attractive base for these firms if the general environment for doing business improves. Regional harmonization of standards could also reduce trading costs and expand the effective market for otherwise segmented SSA firms.

---

<sup>62</sup> Foreign partners are already helping to raise productivity in cotton growing, where firms like Dunavant and Dagrís run research and extension programs for farmers.

---

<sup>63</sup> For example, a targeted training program for workers in a processing industry may well be preferable to an export tax on the raw commodity.

# V. Local-Currency Government Debt Markets in Africa: Experiences and Policy Challenges

## Introduction

In past decades the debate on debt in Africa focused almost exclusively on external debt. More recently large-scale debt relief under the HIPC Initiative and the MDRI improved economies, and structural advances have shifted the focus to debt denominated in local currency. Although country risk is still high, low interest rates in developing and emerging markets have created incentives for foreign investors to participate in African debt markets.

This chapter examines the history and prospects of domestic government debt markets in Africa and their importance to development. Debt markets can be useful to efficient financing of a sustainable budget deficit and for building financial markets.<sup>64</sup> While rudimentary debt markets had already emerged in the mid-1990s, after 2000 such activities accelerated substantially; more than half the countries in SSA now issue marketable domestic paper. However, because most markets are still shallow, their usefulness both in government financing and as a financial market vehicle is limited.

The chapter first discusses the links between debt markets and economic performance. It then summarizes the domestic debt situation in Africa, highlighting emerging nonbank and foreign participation, though these changes are small. The next section argues that structural obstacles in the market environment and poor, if any, debt management practices are preventing further deepening. In conclusion, the last section suggests elements of a strategy and specific measures for sustainable market growth.

---

Note: This chapter was prepared by Anne-Marie Gulde, Oduetse A. Motshidisi, and Smita Wagh.

<sup>64</sup> For a more general discussion on financial sector development issues see Gulde and others (2006).

## Government Debt Markets and Economic Performance

For a given deficit, the way it is financed can make a difference. When foreign concessional loans are not available, many low-income countries still resort to direct borrowing from the central bank or a commercial bank. Yet the experience in emerging markets and industrial countries has shown that market-based borrowing in deep and well-functioning domestic debt markets can bring solid benefits, starting with cost-efficient financing of government debt while avoiding the monetary consequences and interest rate distortions often associated with government borrowing from central banks.

Functioning government debt markets also facilitate development of financial markets. Government debt—generally the least risky asset in an economy—provides a benchmark return for the issuance of other securitized debt, such as corporate bonds. Government debt markets are therefore a precondition for the emergence of private debt markets. They also help build interbank money markets by acting as collateral and by reducing transaction costs. Finally, because government securities are long-term investment vehicles for nonbank financial institutions like insurance companies or pension funds, they have the potential to help widen the range of institutions active in a country.

Debt markets can foster fiscal discipline and better public financial management (PFM). The need for transparency to support market-based borrowing is an incentive for governments to follow good governance, practice fiscal discipline, and enhance transparency so as to maintain and improve sovereign ratings and minimize borrowing costs. The use of market-based debt is often facilitated by the creation of a debt management office. Such an

institution—which can be housed in the ministry of finance, or the central bank or be independent usually—coordinates all technical and institutional work related to financing a given fiscal deficit, and it generally has beneficial effects on research and implementation of PFM strategies.

Foreign participation comes with both benefits and risks. The benefits are an increased supply of funds, pressures for more transparent market environments (including sovereign ratings), and transfer of market expertise. Foreign money can, however, make host economies more susceptible to market volatility if it is suddenly withdrawn when investors perceive macroeconomic deterioration or contagion. Such capital market volatility has been a problem in South Africa as well as other emerging market countries.

A low level of debt, in particular if based on borrowing in the market, may also contribute to growth. Excessive government debt has clear economic costs. However, based on new research it appears that moderate levels of domestic debt can have a positive impact on growth.<sup>65</sup> Because government debt markets promote economic efficiency and financial market depth, it seems that the link to growth is potentially stronger for securitized borrowing (Box 5.1).

### Principal Characteristics and Size of Government Debt Markets in Africa

To date most debt management for African countries centered on foreign debt.<sup>66</sup> Total public debt (foreign and domestic) in those countries increased from about 56 percent of GDP from 1975 through 1989 to nearly 100 percent from 1990 through 2004 (Abbas, 2007); concessional debt from foreign lenders accounted for the major share.

<sup>65</sup> Hauner (2006) reports a similar result for financial depth. He finds that the link between government debt and financial market development is nonlinear and the effect declines with the absolute level of debt.

<sup>66</sup> The analysis in the rest of this section can—like all research on domestic debt in Africa—draw only on partial information from different surveys and may for some questions allow for only limited analysis. Data on debt exclude arrears.

Notwithstanding the concessional elements, servicing such debt often became a drain on foreign exchange reserves, occasionally leading a country to default.<sup>67</sup> More recently the HIPC and MDRI initiatives have, for countries with adequate macroeconomic frameworks, reduced foreign concessional debt to more sustainable levels.

### A late starting point<sup>68</sup>

Domestic debt markets in Africa developed later than in most other countries. Most countries preferred to borrow extensively on concessional terms from foreign donors (in foreign currency) or from international financial institutions. In addition, countries often took loans from the domestic banking system, in many cases the government was the largest borrower from the commercial banking system. Market-based monetary policy instruments were rarely used, and the issuance of treasury bills or central bank paper was not a regular practice.

<sup>67</sup> For example, Zambia and Uganda in the early 1990s.

<sup>68</sup> The analysis of the period up to 2000 draws extensively on Christensen (2004).



### Box 5.1. Is There a Link Between Domestic Debt and Growth?

The role of public domestic debt (DD)<sup>1</sup> in economic growth in low-income countries is unclear. Because there are no suitable low-income country databases, past empirical research<sup>2</sup> has largely been conducted on industrialized countries, where optimal debt levels were found to be 30–70 percent of GDP.<sup>3</sup> Studies on debt and growth in low-income countries have traditionally been limited to external debt.<sup>4</sup>

Policy advice has generally cautioned low-income countries against relying to a significant extent on DD because it can threaten macroeconomic stability and crowd out private sector lending, and because of the structural obstacles to domestic borrowing, such as shallow financial markets, policies prone to financial repression, and poor debt management. Also, since most low-income countries, especially in SSA, have access to concessional loans and grants, domestic debt markets seem expensive.

More recent research emphasizes the link between domestic debt markets and growth in such areas as the collateral or safe-asset function of DD on bank balance sheets in high-risk environments, and the importance it has for deposit mobilization and private sector lending (Kumhof and Tanner, 2005); setting a benchmark yield curve for corporate bonds and longer-term bank lending to the private sector (see the recent East Asian policy initiatives on local currency bond markets); stronger institutions and domestic accountability in such areas as inflation (Abbas, 2005; Moss, Pettersson, and van de Walle, 2006); and the benefits of dependence on internal vs. external financing (Aizenman, Pinto, and Radziwill, 2004).

Two recent papers (Abbas, 2007; Abbas and Christensen, 2007) look at the optimal DD level in low-income countries using a new database spanning 1975–2004 and 93 developing countries (including 40 in SSA). The findings suggest that

- Moderate levels of DD have a positive and significant impact on economic growth;
- There is evidence of nonlinearity: debt levels above about 35 percent of bank deposits begin to undermine growth;
- The calculus on the optimal (growth-maximizing) size of DD is sensitive to debt quality, with benefits higher for marketable debt that has positive real interest rates and is issued to the nonbank sector; and
- Growth returns from DD are higher in riskier environments, such as in SSA. This suggests that debt markets may act as a temporary substitute for good institutions in countries just entering the reform cycle.

In many countries in SSA only recently has debt become sustainable; avoiding renewed indebtedness is a primary concern. Abbas and Christensen's results therefore should be interpreted as underlining the importance of market-based management of debt and its rollover. The authors also emphasize the possibility of securitizing currently nonmarketable debt and sterilizing aid inflows along the yield curve, both of which would allow countries to draw the efficiency and growth benefits of establishing DD markets without compromising fiscal discipline.

Note: This box was prepared by S.M. Ali Abbas.

<sup>1</sup>Domestic debt is the sum of the claims of deposit money banks and other banking institutions on the central government and their securitized claims on the central bank.

<sup>2</sup> See, for example, Diamond (1965) on the crowding-out effects of domestic debt; Barro (1974) on debt neutrality; the EU Maastricht guidance on optimal public debt ratio; individual country debt management strategies (United Kingdom, Canada); and Aiyagari and McGrattan (1998) generally.

<sup>3</sup> Since public debt in most industrialized countries has traditionally been issued in domestic currencies to local residents, the literature on industrial country public debt can be taken as mainly addressing DD issues.

<sup>4</sup> See, for example, studies on the “secondary burden of external debt” (Rodrik, 1988); the “external debt Laffer curve” (Husain, 1997; Pattillo, Poirson, and Ricci, 2002); and “original sin” (Eichengreen and Hausmann, 2003).

Domestic debt levels were low. Figures for total debt (nonmarketable and nonmarketable) show that outstanding stocks of domestic debt as a share of GDP were, with few exceptions, low in SSA (Table 5.1). The average domestic securitized and nonsecuritized debt-to-GDP ratio rose modestly from 11 to 15 percent over this period.

Commercial banks were the main holders of domestic debt and secondary markets were all but absent. Given the attractiveness of the government as a borrower, domestic debt as a share of total deposits and total loans was high, above the share in other low-income countries (Gulde and others, 2006). The banking sector held on average 70 percent of outstanding debt (Figure 5.1). Central banks also held a significant share, mostly government debt acquired as banks were recapitalized. In Kenya, Mauritius, and Rwanda, the nonbank sectors, though small, did have a relatively more pronounced role. Given the shortage of other lending opportunities for commercial banks, most of them held securitized debt to maturity, and secondary market trading was low.

Securitized domestic debt was often held to comply with regulations. At least seven African countries imposed liquid asset ratios (LARs) that required banks to hold a certain amount of their assets in the form of government-issued paper. It is estimated that between 1995 and 2005 about half of outstanding securitized debt was held to fulfill a LAR. While LARs have some advantages over unremunerated reserve requirements, the mandate led to distortions in the interest rate outcomes of auctions and prevented trading in secondary markets. Their use as a prudential tool for liquidity management—often the justification for imposing a LAR—is limited where there is no functioning secondary market.<sup>69</sup>

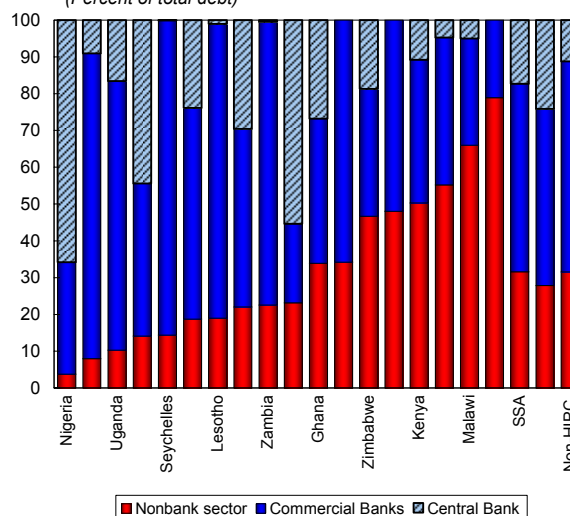
<sup>69</sup> This requires that the LAR be specified as an average over a period rather than a specific requirement to be met continuously.

## A changing landscape

### Changes in the borrowing environment

A number of African countries have maintained good macroeconomic performance since the late 1990s. Improved macroeconomic management is reflected in declining rates of inflation across the continent, more sustainable fiscal frameworks, and improved current accounts. Over the past five years Africa has seen historically high growth rates, averaging 4 percent. Many countries have increased the independence of their central banks and limited or abolished direct central banks lending to governments. Improvements in other structural features—especially the legal and business environments—have been slower but such reforms are now a policy priority in many countries.

**Figure 5.1. Holders of Domestic Debt in Selected African Countries, 2000**  
(Percent of total debt)



Sources: Christensen (2004)

Notes: The information on the holders of debt is for 2000, plus or minus one year. HIPC includes Burundi, Ethiopia, The Gambia, Ghana, Malawi, Rwanda, Tanzania, and Uganda. Non-HIPC includes Cape Verde, Kenya, Lesotho, Mauritius, Nigeria, Seychelles, Swaziland, and Zimbabwe.

**Table 5.1. Domestic Debt in Sub-Saharan Africa, 1980-2000**

	Percent of Total Debt			Percent of GDP		
	1980-89	1990-94	1995-2000	1980-89	1990-94	1995-2000
Angola	0	0	0	0	0	0
Botswana	0	0	0	0	0	0
Burundi	9	2	4	3	2	6
Cape Verde	0	16	45	0	11	34
Congo, Dem. Rep. of	0	0	0	0	0	0
Ethiopia	35	16	9	16	19	10
Gambia, The	3	13	18	3	13	23
Ghana	46	12	22	12	8	24
Guinea	...	...	...	...	...	...
Kenya	25	23	30	21	23	22
Lesotho	18	15	8	8	8	5
Madagascar	5	2	2	3	3	3
Malawi	17	8	7	13	8	9
Mauritius	41	57	69	27	29	33
Mozambique	0	0	0	0	0	0
Namibia	...	49	89	0	8	19
Nigeria	48	24	17	28	29	16
Rwanda	32	17	7	8	9	5
São Tomé & Príncipe	0	0	0	0	0	0
Seychelles	28	65	75	14	45	68
Sierra Leone	30	7	24	13	7	46
South Africa	100	100	100	30	37	45
Swaziland	54	5	7	4	1	1
Tanzania	29	5	10	26	6	12
Uganda	100	21	3	2	1	2
Zambia	19	5	3	25	9	6
Zimbabwe	57	47	44	35	29	37
SSA	28	20	23	11	12	16
HIPC <sup>1</sup>	24	8	8	8	6	11
Non-HIPC <sup>2</sup>	34	33	40	14	18	23

Source: Christensen (2004).

Note: Domestic debt includes both securitized and nonsecuritized debt.

<sup>1</sup> Includes Burundi, Congo, Dem. Rep. of, Ethiopia, The Gambia, Ghana, Guinea, Madagascar, Malawi, Mozambique, Rwanda, São Tomé and Príncipe, Sierra Leone, Tanzania, and Uganda.

<sup>2</sup> Includes Angola, Botswana, Cape Verde, Kenya, Lesotho, Mauritius, Namibia, Nigeria, Seychelles, South Africa, Swaziland, and Zimbabwe.

High aid inflows in a number of countries necessitated issuance of domestic debt for sterilization. Some of the accumulation of domestic debt after 2000 in SSA countries reflects sterilization of scaled-up aid after HIPC completion point and implementation of PRSPs, rather than to the financing of a budget deficit. Such sterilization has often been necessary in cases where aid inflows resulted in an expansion of domestic money supply but domestic absorption capacity was limited—for example, in Uganda and Mozambique.

Recent debt forgiveness implies renewed capacity for some African countries to issue debt. Debt relief under the HIPC Initiative, supplemented by the recent MDRI, has reduced the external debt service obligations for 16 countries in SSA. These countries have received more than US\$3 billion in debt relief. In Ghana the ratio of debt service to GDP has fallen from a high of 10.8 percent in 2000 to around 1 percent.

### Foreign participation

With low returns in developing and emerging market countries, the improved domestic conditions in some African countries have attracted the interest of international investors. In recent years significant liquidity has been fueled by strong economic growth globally and relative financial stability. Because the favorable conditions have driven down yields in emerging markets and industrial countries, investors have been moving to nontraditional markets like African debt markets in search of higher returns and portfolio diversification.

Though foreign participation is now a feature of debt markets in several African countries, in most countries foreigners hold only small shares of debt. Because statistics on domestic debt are often weak, in spite of ample anecdotal evidence there is only rudimentary information on the size of foreign holdings. Botswana, Ghana, Nigeria, and Zambia have seen pronounced foreign investor interest in their local currency debt markets; in Nigeria foreign subscription took up 18 percent of total marketable debt and in Zambia 16 percent at the end of 2005

(IMF, 2006, Box 2.1). Early estimates suggest that in the first half of 2006 Nigeria received portfolio inflows of roughly \$1 billion, more than five times the total capital flows in 2005. Similar trends have been observed in Tanzania and Zambia.

Foreign participation is often affected by capital account and administrative restrictions. To limit the costs of volatility from any sudden stops and reversals, most countries in Africa retain controls over portfolio inflows; many do not officially allow any foreign participation. In Tanzania, for instance, while foreign investors can invest in the local stock market, they cannot buy treasury bills and bonds. In Malawi to participate in primary issuances in the local debt market foreign investors must be approved by the central bank. In some countries, though, there is evidence that foreign investors have been able to bypass such restrictions. As countries further develop their debt markets, they will need to review their stance on foreign participation (see also the section on Structural Challenges in Domestic Debt Markets).

### Trends in debt levels since 2000<sup>70</sup>

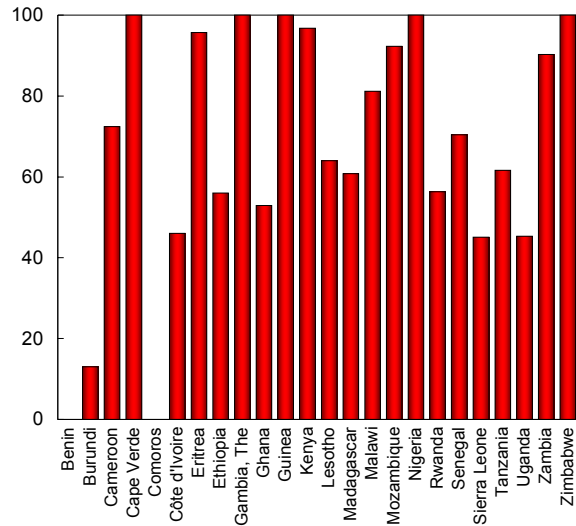
In most African countries fiscal performance is mostly sound, and since 2000 the overall debt-to-GDP ratio has largely held steady. Among countries for which data are available (Mellor and Guscina, 2007) only Malawi and Zambia saw significant increases of domestic debt, and that was from very low levels. Some countries, notably Ghana and Lesotho, actually saw a steep drop in domestic debt. Although the data are incomplete, it appears that maturities remain short.

---

<sup>70</sup> Data on domestic debt are hard to compile; there is as yet no comprehensive database with information for all African countries. The rest of the chapter therefore relies on surveys and other, often partial, information, which may limit comparability in the tables and charts.

The level of securitization of domestic debt differs widely from country to country (Figure 5.2). While in some all debt is securitized, most rely on a mix of nonsecuritized borrowing from commercial banks and issuance of securitized debt. However, given that the securitized but nonmarketable debt is counted, the data need to be interpreted with caution when the potential depth of secondary markets is estimated.

**Figure 5.2. Securitized Debt in Selected African Countries, 2004**  
(Percent of total debt)



Source: Mellor and Guscina (2006).

**Box 5.2. Government Securities Markets in Kenya**

In Kenya, debt markets are relatively deep. Total securitized debt is 22 percent of GDP, and only a negligible portion of debt (about 3 percent) is nonsecuritized. The country has one of the most active treasury bill markets in SSA, and it has been among the few countries that have successfully lengthened maturities, which now reach up to 10 years. The central bank has also had some success in using treasury bills for open market operations and intervenes in the market to support monetary policy objectives.

Kenya's debt markets operate in a microenvironment that is relatively supportive, but some structural features need further improvements. The debt market benefits from a healthy capital account, a managed floating exchange rate, and good settlement practices. However, there are persistent weaknesses, such as a debt management strategy that is not documented, and occasional inadequate policy coordination between the central bank and ministry of finance.

A broad base of investors is a promising feature of the market. Reflecting the wide choice of investment instruments offered, the investor base is relatively well diversified. Trusts, pension funds, and other institutional investors opt for longer maturities, which is important for asset management, development of the yield curve, and minimization of the rollover risks for the issuer. Foreign investors, though still not numerous, also tend to hold longer-term bonds (table).

	Treasury Bills	Treasury Bonds	Total Holdings of Securities
Central Bank of Kenya	27.4	0.0	10.2
Commercial banks	36.1	45.9	42.2
Nonbank financial institutions	0.4	0.4	0.4
National social security fund	0.5	2.2	1.6
Parastatals and other government agencies	8.1	8.4	8.3
Insurance companies	8.5	12.1	10.7
Building societies	0.4	0.8	0.7
Others, including foreign investors	18.6	30.2	25.9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Central Bank of Kenya, Annual Report 2006

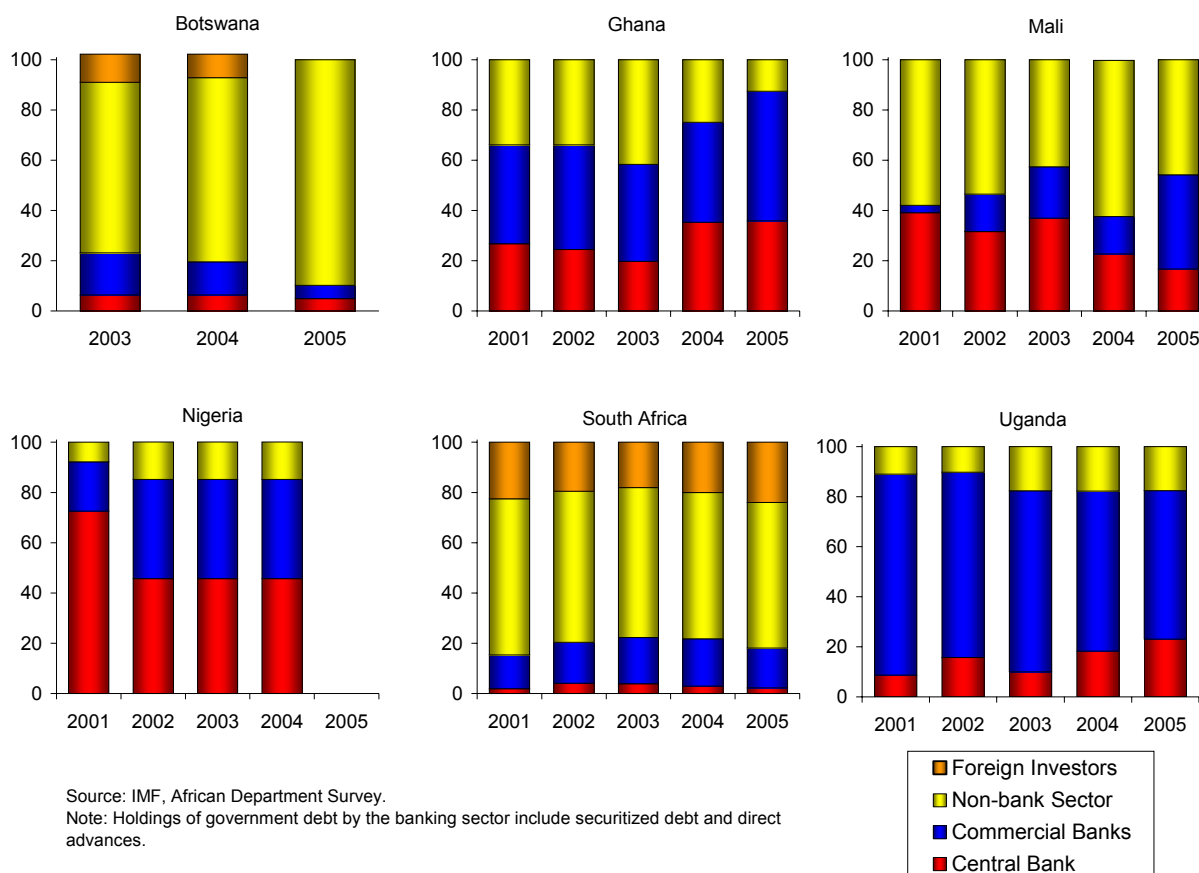
The secondary market is more active in Kenya than elsewhere in Africa except South Africa and Mauritius. Government bonds are listed on the Nairobi Stock Exchange (NSE). As the investor population diversifies, secondary trading market trading has been increasing. Between 2001 and 2003, the volume of bonds traded rose from Ksh 14 billion to Ksh 42 billion; it reached Ksh 29 billion for the first nine months of 2004. The government is looking into systems that could reduce risk in NSE deals, which might further increase trading in the secondary market.

Commercial banks are still the most important holders of public debt, but in some countries others are increasing their share. Since 2000 the share of debt held by nonbanking agents in Uganda, for instance, has gone up by 7 percentage points (Figure 5.3). In more developed markets like Botswana and South Africa, the nonbanking sector holds more than 80 percent of total debt—comparable to industrial countries.

In developing domestic debt markets, crowding out of private investment needs to remain a concern. Recent research by Abbas and Christensen (2007)

confirms the importance of domestic debt in commercial bank portfolios. Total securitized and nonsecuritized debt held by the government amounts on average to about one-fourth of all deposits collected, though in some cases it is significantly higher (Table 5.2).<sup>71</sup> Similarly, in the WAEMU treasury bill market, banks holding treasury bills may have reduced lending to the private sector. While domestic debt and fiscal deficits may remain manageable, the small base of investable funds in SSA economies still means that government debt may crowd out private sector lending.

**Figure 5.3. Holders of Debt in Selected African Countries, 2001-05**  
(Percent of total debt)



<sup>71</sup> This data set excludes central bank holdings of government debt, which was included in the earlier debt statistics.

**Table 5.2. Commercial Bank Holdings of Domestic Debt**

	Percent of GDP		Percent of Total Deposits	
	2004	2005	2004	2005
Benin	0.9	1.3	5.5	7.2
Botswana	6.5	10.7	24.5	37.4
Burkina Faso	1.3	0.6	9.0	4.5
Burundi	1.5	3.1	7.7	15.6
Cameroon	1.7	1.5	12.6	11.3
Cape Verde	23.2	23.6	34.9	34.5
Central African Republic	0.8	1.3	19.6	24.0
Chad	1.1	0.6	30.2	19.0
Comoros	0.5	0.4	8.0	5.4
Congo, Dem. Rep.	0.6	0.5	14.5	11.3
Congo, Rep.	1.0	0.3	13.9	4.8
Côte d'Ivoire	3.4	3.3	22.2	21.6
Ethiopia	8.9	8.3	19.7	21.4
Gambia, The	9.9	12.5	29.8	37.3
Ghana	11.6	11.1	52.7	50.4
Guinea	4.3	4.1	44.1	42.0
Guinea-Bissau	0.7	0.8	9.3	10.7
Kenya	9.0	10.1	27.0	30.2
Lesotho	5.9	5.0	27.4	21.1
Madagascar	3.3	1.9	19.4	13.5
Malawi	8.4	7.3	48.7	42.7
Mali	0.6	1.6	3.2	8.8
Mozambique	9.4	8.3	44.0	34.3
Namibia	...	...	...	15.5
Niger	0.6	0.8	7.8	8.8
Nigeria	6.4	5.1	36.7	31.0
Rwanda	...	1.9	...	11.0
Senegal	1.8	1.6	6.7	6.1
Seychelles	71.1	68.7	68.9	63.9
Sierra Leone	5.4	5.9	60.8	57.1
Swaziland	2.1	1.8	11.3	9.6
Tanzania	2.7	4.1	15.5	23.1
Togo	2.1	1.5	9.9	6.9
Uganda	7.2	6.4	45.3	39.6
Zambia	6.9	8.1	36.5	42.7
Zimbabwe	...	22.8	63.3	61.9
Maximum	71.1	68.7	68.9	63.9
Minimum	0.5	0.3	3.2	4.5
Average	6.7	7.1	26.2	24.6
Median	3.3	3.3	21.0	21.2

Source: Abbas and Christensen (2007).

Note: Domestic debt is the sum of the claims of deposit money banks and other banking institutions on the central government and the securitized claims of deposit money banks and other banking institutions on the central bank.

## Structural Challenges in Domestic Debt Markets

Despite some recent deepening, domestic debt markets in Africa are in their infancy, except in South Africa and Mauritius. Financial market environments are narrow and concentrated, and countries have limited ability to formulate and implement careful debt management.

### Weak market environment

The narrow base of those investing in debt hinders market development. While auctions of government debt have in many countries been oversubscribed, the buyers are predominantly commercial banks. An example is the WAEMU area, where banks in the region bought most of the treasury bills issued since 2002. For asset management reasons banks are mostly interested in shorter-term paper, which entails higher macroeconomic (rollover) risk for the issuing government and is a disincentive for secondary market development. Because the nonbank financial sector in most African countries is negligible, both opportunity for contractual savings and demand for longer-term investment products are similarly limited. Building the relevant institutions, perhaps by a cautious shift of government pensions to a funded system, can help foster such markets, even though transition costs can be high. In Botswana, Mali, South Africa, and Uganda, for instance, the nonbanking sector now holds more than half of the government securities that have been issued.<sup>72</sup>

High real interest rates may send the wrong signals for market development, and the volatility of real returns signals high risk. Relatively closed capital markets, noncompetitive financial markets, and high credit risk contribute to high real interest rates in

many African countries. A number of SSA countries have chosen to accept ratings by reputable credit rating agencies. Although many of these countries could not achieve investment-grade rating, the ratings do improve information flow.<sup>73</sup> Still, the high rates have helped attract foreign interest, which could in the long run help make markets more efficient and better align interest costs with international rates. In the short term, though, good returns on government securities effectively crowd out other domestic investment. And taking into account inflation and exchange rate changes, the real returns for investors have been highly volatile.

Structural and other impediments hinder secondary market development. Because the supply of government bonds is often not sufficient to meet demand, many investors tend to buy and hold the securities to maturity. This is particularly true of countries with large capital inflows and funded pension plans, where demand routinely exceeds supply. Hence, even the potential for high returns in secondary market trading does not stimulate an increase in supply. In many countries, secondary markets are also hindered by considerable liquidity in the banking system, which implies that banks do not need to manage liquidity by trading in the secondary market.

### Problems with issuing debt

Debt management offices could be a powerful facilitator of debt markets, but SSA still needs to put some of the preconditions in place (Box 5.3). Most debt management offices in SSA countries are housed in the central bank or the ministry of finance, where, unlike the independent offices favored in developed countries, they also have other responsibilities. Debt management officers also uniformly report a lack of resources, especially trained personnel. Debt management is also hindered by the absence of good market information and by the structures of debt markets,

---

<sup>72</sup> In Botswana, central bank paper is now restricted to banks, as a monetary policy instrument; nonbanking institutions and foreigners are precluded from this market. However, nonbank investors are the largest holders of both sovereign and government-guaranteed bonds with longer maturities.

---

<sup>73</sup> See Box 2.3 in Chapter II for details. For a general discussion of high real interest rates, see Al-Hashimi (2007).



which, for example, do not support the long-term strategies debt managers might want to implement. Independent debt management offices could address some of these issues, but should only be put in place once a good institutional framework and proper governance procedures have been set up.

In most SSA countries the absence of market data raises borrowing costs. Lack of information makes markets inefficient and raises the risks and, with it, the costs of doing business in African debt markets. Most debt managers in Africa are therefore convinced that improving the transparency and predictability of debt issuance is a precondition for progress and have made that a short-term goal. There are already examples of good market practices, for instance in the WAEMU region, where the central bank (the Central Bank of West African States, BCEAO) coordinates treasury bill issuance

for member countries and publishes comprehensive data on outstanding amounts. Yet even for BCEAO countries and certainly for most others, regular information on country funding plans—a basic information requirement if a debt market is to be efficient—is not readily available.

In the medium and longer term, debt managers need a solid legal framework. Many countries (e.g., Nigeria) are now working to specify the legal steps and other institutional reforms needed to strengthen debt management so as to build the market. The OECD and donors are working with countries in SSA to strengthen debt management. Technical assistance is provided in the form of seminars, hands-on training for debt managers, and staff exchanges with emerging market and developed countries.

### Box 5.3. Debt Management: The Essentials

Debt management is the process of issuing and managing debt. Good debt management requires a clear objective, a strategy for issuing domestic debt instruments, and an efficient institutional structure for their issuance and monitoring.

Typical objectives for issuing debt are to

- Finance budget deficits;
- Build markets; and
- Implement monetary policy

The institutional framework for good debt management must be based on

- A solid legal and regulatory system; and
- Trading, settlement, and accounting practices that meet minimum standards, underpinned by transparency and the availability of up-to-date market information.

Debt management strategies cover the following issues:

- Maturity structures, volumes, risk profiles, and distribution among domestic and foreign borrowing consistent with raising a given amount of debt at minimum cost to the budget;
- Managing outstanding debt to take advantage of changing market conditions that will help continuously minimize costs.

## Strategies for Sustainable Market Development

Domestic government debt markets are not likely to develop until after the most pressing macroeconomic reforms are completed and the most serious structural obstacles overcome. The remainder of this chapter details reforms that may be needed to advance the fiscal agenda. These reforms and the emergence of public debt markets are also a precondition for the longer-term goal of developing corporate debt markets in Africa, which, however, may require additional steps (Box 5.4). Given the nature and extent of changes, appropriate sequencing of the reform process will also be important.

### Macroeconomic reforms

Successful government debt markets rely on sound and predictable macroeconomic frameworks. Once progress on fiscal and monetary policies is consolidated there are at least three areas where further liberalization may be needed before domestic debt markets can be deepened.

- *Interest rate controls.* Many African countries retain formal or informal limits on interest rates.<sup>74</sup> Even where the rates on debt are determined by auction, interest limits on alternative investments—for example, maximum lending rates—will affect auction outcomes and may distort investor risk/return calculations.
- *Excess liquidity.* In many African countries commercial banks hold unremunerated excess liquidity. Introducing a debt market without first sterilizing these funds could facilitate large government borrowing for which interest rates do not fully respond to risk differences between investment products—as the experience in some African debt markets like the WAEMU demonstrates. Even though countries in the WAEMU differ in macroeconomic performance,

the regional treasury bill market initially allowed countries to issue debt at little interest rate differential.<sup>75</sup> More recently, with lower liquidity levels, the market has started to discriminate more among borrowers.

- *Capital account.* Many African countries retain formal and informal controls over investment flows. While the restrictions give these economies some protection from speculative flows and rapid reversals, they also drive a wedge between domestic and international interest rates and increase the risk premium that foreign investors demand. A review of capital regime, along with efforts to minimize distortions from controls that seem necessary in the short run, should be part of the macroeconomic strategy. Structural reforms—in particular to firm up the soundness and resilience of domestic financial sectors—should be pursued so that eventually the capital account can be liberalized.

### Structural improvements

Recognizing the importance of debt markets, some countries are reviewing structural obstacles and have initiated reforms, often on securities and related laws. There have also been efforts to increase the number of sovereign ratings of African countries, which will also benefit domestic debt markets (see Box 2.3, Chapter II).

Experience in countries that already have functioning debt markets suggests that the following are critical areas:

- *Debt management strategies.* Debt issuance in many African countries is handled by the ministry of finance, the central bank, or both—an arrangement with high potential for conflicts of interest and conflicting priorities. Best practices based on the experience of OECD and emerging market countries suggest that the preconditions for a dedicated office (the “debt management authority”) should be created. Once

<sup>74</sup> See Gulde and others (2006), p. 12.

<sup>75</sup> Yields ranged from 2.5 to 5.5 percent.

#### Box 5.4. Government Debt and Private Bond Market Development in Africa

The lack of long-term funds for Africa's private sector is a major developmental obstacle. The banking sectors, the dominant financing source, can generally provide only short-term loans to reduce risk exposure. Private debt and equity markets are mostly nonexistent.

The emergence of effective corporate bond markets in Africa could be an important step in overcoming private sector financing constraints.<sup>1</sup> Tapping domestic markets would also provide incentives for long-term savings, while avoiding possible exchange rate risk associated with issuing such bonds in international markets. Finally, local corporate bond markets would also contribute to financial sector development and support economic efficiency by making available a wider variety of longer-term investment and hedging instruments.

Experience with market development and sequencing has, however, shown that a substantial public bond market is a likely prerequisite for the emergence and growth of private debt markets because, for example,

- Government securities act as a benchmark to establish a risk-free yield curve, and thus allow adequate pricing of corporate risk;
- Public debt markets also help to set in place high-quality legal and technical infrastructures for debt instruments; and
- The relatively lower risk of government debt familiarizes new investors with debt instruments.

The link between effective government bond markets and the ability of the corporate sector to issue debt is another reason to promote government borrowing in the form of local-currency bonds. However, corporate bond markets generally follow the government bond markets with a lag, which may be substantial. To help the process, countries wishing to promote corporate bond markets might consider the following steps:

- Develop public debt markets, implementing the macroeconomic and structural reform steps outlined in this chapter;
- Where governments run fiscal surpluses, consider issuing other types of public bonds (for example central bank bills issued for monetary policy purposes, securitization of longer-term government debt, or government-guaranteed debt issued by regional entities); and
- Note that, in addition to well-functioning government debt markets, corporate bond markets require adequate corporate governance and transparent accounting (for investors and regulators to judge the issuing entity), and a sufficiently large group of institutional investors (e.g., insurance companies, pension funds, mutual funds); in addition, a credit rating may be required.

---

<sup>1</sup> For an overview and a discussion of financing constraints, see Gulde and others (2006).

structures are sufficiently strengthened to allow such an office, it can do the necessary research to decide on an optimal debt management strategy and design maturity structures for domestic debt that are consistent with investor demands. It will also analyze the role of domestic borrowing in an optimal policy mix.<sup>76</sup> In the interim, wherever the function is located for the transitory period, stringent transparency provisions should be put in place.

- *Market infrastructure and transparency.* Unlike direct borrowing from central banks, market-based instruments require infrastructure, such as trading, settlement, and depository systems. Good practice would also require that debt be issued according to a preannounced schedule. Once auctions are completed, the results (including volumes and interest outcomes) should be promptly publicized. Predictable and timely publication of macroeconomic data will reinforce investor interest.
- *Nonbank financial institutions.* Nonbank institutions are important to the collection of longer-term savings—itsself a basis for debt markets. As part of its fiscal and monetary reforms, a government might consider shifting to funded pension plans, which have benefits for the development of nonbank financial sectors. The regulation of existing and emerging nonbank financial institutions clearly needs to be adapted to avoid undue risks. To the extent that institutional investors like pension funds and insurance companies are accumulating savings that can be invested in domestic debt markets, it is important that they be well regulated.

### Sequencing of reforms

The reforms to support government debt markets are in most cases substantial and need to be phased in. A reform plan generally will be designed in the

context of fiscal and financial sector reforms—often with technical assistance from the IMF or other donors. The appropriate sequencing of reform steps is likely to be country specific, depending crucially on initial conditions and on market size. Experience suggests the following general considerations:

- *Given implementation lags, legal and structural changes need to be initiated early in the reform process.* In most countries related processes tend to be lengthy. Such changes generally not only benefit government debt market development, but financial sector development more generally or even the modernization of the business environment.
- *Macroeconomic reforms should start with the elimination of distortions that could otherwise affect the functioning of debt markets.* Changes should include a move to market-based monetary policy allowing interest rates to move in response to supply and demand. Interest rate ceilings on both deposit and lending rates should be abolished with due consideration for possible portfolio effects on banks. Equally important, fiscal policy will need to be sound, to allow the shift to market-based financing without fear of excessive crowding out.
- *Because capital account liberalization is the most difficult issue, it needs to be implemented over time after supporting reforms take hold.* Full capital account liberalization requires a sound and well-supervised financial sector that can withstand potentially large capital in- and outflows. Other conditions are efficient foreign exchange markets and the availability of hedging instruments to insure against capital-flow-related exchange rate risk. In the absence of these conditions countries have been advised to move gradually, liberalizing inflows before capital outflows and FDI before portfolio-related flows. Short-term capital flows should be liberalized last. However, the exact speed will need to be decided after a review of remaining restrictions and financial sector vulnerabilities. In determining the path and speed of liberalization, countries also need to recognize that the effectiveness of capital controls tends to decline over time.

<sup>76</sup> A related issue is the separation of the debt management function and objectives from monetary policy, although the complementarities should be recognized.

## Appendix I. Additional Tables and Figures

**Table A1. Time Period Covered in Poverty Assessments by Country**

Country	Survey Years
Botswana	1985, 1993
Burkina Faso	1994, 2003
Burundi	1992, 1998
Cameroon	1996, 2001
Côte d'Ivoire	1993, 2002
Ethiopia	1995, 2000
Ghana	1988, 1998
Kenya	1992, 1997
Lesotho	1986, 1995
Madagascar	1993, 2001
Mozambique	1996, 2003
Nigeria	1992, 2003
Rwanda	1984, 1999
Senegal	1991, 2001
South Africa	1993, 2000
Uganda	1992, 2002
Tanzania	1991, 2000
Zambia	1993, 2002
Zimbabwe	1990, 1995

Note: The sample consists of the most recent survey for each country and for comparative purposes another ideally preceding it by around 10 years. However, where this is not possible the 10-year margin has been lowered to not less than 5 years and increased to not more than 15 years.

**Table A2. Non-Oil Fiscal Deficits, 2002-06**  
(Percent of non-oil GDP)

	2002	2003	2004	2005	2006
Angola	85.5	73.8	66.1	65.7	71.6
Cameroon	3.3	2.9	4.8	1.6	-26.8
Chad	12.5	16.4	14.3	14.7	21.5
Côte d'Ivoire	1.2	3.1	2.2	2.3	3.0
Republic of Congo	57.7	39.0	39.7	41.2	56.4
Equatorial Guinea	64.3	141.3	130.4	138.8	155.0
Gabon	24.3	16.5	17.7	21.6	21.4
Nigeria	40.7	43.0	43.3	48.6	47.9
Average (unweighted) <sup>1</sup>	32.2	27.8	26.9	27.9	27.8

Source: African Department database.

Note: (-) Denotes surplus.

<sup>1</sup> Excluding Equatorial Guinea.

**Table A3. Export Shares of Major Product Categories, 1995 and 2005**  
(Percent, ranked by 2005 shares)

Category	Product Code	Share of Nonfuel Exports		
		1985	1995	2005
<i>Manufacturing</i>				
Pearls & precious stones	667	3.9	10.6	14.1
Silver and platinum	681	4.8	4.9	8.4
Iron blocks	671	3.6	4.0	4.7
Aluminum	684	0.8	1.6	4.1
Clothing	841	1.3	4.0	3.8
Road motor vehicles	732	0.2	0.8	3.6
Nonelectrical machinery	719	0.1	0.8	2.5
Copper	682	7.7	3.6	1.6
Iron sheets	674	0.8	0.6	1.4
Ships	735	1.7	0.4	1.3
Wood boards	631	0.7	1.1	1.3
Inorganic chemical elements	522	0.8	0.6	1.1
Iron (preshaped)	672	0.4	0.9	1.0
Share of above in total exports		26.7	33.7	48.9
Share of all manufacturing		37.1	44.4	59.0
<i>Nonmanufacturing</i>				
Cocoa	072	9.9	6.3	5.6
Fruit and nuts	057	3.1	4.5	4.5
Base metal ores and concentrates	287	5.0	3.2	3.8
Iron ore and concentrates	281	4.1	2.1	2.9
Cotton	263	2.7	3.2	1.9
Fish	034	0.7	1.9	1.9
Wood (rough)	247	2.8	3.6	1.7
Wood (simple forms)	248	0.9	2.2	1.5
Shellfish	036	1.5	2.4	1.5
Sugar and honey	061	2.6	2.4	1.5
Coffee	071	11.7	6.7	1.4
Crude vegetable materials	292	0.9	1.3	1.3
Tobacco	121	1.7	1.7	0.9
Fruit (preserved)	058	1.1	0.8	0.5
Tea	074	1.7	0.7	0.3
Wool	268	1.5	0.4	0.2
Share of above in total		51.8	43.2	31.4

Source: UN Comtrade.

Note: The categories are at the three-digit Standard International Trade Classification (SITC) level and are those that accounted for at least 1 percent of total SSA nonfuel exports in 1985.

**Table A4. Merchandise Exports by Geographic Grouping, Destination and Product, 1990 and 2005**  
(Percent)

Destination	Year	Crude Materials	Food and Beverage	Fuels	Manufactures	Total
Oil Producers						
EU15	1990	78.4	87.6	46.9	94.2	55.5
	2005	56.0	76.6	19.2	74.1	24.3
USA	1990	2.7	10.5	52.1	4.7	42.0
	2005	4.9	19.5	57.8	15.6	53.4
Asia	1990	18.9	1.8	1.4	1.1	2.5
	2005	39.1	3.8	23.0	10.3	22.3
<i>Of which: China</i>	1990	3.5	0.2	0.4	0.4	0.3
	2005	29.5	0.5	14.7	2.7	14.2
Product share of total exports	1990	7.9	9.2	77.9	4.9	...
	2005	3.3	4.7	89.7	2.1	...
Coastal						
EU15	1990	68.2	76.5	73.2	59.6	66.6
	2005	43.3	79.6	91.7	47.5	56.0
Excluding South Africa	1990	74.7	77.6	54.0	67.9	72.6
	2005	45.2	84.0	32.9	75.5	73.4
Asia	1990	23.1	18.4	23.6	17.5	19.5
Excluding South Africa	1990	19.1	15.1	5.6	20.8	18.0
	2005	46.2	11.9	2.7	4.9	14.1
<i>Of which: China</i>	1990	0.4	0.4	0.2	0.4	0.5
Excluding South Africa	1990	2.8	0.4	3.6	1.3	1.3
	2005	32.4	1.1	0.0	0.2	5.6
Product share of total exports	1990	20.5	23.1	9.0	45.0	...
	2005	12.8	14.6	7.6	60.6	...
Excluding South Africa	1990	18.1	38.1	1.3	39.6	...
	2005	15.7	38.7	0.9	43.7	...
Landlocked						
EU15	1990	62.7	74.8	9.8	77.3	70.6
	2005	34.3	69.8	33.7	48.1	50.0
USA	1990	4.1	13.2	90.2	10.5	15.0
	2005	2.0	12.2	59.5	38.0	23.2
Asia	1990	33.2	12.1	0.0	12.3	14.4
	2005	63.8	18.0	6.8	13.9	26.8
<i>Of which: China</i>	1990	3.1	3.0	0.0	0.7	1.6
	2005	40.1	8.4	0.0	1.7	13.0
Product share of total exports	1990	14.4	27.5	4.8	49.9	...
	2005	27.6	27.6	6.0	40.5	...

Source: UN Comtrade.



**Table A5. Growth of Major Manufacturing Export Categories by Geographic Group, 1990-2005**  
(Percent)

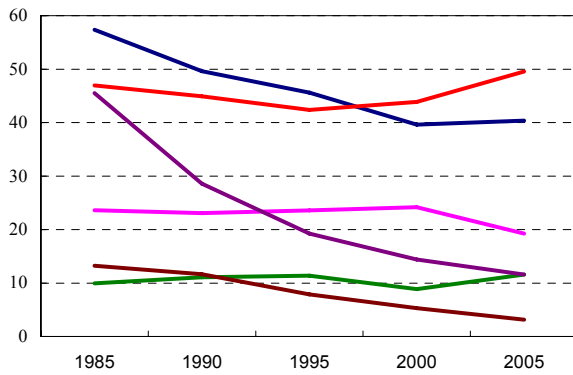
SITC Code and Industry	Growth Rate	Share of Manufacturing Exports	Main Destinations in Order <sup>1</sup>
	Sub-Saharan Africa		
68 Nonferrous metals	83.0	29.4	<b>Industrial Asia</b> , EU15, USA
66 Nonmetallic mineral manufactures	352.0	27.6	EU15, USA, <b>China</b>
73 Transport equipment	511.6	9.8	EU15, Industrial Asia, <b>USA</b>
84 Clothing	209.5	7.2	<b>USA</b> , EU15, Industrial Asia
	Oil Exporters		
61 Leather and other animal skin products	85.7	12.4	EU15, Industrial Asia, <b>China</b>
63 Wood and cork manufactures	98.9	20.3	EU15, USA, <b>China</b>
68 Nonferrous metals	32.6	11.8	EU15, China, <b>Developing Asia</b>
	Coastal		
66 Nonmetallic mineral manufactures	289.9	15.2	<b>EU15</b> , USA, China
67 Iron and steel	351.9	18.7	EU15, Industrial Asia, <b>Developing Asia</b>
68 Nonferrous metals	188.1	33.7	<b>Industrial Asia</b> , EU15, USA
73 Transport equipment	530.5	12.9	EU15, Industrial Asia, <b>USA</b>
	Landlocked		
66 Nonmetallic mineral manufactures	104.7	37.6	<b>EU15</b> , USA, Developing Asia
67 Iron and steel	10.2	10.4	EU15, Industrial Asia, <b>USA</b>
84 Clothing	1424.7	31.5	<b>USA</b> , EU15, Industrial Asia
68 Nonferrous metals	-80.3	11.6	EU15, Industrial Asia, <b>China</b>
	Non-oil Resource-rich		
68 Nonferrous metals	-15.5	19.7	Industrial Asia, <b>China</b> , Developing Asia
66 Nonmetallic mineral manufactures	2145.3	76.9	<b>EU15</b> , USA, Developing Asia

Source: UN Comtrade.

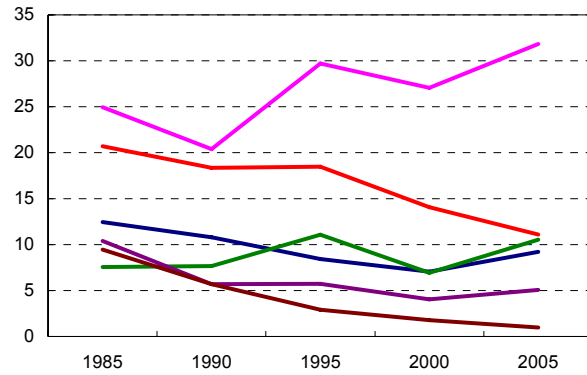
Note: The selected categories are those two-digit groups that in 2005 account for at least 5 percent of total manufacturing exports of the SSA aggregate and at least 10 percent for the subgroups. The destination growth rates on which the final column is based are weighted by the share of that destination in total 2005 exports of that category for the relevant group.

<sup>1</sup> Fastest-growing destination of the top three is highlighted in bold.

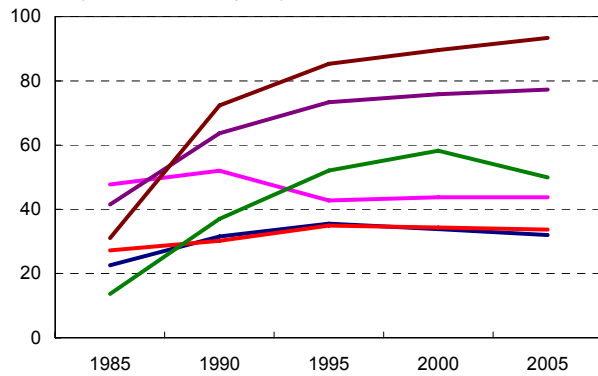
**Figure A1a. Selected Economies:  
Food and Beverage**  
(Share of total exports)



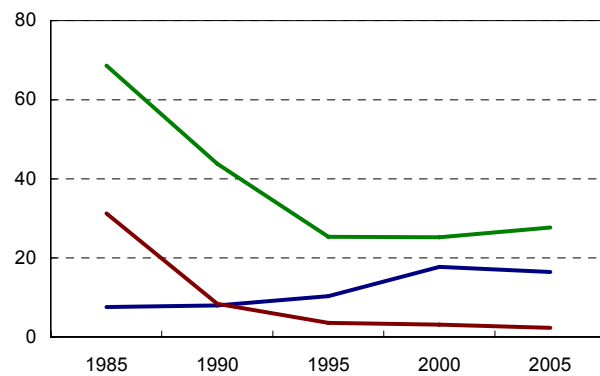
**Figure A1b. Selected Economies: Crude Inedible  
Materials**  
(Share of total exports)



**Figure A1c. Selected Economies:  
Manufacturing Share of Total Exports**  
(Share of total exports)



**Figure A1d. Selected Economies: Fuels Share of  
Total Exports**  
(Share of total exports)



— Argentina — Chile — New Zealand — Indonesia — Thailand — China

Source: UN Comtrade.

Note. Three countries are omitted from panel (d) because their fuel export shares are always tiny.

## Appendix II. Methodological Notes to Chapter IV

The analysis uses UN Comtrade data on SSA merchandise (physical goods) exports, captured as imports to the reporting country. The reporting countries are the United States; the pre-2004 European Union (referred to as EU15); China; a group called Industrial Asia (Hong Kong SAR, Japan, Korea, and Singapore); and a group called Developing Asia (India, Indonesia, Malaysia, Thailand, and Taiwan, Province of China). Occasionally India is a sufficiently large component of the last group to warrant its being broken out separately. While these groups do not include all of SSA's trade partners, they capture the main reporting partners for SSA in Comtrade. Two years are chosen for detailed comparison: 1985 and 2004, or 2005 when data are available for the latter. The data cover merchandise (including manufacturing) exports from SSA to each of the countries or groupings and are expressed in nominal US dollars.

On the SSA side, the analytical subgroups are resource-intensive (oil and non-oil), coastal, and landlocked countries. The listing is provided in the Statistical Appendix. Collier (2006) explains why the division is analytically useful. Collier and O'Connell (2006) explain the classification of countries by group. For reasons explained below, the non-oil resource-rich classification is of limited usefulness with Comtrade data. The income classifications, drawn from the World Bank, are based on gross national income per capita.

In Sections B and C, the definition of SSA corresponds to that of the World Bank and therefore includes Sudan, Mauritania, and Djibouti. These countries, which are not covered by the IMF's Africa Department, are not included in the subgroups used in Section D. To maintain consistency of aggregation between the subgroups and the total for all countries, this section therefore excludes the three countries from the SSA aggregate calculation.

While comprehensive in many respects, the Comtrade data have some important limitations. One of the most important for the analysis of SSA subgroups is that SACU countries other than South Africa have only been reporting separate data to Comtrade since 2000. These countries are included in several SSA subgroups; for instance, all are middle-income countries, and two (Botswana and Namibia) are important non-oil resource-rich countries. This impedes the ability to analyze trends by comparing years before and after 2000; such comparisons are therefore not reported for the non-oil resource-rich group.

Comtrade data also have some reporting gaps. China does not report data for many product categories for 1985, and no Indian data are yet available for 2005. Furthermore, India does not report fuel imports to Comtrade. While the values involved in each gap are relatively small, they should be borne in mind in interpreting the tables and charts of the chapter.

The four broad sectoral classifications are formed from single-digit SITC categories: food and beverage (SITC 0, 1, and 4), crude materials (SITC 2), fuels (SITC 3), and manufactures and chemicals (SITC 5–8).

# Statistical Appendix

Estimates and projections used in this report are based on data provided by IMF country desks as of March 29, 2007. Projections are staff estimates. The database covers 44 countries of the African Department; Eritrea and Liberia are not included in aggregate groupings because of data limitations. The rest of the data are consistent with those underlying the April 2007 *World Economic Outlook (WEO)*.

While data follow established international statistical methodologies to the extent possible, variable choice may be determined by country-specific definitions. The coverage and definitions of data for different countries are therefore not always comparable. Moreover, many countries are not yet able to compile high-quality data.

## Sub-Saharan Africa: Country Groupings<sup>1</sup>

Resource Intensive		Non-Resource Intensive	
Oil	Non-oil	Coastal	Landlocked
Angola	Botswana	Benin *	Burkina Faso *
Cameroon *	Guinea	Cape Verde	Burundi
Chad	Namibia	Comoros	Central African Republic
Côte d'Ivoire	São Tomé and Príncipe	Gambia	Congo, Dem. Rep. Of
Congo, Rep. of	Sierra Leone *	Ghana *	Ethiopia *
Equatorial Guinea	Zambia *	Guinea-Bissau	Lesotho
Gabon		Kenya	Malawi *
Nigeria		Madagascar *	Mali *
		Mauritius	Niger *
		Mozambique *	Rwanda *
		Senegal *	Swaziland
		Seychelles	Uganda *
		South Africa	Zimbabwe
		Tanzania *	
		Togo	

Note: Asterisk (\*) marks countries that have reached the completion point under the enhanced HIPC Initiative and have qualified for MDRI relief.

<sup>1</sup> These groupings follow Collier and O'Connell (2006), who show that the effect of being resource-rich is independent of location and thus classify all SSA economies by both endowment and location. A country is classified as resource-rich if primary commodity rents exceed 10 percent of GDP (South Africa is not classified as resource-intensive, using this criterion). In terms of location, countries are classified by whether they have ocean access (coastal) or are landlocked.

## Data and Conventions

For Tables SA1–2, SA7, SA21, and SA22, country group composites are calculated as the arithmetic average of data for individual countries, weighted by GDP valued at purchasing power parity (PPP) as a share of the total group GDP. The source of PPP weights is the WEO database.

For Tables SA3–4, SA6, SA8–12, SA14–20, and SA23–25, country group composites are calculated as the arithmetic average of data for individual countries, weighted by GDP in U.S. dollars at market exchange rates as a share of total group GDP.

For Table SA5, country group composites are calculated as the geometric average of data for individual countries, weighted by GDP valued at

PPP as a share of the total group GDP. The source of PPP weights is the WEO database.

For Table SA13, country group composites are calculated as the geometric average of data for individual countries, weighted by GDP in U.S. dollars at market exchange rates as a share of total group GDP.

WAEMU is the West African Economic and Monetary Union. CEMAC is the Central African Economic and Monetary Community. SADC is the Southern African Development Community. COMESA is the Common Market of Eastern and Southern Africa.

## List of Tables

SA1. Real GDP Growth	78
SA2. Real Non-Oil GDP Growth	79
SA3. Real Per Capita GDP Growth	80
SA4. Real Per Capita GDP	81
SA5. Consumer Prices	82
SA6. Total Investment	83
SA7. Domestic Saving	84
SA8. Overall Fiscal Balance, Including Grants	85
SA9. Overall Fiscal Balance, Excluding Grants	86
SA10. Government Revenue, Excluding Grants	87
SA11. Government Expenditure	88
SA12. Broad Money	89
SA13. Broad Money Growth	90
SA14. Claims on Nonfinancial Private Sector	91
SA15. Export of Goods and Services	92
SA16. Imports of Goods and Services	93
SA17. Trade Balance	94
SA18. External Current Account, Including Grants	95
SA19. External Current Account, Excluding Grants	96
SA20. Official Grants	97
SA21. Real Effective Exchange Rates	98
SA22. Nominal Effective Exchange Rates	99
SA23. External Debt to Official Creditors	100
SA24. Terms of Trade	101
SA25. Reserves	102

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA1. Real GDP Growth (Percent)</b>							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>4.2</b>	<b>4.4</b>	<b>7.3</b>	<b>8.7</b>	<b>7.9</b>	<b>5.6</b>	<b>11.6</b>
Angola	3.0	14.5	3.3	11.2	20.6	15.3	35.3
Cameroon	4.6	4.0	4.0	3.7	2.0	3.5	4.0
Chad	4.5	8.5	14.7	33.6	8.6	1.3	-1.2
Congo, Rep. of	2.4	4.6	0.8	3.6	7.7	6.4	3.7
Côte d'Ivoire	1.5	-1.6	-1.7	1.6	1.5	1.4	1.7
Equatorial Guinea	57.3	24.7	12.5	33.9	6.5	1.0	7.1
Gabon	0.1	-0.3	2.4	1.1	3.0	1.0	4.7
Nigeria	2.7	1.5	10.7	6.0	7.2	5.3	8.2
<b>Oil-importing countries</b>	<b>2.8</b>	<b>3.3</b>	<b>3.1</b>	<b>5.2</b>	<b>5.4</b>	<b>5.3</b>	<b>5.2</b>
Benin	5.2	4.5	3.9	3.1	2.9	4.1	4.7
Botswana	8.2	5.6	6.3	6.0	6.2	4.2	4.3
Burkina Faso	5.9	4.7	8.0	4.6	7.1	6.4	6.5
Burundi	1.1	4.4	-1.2	4.8	0.9	5.1	5.5
Cape Verde	8.3	5.3	4.7	4.4	5.8	5.8	6.5
Central African Republic	3.4	-0.6	-7.6	1.3	2.2	3.5	4.0
Comoros	2.4	4.1	2.5	-0.2	4.2	1.2	3.0
Congo, Dem. Rep. of	-4.1	3.5	5.8	6.6	6.5	5.1	6.5
Eritrea	1.2	0.6	3.9	2.0	4.8	2.0	1.3
Ethiopia	3.8	1.2	-3.5	13.1	10.3	10.6	6.5
Gambia, The	5.8	-3.2	6.9	7.0	5.1	6.5	7.0
Ghana	4.2	4.5	5.2	5.6	5.9	6.2	6.3
Guinea	4.1	4.2	1.2	2.7	3.3	2.8	2.5
Guinea-Bissau	-1.1	-7.1	-0.6	2.2	3.2	2.7	5.0
Kenya	2.3	0.3	2.8	4.5	5.8	6.0	6.2
Lesotho	0.5	2.8	3.0	3.8	3.7	5.6	5.1
Liberia	n.a.	31.8	-33.9	-5.2	9.5	9.7	13.3
Madagascar	4.6	-12.7	9.8	5.3	4.6	4.7	5.6
Malawi	1.6	2.1	3.9	5.1	2.1	8.5	5.7
Mali	5.1	4.3	7.2	2.4	6.1	4.6	5.9
Mauritius	5.7	1.5	3.8	4.7	3.0	3.7	4.1
Mozambique	9.2	8.2	7.9	7.5	7.8	8.5	6.8
Namibia	3.4	6.7	3.5	6.6	4.2	4.6	4.8
Niger	3.7	3.0	4.5	-0.7	6.8	3.4	4.1
Rwanda	8.6	9.4	0.9	4.0	6.0	4.2	4.7
São Tomé and Príncipe	2.6	4.1	4.0	3.8	6.0	8.0	7.0
Senegal	4.6	0.7	6.7	5.6	5.5	3.3	5.6
Seychelles	3.7	1.2	-5.9	-2.9	1.2	4.5	5.0
Sierra Leone	-0.9	27.4	9.5	7.4	7.3	7.4	6.5
South Africa	2.5	3.7	3.1	4.8	5.1	5.0	4.7
Swaziland	2.8	2.9	2.9	2.1	2.3	2.1	1.2
Tanzania	4.4	7.2	5.7	6.7	6.8	5.9	7.3
Togo	0.2	-0.2	5.2	2.3	1.2	1.8	2.9
Uganda	5.5	6.9	4.4	5.7	6.7	5.4	6.2
Zambia	2.4	3.3	5.1	5.4	5.2	6.0	6.0
Zimbabwe	-2.4	-4.4	-10.4	-3.8	-5.3	-4.8	-5.7
<b>Sub-Saharan Africa</b>	<b>3.1</b>	<b>3.5</b>	<b>4.0</b>	<b>6.0</b>	<b>6.0</b>	<b>5.4</b>	<b>6.7</b>
Excluding Nigeria and South Africa	3.8	4.0	3.3	7.1	6.5	5.8	7.8
CFA franc zone	5.8	4.2	5.1	8.6	4.7	3.1	4.4
WAEMU	3.6	1.5	4.3	3.0	4.6	3.6	4.7
CEMAC	8.8	7.5	6.0	15.1	4.7	2.4	4.1
SADC	2.3	3.7	3.1	5.1	5.7	5.5	7.1
COMESA	2.0	2.9	1.3	6.7	7.6	7.0	10.3
<b>Resource intensive countries</b>	<b>4.3</b>	<b>4.9</b>	<b>6.9</b>	<b>8.2</b>	<b>7.5</b>	<b>5.5</b>	<b>10.5</b>
Oil	4.2	4.4	7.3	8.7	7.9	5.6	11.6
Non-oil	5.1	7.0	4.8	5.9	5.6	5.1	5.0
<b>Non-resource intensive countries</b>	<b>2.7</b>	<b>3.0</b>	<b>2.9</b>	<b>5.2</b>	<b>5.4</b>	<b>5.4</b>	<b>5.2</b>
Coastal	2.9	3.2	3.7	4.9	5.2	5.2	5.1
Landlocked	1.9	2.6	0.7	6.0	6.1	6.0	5.3
MDRI	5.1	4.1	4.3	6.9	7.0	6.9	6.5
Fixed exchange rate regime	4.4	3.2	3.1	6.7	3.8	2.6	3.6
Floating exchange rate regime	2.8	3.6	4.2	5.8	6.5	6.1	7.4

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

**Table SA2. Real Non-Oil GDP Growth  
(Percent)**

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>6.9</b>	<b>5.6</b>	<b>4.2</b>	<b>6.6</b>	<b>6.9</b>	<b>9.8</b>	<b>14.4</b>
Angola	8.8	3.1	7.8	10.0	1.0	23.7	48.3
Cameroon	5.5	4.9	4.9	4.9	2.9	3.1	4.0
Chad	4.1	6.9	6.0	2.1	11.6	5.1	5.9
Congo, Rep. of	1.7	8.5	5.4	5.2	5.3	6.3	6.5
Côte d'Ivoire	1.5	-1.9	-2.2	1.5	0.9	0.2	1.3
Equatorial Guinea	12.0	12.3	7.8	12.6	18.1	16.9	13.5
Gabon	2.9	0.2	0.9	1.8	4.3	4.5	4.6
Nigeria	3.7	8.0	4.4	7.4	8.6	8.9	7.5
<b>Oil-importing countries</b>	<b>2.8</b>	<b>3.3</b>	<b>3.1</b>	<b>5.2</b>	<b>5.4</b>	<b>5.4</b>	<b>5.2</b>
Benin	5.2	4.5	3.9	3.1	2.9	4.1	4.7
Botswana	5.7	7.2	7.0	3.6	3.9	5.6	5.7
Burkina Faso	5.9	4.7	8.0	4.6	7.1	6.4	6.5
Burundi	1.1	4.4	-1.2	4.8	0.9	5.1	5.5
Cape Verde	8.3	5.3	4.7	4.4	5.8	5.8	6.5
Central African Republic	3.4	-0.6	-7.6	1.3	2.2	3.5	4.0
Comoros	2.4	4.1	2.5	-0.2	4.2	1.2	3.0
Congo, Dem. Rep. of	-4.1	3.5	5.8	6.6	6.5	5.1	6.5
Eritrea	1.2	0.6	3.9	2.0	4.8	2.0	1.3
Ethiopia	3.8	1.2	-3.5	13.1	10.3	10.6	6.5
Gambia, The	5.8	-3.2	6.9	7.0	5.1	6.5	7.0
Ghana	4.2	4.5	5.2	5.6	5.9	6.2	6.3
Guinea	4.1	4.2	1.2	2.7	3.3	2.8	2.5
Guinea-Bissau	1.5	-7.1	-0.6	2.2	3.2	2.7	5.0
Kenya	2.3	0.3	2.8	4.5	5.8	6.0	6.2
Lesotho	1.1	2.8	3.0	3.8	3.7	5.6	5.1
Liberia	n.a.	31.8	-33.9	-5.2	9.5	9.7	13.3
Madagascar	4.6	-12.7	9.8	5.3	4.6	4.7	5.6
Malawi	1.6	2.1	3.9	5.1	2.1	8.5	5.7
Mali	5.1	4.3	7.2	2.2	6.4	6.7	5.8
Mauritius	5.7	1.5	3.8	4.7	3.0	3.7	4.1
Mozambique	9.2	8.2	7.9	7.5	7.8	8.5	6.8
Namibia	3.4	6.7	3.5	6.6	4.2	4.6	4.8
Niger	3.7	3.0	4.5	-0.7	6.8	3.4	4.1
Rwanda	8.6	9.4	0.9	4.0	6.0	4.2	4.7
São Tomé and Príncipe	2.6	4.1	4.0	3.8	6.0	8.0	7.0
Senegal	4.6	0.7	6.7	5.6	5.5	3.3	5.6
Seychelles	3.7	1.2	-5.9	-2.9	1.2	4.5	5.0
Sierra Leone	-0.9	27.4	9.5	7.4	7.3	7.4	6.5
South Africa	2.5	3.7	3.1	4.8	5.1	5.0	4.7
Swaziland	2.8	2.9	2.9	2.1	2.3	2.1	1.2
Tanzania	4.4	7.2	5.7	6.7	6.8	5.9	7.3
Togo	0.2	-0.2	5.2	2.3	1.2	1.8	2.9
Uganda	5.5	6.9	4.4	5.7	6.7	5.4	6.2
Zambia	2.4	3.3	5.1	5.4	5.2	6.0	6.0
Zimbabwe	-2.4	-4.4	-10.4	-3.8	-5.3	-4.8	-5.7
<b>Sub-Saharan Africa</b>	<b>4.3</b>	<b>3.8</b>	<b>3.3</b>	<b>5.5</b>	<b>5.7</b>	<b>6.4</b>	<b>7.4</b>
Excluding Nigeria and South Africa	5.6	3.2	3.4	5.7	5.6	7.0	9.3
CFA franc zone	5.7	3.3	4.2	4.3	6.3	5.2	5.7
WAEMU	3.7	1.4	4.1	3.0	4.5	3.6	4.6
CEMAC	7.3	5.7	4.4	5.7	8.4	7.0	7.0
SADC	2.4	3.2	3.4	4.9	4.6	6.0	8.1
COMESA	2.5	1.7	1.8	6.6	5.1	8.2	12.5
<b>Resource intensive countries</b>	<b>6.6</b>	<b>6.0</b>	<b>4.4</b>	<b>6.3</b>	<b>6.5</b>	<b>9.1</b>	<b>12.9</b>
Oil	6.9	5.6	4.2	6.6	6.9	9.8	14.4
Non-oil	4.3	7.5	5.0	5.1	4.8	5.6	5.5
<b>Non-resource intensive countries</b>	<b>2.7</b>	<b>3.0</b>	<b>2.9</b>	<b>5.2</b>	<b>5.4</b>	<b>5.4</b>	<b>5.2</b>
Coastal	3.0	3.2	3.7	4.9	5.2	5.2	5.1
Landlocked	1.9	2.6	0.7	6.0	6.2	6.1	5.3
MDRI	6.8	4.2	4.4	7.0	7.1	7.0	6.5
Fixed exchange rate regime	4.0	2.8	2.6	3.4	4.8	4.3	4.7
Floating exchange rate regime	3.1	4.1	3.5	6.0	5.9	6.9	8.0

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

**Table SA3. Real Per Capita GDP Growth  
(Percent)**

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>1.3</b>	<b>1.7</b>	<b>4.4</b>	<b>6.0</b>	<b>5.2</b>	<b>3.0</b>	<b>8.8</b>
Angola	0.1	11.3	0.4	8.0	17.2	12.1	31.5
Cameroon	1.8	-0.2	1.2	0.9	-0.7	0.7	1.2
Chad	2.0	5.8	4.8	30.4	5.9	-1.2	-3.6
Congo, Rep. of	-0.5	1.6	-2.0	0.7	4.7	3.4	0.7
Côte d'Ivoire	-0.9	-3.2	-3.2	0.0	-0.3	-0.1	0.2
Equatorial Guinea	45.8	21.2	9.3	30.1	3.5	-1.9	4.1
Gabon	-2.3	-2.7	-0.1	-1.4	0.5	-1.5	2.1
Nigeria	-0.1	-1.2	7.7	3.2	4.6	2.7	5.5
<b>Oil-importing countries</b>	<b>0.9</b>	<b>1.5</b>	<b>1.3</b>	<b>3.5</b>	<b>3.7</b>	<b>3.6</b>	<b>3.4</b>
Benin	2.1	0.0	2.0	0.1	0.0	1.1	1.4
Botswana	6.8	5.1	6.1	6.1	6.6	4.8	5.2
Burkina Faso	3.3	0.6	4.6	1.4	4.6	4.0	4.1
Burundi	-1.0	0.7	-4.0	2.8	-1.1	3.1	3.4
Cape Verde	5.8	3.4	2.8	2.5	3.8	3.8	4.6
Central African Republic	1.4	-2.5	-9.4	-0.7	0.2	1.5	2.0
Comoros	0.4	2.0	0.4	-2.3	2.1	-0.8	0.9
Congo, Dem. Rep. of	-6.1	0.7	2.8	3.5	3.3	2.0	3.4
Eritrea	-1.5	-1.8	1.3	-0.5	2.3	-0.4	-1.1
Ethiopia	0.8	-1.5	-6.1	10.1	7.3	7.6	3.6
Gambia, The	2.3	-6.1	3.9	4.1	2.3	3.7	4.2
Ghana	1.6	1.9	2.6	3.0	3.2	3.6	3.7
Guinea	1.4	1.1	-2.3	0.1	0.2	-0.2	-0.5
Guinea-Bissau	-5.8	-9.9	-3.6	-0.8	0.2	-0.3	2.0
Kenya	0.0	-1.8	0.7	2.4	3.8	4.1	4.4
Lesotho	-1.1	1.0	0.8	1.9	1.8	3.7	3.2
Liberia	n.a.	29.9	-34.3	-5.7	8.1	7.1	10.7
Madagascar	1.5	-15.2	6.7	2.3	1.7	1.9	2.7
Malawi	-1.0	-1.7	1.6	2.8	0.1	6.4	3.6
Mali	2.6	1.9	4.8	0.1	3.7	2.2	3.5
Mauritius	4.6	0.4	2.7	3.7	2.2	2.9	3.3
Mozambique	6.9	6.0	5.9	5.6	5.3	6.1	4.4
Namibia	0.8	5.0	2.1	5.3	3.0	3.8	3.9
Niger	0.4	-0.1	1.3	-3.6	3.6	0.3	1.0
Rwanda	3.2	7.1	-1.9	1.2	0.7	2.4	2.8
São Tomé and Príncipe	0.4	2.0	1.9	2.0	3.9	5.9	4.9
Senegal	2.1	-1.7	4.1	3.1	3.0	0.8	3.1
Seychelles	3.5	-0.7	-7.7	-3.7	1.1	2.6	4.9
Sierra Leone	-3.5	24.2	6.7	4.6	4.5	4.7	3.8
South Africa	1.0	2.5	2.1	3.8	4.1	3.9	3.7
Swaziland	0.2	0.3	0.5	-0.1	0.4	0.3	-0.3
Tanzania	1.9	5.1	3.6	4.4	4.5	4.0	5.2
Togo	-3.2	-3.0	2.4	-0.3	-1.4	-0.8	0.2
Uganda	2.3	3.4	0.9	2.1	3.0	1.8	2.5
Zambia	0.2	0.9	2.7	2.9	2.7	3.5	3.5
Zimbabwe	-2.0	-4.1	-11.3	-3.6	-5.3	-4.8	-5.7
<b>Sub-Saharan Africa</b>	<b>1.0</b>	<b>1.5</b>	<b>2.0</b>	<b>4.1</b>	<b>4.0</b>	<b>3.4</b>	<b>4.7</b>
Excluding Nigeria and South Africa	1.2	1.4	0.7	4.6	3.9	3.3	5.2
CFA franc zone	2.8	1.1	2.0	5.9	2.0	0.5	1.7
WAEMU	0.8	-1.3	1.8	0.5	2.0	1.2	2.1
CEMAC	5.4	4.2	2.4	12.1	1.9	-0.3	1.3
SADC	0.7	2.3	1.8	3.8	4.4	4.1	5.6
COMESA	-0.3	0.5	-1.2	4.2	4.8	4.5	7.6
<b>Resource intensive countries</b>	<b>1.5</b>	<b>2.2</b>	<b>4.1</b>	<b>5.7</b>	<b>4.9</b>	<b>3.1</b>	<b>7.9</b>
Oil	1.3	1.7	4.4	6.0	5.2	3.0	8.8
Non-oil	2.6	4.8	2.7	4.2	3.9	3.5	3.5
<b>Non-resource intensive countries</b>	<b>0.8</b>	<b>1.3</b>	<b>1.2</b>	<b>3.5</b>	<b>3.7</b>	<b>3.6</b>	<b>3.4</b>
Coastal	1.2	1.7	2.3	3.5	3.8	3.7	3.7
Landlocked	-0.4	0.1	-2.0	3.3	3.2	3.2	2.5
MDRI	2.0	1.0	1.4	3.9	3.9	4.0	3.5
Fixed exchange rate regime	2.1	0.9	0.7	4.6	1.7	0.7	1.6
Floating exchange rate regime	0.7	1.7	2.3	3.9	4.6	4.1	5.4

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.



**Table SA4. Real Per Capita GDP**  
(U.S. dollars, at 2000 prices, using 2000 exchange rates)

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>468</b>	<b>475</b>	<b>494</b>	<b>515</b>	<b>540</b>	<b>556</b>	<b>600</b>
Angola	688	764	766	828	970	1,087	1,429
Cameroon	646	665	673	679	674	678	686
Chad	194	214	224	293	310	306	295
Congo, Rep. of	1,104	1,137	1,114	1,121	1,174	1,214	1,223
Côte d'Ivoire	648	593	574	575	573	572	573
Equatorial Guinea	1,387	2,858	3,124	4,065	4,207	4,128	4,297
Gabon	4,550	4,099	4,097	4,040	4,061	4,001	4,086
Nigeria	356	355	382	394	412	424	447
<b>Oil-importing countries</b>	<b>557</b>	<b>568</b>	<b>572</b>	<b>587</b>	<b>602</b>	<b>618</b>	<b>634</b>
Benin	371	386	394	394	394	399	404
Botswana	3,679	4,319	4,584	4,865	5,186	5,436	5,717
Burkina Faso	228	243	254	257	269	280	291
Burundi	111	108	104	107	105	109	112
Cape Verde	1,167	1,338	1,375	1,409	1,463	1,519	1,589
Central African Republic	255	248	225	223	223	227	231
Comoros	372	377	379	370	378	375	378
Congo, Dem. Rep. of	93	83	85	88	91	93	96
Eritrea	177	163	165	164	168	167	166
Ethiopia	124	128	120	132	142	153	158
Gambia, The	312	308	320	333	341	354	369
Ghana	266	280	287	296	305	316	328
Guinea	389	398	389	390	390	390	388
Guinea-Bissau	171	139	134	133	133	132	135
Kenya	414	410	413	423	440	458	478
Lesotho	398	389	392	400	407	422	436
Liberia	n.a.	265	174	164	178	190	211
Madagascar	247	218	233	238	242	247	253
Malawi	153	141	144	148	148	157	163
Mali	249	268	281	281	292	298	309
Mauritius	3,619	3,971	4,078	4,231	4,322	4,449	4,596
Mozambique	207	247	261	276	291	308	322
Namibia	1,785	1,904	1,944	2,048	2,110	2,190	2,276
Niger	173	174	176	169	175	176	178
Rwanda	236	258	253	256	258	264	271
São Tomé and Príncipe	312	325	331	338	351	372	390
Senegal	445	455	474	489	503	508	523
Seychelles	7,660	7,714	7,118	6,854	6,931	7,109	7,456
Sierra Leone	143	190	202	212	221	232	241
South Africa	2,944	3,110	3,174	3,295	3,432	3,564	3,696
Swaziland	1,377	1,376	1,383	1,382	1,387	1,391	1,387
Tanzania	266	294	304	318	332	345	364
Togo	250	223	228	227	224	222	223
Uganda	236	255	257	263	270	275	282
Zambia	313	325	334	343	353	365	378
Zimbabwe	733	651	577	556	527	502	473
<b>Sub-Saharan Africa</b>	<b>530</b>	<b>540</b>	<b>548</b>	<b>565</b>	<b>583</b>	<b>599</b>	<b>624</b>
Excluding Nigeria and South Africa	334	342	344	355	367	378	396
CFA franc zone	466	475	478	494	502	504	512
WAEMU	363	354	357	358	363	366	372
CEMAC	705	752	754	802	814	816	827
SADC	889	917	927	955	989	1,022	1,069
COMESA	281	279	276	285	298	311	335
<b>Resource intensive countries</b>	<b>485</b>	<b>498</b>	<b>516</b>	<b>537</b>	<b>561</b>	<b>578</b>	<b>618</b>
Oil	468	475	494	515	540	556	600
Non-oil	608	660	674	695	713	729	744
<b>Non-resource intensive countries</b>	<b>553</b>	<b>562</b>	<b>565</b>	<b>579</b>	<b>595</b>	<b>611</b>	<b>627</b>
Coastal	966	996	1,012	1,041	1,074	1,107	1,141
Landlocked	194	190	185	188	193	197	201
MDRI	244	257	262	270	278	287	297
Fixed exchange rate regime	566	571	570	585	592	595	602
Floating exchange rate regime	520	532	543	560	581	601	629

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Table SA5. Consumer Prices</b> (Annual average percent change)							
<b>Oil-exporting countries</b>	<b>20.6</b>	<b>18.8</b>	<b>17.0</b>	<b>12.5</b>	<b>13.2</b>	<b>7.7</b>	<b>6.6</b>
Angola	211.0	108.9	98.3	43.6	23.0	13.3	10.2
Cameroon	2.9	6.3	0.6	0.3	2.0	5.3	1.5
Chad	3.5	5.2	-1.8	-5.4	7.9	7.9	4.0
Congo, Rep. of	3.8	3.1	1.5	3.6	2.5	4.0	3.5
Côte d'Ivoire	3.3	3.1	3.3	1.5	3.9	1.6	2.0
Equatorial Guinea	5.0	7.6	7.3	4.2	5.7	4.6	5.4
Gabon	1.7	0.2	2.1	0.4	0.0	4.0	4.5
Nigeria	10.0	13.7	14.0	15.0	17.8	8.3	7.9
<b>Oil-importing countries</b>	<b>13.6</b>	<b>10.6</b>	<b>12.7</b>	<b>8.7</b>	<b>9.8</b>	<b>13.0</b>	<b>15.0</b>
Benin	3.6	2.4	1.5	0.9	5.4	3.8	3.0
Botswana	7.7	8.0	9.3	6.9	8.6	11.3	6.0
Burkina Faso	2.1	2.3	2.0	-0.4	6.4	2.4	2.0
Burundi	16.1	-1.3	10.7	8.0	13.4	2.8	4.2
Cape Verde	3.7	1.9	1.2	-1.9	0.4	4.9	-0.8
Central African Republic	1.1	2.3	4.4	-2.2	2.9	5.1	3.1
Comoros	3.1	3.6	3.7	4.5	3.0	3.4	3.0
Congo, Dem. Rep. of	284.1	25.3	12.8	4.0	21.4	13.2	17.4
Eritrea	11.2	16.9	22.7	25.1	12.5	17.3	22.7
Ethiopia	0.6	-7.2	15.1	8.6	6.8	12.3	17.0
Gambia, The	2.6	8.6	17.0	14.2	3.2	1.5	3.2
Ghana	22.9	14.8	26.7	12.6	15.1	10.9	9.4
Guinea	4.7	3.0	12.9	17.5	31.4	33.9	34.1
Guinea-Bissau	13.4	3.3	-3.5	0.8	3.4	1.9	1.9
Kenya	8.0	2.0	9.8	11.6	10.3	14.1	4.1
Lesotho	7.2	12.5	7.3	5.0	3.4	6.1	6.0
Liberia	n.a.	14.2	10.3	3.6	6.9	7.2	7.0
Madagascar	7.3	16.2	-1.1	14.0	18.4	10.8	9.6
Malawi	28.1	14.9	9.6	11.6	12.3	9.0	7.0
Mali	1.3	5.0	-1.3	-3.1	6.4	1.9	2.5
Mauritius	6.1	4.4	5.1	3.9	5.6	5.1	10.4
Mozambique	6.7	16.8	13.5	12.6	6.4	13.2	5.9
Namibia	8.4	11.3	7.2	4.1	2.3	5.1	5.9
Niger	2.4	2.7	-1.8	0.4	7.8	0.1	2.0
Rwanda	4.7	2.0	7.4	12.0	9.2	5.5	5.0
São Tomé and Príncipe	28.5	9.2	9.6	12.8	16.3	21.4	18.6
Senegal	1.5	2.3	0.0	0.5	1.7	2.1	2.8
Seychelles	4.4	0.2	3.2	3.9	1.0	-0.5	11.0
Sierra Leone	17.3	-3.7	7.5	14.2	12.1	9.5	8.4
South Africa	6.4	9.2	5.8	1.4	3.4	4.7	5.5
Swaziland	7.2	11.7	7.4	3.4	4.8	5.1	5.8
Tanzania	9.8	4.6	4.4	4.1	4.4	5.8	5.5
Togo	2.4	3.1	-0.9	0.4	6.8	2.7	2.9
Uganda	4.8	-2.0	5.7	5.0	8.0	6.6	5.8
Zambia	24.7	22.2	21.4	18.0	18.3	9.1	8.0
Zimbabwe	47.4	133.2	365.0	350.0	237.8	1,016.7	2,879.5
<b>Sub-Saharan Africa</b>	<b>15.0</b>	<b>12.2</b>	<b>13.6</b>	<b>9.5</b>	<b>10.6</b>	<b>11.8</b>	<b>13.0</b>
Excluding Nigeria and South Africa	23.4	14.4	19.9	14.8	14.7	18.2	19.9
Excluding Zimbabwe	14.1	9.9	9.7	6.1	8.1	7.2	7.1
CFA franc zone	2.7	3.9	1.3	0.2	4.4	3.5	2.8
WAEMU	2.6	3.0	0.8	0.2	4.9	2.0	2.4
CEMAC	2.9	5.2	2.1	0.3	3.7	5.3	3.3
SADC	21.4	17.8	16.7	10.8	10.6	14.6	17.3
COMESA	41.6	22.8	34.7	26.4	22.3	30.0	35.4
<b>Resource intensive countries</b>	<b>18.4</b>	<b>16.7</b>	<b>15.9</b>	<b>12.2</b>	<b>13.5</b>	<b>9.1</b>	<b>7.9</b>
Oil	20.6	18.8	17.0	12.5	13.2	7.7	6.6
Non-oil	9.8	8.5	11.5	11.3	14.8	15.4	13.7
<b>Non-resource intensive countries</b>	<b>13.9</b>	<b>10.7</b>	<b>12.8</b>	<b>8.5</b>	<b>9.5</b>	<b>12.8</b>	<b>15.1</b>
Coastal	7.3	8.8	7.0	3.4	5.0	5.9	5.7
Landlocked	34.4	16.3	31.3	24.9	23.7	35.7	47.3
MDRI	7.2	4.4	9.0	6.7	8.1	7.9	7.4
Fixed exchange rate regime	9.7	17.0	22.8	19.0	17.2	29.4	36.9
Floating exchange rate regime	16.5	11.0	11.3	7.2	9.0	7.9	8.0

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

<b>Table SA6. Total Investment</b> (Percent of GDP)							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>21.8</b>	<b>22.5</b>	<b>21.9</b>	<b>20.0</b>	<b>18.7</b>	<b>19.5</b>	<b>20.8</b>
Angola	23.3	12.6	12.7	9.1	8.1	15.0	13.7
Cameroon	18.1	19.8	17.5	18.9	21.0	20.5	21.4
Chad	23.3	60.6	55.9	25.8	21.4	22.6	22.3
Congo, Rep. of	25.1	23.4	25.7	24.2	22.4	24.3	31.0
Côte d'Ivoire	12.6	10.1	10.1	10.8	9.7	9.7	10.8
Equatorial Guinea	78.5	33.8	61.0	47.5	39.5	32.3	35.5
Gabon	28.4	24.4	23.9	24.5	21.9	22.4	24.3
Nigeria	23.1	26.2	23.9	22.5	21.2	21.1	24.5
<b>Oil-importing countries</b>	<b>17.4</b>	<b>14.1</b>	<b>17.5</b>	<b>19.1</b>	<b>19.4</b>	<b>20.8</b>	<b>21.6</b>
Benin	19.6	17.2	19.6	19.0	19.6	18.1	21.7
Botswana	34.3	40.7	41.5	38.4	30.1	25.3	25.8
Burkina Faso	24.3	21.8	21.1	22.5	22.4	22.7	22.2
Burundi	6.2	6.4	10.6	13.3	10.8	16.6	18.0
Cape Verde	34.3	35.8	31.0	37.4	37.3	39.3	42.7
Central African Republic	9.6	9.0	6.0	6.1	8.8	7.9	9.7
Comoros	12.0	11.0	10.3	9.4	9.3	10.0	13.5
Congo, Dem. Rep. of	15.8	9.0	12.2	12.8	13.9	13.4	16.6
Eritrea	29.6	26.3	25.3	21.4	19.0	18.1	19.8
Ethiopia	13.9	16.7	16.9	19.1	18.5	18.9	22.2
Gambia, The	19.8	21.0	19.2	27.4	26.0	23.2	27.5
Ghana	24.0	19.7	22.9	28.4	29.0	29.1	31.5
Guinea	19.1	13.5	10.2	11.3	13.8	12.9	10.7
Guinea-Bissau	15.5	9.6	12.6	13.2	14.6	9.8	17.7
Kenya	13.7	12.0	13.1	14.7	17.5	19.5	21.1
Lesotho	46.3	43.8	45.1	34.6	28.0	26.2	26.4
Liberia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Madagascar	15.3	14.3	17.9	24.3	22.5	21.7	21.9
Malawi	13.4	10.4	10.8	14.4	13.0	14.2	19.6
Mali	21.9	18.6	21.1	21.7	22.3	22.5	22.6
Mauritius	26.6	20.3	24.9	22.8	22.9	21.2	23.4
Mozambique	28.2	29.8	27.4	22.6	20.4	24.8	27.7
Namibia	22.4	19.7	29.8	26.4	28.3	29.4	31.9
Niger	11.4	14.2	14.2	16.4	16.5	15.5	18.0
Rwanda	16.4	16.9	18.4	20.5	22.6	21.3	23.0
São Tomé and Príncipe	39.4	32.5	36.1	35.2	34.1	63.8	64.1
Senegal	18.7	18.9	24.0	23.7	25.6	24.8	25.9
Seychelles	32.6	25.6	10.4	12.7	21.9	31.9	38.3
Sierra Leone	5.6	10.1	13.9	10.7	17.3	15.3	19.0
South Africa	16.2	16.1	16.9	17.7	18.3	20.3	20.4
Swaziland	19.8	19.8	18.0	18.4	18.0	17.2	17.2
Tanzania	16.2	19.2	21.2	21.0	22.2	23.4	24.5
Togo	14.3	18.2	18.9	18.8	20.6	21.5	23.0
Uganda	18.3	19.4	20.5	22.3	21.1	23.1	24.6
Zambia	17.4	22.0	25.6	24.3	23.5	23.5	25.0
Zimbabwe	15.5	-8.8	-13.0	5.1	4.4	11.0	17.5
<b>Sub-Saharan Africa</b>	<b>18.5</b>	<b>16.4</b>	<b>18.7</b>	<b>19.3</b>	<b>19.2</b>	<b>20.4</b>	<b>21.4</b>
Excluding Nigeria and South Africa	19.3	14.1	18.8	20.0	19.5	20.3	21.3
CFA franc zone	19.5	19.7	21.4	20.8	20.8	20.5	21.8
WAEMU	16.4	15.2	16.8	17.4	17.7	17.4	18.7
CEMAC	23.8	25.4	27.1	24.6	24.0	23.3	25.1
SADC	17.7	13.3	17.1	18.3	18.1	20.0	20.1
COMESA	17.1	7.4	13.3	16.3	16.1	18.5	19.2
<b>Resource intensive countries</b>	<b>22.2</b>	<b>23.0</b>	<b>23.1</b>	<b>21.2</b>	<b>19.6</b>	<b>20.1</b>	<b>21.4</b>
Oil	21.8	22.5	21.9	20.0	18.7	19.5	20.8
Non-oil	24.2	25.9	29.5	27.6	25.5	23.9	25.0
<b>Non-resource intensive countries</b>	<b>17.0</b>	<b>13.2</b>	<b>16.6</b>	<b>18.4</b>	<b>19.0</b>	<b>20.6</b>	<b>21.4</b>
Coastal	17.0	16.7	17.7	18.6	19.2	21.0	21.6
Landlocked	16.7	4.6	11.3	17.7	17.7	18.4	20.3
MDRI	18.3	19.0	20.2	21.5	22.0	22.4	24.1
Fixed exchange rate regime	20.8	12.3	19.9	22.2	21.5	21.1	22.3
Floating exchange rate regime	17.9	18.1	18.4	18.6	18.6	20.2	21.1

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA7. Domestic Saving</b> (Percent of GDP)							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>28.4</b>	<b>26.3</b>	<b>30.0</b>	<b>35.0</b>	<b>39.7</b>	<b>41.2</b>	<b>36.9</b>
Angola	24.4	23.9	19.2	25.1	34.1	36.7	29.4
Cameroon	19.1	19.0	17.8	18.5	19.0	19.5	18.5
Chad	5.3	-40.4	21.6	26.1	36.8	43.1	39.2
Congo, Rep. of	43.7	51.0	51.3	51.3	58.7	70.2	59.6
Côte d'Ivoire	20.1	26.7	21.0	20.0	17.0	18.7	19.0
Equatorial Guinea	61.1	80.0	81.2	85.7	90.0	90.9	87.0
Gabon	49.8	43.5	48.1	52.6	60.5	57.2	50.4
Nigeria	29.8	25.4	32.1	39.2	42.6	42.9	41.2
<b>Oil-importing countries</b>	<b>14.7</b>	<b>11.5</b>	<b>14.3</b>	<b>15.6</b>	<b>14.5</b>	<b>14.9</b>	<b>14.6</b>
Benin	7.8	3.3	6.7	6.7	9.5	7.1	10.9
Botswana	47.4	52.2	50.7	49.8	47.4	44.2	43.2
Burkina Faso	9.7	8.6	7.9	8.8	7.4	9.1	9.1
Burundi	-3.3	-9.7	-8.7	-11.0	-23.1	-20.1	-19.6
Cape Verde	-4.9	-7.0	-6.5	-1.5	4.3	4.9	6.9
Central African Republic	4.7	3.7	0.3	-0.5	2.1	1.5	3.1
Comoros	-7.8	-4.0	-5.8	-10.6	-12.9	-15.6	-12.2
Congo, Dem. Rep. of	17.4	4.0	5.0	8.5	2.2	3.0	6.9
Eritrea	-29.1	-34.6	-65.7	-57.1	-30.2	-19.0	-15.3
Ethiopia	3.5	2.0	1.9	1.5	-3.5	-5.3	-0.9
Gambia, The	11.9	12.6	9.9	1.5	-2.3	1.1	4.9
Ghana	6.2	7.4	10.9	7.3	3.4	5.1	6.1
Guinea	15.3	9.5	7.8	7.3	11.1	10.2	6.9
Guinea-Bissau	-7.0	-11.8	-1.6	-3.0	1.3	-12.4	-10.8
Kenya	6.2	4.9	6.2	7.1	6.8	5.8	6.1
Lesotho	-20.3	-15.6	-6.1	-11.8	-17.6	-13.8	-12.0
Liberia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Madagascar	8.4	7.7	8.9	9.4	8.9	10.0	10.8
Malawi	2.7	-16.7	-12.1	-10.6	-23.9	-13.5	-4.0
Mali	12.4	18.5	14.0	13.5	13.6	16.5	18.6
Mauritius	24.4	24.7	25.8	23.3	18.5	14.4	15.0
Mozambique	9.4	10.5	10.6	13.2	9.4	19.8	16.6
Namibia	13.7	14.6	23.2	22.3	24.7	30.8	32.8
Niger	3.5	5.3	4.9	5.4	3.1	3.2	4.4
Rwanda	-0.6	0.0	-0.8	2.2	2.3	0.5	0.1
São Tomé and Príncipe	-16.4	-18.0	-19.0	-22.0	-26.2	-23.6	-22.6
Senegal	11.6	8.5	11.8	10.9	9.9	5.0	8.3
Seychelles	18.4	24.4	21.5	14.7	-5.0	11.2	-0.1
Sierra Leone	-2.8	-9.4	-5.5	-1.7	-0.7	2.2	7.2
South Africa	18.3	19.8	18.4	18.1	17.8	18.0	16.6
Swaziland	2.1	19.5	19.9	16.8	13.9	11.2	10.9
Tanzania	5.8	11.8	14.5	13.6	11.7	10.5	10.6
Togo	-0.4	4.0	2.9	1.0	-0.3	-1.2	3.9
Uganda	7.5	4.8	5.9	8.7	7.2	8.6	9.9
Zambia	6.4	8.7	13.1	19.8	20.3	31.8	30.5
Zimbabwe	13.3	-12.5	-21.1	-3.7	-6.7	8.4	17.1
<b>Sub-Saharan Africa</b>	<b>18.1</b>	<b>15.5</b>	<b>18.6</b>	<b>21.0</b>	<b>22.2</b>	<b>23.2</b>	<b>21.5</b>
Excluding Nigeria and South Africa	14.7	10.4	14.8	18.1	19.5	21.7	19.9
CFA franc zone	20.5	21.1	22.6	24.5	28.3	30.3	27.2
WAEMU	13.4	15.5	13.5	12.9	11.5	11.4	13.0
CEMAC	29.8	28.1	33.8	37.5	45.2	48.3	42.3
SADC	17.6	14.0	16.8	18.6	18.7	20.2	18.8
COMESA	10.8	2.5	6.8	12.5	14.0	17.5	16.9
<b>Resource intensive countries</b>	<b>27.5</b>	<b>25.9</b>	<b>29.6</b>	<b>34.0</b>	<b>38.2</b>	<b>39.9</b>	<b>36.2</b>
Oil	28.4	26.3	30.0	35.0	39.7	41.2	36.9
Non-oil	23.3	24.0	27.7	28.8	28.9	32.1	31.7
<b>Non-resource intensive countries</b>	<b>14.1</b>	<b>10.6</b>	<b>13.3</b>	<b>14.5</b>	<b>13.4</b>	<b>13.6</b>	<b>13.3</b>
Coastal	15.6	16.3	16.3	16.2	15.5	15.5	14.6
Landlocked	7.5	-3.7	-0.6	4.8	1.5	3.3	7.9
MDRI	8.5	8.6	10.0	10.6	8.8	10.6	11.2
Fixed exchange rate regime	20.1	11.6	19.5	24.4	27.0	29.1	26.3
Floating exchange rate regime	17.6	17.1	18.4	20.0	20.9	21.7	20.2

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

**Table SA8. Overall Fiscal Balance, Including Grants**  
(Central government; percent of GDP)

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>-3.1</b>	<b>-2.8</b>	<b>-1.4</b>	<b>4.2</b>	<b>7.7</b>	<b>10.7</b>	<b>3.6</b>
Angola	-13.3	-5.4	-6.0	-0.5	7.3	9.4	-0.1
Cameroon	-1.2	0.7	1.2	-0.5	3.5	30.7	2.0
Chad	-4.9	-6.0	-6.4	-3.0	-0.4	0.6	8.4
Congo, Rep. of	-6.9	-8.1	0.4	3.9	15.9	23.3	5.7
Côte d'Ivoire	-1.4	-1.2	-2.9	-1.7	-1.7	-2.1	-0.8
Equatorial Guinea	4.8	10.9	-1.7	11.2	20.2	15.7	15.8
Gabon	0.7	3.5	7.4	7.6	9.4	11.1	9.2
Nigeria	-2.8	-4.2	-1.3	7.7	9.3	8.8	4.9
<b>Oil-importing countries</b>	<b>-2.9</b>	<b>-2.7</b>	<b>-2.5</b>	<b>-2.1</b>	<b>-1.2</b>	<b>1.0</b>	<b>-1.8</b>
Benin	0.2	-2.3	-1.9	-1.0	-2.5	-0.3	-2.0
Botswana	2.3	-3.6	-1.2	0.6	6.8	3.1	0.6
Burkina Faso <sup>1</sup>	-3.2	-4.7	-2.9	-4.3	-4.9	16.0	-6.0
Burundi	-4.8	-1.4	-6.2	-4.9	-5.1	-2.2	0.7
Cape Verde	-10.6	-2.6	-3.5	-4.0	-6.3	-1.7	-4.2
Central African Republic	-0.9	-1.2	-3.1	-2.2	-4.5	0.0	1.7
Comoros	-2.9	-3.6	-3.4	-1.7	0.1	-1.3	-0.7
Congo, Dem. Rep. of	-5.0	-2.7	-4.7	-4.9	-3.6	-0.9	1.1
Eritrea	-35.2	-30.4	-16.7	-19.5	-17.8	-17.0	-18.1
Ethiopia	-5.6	-7.6	-7.0	-3.2	-4.7	-4.4	-5.4
Gambia, The	-5.5	-4.4	-4.7	-5.7	-8.6	-4.7	1.4
Ghana	-8.4	-5.0	-3.3	-3.1	-1.7	-6.2	-5.6
Guinea	-2.8	-4.4	-6.1	-4.9	-0.8	1.1	1.1
Guinea-Bissau	-11.3	-8.8	-12.9	-15.0	-11.9	-3.7	-10.0
Kenya	-0.9	-3.2	-1.7	-0.1	-1.8	-3.2	-3.3
Lesotho	-3.8	-4.4	0.8	9.1	4.2	5.9	2.8
Liberia	n.a.	-1.3	0.9	-0.1	-0.1	3.2	-2.6
Madagascar <sup>1</sup>	-3.8	-6.2	-4.8	-5.7	-4.3	36.2	-4.4
Malawi	-5.7	-11.6	-6.5	-6.6	-1.5	-3.0	-0.4
Mali <sup>1</sup>	-3.4	-3.6	-1.3	-2.6	-3.2	31.3	-3.9
Mauritius	-4.8	-6.1	-6.2	-5.3	-5.0	-5.3	-4.1
Mozambique	-3.6	-7.2	-4.1	-4.3	-2.1	-2.0	-4.6
Namibia	-3.2	-3.5	-6.5	-4.4	-1.4	-0.1	-0.4
Niger <sup>1</sup>	-3.6	-2.8	-2.7	-3.5	-2.7	38.6	-5.8
Rwanda	-2.0	-1.9	-2.5	-0.2	0.7	-0.2	-2.1
São Tomé and Príncipe	-25.8	-16.4	-17.0	-26.6	58.1	-13.0	197.5
Senegal	-0.5	-0.6	-1.6	-2.9	-3.3	-5.8	-4.3
Seychelles	-11.1	-17.4	3.2	-0.5	2.3	-8.2	0.9
Sierra Leone <sup>1</sup>	-9.0	-8.3	-6.7	-3.5	-2.7	9.5	25.0
South Africa	-2.4	-1.2	-2.0	-1.7	-0.6	0.1	0.5
Swaziland	-0.6	-4.7	-2.8	-4.6	-1.6	0.5	-2.0
Tanzania	-1.0	-1.0	-1.4	-3.0	-3.2	-5.2	-5.0
Togo	-2.9	-0.4	2.4	1.0	-2.4	-3.3	-3.0
Uganda	-3.0	-5.3	-4.3	-1.7	-0.6	-0.9	-1.8
Zambia <sup>1</sup>	-4.4	-5.1	-6.0	-2.9	-2.7	20.0	-2.1
Zimbabwe	-8.7	-2.7	-0.2	-7.6	-6.0	-10.0	-26.4
<b>Sub-Saharan Africa</b>	<b>-2.9</b>	<b>-2.7</b>	<b>-2.2</b>	<b>-0.4</b>	<b>1.5</b>	<b>4.1</b>	<b>-0.1</b>
Excluding Nigeria and South Africa	-3.5	-3.2	-2.6	-1.6	0.9	6.0	-2.1
CFA franc zone	-1.5	-0.9	-0.7	0.0	2.7	12.9	1.7
WAEMU	-1.8	-2.0	-2.2	-2.4	-2.8	6.6	-3.1
CEMAC	-1.2	0.5	1.2	2.7	8.2	18.9	6.7
SADC	-3.2	-2.4	-2.5	-2.0	-0.1	1.9	-1.2
COMESA	-5.1	-4.4	-4.2	-2.7	-0.1	4.0	-4.3
<b>Resource intensive countries</b>	<b>-2.9</b>	<b>-3.0</b>	<b>-1.8</b>	<b>3.2</b>	<b>6.9</b>	<b>10.3</b>	<b>3.3</b>
Oil	-3.1	-2.8	-1.4	4.2	7.7	10.7	3.6
Non-oil	-1.8	-4.4	-4.4	-2.3	1.4	8.1	1.3
<b>Non-resource intensive countries</b>	<b>-3.0</b>	<b>-2.5</b>	<b>-2.4</b>	<b>-2.1</b>	<b>-1.4</b>	<b>0.5</b>	<b>-2.1</b>
Coastal	-2.6	-2.0	-2.1	-1.9	-1.1	-0.3	-0.7
Landlocked	-5.0	-3.9	-3.3	-3.4	-3.1	4.7	-8.1
MDRI	-3.3	-3.7	-2.8	-2.7	-1.9	8.9	-3.0
Fixed exchange rate regime	-2.3	-1.9	-1.0	-0.5	2.3	9.9	-2.0
Floating exchange rate regime	-3.1	-3.0	-2.5	-0.3	1.3	2.6	0.4

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

<sup>1</sup> The fiscal balance of a number of countries has been particularly distorted by MDRI relief in 2006/07. If MDRI relief had been provided on a flow basis, the fiscal balance in percent of GDP for 2006 would have been -5.0 percent for Burkina Faso, -5.1 percent for Madagascar, -3.4 percent for Mali, -3.7 percent for Niger, and -2.7 percent for Zambia; and in 2007, -0.3 percent for Sierra Leone.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

**Table SA9. Overall Fiscal Balance, Excluding Grants**  
*(Central government; percent of GDP)*

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>-3.6</b>	<b>-3.0</b>	<b>-1.8</b>	<b>3.9</b>	<b>7.4</b>	<b>7.9</b>	<b>3.3</b>
Angola	-15.7	-5.4	-6.7	-1.0	7.1	9.3	-0.2
Cameroon	-1.3	0.5	0.7	-0.8	3.0	2.7	0.7
Chad	-10.2	-12.1	-14.1	-6.0	-3.7	-1.9	5.5
Congo, Rep. of	-7.2	-8.3	-0.1	3.6	15.7	23.2	4.8
Côte d'Ivoire	-2.0	-1.7	-3.5	-2.6	-2.8	-3.1	-1.8
Equatorial Guinea	4.4	10.9	-1.7	11.2	20.2	15.7	15.5
Gabon	0.7	3.4	7.4	7.5	9.4	11.0	9.1
Nigeria	-2.8	-4.2	-1.3	7.7	9.3	8.8	4.9
<b>Oil-importing countries</b>	<b>-4.3</b>	<b>-4.0</b>	<b>-4.1</b>	<b>-3.7</b>	<b>-2.8</b>	<b>-2.9</b>	<b>-3.8</b>
Benin	-2.8	-3.3	-3.7	-3.7	-4.6	-2.5	-4.7
Botswana	1.9	-3.9	-1.3	0.0	6.2	2.5	0.0
Burkina Faso	-10.2	-9.9	-8.3	-8.6	-9.3	-10.8	-11.2
Burundi	-7.1	-5.7	-13.8	-19.7	-16.8	-21.5	-22.7
Cape Verde	-19.3	-11.3	-9.1	-13.0	-12.7	-8.6	-11.8
Central African Republic	-0.9	-1.2	-3.1	-2.2	-4.5	0.0	1.7
Comoros	-9.1	-7.8	-5.7	-4.5	-4.2	-7.6	-8.7
Congo, Dem. Rep. of	-5.0	-3.1	-6.7	-6.8	-8.8	-9.1	-6.3
Eritrea	-47.1	-44.5	-38.5	-37.2	-34.5	-26.5	-27.4
Ethiopia	-8.5	-11.4	-13.6	-8.1	-9.4	-8.5	-10.7
Gambia, The	-7.3	-8.9	-7.2	-10.2	-10.3	-5.5	-7.1
Ghana	-11.2	-8.1	-8.0	-9.5	-6.9	-11.3	-10.2
Guinea	-5.6	-6.2	-8.9	-5.9	-1.4	-0.2	-0.4
Guinea-Bissau	-28.6	-17.4	-23.3	-32.2	-24.6	-15.9	-22.1
Kenya	-1.8	-3.9	-3.6	-1.3	-3.0	-4.4	-4.5
Lesotho	-6.4	-8.4	-1.4	6.5	2.2	5.2	2.1
Liberia	n.a.	-1.3	0.2	-0.4	-0.9	3.0	-3.4
Madagascar	-7.8	-8.4	-9.9	-13.9	-10.1	-10.9	-9.5
Malawi	-12.1	-17.4	-17.3	-20.8	-17.6	-18.9	-17.4
Mali	-8.0	-7.3	-5.7	-6.6	-7.3	-8.7	-9.1
Mauritius	-5.0	-6.3	-6.5	-5.7	-5.3	-5.6	-4.5
Mozambique	-13.8	-17.5	-13.6	-11.8	-8.6	-12.7	-16.5
Namibia	-3.4	-3.6	-6.6	-4.5	-1.4	-0.2	-0.7
Niger	-8.3	-7.7	-7.5	-9.2	-8.4	-7.8	-9.3
Rwanda	-9.1	-9.1	-10.5	-12.3	-13.4	-13.2	-14.7
São Tomé and Príncipe	-47.4	-43.6	-49.5	-58.8	31.4	-36.8	-4.6
Senegal	-2.7	-2.3	-3.6	-5.0	-4.9	-7.5	-6.2
Seychelles	-11.7	-17.5	3.2	-0.7	1.0	-10.4	-0.3
Sierra Leone	-13.4	-16.5	-14.4	-12.4	-12.8	-10.7	-11.7
South Africa	-2.4	-1.2	-2.0	-1.7	-0.6	0.1	0.5
Swaziland	-1.5	-6.0	-3.8	-5.4	-2.6	0.0	-2.5
Tanzania	-4.5	-5.1	-7.2	-8.6	-10.4	-10.9	-12.7
Togo	-4.0	-0.8	1.9	0.2	-3.6	-4.4	-5.2
Uganda	-8.7	-12.3	-10.9	-10.7	-8.5	-7.5	-8.2
Zambia	-10.7	-13.4	-13.0	-8.4	-8.3	-6.0	-6.8
Zimbabwe	-9.7	-2.8	-0.4	-7.7	-6.0	-10.1	-26.5
<b>Sub-Saharan Africa</b>	<b>-4.0</b>	<b>-3.7</b>	<b>-3.5</b>	<b>-1.6</b>	<b>0.3</b>	<b>0.5</b>	<b>-1.6</b>
Excluding Nigeria and South Africa	-5.8	-5.2	-5.4	-4.4	-1.9	-1.7	-5.1
CFA franc zone	-3.2	-2.3	-2.4	-1.5	1.1	1.5	-0.2
WAEMU	-4.4	-4.0	-4.5	-4.8	-5.3	-6.0	-5.8
CEMAC	-1.7	-0.2	0.2	2.2	7.5	8.7	5.7
SADC	-3.9	-3.1	-3.4	-2.8	-1.0	-0.3	-2.2
COMESA	-7.4	-6.0	-7.0	-5.7	-3.0	-2.0	-6.9
<b>Resource intensive countries</b>	<b>-3.6</b>	<b>-3.7</b>	<b>-2.6</b>	<b>2.6</b>	<b>6.3</b>	<b>6.6</b>	<b>2.5</b>
Oil	-3.6	-3.0	-1.8	3.9	7.4	7.9	3.3
Non-oil	-4.0	-7.2	-6.7	-4.3	-0.8	-1.8	-2.7
<b>Non-resource intensive countries</b>	<b>-4.3</b>	<b>-3.8</b>	<b>-3.9</b>	<b>-3.6</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.8</b>
Coastal	-3.4	-2.8	-3.1	-2.8	-2.0	-1.9	-1.8
Landlocked	-8.2	-6.1	-7.4	-8.3	-8.5	-8.6	-12.9
MDRI	-7.2	-7.7	-7.6	-7.7	-6.8	-7.6	-8.6
Fixed exchange rate regime	-3.8	-2.8	-2.3	-1.9	1.0	0.9	-3.6
Floating exchange rate regime	-4.1	-4.1	-3.8	-1.5	0.1	0.4	-1.0

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

**Table SA10. Government Revenue, Excluding Grants**  
(Percent of GDP)

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>22.2</b>	<b>24.1</b>	<b>22.5</b>	<b>25.9</b>	<b>28.5</b>	<b>31.1</b>	<b>29.7</b>
Angola	42.6	41.1	37.2	37.5	40.4	46.6	37.3
Cameroon	14.3	16.2	16.1	15.2	17.3	17.8	17.4
Chad	7.7	8.1	7.9	8.5	9.3	16.2	25.9
Congo, Rep. of	26.9	27.2	29.1	32.2	39.4	49.7	36.0
Côte d'Ivoire	17.7	17.9	16.9	17.5	17.1	18.0	19.2
Equatorial Guinea	22.3	26.9	27.1	32.6	38.0	34.2	35.7
Gabon	32.7	31.5	30.1	30.1	31.3	33.6	32.1
Nigeria	20.0	22.9	21.0	26.7	28.1	27.7	29.0
<b>Oil-importing countries</b>	<b>20.8</b>	<b>19.9</b>	<b>21.1</b>	<b>22.3</b>	<b>23.4</b>	<b>23.9</b>	<b>25.0</b>
Benin	15.0	16.3	17.0	16.4	16.5	16.7	16.9
Botswana	39.5	36.6	38.0	37.5	39.9	39.2	38.1
Burkina Faso	12.3	11.3	12.1	12.8	12.3	12.4	13.1
Burundi	17.2	20.3	21.1	20.1	20.0	19.1	19.7
Cape Verde	20.3	22.6	21.3	24.8	23.7	27.1	24.3
Central African Republic	14.9	14.6	9.2	11.4	12.2	12.9	15.1
Comoros	12.2	16.4	15.8	15.6	15.7	14.2	15.4
Congo, Dem. Rep. of	5.4	7.9	7.7	9.5	11.6	13.2	13.2
Eritrea	32.7	27.8	36.4	27.5	29.6	28.3	28.4
Ethiopia	14.9	16.4	16.2	17.0	15.8	16.9	17.4
Gambia, The	17.8	16.3	15.7	20.9	19.7	21.6	21.3
Ghana	17.6	18.0	20.8	23.8	23.8	21.6	22.7
Guinea	11.1	12.0	10.5	10.4	12.8	13.9	12.6
Guinea-Bissau	8.5	15.3	15.2	17.2	17.6	19.8	18.5
Kenya	20.3	19.6	19.7	21.2	21.2	20.6	21.7
Lesotho	43.2	41.0	42.9	49.7	52.4	49.9	47.7
Liberia	n.a.	13.4	11.1	14.8	14.6	8.6	7.7
Madagascar	10.6	8.0	10.3	12.0	10.9	11.4	11.4
Malawi	16.9	17.7	22.0	23.2	25.5	24.3	24.1
Mali	13.5	15.9	16.4	17.4	17.9	17.2	16.8
Mauritius	19.6	18.3	20.1	19.9	19.8	19.9	19.3
Mozambique	12.0	12.4	12.9	12.6	14.0	14.4	14.9
Namibia	32.4	30.5	29.2	30.2	32.7	34.9	36.6
Niger	8.9	10.6	9.9	11.2	9.7	11.3	12.0
Rwanda	10.4	12.3	13.5	13.9	15.1	15.4	15.0
São Tomé and Príncipe	14.4	23.3	25.6	28.4	100.5	33.7	62.7
Senegal	16.2	17.9	18.2	18.5	19.4	19.7	19.9
Seychelles	42.5	40.0	49.8	50.0	50.2	50.9	49.7
Sierra Leone	8.9	12.2	12.4	12.3	11.9	11.8	13.2
South Africa	23.5	23.3	23.2	24.0	25.6	26.5	27.7
Swaziland	28.6	26.0	26.1	30.7	32.1	35.7	35.8
Tanzania	11.2	11.1	11.4	11.8	12.5	13.3	13.8
Togo	13.9	12.3	17.0	16.8	15.7	16.1	16.6
Uganda	11.3	12.2	12.2	12.7	12.8	13.2	13.6
Zambia	19.0	17.9	18.0	18.2	17.4	16.9	17.6
Zimbabwe	25.0	17.9	24.9	33.8	43.7	43.3	40.1
<b>Sub-Saharan Africa</b>	<b>21.2</b>	<b>21.0</b>	<b>21.5</b>	<b>23.3</b>	<b>25.0</b>	<b>26.2</b>	<b>26.5</b>
Excluding Nigeria and South Africa	19.3	19.2	20.1	21.4	23.3	25.4	24.8
CFA franc zone	17.4	18.2	18.0	18.8	20.7	22.4	21.7
WAEMU	15.4	16.0	16.0	16.5	16.4	16.9	17.4
CEMAC	20.0	21.0	20.5	21.3	25.0	27.7	26.2
SADC	23.4	22.3	23.4	24.5	26.4	28.2	28.5
COMESA	20.7	20.0	21.7	23.6	25.7	28.5	27.4
<b>Resource intensive countries</b>	<b>23.0</b>	<b>24.3</b>	<b>23.1</b>	<b>26.0</b>	<b>28.5</b>	<b>30.5</b>	<b>29.5</b>
Oil	22.2	24.1	22.5	25.9	28.5	31.1	29.7
Non-oil	26.6	25.3	26.4	26.7	28.3	27.2	28.0
<b>Non-resource intensive countries</b>	<b>20.4</b>	<b>19.5</b>	<b>20.7</b>	<b>21.9</b>	<b>23.1</b>	<b>23.6</b>	<b>24.8</b>
Coastal	21.5	20.9	21.5	22.6	23.9	24.5	25.4
Landlocked	15.5	15.9	16.9	17.9	18.6	19.2	22.1
MDRI	13.7	14.4	15.1	15.7	16.1	16.4	16.7
Fixed exchange rate regime	21.5	20.1	21.7	22.7	24.6	26.1	26.6
Floating exchange rate regime	21.2	21.4	21.4	23.4	25.1	26.2	26.5

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA11. Government Expenditure</b> (Central government; percent of GDP)							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>25.7</b>	<b>27.1</b>	<b>24.3</b>	<b>22.0</b>	<b>21.1</b>	<b>23.1</b>	<b>26.5</b>
Angola	58.3	46.5	43.9	38.5	33.3	37.3	37.5
Cameroon	15.6	15.7	15.4	16.0	14.4	15.2	16.8
Chad	17.9	20.2	22.0	14.4	13.0	18.1	20.3
Congo, Rep. of	34.1	35.5	29.3	28.6	23.7	26.5	31.2
Côte d'Ivoire	19.7	19.6	20.4	20.1	19.9	21.1	21.0
Equatorial Guinea	17.9	16.0	28.8	21.4	17.9	18.5	20.2
Gabon	31.9	28.0	22.8	22.6	21.9	22.6	22.9
Nigeria	22.8	27.1	22.3	19.0	18.9	18.9	24.1
<b>Oil-importing countries</b>	<b>25.1</b>	<b>23.9</b>	<b>25.2</b>	<b>25.9</b>	<b>26.3</b>	<b>26.8</b>	<b>28.8</b>
Benin	17.7	19.5	20.6	20.1	21.1	19.3	21.7
Botswana	37.6	40.4	39.3	37.5	33.7	36.8	38.1
Burkina Faso	22.5	21.2	20.4	21.4	21.7	23.2	24.2
Burundi	24.3	25.9	34.9	39.8	36.8	40.6	42.4
Cape Verde	39.5	33.9	30.4	37.8	36.4	35.7	36.1
Central African Republic	15.9	15.8	12.3	13.5	16.7	12.9	13.4
Comoros	21.4	24.1	21.5	20.1	19.9	21.8	24.1
Congo, Dem. Rep. of	10.5	11.0	14.4	16.3	20.4	22.3	19.6
Eritrea	79.8	72.3	74.9	64.7	64.1	54.8	55.7
Ethiopia	23.4	27.8	29.7	25.1	25.2	25.4	28.0
Gambia, The	25.2	25.2	22.9	31.1	30.0	27.1	28.4
Ghana	28.8	26.1	28.8	33.3	30.7	32.9	32.9
Guinea	16.7	18.3	19.4	16.3	14.2	14.1	13.0
Guinea-Bissau	37.1	32.7	38.5	49.4	42.2	35.7	40.6
Kenya	22.1	23.5	23.4	22.6	24.3	25.1	26.2
Lesotho	49.6	49.5	44.3	43.2	50.2	44.6	45.5
Liberia	n.a.	14.7	11.0	15.2	15.5	5.6	11.1
Madagascar	18.4	16.4	20.2	26.0	21.0	22.3	20.9
Malawi	29.1	35.1	39.3	44.0	43.1	43.2	41.4
Mali	21.6	23.2	22.1	24.0	25.2	25.9	26.0
Mauritius	24.6	24.6	26.6	25.6	25.1	25.5	23.8
Mozambique	25.8	30.0	26.5	24.4	22.6	27.1	31.4
Namibia	35.8	34.2	35.9	34.7	34.1	35.1	37.4
Niger	17.2	18.4	17.3	20.4	18.1	19.1	21.3
Rwanda	19.6	21.3	24.1	26.1	28.5	28.6	29.7
São Tomé and Príncipe	61.9	66.9	75.1	87.2	69.1	70.5	67.4
Senegal	18.9	20.1	21.7	23.5	24.3	27.3	26.1
Seychelles	54.2	57.5	46.6	50.7	49.2	61.4	50.1
Sierra Leone	22.3	28.6	26.7	24.8	24.6	22.6	24.8
South Africa	25.9	24.5	25.2	25.7	26.2	26.4	27.2
Swaziland	30.1	32.0	29.9	36.1	34.7	35.7	38.3
Tanzania	15.6	16.1	18.6	20.4	22.9	24.2	26.6
Togo	17.8	13.1	15.1	16.6	19.3	20.5	21.8
Uganda	20.0	24.5	23.1	23.3	21.3	20.6	21.8
Zambia	29.6	31.3	30.9	26.6	25.7	22.8	24.4
Zimbabwe	34.7	20.7	25.3	41.5	49.6	53.5	66.6
<b>Sub-Saharan Africa</b>	<b>25.3</b>	<b>24.8</b>	<b>25.0</b>	<b>24.8</b>	<b>24.7</b>	<b>25.6</b>	<b>28.1</b>
Excluding Nigeria and South Africa	25.1	24.4	25.6	25.8	25.2	27.1	29.8
CFA franc zone	20.5	20.5	20.4	20.3	19.6	20.9	21.9
WAEMU	19.8	20.0	20.5	21.4	21.7	22.8	23.2
CEMAC	21.7	21.1	20.3	19.1	17.5	19.0	20.5
SADC	27.3	25.4	26.8	27.3	27.4	28.5	30.7
COMESA	28.1	25.9	28.7	29.3	28.7	30.5	34.2
<b>Resource intensive countries</b>	<b>26.6</b>	<b>28.0</b>	<b>25.7</b>	<b>23.4</b>	<b>22.2</b>	<b>24.0</b>	<b>27.0</b>
Oil	25.7	27.1	24.3	22.0	21.1	23.1	26.5
Non-oil	30.7	32.5	33.2	31.0	29.1	29.0	30.7
<b>Non-resource intensive countries</b>	<b>24.6</b>	<b>23.3</b>	<b>24.6</b>	<b>25.5</b>	<b>26.0</b>	<b>26.6</b>	<b>28.6</b>
Coastal	24.9	23.8	24.7	25.4	25.9	26.4	27.2
Landlocked	23.7	22.0	24.2	26.2	27.0	27.8	35.0
MDRI	20.9	22.1	22.7	23.4	23.0	23.9	25.3
Fixed exchange rate regime	25.3	22.9	24.1	24.6	23.7	25.2	30.1
Floating exchange rate regime	25.3	25.5	25.2	24.9	25.0	25.8	27.5

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.



<b>Table SA12. Broad Money</b> (Percent of GDP)							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>18.6</b>	<b>24.7</b>	<b>21.9</b>	<b>20.2</b>	<b>18.3</b>	<b>20.9</b>	<b>21.5</b>
Angola	19.0	21.6	17.3	16.4	16.2	19.9	20.3
Cameroon	13.2	18.7	17.7	18.1	17.6	18.1	18.4
Chad	11.7	13.6	11.5	8.1	7.3	8.7	15.2
Congo, Rep. of	14.4	13.9	13.7	14.6	14.3	16.8	23.5
Côte d'Ivoire	22.4	30.1	22.1	23.7	24.1	24.5	25.0
Equatorial Guinea	6.4	6.4	8.9	8.1	7.1	8.0	11.5
Gabon	13.6	15.9	15.5	16.1	17.1	19.7	24.5
Nigeria	20.1	28.4	26.4	23.6	20.3	23.8	23.1
<b>Oil-importing countries</b>	<b>44.1</b>	<b>44.2</b>	<b>49.9</b>	<b>51.6</b>	<b>55.4</b>	<b>59.8</b>	<b>63.2</b>
Benin	27.8	29.1	29.4	26.5	29.8	32.3	31.5
Botswana	25.2	25.3	26.8	27.9	26.5	26.5	26.5
Burkina Faso	22.5	19.0	27.1	23.1	20.3	20.3	20.3
Burundi	19.0	24.1	27.0	27.7	29.7	30.0	30.5
Cape Verde	60.8	72.0	71.5	76.6	82.0	84.5	86.8
Central African Republic	17.0	14.4	13.9	16.0	17.8	17.3	17.4
Comoros	19.7	24.4	22.4	20.7	20.0	20.8	23.1
Congo, Dem. Rep. of	6.2	4.7	5.9	8.3	8.1	10.1	9.8
Eritrea	121.7	148.4	141.8	127.1	124.3	118.7	118.0
Ethiopia	34.3	41.9	42.8	41.4	41.1	41.0	41.4
Gambia, The	32.1	43.5	45.8	45.1	46.6	50.3	51.5
Ghana	24.8	31.4	32.0	33.4	31.3	35.7	36.6
Guinea	10.3	12.6	15.0	16.5	16.8	16.6	16.9
Guinea-Bissau	34.1	61.3	22.0	30.5	32.8	39.6	44.4
Kenya	38.2	39.0	39.5	39.9	39.4	39.1	39.3
Lesotho	32.3	29.6	28.8	28.2	26.9	26.6	26.7
Liberia	n.a.	8.6	12.9	18.6	21.1	23.7	24.2
Madagascar	20.9	23.3	21.9	21.6	18.2	18.3	17.9
Malawi	15.5	18.3	20.5	22.0	21.2	20.9	21.1
Mali	21.1	26.9	30.5	29.4	29.7	28.8	28.2
Mauritius	76.9	81.5	83.6	84.9	88.8	91.1	87.0
Mozambique	23.7	28.0	28.3	25.6	28.4	28.9	29.9
Namibia	38.8	37.8	40.3	43.7	45.0	52.7	54.0
Niger	8.2	9.0	12.2	15.0	13.9	14.2	14.2
Rwanda	16.9	17.6	18.5	17.8	18.3	19.1	19.1
São Tomé and Príncipe	31.8	39.4	50.0	47.1	56.5	56.8	55.7
Senegal	22.8	26.2	32.3	34.4	34.2	36.2	37.0
Seychelles	87.8	104.2	110.8	110.9	111.7	113.1	107.5
Sierra Leone	15.9	19.3	20.5	19.6	21.5	20.0	20.4
South Africa	58.3	61.2	64.1	65.4	71.2	78.1	80.5
Swaziland	24.2	20.7	20.6	21.3	20.9	22.3	25.0
Tanzania	14.1	14.1	14.6	15.0	16.7	18.4	20.3
Togo	24.9	23.5	27.6	31.0	28.9	30.6	29.9
Uganda	14.2	18.8	20.2	19.6	18.5	19.0	18.6
Zambia	20.1	22.3	21.8	22.4	18.0	17.0	17.0
Zimbabwe	36.5	37.2	58.7	43.8	84.8	134.0	145.9
<b>Sub-Saharan Africa</b>	<b>37.9</b>	<b>38.9</b>	<b>42.2</b>	<b>42.9</b>	<b>44.1</b>	<b>47.5</b>	<b>50.3</b>
Excluding Nigeria and South Africa	24.4	28.0	27.9	26.5	26.3	28.4	33.7
CFA franc zone	18.2	21.5	21.1	20.9	20.2	21.0	23.0
WAEMU	22.1	26.1	25.8	26.3	26.3	27.1	27.3
CEMAC	13.1	15.8	15.2	14.8	14.1	15.2	18.6
SADC	48.7	47.5	53.4	54.6	58.2	62.6	66.0
COMESA	30.3	33.3	34.8	31.8	31.5	33.8	41.7
<b>Resource intensive countries</b>	<b>19.5</b>	<b>24.6</b>	<b>22.6</b>	<b>21.5</b>	<b>19.5</b>	<b>21.7</b>	<b>22.4</b>
Oil	18.6	24.7	21.9	20.2	18.3	20.9	21.5
Non-oil	23.5	24.2	26.4	28.1	27.0	27.2	27.9
<b>Non-resource intensive countries</b>	<b>45.6</b>	<b>45.7</b>	<b>51.7</b>	<b>53.4</b>	<b>57.5</b>	<b>62.4</b>	<b>65.9</b>
Coastal	50.9	52.4	56.2	58.2	62.6	67.8	69.2
Landlocked	23.0	29.0	31.4	25.9	28.6	33.7	51.2
MDRI	20.1	23.5	24.8	24.8	24.4	25.4	26.1
Fixed exchange rate regime	23.2	28.2	27.8	24.9	25.6	28.9	40.7
Floating exchange rate regime	42.0	43.2	46.6	47.7	48.9	52.3	52.9

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA13. Broad Money Growth (Percent)</b>							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>32.0</b>	<b>35.2</b>	<b>15.4</b>	<b>17.5</b>	<b>22.6</b>	<b>34.1</b>	<b>14.5</b>
Angola	270.9	158.1	67.5	49.8	59.7	62.1	29.0
Cameroon	13.6	29.5	-0.9	7.3	4.2	11.0	6.7
Chad	3.5	27.5	-3.1	3.3	19.7	32.3	56.4
Congo, Rep. of	10.5	13.1	-2.4	17.4	34.5	44.5	9.0
Côte d'Ivoire	6.0	30.8	-26.6	9.5	7.4	6.4	6.2
Equatorial Guinea	33.0	53.1	56.7	33.5	34.7	37.3	27.2
Gabon	7.8	7.3	-0.3	11.8	27.6	20.4	21.2
Nigeria	29.3	21.6	24.1	14.0	16.0	33.3	6.5
<b>Oil-importing countries</b>	<b>17.1</b>	<b>29.5</b>	<b>22.1</b>	<b>15.7</b>	<b>19.4</b>	<b>25.5</b>	<b>30.0</b>
Benin	16.7	-3.8	6.6	-6.7	21.8	16.4	5.2
Botswana	25.4	-1.1	15.5	16.0	9.7	12.9	10.6
Burkina Faso	5.6	2.9	54.0	-7.2	-3.8	6.8	9.1
Burundi	13.5	27.0	23.3	16.7	26.0	9.6	12.3
Cape Verde	10.9	14.3	8.6	10.5	15.5	17.5	11.8
Central African Republic	-2.3	-4.3	-8.0	14.2	16.5	4.5	7.1
Comoros	11.9	9.1	-1.1	-6.3	3.1	7.3	17.8
Congo, Dem. Rep. of	264.6	30.2	48.3	60.0	25.9	48.7	21.7
Eritrea	28.2	20.1	12.9	11.4	11.9	15.3	22.1
Ethiopia	9.1	8.1	10.9	14.7	19.6	17.2	26.1
Gambia, The	19.9	35.3	43.4	18.3	13.1	16.5	13.3
Ghana	35.1	50.5	38.1	25.9	14.3	38.8	21.1
Guinea	14.1	19.2	35.3	37.0	37.2	40.8	37.4
Guinea-Bissau	36.8	24.2	-65.3	44.0	19.9	21.0	19.9
Kenya	5.4	10.0	11.5	13.4	9.1	17.1	11.2
Lesotho	10.3	2.7	5.3	6.2	4.7	10.1	11.3
Liberia	n.a.	36.8	8.3	49.3	35.7	34.4	14.5
Madagascar	15.9	6.3	6.3	18.5	4.6	16.7	13.6
Malawi	27.8	47.6	29.3	29.8	14.3	22.0	15.0
Mali	9.1	28.4	25.5	-2.4	9.5	6.7	8.0
Mauritius	12.0	13.0	12.5	12.7	13.1	11.2	10.5
Mozambique	29.5	21.5	18.7	5.9	27.1	23.4	17.5
Namibia	10.8	24.3	9.6	16.2	9.7	29.8	13.3
Niger	7.9	-0.4	42.2	20.3	6.5	6.1	6.3
Rwanda	14.7	11.4	15.2	12.1	16.7	14.7	10.4
São Tomé and Príncipe	36.2	26.2	43.9	7.4	45.9	29.4	25.0
Senegal	10.9	7.6	31.5	12.9	7.4	12.6	10.6
Seychelles	16.3	11.2	6.1	1.1	4.0	5.2	10.8
Sierra Leone	28.5	30.1	26.2	18.9	32.8	11.6	16.1
South Africa	13.0	18.1	12.9	13.1	19.9	23.1	14.9
Swaziland	10.4	13.1	14.1	10.4	5.9	15.3	19.1
Tanzania	10.1	21.3	16.9	19.1	27.5	24.5	25.2
Togo	4.4	-2.1	11.4	18.3	1.4	9.7	2.3
Uganda	18.4	21.6	23.3	9.0	8.7	16.4	12.6
Zambia	32.1	31.5	23.4	30.2	0.4	14.6	14.9
Zimbabwe	48.3	164.8	413.5	222.6	520.0	1,579.5	2,960.5
<b>Sub-Saharan Africa</b>	<b>20.6</b>	<b>31.0</b>	<b>20.2</b>	<b>16.2</b>	<b>20.4</b>	<b>28.2</b>	<b>25.0</b>
Excluding Nigeria and South Africa	25.5	42.3	25.8	20.0	22.3	31.2	39.9
Excluding Zimbabwe	19.8	22.2	15.8	15.1	18.8	25.3	14.8
CFA franc zone	9.3	18.5	3.8	8.9	13.0	16.2	12.4
WAEMU	8.1	15.4	4.3	6.2	7.2	8.8	7.4
CEMAC	10.8	22.6	3.1	12.1	19.1	23.8	17.9
SADC	23.4	39.9	24.4	18.6	24.6	31.6	34.6
COMESA	41.1	66.3	48.2	31.3	31.4	45.5	68.3
<b>Resource intensive countries</b>	<b>29.9</b>	<b>31.9</b>	<b>16.1</b>	<b>18.2</b>	<b>20.9</b>	<b>31.9</b>	<b>14.6</b>
Oil	32.0	35.2	15.4	17.5	22.6	34.1	14.5
Non-oil	20.4	15.6	19.4	22.0	11.1	19.2	15.3
<b>Non-resource intensive countries</b>	<b>16.8</b>	<b>30.6</b>	<b>22.3</b>	<b>15.2</b>	<b>20.1</b>	<b>26.1</b>	<b>31.2</b>
Coastal	13.2	17.3	13.9	13.4	18.6	22.4	14.8
Landlocked	34.0	71.2	69.3	26.6	28.9	47.9	137.5
MDRI	16.0	19.9	18.9	12.1	12.0	17.3	14.7
Fixed exchange rate regime	15.0	50.9	25.4	15.2	19.7	30.3	68.0
Floating exchange rate regime	22.2	23.8	18.7	16.5	20.5	27.6	15.4

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

<b>Table SA14. Claims on Nonfinancial Private Sector</b> (Percent of broad money)							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>60.7</b>	<b>52.2</b>	<b>55.6</b>	<b>56.7</b>	<b>58.7</b>	<b>54.6</b>	<b>55.2</b>
Angola	20.8	22.9	32.2	35.2	34.7	38.1	40.9
Cameroon	61.3	55.4	61.0	56.9	59.7	53.7	53.7
Chad	51.9	42.0	53.8	49.3	48.4	45.7	28.3
Congo, Rep. of	59.9	21.6	27.1	24.3	19.5	14.6	14.6
Côte d'Ivoire	70.6	50.5	61.8	60.6	57.2	58.3	55.6
Equatorial Guinea	56.0	48.8	29.7	27.8	33.6	27.2	29.4
Gabon	80.5	83.1	75.5	61.3	53.6	53.2	50.7
Nigeria	63.5	58.3	59.7	66.1	73.8	68.9	70.9
<b>Oil-importing countries</b>	<b>83.5</b>	<b>75.2</b>	<b>81.5</b>	<b>84.5</b>	<b>85.6</b>	<b>86.7</b>	<b>83.8</b>
Benin	31.7	39.4	49.2	55.0	54.3	51.9	53.7
Botswana	60.3	74.7	71.1	75.8	74.1	74.0	74.7
Burkina Faso	50.5	68.7	50.7	61.2	79.2	78.8	80.7
Burundi	90.9	110.7	94.2	85.0	61.5	80.5	82.7
Cape Verde	52.3	48.0	50.9	50.3	47.5	47.1	48.7
Central African Republic	35.0	47.1	51.2	50.0	42.1	42.5	43.2
Comoros	44.4	32.3	36.1	35.0	33.5	27.3	25.3
Congo, Dem. Rep. of	13.4	20.3	16.1	19.3	24.0	26.0	25.0
Eritrea	36.9	25.1	26.6	28.4	29.7	28.0	26.4
Ethiopia	50.9	42.7	35.5	34.5	45.7	50.4	55.6
Gambia, The	37.3	41.7	43.0	30.9	32.2	35.5	36.5
Ghana	53.7	48.1	48.9	49.2	58.8	59.6	65.5
Guinea	49.7	41.7	41.4	32.5	34.8	36.2	37.3
Guinea-Bissau	21.9	4.8	8.8	5.2	6.5	10.8	15.4
Kenya	72.9	61.3	58.9	64.6	65.4	64.2	64.6
Lesotho	57.2	23.3	25.7	26.3	32.6	33.6	34.7
Liberia	n.a.	77.0	63.6	56.7	47.1	47.9	37.7
Madagascar	44.2	40.6	40.6	47.4	54.8	55.8	58.9
Malawi	35.4	26.6	26.9	29.4	30.7	34.1	32.7
Mali	69.5	65.7	61.4	65.1	74.8	91.6	101.5
Mauritius	70.4	70.8	68.5	65.2	65.8	67.3	71.7
Mozambique	69.5	53.5	44.4	39.5	48.8	51.2	61.2
Namibia	98.7	121.3	123.6	128.2	139.7	125.5	124.9
Niger	53.0	55.6	42.8	43.3	48.8	52.1	52.9
Rwanda	55.4	60.7	60.5	59.5	60.6	64.7	67.3
São Tomé and Príncipe	19.7	21.7	29.6	59.6	55.4	54.3	53.5
Senegal	71.5	70.5	61.3	59.3	68.7	69.0	68.4
Seychelles	19.2	19.6	26.0	31.6	34.8	33.4	37.4
Sierra Leone	16.0	15.2	20.3	24.5	21.7	21.8	21.4
South Africa	110.8	98.3	103.7	104.4	104.0	106.3	102.0
Swaziland	58.0	65.1	75.7	89.3	101.8	107.2	94.1
Tanzania	30.9	36.1	42.2	52.0	51.5	56.2	61.1
Togo	64.9	53.2	62.2	54.9	60.6	49.2	50.0
Uganda	43.7	34.8	36.1	39.6	41.2	45.7	49.7
Zambia	51.4	43.0	33.7	38.4	45.7	53.0	53.4
Zimbabwe	87.2	71.7	84.8	63.9	31.4	32.5	40.1
<b>Sub-Saharan Africa</b>	<b>76.6</b>	<b>68.9</b>	<b>74.4</b>	<b>76.7</b>	<b>77.4</b>	<b>76.6</b>	<b>75.0</b>
Excluding Nigeria and South Africa	54.4	53.9	53.2	52.4	53.4	53.3	54.5
Excluding Zimbabwe	76.9	68.7	74.1	76.8	77.8	77.0	75.9
CFA franc zone	62.1	55.9	56.7	54.2	55.1	53.4	54.0
WAEMU	63.6	56.9	57.5	58.6	63.0	65.2	66.0
CEMAC	63.0	54.8	55.8	49.2	47.2	42.1	41.2
SADC	89.0	78.9	87.6	89.8	88.5	88.5	84.2
COMESA	55.4	54.7	52.2	51.3	51.5	52.0	52.5
<b>Resource intensive countries</b>	<b>58.6</b>	<b>54.5</b>	<b>57.5</b>	<b>58.8</b>	<b>60.8</b>	<b>56.9</b>	<b>57.4</b>
Oil	60.7	52.2	55.6	56.7	58.7	54.6	55.2
Non-oil	61.3	66.6	67.1	70.5	73.9	70.8	71.9
<b>Non-resource intensive countries</b>	<b>87.8</b>	<b>75.8</b>	<b>82.6</b>	<b>85.5</b>	<b>86.5</b>	<b>88.0</b>	<b>84.7</b>
Coastal	95.8	83.1	89.6	92.4	93.0	94.4	91.5
Landlocked	53.6	57.5	50.6	46.4	49.8	53.8	54.5
MDRI	52.0	48.1	47.3	49.3	55.0	57.1	60.6
Fixed exchange rate regime	63.3	63.6	63.8	60.7	60.6	58.3	57.4
Floating exchange rate regime	83.5	71.1	77.5	81.1	81.8	81.3	79.7

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA15. Exports of Goods and Services</b> (Percent of GDP)							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>45.7</b>	<b>46.5</b>	<b>50.4</b>	<b>56.4</b>	<b>63.7</b>	<b>67.8</b>	<b>64.8</b>
Angola	75.2	73.5	69.6	69.7	77.7	74.1	70.1
Cameroon	24.6	25.0	24.0	22.7	23.5	25.2	22.8
Chad	17.4	12.7	24.8	51.0	54.9	58.9	54.4
Congo, Rep. of	76.4	81.5	79.3	84.3	86.4	91.0	77.6
Côte d'Ivoire	40.7	50.0	45.8	48.6	49.7	52.2	52.0
Equatorial Guinea	98.3	97.0	94.8	95.8	96.2	98.2	90.6
Gabon	59.3	53.3	55.2	59.9	66.9	67.0	61.0
Nigeria	43.1	40.1	49.8	57.6	65.2	72.1	71.1
<b>Oil-importing countries</b>	<b>26.5</b>	<b>27.2</b>	<b>27.4</b>	<b>28.1</b>	<b>28.6</b>	<b>30.3</b>	<b>29.8</b>
Benin	15.1	13.5	13.7	14.3	13.0	10.8	12.2
Botswana	50.1	47.8	44.2	45.7	52.8	55.3	53.3
Burkina Faso	10.3	8.9	8.6	10.6	10.1	12.4	11.7
Burundi	8.0	6.2	8.4	9.6	11.4	10.9	11.9
Cape Verde	25.3	32.5	31.4	32.0	36.8	42.9	43.8
Central African Republic	19.9	15.4	11.8	11.8	12.0	12.2	11.9
Comoros	15.1	15.7	15.8	12.7	12.5	11.7	12.3
Congo, Dem. Rep. of	22.2	21.2	26.1	30.3	34.0	31.7	31.7
Eritrea	15.2	13.5	9.6	10.1	6.5	5.2	4.4
Ethiopia	12.4	13.2	14.2	15.8	16.4	15.8	15.7
Gambia, The	45.1	46.1	47.3	44.4	38.6	45.0	44.2
Ghana	38.5	42.4	40.7	39.3	36.1	38.2	35.6
Guinea	22.5	24.5	22.3	20.9	27.8	32.4	29.0
Guinea-Bissau	24.1	29.8	30.0	30.9	37.4	30.4	32.1
Kenya	21.8	24.7	23.7	26.7	27.7	24.2	23.8
Lesotho	31.1	55.3	49.6	54.3	49.3	50.6	46.0
Liberia	n.a.	38.4	33.9	29.6	27.3	29.9	31.3
Madagascar	25.5	16.0	23.1	32.6	26.5	27.7	26.0
Malawi	27.2	23.9	26.8	28.4	26.7	23.0	21.8
Mali	24.3	31.9	26.0	24.6	25.1	28.6	27.2
Mauritius	60.8	63.1	58.4	55.5	57.3	60.5	58.4
Mozambique	17.9	29.0	28.2	30.9	32.6	38.6	36.8
Namibia	45.4	42.9	37.2	41.0	40.9	46.6	47.4
Niger	17.1	15.2	15.7	18.4	18.2	17.3	18.8
Rwanda	7.4	7.7	8.3	10.3	10.6	11.0	10.4
São Tomé and Príncipe	33.8	34.6	35.0	31.4	29.3	28.6	26.5
Senegal	28.2	28.5	26.8	27.4	26.2	23.6	24.0
Seychelles	71.0	77.8	95.1	97.8	98.7	115.8	137.7
Sierra Leone	15.2	16.4	21.4	21.7	22.1	23.3	26.1
South Africa	26.7	33.0	28.1	26.7	27.5	29.8	30.8
Swaziland	79.7	94.9	82.9	82.7	80.8	80.1	80.5
Tanzania	14.4	15.3	16.7	20.4	22.2	24.2	24.8
Togo	30.3	34.9	41.4	38.3	36.6	37.8	37.8
Uganda	11.7	12.0	12.0	14.2	13.8	14.4	15.7
Zambia	29.0	28.6	29.0	38.2	34.3	38.4	42.3
Zimbabwe	33.5	6.5	17.6	42.6	42.7	34.5	9.9
<b>Sub-Saharan Africa</b>	<b>31.3</b>	<b>32.4</b>	<b>33.8</b>	<b>36.0</b>	<b>39.3</b>	<b>42.1</b>	<b>40.6</b>
Excluding Nigeria and South Africa	32.2	30.1	33.9	38.5	41.9	43.5	40.0
CFA franc zone	34.6	37.4	36.1	39.7	43.2	45.5	40.8
WAEMU	29.4	32.9	30.2	31.4	31.1	31.8	31.5
CEMAC	41.4	43.1	43.4	49.1	55.2	58.5	50.7
SADC	30.3	31.3	31.4	32.1	34.5	37.3	37.0
COMESA	32.2	25.7	33.4	40.1	43.7	44.0	40.6
<b>Resource intensive countries</b>	<b>44.3</b>	<b>44.9</b>	<b>48.0</b>	<b>53.6</b>	<b>60.6</b>	<b>64.5</b>	<b>62.2</b>
Oil	45.7	46.5	50.4	56.4	63.7	67.8	64.8
Non-oil	37.5	36.5	35.0	38.3	41.1	44.3	45.0
<b>Non-resource intensive countries</b>	<b>25.7</b>	<b>26.5</b>	<b>26.9</b>	<b>27.3</b>	<b>27.7</b>	<b>29.1</b>	<b>28.6</b>
Coastal	26.8	31.6	28.3	27.7	28.3	30.1	30.7
Landlocked	21.0	13.6	20.2	24.8	24.4	23.8	19.6
MDRI	20.6	21.4	21.8	23.7	23.3	25.0	24.4
Fixed exchange rate regime	36.9	29.5	36.2	41.8	44.9	46.9	39.5
Floating exchange rate regime	29.7	33.6	33.0	34.4	37.8	40.8	40.9

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

**Table SA16. Imports of Goods and Services**  
(Percent of GDP)

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>39.1</b>	<b>42.8</b>	<b>42.3</b>	<b>41.2</b>	<b>41.0</b>	<b>43.3</b>	<b>46.3</b>
Angola	74.1	62.2	63.1	53.7	51.7	52.5	54.4
Cameroon	22.6	26.2	23.4	25.0	25.4	26.1	25.8
Chad	35.4	113.7	59.0	50.8	39.5	38.4	37.6
Congo, Rep. of	57.8	53.9	53.7	57.3	50.1	45.2	48.9
Côte d'Ivoire	33.2	33.4	34.9	39.4	42.4	43.2	43.5
Equatorial Guinea	115.6	50.8	74.6	57.5	45.8	39.5	39.1
Gabon	37.9	34.2	31.0	31.8	28.2	32.1	34.9
Nigeria	36.4	41.0	41.5	39.9	40.3	44.1	48.6
<b>Oil-importing countries</b>	<b>29.1</b>	<b>29.0</b>	<b>29.9</b>	<b>32.1</b>	<b>33.7</b>	<b>36.7</b>	<b>36.6</b>
Benin	26.9	27.5	26.5	26.6	23.1	21.8	22.9
Botswana	41.9	36.3	33.5	37.6	35.5	40.6	39.4
Burkina Faso	24.9	22.1	21.7	24.3	25.1	26.0	24.8
Burundi	17.5	22.3	27.7	33.9	45.3	47.5	49.5
Cape Verde	59.7	68.5	67.4	69.5	64.8	70.3	72.6
Central African Republic	24.8	20.6	17.5	18.5	18.7	18.6	18.5
Comoros	35.0	30.8	31.8	32.6	34.7	37.3	38.0
Congo, Dem. Rep. of	20.7	26.1	33.3	34.6	45.7	42.0	41.4
Eritrea	73.9	74.5	100.5	88.6	55.7	42.3	39.5
Ethiopia	22.8	27.9	29.2	33.4	38.4	40.1	38.8
Gambia, The	53.0	54.4	56.5	70.4	66.9	67.2	66.8
Ghana	56.3	54.8	52.7	60.4	61.7	62.3	61.0
Guinea	26.3	28.4	24.6	24.8	30.4	35.1	32.8
Guinea-Bissau	47.3	51.2	44.1	47.1	50.7	52.6	60.5
Kenya	28.5	25.8	28.2	34.2	37.4	34.9	34.5
Lesotho	97.7	114.7	100.8	100.7	94.9	90.6	84.4
Liberia	n.a.	31.3	42.0	66.4	66.4	73.8	66.1
Madagascar	32.4	22.6	32.1	47.5	40.2	39.4	37.1
Malawi	38.4	51.4	49.7	53.5	63.7	50.9	45.4
Mali	33.9	32.0	33.2	32.9	33.8	34.6	31.2
Mauritius	63.0	58.7	57.4	55.0	61.6	67.3	66.8
Mozambique	35.7	47.8	44.0	39.2	42.6	42.6	46.9
Namibia	54.2	48.1	43.8	45.0	44.5	45.2	46.5
Niger	24.9	24.1	25.0	29.4	31.5	29.6	32.4
Rwanda	24.4	24.5	27.6	28.6	31.0	31.8	33.1
São Tomé and Príncipe	88.1	85.1	90.1	88.6	89.6	115.9	113.2
Senegal	35.6	39.0	39.0	40.2	41.9	43.4	41.6
Seychelles	84.3	84.1	84.0	95.8	125.7	136.5	176.1
Sierra Leone	27.2	35.9	40.8	34.1	40.1	36.5	37.8
South Africa	24.3	29.1	25.8	27.0	28.4	33.2	34.5
Swaziland	97.4	95.2	80.9	84.3	84.8	86.1	86.8
Tanzania	25.1	22.6	23.5	26.2	30.4	36.6	39.5
Togo	44.9	49.1	57.3	56.2	57.6	60.5	56.9
Uganda	22.5	26.5	26.7	27.7	27.1	30.1	30.4
Zambia	40.0	42.0	41.5	42.6	37.4	30.2	36.8
Zimbabwe	33.8	7.2	20.7	51.3	53.7	37.0	10.2
<b>Sub-Saharan Africa</b>	<b>31.5</b>	<b>32.8</b>	<b>33.3</b>	<b>34.6</b>	<b>35.9</b>	<b>38.8</b>	<b>39.6</b>
Excluding Nigeria and South Africa	36.7	32.8	37.3	40.5	41.6	42.0	41.1
CFA franc zone	33.5	36.2	34.9	36.4	35.7	35.7	35.4
WAEMU	32.5	32.7	33.5	35.9	37.3	37.9	37.1
CEMAC	34.9	40.5	36.6	36.9	34.0	33.6	33.5
SADC	30.2	30.0	30.9	32.5	34.1	37.9	38.4
COMESA	38.1	28.9	38.8	43.8	45.5	44.5	42.3
<b>Resource intensive countries</b>	<b>39.3</b>	<b>42.1</b>	<b>41.3</b>	<b>40.7</b>	<b>40.5</b>	<b>42.5</b>	<b>45.4</b>
Oil	39.1	42.8	42.3	41.2	41.0	43.3	46.3
Non-oil	40.2	38.4	36.2	38.3	37.7	37.5	39.4
<b>Non-resource intensive countries</b>	<b>28.3</b>	<b>28.3</b>	<b>29.4</b>	<b>31.6</b>	<b>33.4</b>	<b>36.6</b>	<b>36.4</b>
Coastal	28.0	31.5	29.0	30.5	32.1	36.2	37.4
Landlocked	29.8	20.4	31.0	37.7	40.5	39.0	31.9
MDRI	30.2	31.8	32.0	34.7	36.1	36.8	37.3
Fixed exchange rate regime	37.6	29.3	35.9	40.2	39.4	39.2	35.6
Floating exchange rate regime	29.8	34.2	32.5	33.1	35.0	38.7	40.7

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA17. Trade Balance</b>							
<i>(Percent of GDP)</i>							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>18.3</b>	<b>15.8</b>	<b>19.5</b>	<b>26.9</b>	<b>34.1</b>	<b>35.4</b>	<b>30.2</b>
Angola	35.9	38.7	28.9	38.6	48.0	41.9	37.6
Cameroon	4.3	0.8	1.9	-0.4	0.2	1.7	-0.3
Chad	-5.5	-70.6	-6.5	29.1	39.6	44.6	38.4
Congo, Rep. of	46.6	52.0	50.2	53.3	60.2	65.6	48.0
Côte d'Ivoire	14.1	24.1	18.5	16.6	14.3	16.1	16.0
Equatorial Guinea	34.5	72.9	52.7	63.1	69.8	75.3	67.7
Gabon	35.1	32.7	35.2	39.8	49.1	47.1	38.7
Nigeria	15.8	8.6	17.5	26.4	32.8	34.5	29.4
<b>Oil-importing countries</b>	<b>-1.4</b>	<b>-1.0</b>	<b>-1.9</b>	<b>-3.4</b>	<b>-4.5</b>	<b>-5.5</b>	<b>-6.1</b>
Benin	-10.0	-12.2	-11.3	-11.0	-9.6	-10.1	-9.6
Botswana	11.8	11.9	10.8	8.5	17.3	15.2	14.5
Burkina Faso	-10.5	-10.1	-8.9	-9.2	-10.3	-9.5	-8.3
Burundi	-6.3	-12.1	-15.3	-15.2	-22.7	-24.8	-26.5
Cape Verde	-35.0	-38.1	-37.8	-41.0	-34.9	-38.2	-37.7
Central African Republic	2.3	2.0	0.6	-1.1	-1.7	-1.7	-2.0
Comoros	-15.9	-12.5	-12.4	-17.1	-20.8	-22.7	-22.4
Congo, Dem. Rep. of	6.9	-0.3	-2.8	0.7	-5.7	-4.9	-3.0
Eritrea	-56.1	-51.6	-80.4	-70.7	-44.1	-33.4	-31.1
Ethiopia	-12.1	-16.7	-17.1	-20.9	-24.5	-25.4	-25.0
Gambia, The	-15.6	-16.9	-17.0	-22.7	-25.4	-21.8	-23.8
Ghana	-16.0	-10.7	-10.3	-17.0	-23.7	-22.0	-24.6
Guinea	2.9	3.5	4.2	1.0	3.2	3.4	1.9
Guinea-Bissau	-9.9	-8.3	-3.6	-2.7	-1.9	-11.0	-14.5
Kenya	-8.3	-4.6	-7.7	-11.6	-14.1	-15.0	-14.6
Lesotho	-65.5	-56.4	-47.7	-44.2	-40.1	-36.5	-39.8
Liberia	n.a.	6.0	-4.6	-28.7	-30.2	-32.9	-25.5
Madagascar	-3.2	-2.6	-3.5	-10.1	-11.3	-8.8	-8.1
Malawi	-3.7	-14.7	-14.5	-16.3	-27.2	-19.0	-15.6
Mali	-0.4	5.7	-1.3	-2.4	-3.6	-1.1	0.4
Mauritius	-8.3	-4.4	-5.8	-6.3	-11.3	-13.2	-15.3
Mozambique	-16.7	-17.9	-14.5	-9.0	-10.9	-6.4	-10.7
Namibia	-5.7	-6.6	-10.3	-5.1	-4.4	0.4	-0.5
Niger	-2.4	-4.2	-4.9	-5.2	-7.6	-7.3	-7.5
Rwanda	-9.3	-9.7	-10.7	-9.7	-11.6	-12.7	-14.5
São Tomé and Príncipe	-39.2	-43.5	-45.6	-50.3	-53.3	-75.8	-73.3
Senegal	-7.1	-10.1	-11.9	-12.4	-15.4	-19.4	-17.1
Seychelles	-31.5	-20.0	-13.0	-22.2	-41.4	-35.6	-55.2
Sierra Leone	-4.7	-15.0	-16.6	-9.6	-14.1	-9.6	-8.1
South Africa	2.8	4.3	2.1	-0.1	-0.5	-2.5	-3.0
Swaziland	-8.2	7.6	5.4	5.9	2.8	2.5	1.8
Tanzania	-8.0	-7.1	-6.3	-7.6	-9.0	-13.3	-15.0
Togo	-10.2	-10.3	-9.4	-13.0	-17.3	-19.3	-17.2
Uganda	-6.8	-9.0	-10.0	-9.9	-9.6	-11.7	-11.1
Zambia	-5.0	-6.9	-7.0	-0.5	0.1	10.7	8.4
Zimbabwe	1.3	-0.1	-1.0	-6.5	-8.6	-0.8	0.0
<b>Sub-Saharan Africa</b>	<b>3.5</b>	<b>3.6</b>	<b>3.9</b>	<b>5.0</b>	<b>7.3</b>	<b>7.4</b>	<b>5.2</b>
Excluding Nigeria and South Africa	0.8	1.9	1.5	3.4	6.1	7.5	5.0
CFA franc zone	8.6	9.2	9.1	11.9	15.8	18.1	13.1
WAEMU	1.9	4.9	1.6	0.3	-1.7	-1.7	-1.1
CEMAC	17.5	14.5	18.5	24.9	33.3	37.0	28.1
SADC	2.3	3.5	2.0	1.5	2.8	2.6	2.1
COMESA	-0.9	0.6	-1.4	1.1	4.2	6.0	5.4
<b>Resource intensive countries</b>	<b>15.5</b>	<b>13.5</b>	<b>16.4</b>	<b>22.9</b>	<b>30.1</b>	<b>31.6</b>	<b>27.1</b>
Oil	18.3	15.8	19.5	26.9	34.1	35.4	30.2
Non-oil	2.1	1.1	0.5	1.7	5.0	8.4	7.1
<b>Non-resource intensive countries</b>	<b>-1.6</b>	<b>-1.1</b>	<b>-2.1</b>	<b>-3.8</b>	<b>-5.2</b>	<b>-6.7</b>	<b>-7.1</b>
Coastal	-0.8	0.1	-0.9	-2.9	-3.9	-5.8	-6.5
Landlocked	-5.2	-4.4	-7.5	-9.5	-12.3	-11.5	-9.5
MDRI	-6.9	-7.9	-7.8	-9.0	-11.0	-9.9	-11.1
Fixed exchange rate regime	5.3	4.8	5.9	8.2	12.1	14.3	9.3
Floating exchange rate regime	3.1	3.1	3.4	4.1	6.0	5.6	4.1

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

**Table SA18. External Current Account, Including Grants**  
(Percent of GDP)

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>-2.0</b>	<b>-8.0</b>	<b>-3.6</b>	<b>2.5</b>	<b>8.0</b>	<b>10.6</b>	<b>7.4</b>
Angola	-14.8	-2.7	-5.1	3.5	13.5	10.5	4.0
Cameroon	-2.6	-5.1	-1.8	-3.8	-3.4	-0.5	-2.1
Chad	-16.0	-100.4	-47.4	-4.8	1.1	1.8	5.3
Congo, Rep. of	-9.7	0.6	1.0	1.8	10.9	17.5	3.7
Côte d'Ivoire	-1.8	6.7	2.1	1.6	-0.1	1.2	1.1
Equatorial Guinea	-41.7	-12.7	-38.9	-23.5	-12.0	-4.9	2.2
Gabon	7.0	6.8	9.5	8.9	18.7	18.0	11.6
Nigeria	0.8	-11.5	-2.7	5.7	10.8	15.7	13.0
<b>Oil-importing countries</b>	<b>-2.7</b>	<b>-1.5</b>	<b>-2.1</b>	<b>-3.5</b>	<b>-4.3</b>	<b>-5.7</b>	<b>-5.7</b>
Benin	-6.7	-8.4	-8.3	-7.2	-6.2	-6.4	-6.0
Botswana	9.5	3.3	5.6	3.0	15.4	14.9	14.5
Burkina Faso	-9.8	-9.9	-8.9	-10.6	-11.8	-10.3	-10.0
Burundi	-5.0	-3.5	-4.6	-8.1	-10.4	-13.6	-15.3
Cape Verde	-10.5	-11.1	-11.1	-14.3	-3.4	-4.6	-8.5
Central African Republic	-3.2	-3.4	-4.7	-4.5	-2.8	-3.3	-2.6
Comoros	-6.1	-1.4	-3.1	-2.9	-3.4	-5.5	-6.3
Congo, Dem. Rep. of	-4.8	-3.2	-1.8	-3.3	-10.0	-7.5	-10.3
Eritrea	-6.9	7.4	7.6	5.6	0.4	-2.1	-3.7
Ethiopia	-3.5	-4.7	-2.2	-5.3	-8.6	-11.6	-10.0
Gambia, The	-2.9	-2.8	-5.1	-12.6	-20.2	-14.3	-12.9
Ghana	-8.9	0.5	1.7	-2.7	-7.0	-8.2	-8.4
Guinea	-6.3	-4.3	-3.4	-5.4	-4.0	-3.6	-4.6
Guinea-Bissau	-13.1	-10.7	-2.8	3.1	-3.7	-5.7	-15.6
Kenya	-2.9	2.2	-0.2	-1.3	-3.0	-3.3	-4.1
Lesotho	-22.4	-18.3	-11.1	-3.1	-3.0	6.8	5.1
Liberia	n.a.	3.5	-11.4	-2.8	-1.6	-10.8	-8.0
Madagascar	-5.1	-6.0	-4.9	-9.1	-10.4	-8.9	-8.6
Malawi	-6.4	-17.2	-7.9	-10.1	-16.2	-7.1	-1.2
Mali	-8.4	-3.1	-6.2	-8.4	-8.9	-7.4	-5.6
Mauritius	-0.4	5.7	2.4	0.8	-3.5	-5.3	-7.4
Mozambique	-17.3	-19.3	-15.1	-8.6	-11.0	-10.4	-11.8
Namibia	4.6	4.4	5.1	9.5	7.2	16.3	18.3
Niger	-6.3	-6.5	-5.6	-7.0	-7.4	-7.5	-10.8
Rwanda	-7.6	-6.7	-7.8	-3.0	-3.2	-8.1	-9.4
São Tomé and Príncipe	-28.8	-24.1	-22.7	-23.1	-30.7	-62.2	-61.4
Senegal	-4.7	-5.6	-6.2	-6.1	-8.1	-12.0	-9.9
Seychelles	-15.5	-16.3	6.4	-0.3	-30.4	-23.0	-37.8
Sierra Leone	-9.2	-4.8	-7.6	-4.9	-7.7	-4.9	-3.8
South Africa	-0.7	0.8	-1.1	-3.2	-3.8	-6.4	-6.4
Swaziland	-3.9	4.8	6.5	3.1	1.6	0.7	0.7
Tanzania	-7.3	-6.8	-4.7	-3.9	-5.2	-9.3	-11.0
Togo	-11.4	-8.9	-8.9	-9.5	-11.1	-12.1	-8.2
Uganda	-6.4	-4.9	-5.8	-1.2	-2.1	-4.1	-4.4
Zambia	-14.9	-15.3	-14.8	-11.8	-10.0	-0.4	-2.1
Zimbabwe	-2.0	-0.6	-2.9	-8.3	-11.2	-3.9	-0.8
<b>Sub-Saharan Africa</b>	<b>-2.5</b>	<b>-3.3</b>	<b>-2.5</b>	<b>-1.8</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-1.7</b>
Excluding Nigeria and South Africa	-5.1	-3.6	-3.6	-2.8	-1.3	-0.5	-1.9
CFA franc zone	-4.4	-5.5	-5.2	-3.9	-1.9	-0.4	-1.4
WAEMU	-5.1	-1.6	-3.7	-4.4	-5.7	-5.7	-5.3
CEMAC	-3.7	-10.4	-7.1	-3.4	1.8	4.7	2.6
SADC	-2.2	-1.0	-1.8	-2.7	-2.2	-3.4	-4.0
COMESA	-5.0	-2.1	-2.8	-1.5	-0.5	0.4	-1.5
<b>Resource intensive countries</b>	<b>-1.7</b>	<b>-7.2</b>	<b>-3.1</b>	<b>2.1</b>	<b>7.4</b>	<b>10.1</b>	<b>7.4</b>
Oil	-2.0	-8.0	-3.6	2.5	8.0	10.6	7.4
Non-oil	-0.7	-2.6	-0.7	-0.4	3.6	7.2	7.2
<b>Non-resource intensive countries</b>	<b>-2.9</b>	<b>-1.4</b>	<b>-2.2</b>	<b>-3.7</b>	<b>-4.9</b>	<b>-6.8</b>	<b>-6.7</b>
Coastal	-2.3	-0.7	-1.7	-3.4	-4.4	-6.7	-6.9
Landlocked	-5.4	-3.3	-4.2	-5.4	-7.6	-7.1	-6.0
MDRI	-7.0	-6.8	-5.4	-5.8	-7.1	-6.9	-7.3
Fixed exchange rate regime	-3.0	-3.2	-3.3	-2.7	-0.5	1.5	0.6
Floating exchange rate regime	-2.3	-3.3	-2.2	-1.6	-0.6	-1.1	-2.3

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA19. External Current Account, Excluding Grants</b>							
<i>(Percent of GDP)</i>							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>-3.0</b>	<b>-9.8</b>	<b>-5.7</b>	<b>0.4</b>	<b>5.9</b>	<b>8.7</b>	<b>5.5</b>
Angola	-15.9	-3.0	-5.8	3.4	13.4	10.5	4.0
Cameroon	-2.8	-6.4	-2.4	-4.0	-3.8	-1.6	-3.3
Chad	-18.0	-102.3	-50.1	-7.9	-0.9	0.6	3.2
Congo, Rep. of	-9.9	0.4	0.8	1.8	10.9	17.5	3.7
Côte d'Ivoire	-2.3	6.5	1.9	1.7	0.1	0.3	0.1
Equatorial Guinea	-43.4	-13.4	-39.5	-23.9	-12.3	-5.1	2.1
Gabon	6.7	7.5	10.2	9.7	19.3	18.6	11.5
Nigeria	-0.4	-14.5	-6.5	1.5	6.6	11.8	9.3
<b>Oil-importing countries</b>	<b>-3.9</b>	<b>-2.9</b>	<b>-3.5</b>	<b>-4.7</b>	<b>-5.6</b>	<b>-6.9</b>	<b>-6.8</b>
Benin	-9.3	-12.0	-11.6	-10.4	-8.2	-8.9	-8.6
Botswana	5.6	-0.3	2.1	-2.4	10.2	8.5	8.9
Burkina Faso	-13.1	-12.6	-13.1	-13.6	-14.9	-13.4	-13.2
Burundi	-10.3	-17.5	-21.1	-25.5	-34.2	-36.8	-37.5
Cape Verde	-17.9	-16.9	-17.2	-20.0	-8.0	-9.6	-13.5
Central African Republic	-6.5	-5.8	-5.6	-6.6	-6.5	-6.1	-6.1
Comoros	-9.4	-3.5	-3.7	-4.1	-5.3	-9.1	-9.6
Congo, Dem. Rep. of	-8.7	-11.1	-10.7	-8.8	-15.5	-15.5	-14.4
Eritrea	-18.5	-6.3	-13.6	-11.6	-15.9	-11.3	-12.5
Ethiopia	-7.0	-10.5	-9.7	-11.2	-15.2	-18.1	-16.8
Gambia, The	-10.4	-13.4	-13.6	-21.2	-25.3	-18.3	-21.9
Ghana	-12.2	-3.1	-3.5	-8.8	-12.3	-11.2	-11.7
Guinea	-7.4	-5.6	-4.1	-5.6	-4.6	-4.5	-5.4
Guinea-Bissau	-25.6	-18.7	-12.0	-11.7	-11.6	-17.0	-22.5
Kenya	-3.2	2.2	-0.6	-1.4	-3.0	-3.6	-4.1
Lesotho	-39.2	-35.2	-26.4	-22.5	-23.2	-17.3	-14.9
Liberia	n.a.	-4.4	-16.2	-44.0	-55.8	-59.5	-53.2
Madagascar	-6.2	-6.1	-7.5	-12.9	-11.7	-10.1	-9.4
Malawi	-13.4	-29.3	-17.2	-21.3	-29.8	-21.8	-17.2
Mali	-10.3	-4.4	-8.8	-10.4	-11.0	-8.8	-7.2
Mauritius	-0.6	5.7	1.9	0.4	-3.6	-5.5	-7.7
Mozambique	-23.8	-23.0	-19.9	-14.1	-16.3	-16.3	-20.9
Namibia	-7.0	-4.1	-4.7	-2.0	-3.6	2.5	2.0
Niger	-8.8	-9.4	-8.9	-10.3	-10.1	-10.3	-11.7
Rwanda	-16.8	-16.6	-19.2	-18.2	-19.4	-18.8	-20.7
São Tomé and Príncipe	-61.9	-54.5	-56.7	-58.8	-62.3	-88.8	-87.0
Senegal	-6.8	-7.4	-8.0	-7.9	-9.5	-13.2	-11.1
Seychelles	-17.5	-18.2	4.9	-2.3	-32.0	-21.8	-41.3
Sierra Leone	-13.2	-12.1	-14.1	-11.5	-14.6	-10.0	-9.2
South Africa	-0.1	1.3	-0.5	-2.4	-3.0	-5.4	-5.2
Swaziland	-12.8	-3.6	-1.1	-5.8	-5.8	-10.7	-11.6
Tanzania	-12.3	-9.4	-8.2	-7.5	-9.7	-13.2	-15.0
Togo	-14.9	-9.6	-9.5	-10.4	-12.0	-13.0	-9.3
Uganda	-12.8	-13.2	-13.5	-11.0	-10.6	-9.9	-11.3
Zambia	-16.7	-17.9	-16.3	-12.2	-11.8	-1.6	-3.5
Zimbabwe	-3.0	-0.7	-3.3	-8.9	-11.8	-5.0	-1.1
<b>Sub-Saharan Africa</b>	<b>-3.7</b>	<b>-4.8</b>	<b>-4.1</b>	<b>-3.3</b>	<b>-2.1</b>	<b>-2.0</b>	<b>-3.0</b>
Excluding Nigeria and South Africa	-7.8	-5.9	-6.5	-5.7	-4.1	-3.2	-4.6
CFA franc zone	-5.7	-6.7	-6.5	-4.9	-2.8	-1.5	-2.7
WAEMU	-6.9	-3.1	-5.5	-5.9	-7.0	-7.4	-6.9
CEMAC	-4.2	-11.2	-7.6	-3.8	1.3	4.2	1.8
SADC	-2.9	-1.7	-2.5	-3.2	-2.7	-3.9	-4.4
COMESA	-7.9	-4.6	-6.3	-5.1	-3.8	-2.7	-4.3
<b>Resource intensive countries</b>	<b>-3.3</b>	<b>-9.3</b>	<b>-5.6</b>	<b>-0.5</b>	<b>4.9</b>	<b>7.7</b>	<b>4.9</b>
Oil	-3.0	-9.8	-5.7	0.4	5.9	8.7	5.5
Non-oil	-5.2	-6.7	-4.9	-5.4	-1.5	1.6	1.3
<b>Non-resource intensive countries</b>	<b>-3.9</b>	<b>-2.6</b>	<b>-3.4</b>	<b>-4.7</b>	<b>-5.9</b>	<b>-7.6</b>	<b>-7.4</b>
Coastal	-2.5	-0.9	-2.0	-3.5	-4.4	-6.5	-6.6
Landlocked	-9.5	-6.8	-9.8	-11.5	-14.1	-13.4	-11.0
MDRI	-10.3	-10.4	-9.3	-9.8	-11.2	-10.4	-11.1
Fixed exchange rate regime	-5.3	-4.7	-5.4	-5.1	-2.6	-1.2	-2.0
Floating exchange rate regime	-3.2	-4.8	-3.7	-2.8	-1.9	-2.2	-3.3

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.



<b>Table SA20. Official Grants</b> (Percent of GDP)							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>0.9</b>	<b>1.8</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>1.9</b>	<b>1.9</b>
Angola	1.2	0.3	0.7	0.0	0.1	0.1	0.0
Cameroon	0.2	1.3	0.6	0.2	0.5	1.1	1.2
Chad	2.0	1.9	2.7	3.1	2.0	1.2	2.1
Congo, Rep. of	0.3	0.2	0.2	0.0	0.0	0.0	0.0
Côte d'Ivoire	0.5	0.2	0.3	-0.1	-0.1	0.9	0.9
Equatorial Guinea	1.7	0.7	0.6	0.4	0.3	0.2	0.1
Gabon	0.3	-0.6	-0.7	-0.7	-0.6	-0.6	0.1
Nigeria	1.2	3.0	3.8	4.2	4.1	3.9	3.7
<b>Oil-importing countries</b>	<b>1.2</b>	<b>1.4</b>	<b>1.4</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>
Benin	2.6	3.6	3.2	3.2	2.0	2.5	2.6
Botswana	4.0	3.6	3.5	5.4	5.2	6.4	5.6
Burkina Faso	3.3	2.6	4.2	3.0	3.2	3.0	3.1
Burundi	5.3	13.9	16.5	17.4	23.8	23.2	22.1
Cape Verde	7.5	5.7	6.0	5.7	4.6	5.0	5.0
Central African Republic	3.3	2.4	0.9	2.1	3.7	2.9	3.5
Comoros	3.3	2.1	0.6	1.3	1.9	3.6	3.3
Congo, Dem. Rep. of	3.8	7.9	8.9	5.5	5.5	7.9	4.0
Eritrea	11.5	13.7	21.3	17.2	16.3	9.2	8.9
Ethiopia	3.5	5.9	7.5	6.0	6.6	6.5	6.8
Gambia, The	7.4	10.6	8.5	8.5	5.1	3.9	8.9
Ghana	3.2	3.6	5.2	6.1	5.3	3.0	3.3
Guinea	1.1	1.4	0.7	0.3	0.6	0.9	0.8
Guinea-Bissau	12.5	8.0	9.2	14.7	7.9	11.3	6.9
Kenya	0.3	0.0	0.4	0.0	0.0	0.3	0.0
Lesotho	16.8	16.9	15.4	19.4	20.2	24.2	20.0
Liberia	n.a.	7.8	4.8	41.1	54.2	48.6	45.3
Madagascar	1.0	0.2	2.6	3.8	1.3	1.2	0.8
Malawi	7.0	12.2	9.3	11.2	13.6	14.6	16.1
Mali	1.9	1.3	2.6	2.0	2.1	1.5	1.6
Mauritius	0.1	0.0	0.5	0.4	0.2	0.2	0.3
Mozambique	6.5	3.7	4.9	5.5	5.3	5.9	9.1
Namibia	11.6	8.5	9.8	11.5	10.7	13.9	16.3
Niger	2.5	2.9	3.3	3.3	2.6	2.8	0.9
Rwanda	9.2	9.8	11.4	15.2	16.2	10.7	11.3
São Tomé and Príncipe	33.1	30.4	33.9	35.7	31.6	26.6	25.6
Senegal	2.1	1.8	1.8	1.7	1.4	1.2	1.2
Seychelles	2.0	1.8	1.5	2.0	1.6	-1.3	3.5
Sierra Leone	4.0	7.4	6.5	6.6	6.9	5.1	5.4
South Africa	-0.6	-0.5	-0.6	-0.8	-0.8	-1.0	-1.2
Swaziland	8.9	8.4	7.6	8.9	7.4	11.4	12.3
Tanzania	5.0	2.5	3.5	3.6	4.6	3.9	3.9
Togo	3.5	0.7	0.6	0.9	1.0	0.9	1.1
Uganda	6.4	8.3	7.7	9.8	8.5	5.8	6.8
Zambia	1.8	2.5	1.5	0.4	1.8	1.2	1.4
Zimbabwe	1.0	0.1	0.4	0.5	0.6	1.1	0.3
<b>Sub-Saharan Africa</b>	<b>1.2</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>
Excluding Nigeria and South Africa	2.7	2.3	2.9	3.0	2.8	2.7	2.7
CFA franc zone	1.2	1.2	1.2	1.0	0.9	1.1	1.2
WAEMU	1.7	1.5	1.8	1.5	1.3	1.6	1.6
CEMAC	0.6	0.8	0.5	0.4	0.5	0.5	0.9
SADC	0.7	0.7	0.7	0.5	0.4	0.5	0.4
COMESA	2.9	2.5	3.6	3.6	3.3	3.1	2.8
<b>Resource intensive countries</b>	<b>1.6</b>	<b>2.1</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>
Oil	0.9	1.8	2.1	2.1	2.1	1.9	1.9
Non-oil	4.6	4.1	4.1	5.0	5.1	5.6	6.0
<b>Non-resource intensive countries</b>	<b>1.0</b>	<b>1.2</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
Coastal	0.3	0.2	0.3	0.0	0.0	-0.2	-0.2
Landlocked	4.1	3.6	5.6	6.2	6.5	6.3	5.1
MDRI	3.4	3.6	3.9	4.0	4.1	3.5	3.9
Fixed exchange rate regime	2.3	1.5	2.1	2.4	2.2	2.7	2.6
Floating exchange rate regime	0.9	1.5	1.5	1.2	1.3	1.1	1.0

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA21. Real Effective Exchange Rates</b>						
<i>(Annual average; index, 2000 = 100)<sup>1</sup></i>						
	1997-2001	2002	2003	2004	2005	2006
<b>Oil-exporting countries</b>	<b>114.2</b>	<b>110.5</b>	<b>110.0</b>	<b>114.5</b>	<b>125.5</b>	<b>134.9</b>
Angola	100.4	118.0	117.4	140.0	158.4	189.5
Cameroon	106.4	107.1	110.4	110.5	109.6	113.4
Chad	109.4	115.8	119.1	114.2	119.8	128.9
Congo, Rep. of	105.5	104.4	111.2	116.1	115.4	117.5
Cote d'Ivoire	103.3	107.6	115.0	116.5	116.4	116.3
Equatorial Guinea	106.4	114.9	134.4	143.8	147.7	151.2
Gabon	105.6	100.0	104.8	105.1	102.6	104.7
Nigeria	135.7	111.0	105.0	107.8	124.0	133.2
<b>Oil-importing countries</b>	<b>100.4</b>	<b>89.6</b>	<b>101.0</b>	<b>103.3</b>	<b>105.1</b>	<b>105.7</b>
Benin	103.6	106.2	115.1	117.9	120.5	120.8
Botswana	97.3	109.3	115.0	110.2	107.1	104.0
Burkina Faso	105.6	106.8	112.2	111.5	114.8	115.2
Burundi	107.3	81.9	63.6	64.2	71.1	73.4
Cape Verde	102.7	98.5	100.3	97.3	94.9	96.5
Central African Republic	102.5	116.1	123.3	122.2	122.3	127.3
Comoros	107.0	114.0	116.9	123.8	126.1	129.6
Congo, Dem. Rep. of	81.7	36.6	31.7	30.1	29.4	32.9
Eritrea	95.9	88.7	94.9	83.5	108.4	120.8
Ethiopia	99.0	87.1	90.1	85.0	91.3	99.9
Gambia, The	101.3	71.7	51.8	51.2	53.5	52.9
Ghana	130.5	99.8	100.5	99.4	109.5	115.9
Guinea	108.2	92.1	88.2	83.1	65.5	59.0
Guinea-Bissau	101.5	105.5	107.2	108.9	106.9	108.3
Kenya	100.2	105.1	106.6	104.1	116.2	135.3
Lesotho	107.0	77.9	112.2	132.2	132.8	129.8
Liberia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Madagascar	98.3	119.9	106.0	80.4	85.0	85.7
Malawi	105.8	109.3	80.4	73.3	75.2	73.2
Mali	107.0	108.6	109.9	106.6	109.8	107.6
Mauritius	95.1	91.6	89.5	87.2	82.6	81.6
Mozambique	97.2	90.5	79.7	83.5	85.3	85.6
Namibia	99.8	87.2	104.6	111.9	112.7	109.7
Niger	104.9	106.0	108.2	108.8	113.3	111.0
Rwanda	105.3	86.5	72.6	69.6	75.4	79.6
São Tomé and Príncipe	90.0	95.4	86.9	84.2	89.8	90.5
Senegal	104.9	104.0	106.6	106.7	105.3	104.7
Seychelles	96.7	109.1	101.1	94.3	92.3	88.6
Sierra Leone	103.7	94.5	77.7	69.4	70.8	73.4
South Africa	104.0	73.9	97.3	107.6	108.5	104.1
Swaziland	97.9	88.3	102.8	113.2	113.2	112.0
Tanzania	98.8	90.8	75.0	67.7	65.7	62.6
Togo	104.0	105.8	109.5	110.9	113.6	112.1
Uganda	109.9	93.5	81.8	84.6	88.8	87.9
Zambia	102.8	110.9	101.7	107.8	134.7	176.4
Zimbabwe	99.9	359.0	198.0	69.4	63.3	81.2
<b>Sub-Saharan Africa</b>	<b>102.6</b>	<b>93.9</b>	<b>103.1</b>	<b>105.8</b>	<b>109.6</b>	<b>111.9</b>
Excluding Nigeria and South Africa	98.6	107.0	103.3	99.8	102.9	108.7
Excluding Zimbabwe	102.9	88.4	98.3	102.4	106.2	108.0
CFA franc zone	105.2	107.7	113.5	114.4	115.7	117.3
WAEMU	104.7	106.9	111.9	112.2	113.8	113.0
CEMAC	105.8	108.8	115.7	117.1	118.2	122.5
SADC	98.1	87.7	103.4	108.2	109.4	109.5
COMESA	92.9	111.5	102.5	96.1	101.3	112.3
<b>Resource intensive countries</b>	<b>111.4</b>	<b>108.3</b>	<b>108.4</b>	<b>111.8</b>	<b>120.2</b>	<b>127.8</b>
Oil	114.2	110.5	110.0	114.5	125.5	134.9
Non-oil	102.1	98.7	101.1	99.8	96.7	97.5
<b>Non-resource intensive countries</b>	<b>100.3</b>	<b>89.0</b>	<b>101.0</b>	<b>103.5</b>	<b>105.6</b>	<b>106.2</b>
Coastal	104.0	81.6	98.7	105.1	107.0	105.2
Landlocked	92.7	112.8	101.9	91.9	94.4	101.5
MDRI	105.8	98.3	94.3	91.8	96.6	100.2
Fixed exchange rate regime	102.1	133.5	134.7	126.3	126.0	130.0
Floating exchange rate regime	102.7	84.9	95.1	99.7	104.1	106.1

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007

<sup>1</sup> An increase indicates appreciation.

**Table SA22. Nominal Effective Exchange Rates <sup>1</sup>**  
(Annual average; index, 2000 = 100)

	1997-2001	2002	2003	2004	2005	2006
<b>Oil-exporting countries</b>	<b>129.3</b>	<b>83.6</b>	<b>74.6</b>	<b>70.9</b>	<b>70.2</b>	<b>71.7</b>
Angola	934.5	21.5	10.8	9.0	8.4	9.1
Cameroon	103.8	103.7	108.6	110.8	110.1	110.3
Chad	104.6	102.2	109.3	113.2	112.8	113.3
Congo, Rep. of	104.5	105.1	112.8	116.6	116.2	115.8
Cote d'Ivoire	102.5	105.4	112.2	114.9	113.6	113.1
Equatorial Guinea	107.2	102.3	114.0	119.8	119.6	120.2
Gabon	103.4	101.6	106.3	108.5	108.1	108.3
Nigeria	141.7	87.0	74.2	67.9	68.0	69.3
<b>Oil-importing countries</b>	<b>111.2</b>	<b>75.6</b>	<b>82.3</b>	<b>83.7</b>	<b>81.7</b>	<b>78.5</b>
Benin	105.2	103.1	112.1	117.0	116.4	116.1
Botswana	100.1	108.5	112.4	105.1	99.0	93.3
Burkina Faso	101.5	106.8	114.3	117.7	117.8	118.7
Burundi	122.5	80.9	61.4	56.9	57.5	59.7
Cape Verde	100.0	100.5	104.4	105.9	105.3	104.7
Central African Republic	103.5	102.0	106.3	108.1	107.9	108.1
Comoros	102.1	110.4	112.3	113.3	113.4	115.3
Congo, Dem. Rep. of	525.0	4.6	3.6	3.2	2.6	2.7
Eritrea	106.4	70.4	62.9	45.5	53.7	52.8
Ethiopia	100.6	99.8	90.3	84.9	84.0	83.3
Gambia, The	100.6	66.5	42.3	37.5	39.1	39.3
Ghana	156.4	67.6	55.0	49.4	48.5	47.5
Guinea	109.7	90.3	80.2	66.9	41.5	28.6
Guinea-Bissau	104.2	103.8	112.0	116.2	115.2	115.4
Kenya	105.5	102.4	97.5	87.8	91.4	96.0
Lesotho	113.6	67.2	92.0	105.8	106.4	100.1
Liberia	n.a.	67.0	63.1	62.2	57.9	56.2
Madagascar	106.7	101.3	92.8	63.9	57.9	54.0
Malawi	147.5	89.7	68.0	61.9	60.5	61.2
Mali	103.0	103.8	109.2	111.8	111.2	111.5
Mauritius	99.3	90.2	86.7	82.9	76.8	71.4
Mozambique	100.9	77.5	62.6	59.3	58.2	53.3
Namibia	105.2	77.3	89.6	93.9	95.0	91.0
Niger	103.4	104.5	111.4	114.7	114.0	114.0
Rwanda	104.3	86.0	69.5	61.3	63.0	63.5
São Tomé and Príncipe	106.7	85.1	72.6	63.7	59.4	50.1
Senegal	102.5	103.7	109.1	111.5	111.2	111.4
Seychelles	98.1	109.0	100.5	92.7	92.5	92.0
Sierra Leone	124.0	100.1	78.4	62.7	58.3	56.5
South Africa	107.4	68.4	89.8	103.1	105.3	103.6
Swaziland	103.1	84.3	98.5	109.5	110.6	112.3
Tanzania	104.6	89.6	73.8	65.8	63.0	57.0
Togo	101.1	106.5	115.8	120.5	120.0	119.8
Uganda	110.8	96.6	80.7	83.7	84.1	81.6
Zambia	127.0	85.4	70.8	69.0	78.6	107.6
Zimbabwe	152.1	92.4	18.1	1.0	0.3	0.0
<b>Sub-Saharan Africa</b>	<b>114.2</b>	<b>77.3</b>	<b>80.7</b>	<b>80.9</b>	<b>79.3</b>	<b>77.2</b>
Excluding Nigeria and South Africa	118.0	81.5	71.8	65.3	61.5	58.8
Excluding Zimbabwe	113.4	76.8	81.8	83.8	83.1	82.3
CFA franc zone	103.2	104.2	111.1	114.5	113.9	114.0
WAEMU	102.8	105.2	112.4	115.8	115.1	115.2
CEMAC	103.9	102.9	109.4	112.7	112.3	112.5
SADC	116.1	66.1	74.6	77.2	75.3	72.3
COMESA	130.2	70.3	55.0	46.4	42.7	40.7
<b>Resource intensive countries</b>	<b>124.5</b>	<b>84.9</b>	<b>77.0</b>	<b>72.7</b>	<b>70.6</b>	<b>71.1</b>
Oil	129.3	83.6	74.6	70.9	70.2	71.7
Non-oil	109.2	91.4	88.6	81.4	71.6	66.6
<b>Non-resource intensive countries</b>	<b>111.3</b>	<b>74.7</b>	<b>81.8</b>	<b>83.8</b>	<b>82.3</b>	<b>79.2</b>
Coastal	107.8	74.8	88.9	96.0	97.0	95.1
Landlocked	123.2	74.3	60.0	51.3	46.0	41.6
MDRI	109.8	92.5	83.5	79.4	78.6	77.6
Fixed exchange rate regime	107.6	100.2	97.2	89.1	82.6	74.8
Floating exchange rate regime	116.1	72.0	76.5	78.3	77.7	76.9

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007

<sup>1</sup>An increase indicates appreciation.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA23. External Debt to Official Creditors</b> (Percent of GDP)							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>69.7</b>	<b>61.3</b>	<b>56.0</b>	<b>50.6</b>	<b>28.2</b>	<b>15.5</b>	<b>13.6</b>
Angola	68.4	52.7	45.1	33.6	23.7	17.4	12.7
Cameroon	66.3	47.0	44.8	41.7	34.5	3.1	4.0
Chad	61.2	57.0	50.2	35.0	27.0	23.7	26.6
Congo, Rep. of	186.3	162.4	170.6	188.9	71.2	57.8	66.3
Côte d'Ivoire	72.4	69.4	70.3	68.6	58.5	62.4	51.2
Equatorial Guinea	45.2	9.6	9.5	5.9	3.4	2.7	2.9
Gabon	69.8	64.8	58.3	40.3	29.4	34.0	28.0
Nigeria	64.8	60.5	53.1	49.9	21.7	3.4	4.1
<b>Oil-importing countries</b>	<b>36.3</b>	<b>39.3</b>	<b>33.5</b>	<b>28.3</b>	<b>24.0</b>	<b>14.9</b>	<b>12.6</b>
Benin	69.0	66.3	54.4	49.7	47.7	22.1	21.8
Botswana	10.2	7.5	5.3	4.5	4.0	3.7	3.3
Burkina Faso	53.9	50.8	41.6	20.1	20.8	8.9	33.9
Burundi	139.1	179.9	224.0	207.3	177.3	158.8	145.3
Cape Verde	51.6	61.8	61.8	57.1	48.5	45.1	42.1
Central African Republic	82.3	87.0	89.5	85.8	84.8	78.5	71.7
Comoros	100.7	91.3	90.5	81.6	67.7	69.9	55.9
Congo, Dem. Rep. of	261.8	192.4	184.7	164.3	155.8	61.4	58.3
Eritrea	36.2	77.1	92.7	94.3	64.3	54.5	46.8
Ethiopia	57.8	71.1	69.5	62.8	55.9	49.3	45.0
Gambia, The	107.8	134.6	145.5	131.0	119.0	127.7	109.7
Ghana	93.5	117.7	97.3	84.9	45.8	7.7	9.2
Guinea	97.3	94.9	92.8	82.5	97.9	95.7	84.2
Guinea-Bissau	374.3	417.6	386.9	378.7	332.0	325.7	287.7
Kenya	38.0	35.1	31.7	29.5	25.4	20.6	19.5
Lesotho	60.8	75.5	57.1	46.8	42.0	41.9	40.5
Liberia	n.a.	100.4	188.4	163.5	126.1	97.3	84.2
Madagascar	114.6	98.6	83.5	77.5	70.6	31.1	31.7
Malawi	137.2	590.6	657.8	621.3	572.2	202.4	133.8
Mali	99.1	90.2	63.8	66.8	63.2	26.7	27.7
Mauritius	24.4	20.9	17.9	14.2	13.3	12.3	12.0
Mozambique	101.7	88.1	83.0	73.8	68.1	40.5	41.6
Namibia	2.8	4.5	5.4	5.4	5.6	6.0	6.0
Niger	85.7	80.7	68.2	57.9	51.2	14.6	17.5
Rwanda	67.3	85.3	93.4	91.7	70.1	14.8	15.7
São Tomé and Príncipe	670.3	605.3	547.3	505.1	458.3	417.2	188.3
Senegal	66.3	65.1	54.4	46.8	40.2	17.8	18.2
Seychelles	21.1	39.7	34.8	39.6	44.9	35.5	43.7
Sierra Leone	173.6	164.9	165.3	204.7	168.7	131.6	85.4
South Africa	3.4	4.5	3.0	2.3	2.1	2.0	1.9
Swaziland	17.6	24.7	18.5	21.0	15.7	14.8	14.3
Tanzania	83.4	54.2	53.1	50.9	48.1	48.4	15.9
Togo	88.4	93.5	92.4	82.5	72.7	67.7	61.3
Uganda	57.4	62.1	63.1	63.2	44.4	41.4	14.8
Zambia	197.9	182.4	154.5	114.4	56.8	4.9	6.7
Zimbabwe	38.5	38.1	47.1	49.0	35.6	35.6	35.8
<b>Sub-Saharan Africa</b>	<b>44.3</b>	<b>45.3</b>	<b>39.7</b>	<b>34.5</b>	<b>25.3</b>	<b>15.1</b>	<b>12.9</b>
Excluding Nigeria and South Africa	75.7	66.2	67.6	61.7	48.4	29.9	24.2
Excluding South Africa	73.2	65.1	64.2	58.9	41.8	23.7	19.8
CFA franc zone	77.5	69.1	63.1	56.7	42.9	29.1	28.6
WAEMU	75.9	73.0	64.7	58.6	51.9	37.7	36.5
CEMAC	80.1	64.2	61.2	54.5	33.8	21.0	20.3
SADC	27.5	29.7	24.7	20.0	17.1	10.3	8.0
COMESA	74.2	62.7	72.7	67.7	52.9	29.0	21.9
<b>Resource intensive countries</b>	<b>70.3</b>	<b>63.1</b>	<b>56.3</b>	<b>50.3</b>	<b>29.4</b>	<b>16.2</b>	<b>14.2</b>
Oil	69.7	61.3	56.0	50.6	28.2	15.5	13.6
Non-oil	73.6	72.6	58.2	49.1	37.4	20.3	17.6
<b>Non-resource intensive countries</b>	<b>33.5</b>	<b>36.9</b>	<b>31.6</b>	<b>26.6</b>	<b>23.0</b>	<b>14.5</b>	<b>12.2</b>
Coastal	21.6	24.3	18.2	14.6	12.3	8.5	7.2
Landlocked	85.1	68.4	92.9	95.6	83.2	46.1	34.2
MDRI	84.2	91.5	81.5	73.2	59.4	28.1	22.8
Fixed exchange rate regime	61.5	44.0	51.1	49.1	37.7	26.7	23.9
Floating exchange rate regime	39.6	45.9	36.3	30.5	22.0	12.1	9.9

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

**Table SA24. Terms of Trade**  
(Index, 2000 = 100)

	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>84.0</b>	<b>97.0</b>	<b>98.0</b>	<b>105.6</b>	<b>135.2</b>	<b>155.2</b>	<b>139.7</b>
Angola	69.6	74.3	80.8	97.6	127.5	146.6	122.7
Cameroon	89.6	103.8	102.1	99.9	117.8	128.7	114.0
Chad	103.2	109.3	136.8	129.6	163.5	220.3	193.6
Congo, Rep. of	74.3	103.7	112.3	118.4	132.3	157.3	111.3
Cote d'Ivoire	119.4	146.3	135.5	104.5	98.4	102.6	104.6
Equatorial Guinea	50.3	91.0	60.4	62.2	77.5	93.6	80.2
Gabon	76.0	87.2	98.4	107.0	136.1	151.4	126.6
Nigeria	74.5	89.1	91.3	110.0	151.8	176.7	166.9
<b>Oil-importing countries</b>	<b>105.7</b>	<b>98.6</b>	<b>99.8</b>	<b>100.6</b>	<b>99.9</b>	<b>105.9</b>	<b>104.3</b>
Benin	155.9	94.2	97.4	118.1	99.7	97.7	98.2
Botswana	103.1	87.4	90.6	91.1	91.3	76.0	89.2
Burkina Faso	123.4	99.1	123.0	136.0	106.0	109.7	118.3
Burundi	108.4	79.5	78.4	100.4	111.5	95.9	104.8
Cape Verde	89.4	99.8	96.6	105.5	125.7	113.0	108.8
Central African Republic	100.9	83.4	85.6	72.2	72.2	71.7	89.3
Comoros	79.5	165.8	294.2	188.7	108.7	107.5	108.9
Congo, Dem. Rep. of	104.2	107.8	124.6	157.8	175.6	186.3	180.5
Eritrea	102.1	101.1	83.4	75.5	69.7	63.8	60.8
Ethiopia	136.1	87.1	81.6	72.0	78.1	83.5	82.8
Gambia, The	115.7	70.7	118.9	140.9	137.1	138.0	143.4
Ghana	119.3	110.8	127.2	108.0	100.6	105.4	115.2
Guinea	109.8	104.1	100.9	86.3	79.7	78.3	81.4
Guinea-Bissau	88.5	79.2	74.4	67.9	74.6	59.6	65.6
Kenya	102.1	101.7	84.0	78.3	73.1	69.9	68.1
Lesotho	96.5	108.1	107.3	107.4	103.1	101.0	100.0
Liberia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Madagascar	100.6	107.3	118.0	101.2	66.0	65.4	69.9
Malawi	108.4	85.0	81.6	79.4	71.9	71.0	68.0
Mali	114.5	97.4	96.5	96.6	124.8	126.5	141.6
Mauritius	104.5	101.1	100.1	97.1	93.0	90.9	91.4
Mozambique	92.4	85.9	84.6	105.9	129.7	207.8	190.1
Namibia	89.5	111.9	96.6	95.7	104.0	115.6	114.0
Niger	109.7	111.6	108.7	106.4	93.1	99.2	93.5
Rwanda	99.5	47.3	48.9	58.5	65.8	63.2	62.2
São Tomé and Príncipe	62.4	45.1	46.4	36.3	34.2	28.2	26.6
Senegal	101.7	104.4	101.7	97.4	93.6	89.9	92.6
Seychelles	123.4	122.0	149.7	138.8	110.2	127.7	101.5
Sierra Leone	108.1	99.2	97.3	92.8	84.8	80.3	83.7
South Africa	104.2	102.6	103.5	104.3	105.0	109.6	108.4
Swaziland	99.4	99.0	99.7	111.2	119.2	123.3	127.9
Tanzania	90.0	69.2	65.4	60.1	54.4	47.8	50.8
Togo	103.5	112.5	121.4	104.8	97.9	95.6	105.4
Uganda	115.8	83.0	75.5	72.0	50.6	60.5	77.2
Zambia	107.3	87.8	88.8	120.1	128.6	204.3	178.7
Zimbabwe	99.7	97.5	93.4	86.7	79.9	78.4	75.5
<b>Sub-Saharan Africa</b>	<b>100.7</b>	<b>98.2</b>	<b>99.3</b>	<b>102.0</b>	<b>110.6</b>	<b>121.5</b>	<b>115.3</b>
Excluding Nigeria and South Africa	103.7	97.8	98.0	97.2	102.3	114.8	106.4
CFA franc zone	104.1	109.9	109.7	104.3	111.1	122.1	112.9
WAEMU	117.6	118.8	116.7	107.2	101.1	102.8	107.0
CEMAC	84.9	98.8	100.9	101.0	121.0	140.5	119.1
SADC	101.7	97.7	99.7	102.6	106.0	115.7	110.2
COMESA	104.0	94.1	91.4	94.6	100.5	116.1	104.2
<b>Resource intensive countries</b>	<b>87.4</b>	<b>96.8</b>	<b>97.2</b>	<b>104.3</b>	<b>130.6</b>	<b>151.2</b>	<b>137.0</b>
Oil	84.0	97.0	98.0	105.6	135.2	155.2	139.7
Non-oil	102.7	95.6	93.4	97.4	101.9	126.6	119.6
<b>Non-resource intensive countries</b>	<b>105.9</b>	<b>98.9</b>	<b>100.3</b>	<b>100.8</b>	<b>99.8</b>	<b>104.3</b>	<b>103.2</b>
Coastal	104.3	100.6	101.5	101.2	100.3	104.8	103.8
Landlocked	113.2	94.5	94.7	98.6	96.5	101.7	100.4
MDRI	108.9	92.5	94.7	94.1	93.1	108.0	105.1
Fixed exchange rate regime	102.5	104.7	106.2	102.6	108.0	115.8	106.6
Floating exchange rate regime	100.1	95.6	97.2	101.8	111.3	122.9	117.6

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

<b>Table SA25. Reserves</b> (Months of imports of goods and services)							
	1997-2001	2002	2003	2004	2005	2006	2007
<b>Oil-exporting countries</b>	<b>3.8</b>	<b>3.3</b>	<b>2.6</b>	<b>4.7</b>	<b>6.2</b>	<b>7.6</b>	<b>8.7</b>
Angola	1.3	0.6	0.9	1.6	2.4	3.9	3.0
Cameroon	0.5	2.7	2.4	2.5	2.7	3.6	4.7
Chad	2.6	1.2	1.4	1.2	1.2	2.0	6.4
Congo, Rep. of	0.7	0.7	0.2	0.6	2.9	2.5	2.7
Cote d'Ivoire	2.4	5.8	3.3	3.3	2.3	2.3	2.2
Equatorial Guinea	0.2	0.9	1.3	4.1	7.4	12.7	19.5
Gabon	0.7	1.0	1.3	2.3	3.3	4.6	5.5
Nigeria	6.8	4.6	3.6	7.6	10.0	11.8	14.1
<b>Oil-importing countries</b>	<b>3.6</b>	<b>4.1</b>	<b>3.8</b>	<b>3.9</b>	<b>3.8</b>	<b>3.9</b>	<b>3.8</b>
<b>Excluding South Africa</b>	<b>4.8</b>	<b>5.6</b>	<b>5.6</b>	<b>5.1</b>	<b>4.3</b>	<b>4.5</b>	<b>4.5</b>
Benin	7.2	9.5	9.1	7.1	7.7	10.1	9.1
Botswana	30.7	30.3	23.0	18.4	20.9	21.0	23.5
Burkina Faso	5.4	5.2	9.7	6.5	3.7	4.3	5.9
Burundi	4.9	5.0	4.9	3.5	3.3	2.4	2.2
Cape Verde	1.0	2.2	2.0	2.6	3.2	3.8	3.7
Central African Republic	7.0	6.9	7.6	7.4	6.5	5.2	5.4
Comoros	7.3	12.4	10.9	10.5	7.7	7.3	6.8
Congo, Dem. Rep. of	1.2	1.0	0.9	1.5	0.7	0.7	0.7
Eritrea	1.5	0.8	0.5	0.8	0.9	0.8	0.8
Ethiopia	3.1	5.2	4.9	5.7	3.1	2.3	1.5
Gambia, The	5.8	6.4	3.6	3.6	3.8	3.6	3.6
Ghana	1.4	2.0	4.1	3.7	3.2	3.2	3.1
Guinea	2.8	2.2	1.9	1.4	1.8	1.9	1.9
Guinea-Bissau	5.5	11.8	3.8	6.9	6.3	8.1	7.5
Kenya	2.8	3.8	4.2	3.3	3.1	3.6	3.7
Lesotho	7.0	5.6	4.9	4.3	4.4	5.8	6.6
Liberia	n.a.	0.2	0.2	0.1	0.1	0.1	0.1
Madagascar	2.6	4.2	2.8	2.9	2.9	4.0	4.1
Malawi	3.7	2.0	1.7	1.5	1.4	2.1	3.1
Mali	4.7	6.7	7.8	6.4	5.6	5.6	6.1
Mauritius	3.3	5.6	6.4	5.9	4.2	3.5	2.8
Mozambique	6.0	4.9	5.3	5.9	4.5	4.5	3.8
Namibia	1.7	2.6	2.0	1.6	1.4	1.9	1.9
Niger	1.7	3.1	4.6	3.6	2.8	4.3	3.5
Rwanda	4.8	6.9	5.6	7.2	7.3	5.8	4.3
São Tomé and Príncipe	3.7	4.6	5.7	4.1	5.0	1.7	2.5
Senegal	2.8	3.7	5.0	5.2	4.0	3.9	3.7
Seychelles	0.8	1.4	1.4	0.6	0.7	1.3	0.8
Sierra Leone	3.0	3.0	2.0	4.1	4.2	7.8	7.1
South Africa	2.1	2.3	1.9	2.7	3.3	3.3	3.2
Swaziland	3.0	2.9	2.2	1.9	1.3	2.0	2.3
Tanzania	4.6	8.3	10.1	9.3	6.4	5.3	4.5
Togo	2.4	3.4	2.6	4.0	1.9	2.0	2.1
Uganda	6.9	7.2	7.8	8.3	6.8	6.1	6.2
Zambia	1.3	4.1	1.7	1.7	2.5	3.0	3.2
Zimbabwe	0.9	0.5	0.5	0.5	0.6	0.8	0.9
<b>Sub-Saharan Africa</b>	<b>3.7</b>	<b>3.8</b>	<b>3.4</b>	<b>4.2</b>	<b>4.6</b>	<b>5.2</b>	<b>5.6</b>
Excluding Nigeria and South Africa	3.7	4.4	4.2	4.1	3.8	4.4	4.4
CFA franc zone	2.2	3.5	3.4	3.5	3.6	4.5	5.5
WAEMU	3.3	5.4	5.1	4.7	3.5	3.7	3.8
CEMAC	0.9	1.6	1.6	2.3	3.7	5.2	7.6
SADC	3.4	3.6	3.1	3.4	3.6	3.9	3.7
COMESA	2.4	2.9	2.8	2.9	2.6	3.3	2.9
<b>Resource intensive countries</b>	<b>5.3</b>	<b>4.5</b>	<b>3.5</b>	<b>5.2</b>	<b>6.5</b>	<b>7.8</b>	<b>8.9</b>
Oil	3.8	3.3	2.6	4.7	6.2	7.6	8.7
Non-oil	12.0	12.1	9.3	8.0	8.5	9.2	10.0
<b>Non-resource intensive countries</b>	<b>2.7</b>	<b>3.3</b>	<b>3.3</b>	<b>3.5</b>	<b>3.4</b>	<b>3.4</b>	<b>3.3</b>
Coastal	2.5	3.1	3.0	3.4	3.5	3.5	3.4
Landlocked	3.5	3.9	4.3	4.1	3.1	3.2	3.2
MDRI	3.2	4.6	5.1	4.9	4.0	4.1	4.0
Fixed exchange rate regime	4.8	5.3	4.7	4.4	4.5	5.5	6.5
Floating exchange rate regime	3.3	3.3	2.9	4.1	4.7	5.1	5.4

Sources: IMF, African Department database, March 29, 2007; and World Economic Outlook (WEO) database, March 29, 2007.

## References

- Abbas, S. M. Ali, 2005, "Public Debt Sustainability and Growth in Sub-Saharan Africa: The Role of Domestic Debt," paper for GDNNet's 2004/05 project on *Macroeconomic Policy Challenges of Low Income Countries*; [http://www.gdnet.org/pdf2/gdn\\_library/global\\_research\\_projects/macro\\_low\\_income/Abbas.pdf](http://www.gdnet.org/pdf2/gdn_library/global_research_projects/macro_low_income/Abbas.pdf).
- , 2007, "Public Domestic Debt and Economic Growth in Low-Income Countries," (chapter from doctoral dissertation; Oxford, United Kingdom: Department of Economics, University of Oxford, forthcoming).
- , and Jakob Christensen, 2007, "Domestic Debt and Growth in Low-Income Countries: An Empirical Investigation," IMF Working Paper (Washington: International Monetary Fund, forthcoming).
- Aiyagari, S., and E. McGrattan, 1998, "The Optimum Quantity of Debt," *Journal of Monetary Economics*, Vol. 42, No. 3, pp. 447–69.
- Aizenman, J., B. Pinto, and A. Radziwill, 2004, "Sources for Financing Domestic Capital— Is Foreign Saving a Viable Option for Developing Countries?" NBER Working Paper 10624 (Cambridge, Massachusetts: National Bureau of Economic Research).
- Al-Haschimi, Alexander, 2007, "Determinants of Bank Spreads in Sub-Saharan Africa: Cross-Country Evidence and Policy Implications," IMF Working Paper (Washington: International Monetary Fund, forthcoming).
- Amiti, M., and S.-J. Wei, 2004, "Fear of Service Outsourcing: Is It Justified?" NBER Working Paper 10808 (Cambridge, Massachusetts: National Bureau of Economic Research).
- Baldwin, Richard, and Daria Taglioni, 2006, "Gravity for Dummies and Dummies for Gravity Equations" (unpublished; Geneva: Graduate Institute of International Studies).
- Bannon, Ian, and Paul Collier, eds., 2003, *Natural Resources and Violent Conflicts: Options and Actions* (Washington: World Bank).
- Barnett, Steven, and Rolando Ossowski, 2003, "Operational Aspects of Fiscal Policy in Oil-Producing Countries," in *Fiscal Policy Formulation and Implementation in Oil-Producing Countries*, ed. by Jeffrey Davis, Rolando Ossowski, and Annalisa Fedelino (Washington: International Monetary Fund).
- Barro, Robert J., 1974, "Are Government Bonds Net Wealth?" *Journal of Political Economy*, Vol. 83 (November/December), pp. 1095–1117.
- Bartels, F.L., 2005, "Outsourcing Markets in Services: International Business Trends, Patterns, and Emerging Issues," United Nations Industrial Development Organization Working Paper IWPS 002/05; <https://www.unido.org/doc/38082>.
- Beaumont, Peter, 2006, "African Nomads To Be First People Wiped Out by Climate Change," *The Guardian* (London), November 12.
- Bigsten, Arne, and Måns Söderbom, 2006, "What Have We Learned from a Decade of Manufacturing Enterprise Surveys in Africa?" *World Bank Research Observer*, Vol. 21 (Fall), pp. 241–65.
- Broadman, Harry G., 2006, *Africa's Silk Road: China and India's New Economic Frontier* (Washington: World Bank).
- Carcillo, Stéphane, Daniel Leigh, and Mauricio Villafuerte, 2007, "Catch-Up Growth, Habits, Oil Depletion, and Fiscal Policy: Lessons from Congo" (Washington: International Monetary Fund, forthcoming).
- Carey, Kevin, Sanjeev Gupta, and Ulrich Jacoby, 2007, "Sub-Saharan Africa's Emerging Trade Pattern," IMF Working Paper (Washington: International Monetary Fund, forthcoming).
- Caselli, Francesco, and James Feyrer, 2007, "The Marginal Product of Capital," *Quarterly Journal of Economics*, forthcoming.
- Centre for Chinese Studies, 2006, *China's Interest and Activity in Africa's Construction and Infrastructure Sectors*, study commissioned by UK Department for International Development (Stellenbosch, South Africa: Centre for Chinese Studies).
- Christensen, Jakob, 2004, "Domestic Debt Markets in Sub-Saharan Africa," IMF Working Paper 04/46 (Washington: International Monetary Fund).
- Chu, Ke-Young, Hamid Davoodi, and Sanjeev Gupta, 2004, "Income Distribution and Tax and Government Social-Spending Policies in Developing Countries," in *Inequality, Growth, and Poverty in an Era of Liberalization and Globalization*, ed. by Giovanni Andrea Cornia (Oxford: Oxford University Press).

- Coe, David T., and Alexander W. Hoffmaister, 1999, "North-South Trade: Is Africa Unusual?" *Journal of African Economies*, Vol. 8 (2), pp. 228–56.
- Collier, Paul, 2006, "Africa: Geography and Growth," paper presented at the Jackson Hole Symposium on The New Economic Geography, Jackson Hole, Wyoming, August 24, 2006.
- , and Stephen O’Connell, 2006, "Opportunities and Choices," in *Explaining African Economic Growth* (Oxford: Center for Study of African Economies).
- , and Anke Hoeffler, 2005, "Democracy and Natural Resource Rents," Global Poverty Research Group Working Paper No. 16 (Oxford: Economics Department, Oxford University).
- Corden, Max, 1984, "Booming Sector and Dutch Disease Economics: Survey and Consolidation," *Oxford Economic Papers*, Vol. 36, pp. 359–80.
- , and Peter Neary, 1982, "Booming Sector and De-Industrialisation in a Small Open Economy," *Economic Journal*, Vol. 92 (December), pp. 829–31.
- Dabán, Teresa, and Sarah Lacoche, 2007, "Fiscal Policy and Oil Revenues Management: The Case of Chad," in *Chad: Selected Issues and Statistical Appendix*, IMF Country Report 07/28 (Washington: International Monetary Fund).
- Davoodi, Hamid, Erwin Tiongson, and Sawitree Asawanuchit, 2003, "How Useful Are Benefit Incidence Analyses of Public Education and Health Spending?" IMF Working Paper 03/227 (Washington: International Monetary Fund).
- Day, P., 2005, "Talk Is Profitable in Ghana," BBC News broadcast, April 23. Available via the Internet: [http://news.bbc.co.uk/2/hi/programmes/from\\_our\\_own\\_correspondent/4473073.stm](http://news.bbc.co.uk/2/hi/programmes/from_our_own_correspondent/4473073.stm).
- Diamond, P., 1965, "National Debt in a Neoclassical Debt Model," *Journal of Political Economy*, Vol. 55 (December), pp. 1126–50.
- Djankov, Simeon, Caroline Freund, and Cong S. Pham, 2006, "Trading on Time," World Bank Policy Research Working Paper WPS 3909 (Washington: World Bank).
- Dunn, David, 2006, "The Macroeconomic Impact of Scaling Up Donor Assistance: A Simulation Analysis," in *Zambia: Selected Issues and Statistical Appendix*, IMF Country Report 06/118 (Washington: International Monetary Fund).
- Eichengreen, Barry, and Ricardo Hausmann, 2003, "Original Sin: The Road to Redemption," in *Other People’s Money: Debt Denomination and Financial Instability in Emerging Market Economies*, ed. by Barry Eichengreen and Ricardo Hausmann (Chicago: University of Chicago Press).
- Eifert, Benn, Alan Gelb, and Vijaya Ramachandran, 2005, "Business Environment and Comparative Advantage in Africa: Evidence from the Investment Climate Data," CGD Working Paper 56 (Washington: Center for Global Development).
- Farrell, D., 2006, "Smarter Offshoring," *Harvard Business Review*, Vol 84, No. 6, pp. 84–92.
- Fitch Ratings, *Republic of Ghana* (April 25, 2006) and *Sub-Saharan Africa – 2006 Outlook* (May 2006)
- Friedman, Milton, 1953, *Essays in Positive Economics* (Chicago: University of Chicago Press).
- , 1957, *A Theory of the Consumption Function* (Princeton: Princeton University Press).
- Gallup, John, Jeffrey Sachs, and Andrew Mellinger, 1998, "Geography and Economic Development," paper presented at the Annual Bank Conference on Development Economics (Washington: World Bank).
- Goldstein, Andrea, Nicolas Pinaud, Helmut Reisen, and Xiaobao Chen, 2006, *The Rise of China and India: What’s In It For Africa?* (Paris: Organisation for Economic Co-operation and Development, Development Centre Studies).
- Gulde, Anne-Marie, Catherine Pattillo, Jakob Christensen, Kevin Carey, and Smita Wagh, 2006, *Sub-Saharan Africa: Financial Sector Challenges* (Washington: International Monetary Fund).
- Gupta, Sanjeev, Robert Powell, and Yongzheng Yang, 2006, *Macroeconomic Challenges of Scaling Up Aid to Africa: A Checklist for Practitioners* (Washington: International Monetary Fund).
- , and Yongzheng Yang, 2006, "What Impedes Africa’s Trade?" *Finance and Development*, Vol. 43, No. 4, pp. 22–25.
- Haacker, Markus, 2007a, "Access to Communication Services in Sub-Saharan Africa," in *The Global Information Technology Report 2006-2007*, by World Economic Forum (Geneva).
- , 2007b, "HIV/AIDS—Fiscal Policy Perspective," in *Commonwealth Finance Ministers Reference Report 2006* (London: Commonwealth Secretariat).
- Hauer, David, 2006, "Fiscal Policy and Financial Depth," IMF Working Paper 06/26 (Washington: International Monetary Fund).
- Heston, Alan, Robert Summers, Daniel A. Nuxoll, and Bettina Aten, 1995, *Penn World Table Version 5.6*,



- Center for International Comparisons at the University of Pennsylvania (Philadelphia: University of Pennsylvania)
- Hinkle, Lawrence E., and Richard S. Newfarmer, 2006, "Risks and Rewards of Regional Trading Arrangements in Africa: Economic Partnership Agreements (EPAs) Between the EU and SSA," in *Annual World Bank Conference on Development Economics 2006: Growth and Integration* (Senegal Proceedings), ed. by François Bourguignon and Boris Pleskovic (Washington: World Bank).
- Hummels, David, 2001, "Time as a Trade Barrier" (unpublished; West Lafayette, Indiana: Department of Economics, Purdue University).
- Husain, Asim H., 1997, "Domestic Taxes and the External Debt Laffer Curve," *Economica*, Vol. 64, pp. 519–25.
- International Monetary Fund, 2002, *World Economic Outlook* (Washington, September).
- , 2005, *Regional Economic Outlook: Sub-Saharan Africa* (Washington, April).
- , 2006, *Regional Economic Outlook: Sub-Saharan Africa* (Washington, September).
- , 2007, *World Economic Outlook* (Washington, April).
- Intergovernmental Panel on Climate Change, 2001, *Climate Change 2001: Summary for Policymakers*, A Report of Working Group I of the Intergovernmental Panel on Climate Change. Available via the Internet: <http://www.ipcc.ch/pub/spm22-01.pdf>.
- International Development Association (IDA), 2005, *Country Policy and Institutional Assessments, 2005 Assessment Questionnaire* (Washington: World Bank).
- Johnson, Simon, Jonathan D. Ostry, and Arvind Subramanian, 2007, "The Prospects for Sustained Growth in Africa: Benchmarking the Constraints," IMF Working Paper (Washington: International Monetary Fund, forthcoming).
- Jones, Ronald W., 2000, *Globalization and the Theory of Input Trade* (Cambridge, Massachusetts: MIT Press).
- Kee, Hiau Looi, Alessandro Nicita, and Marcelo Olarreaga, 2004, "Import Demand Elasticities and Trade Distortions," WB Policy Research Working Paper 3452 (Washington: World Bank).
- King, Robert G., and Ross Levine, 1993, "Finance, Entrepreneurship, and Growth: Theory and Evidence," *Journal of Monetary Economics*, Vol. 32, pp. 513–42.
- Krueger, Anne O., 2007, "Understanding Context and Interlinkages in Development Policy Formulation and Implementation," paper presented at the American Economics Association Annual Meetings, Chicago, January.
- Kumhof, Michael, and Evan Tanner, 2005, "Government Debt: A Key Role in Financial Intermediation," IMF Working Paper 05/57 (Washington: International Monetary Fund).
- Lacey, M., 2005, "Africa: A New Outsourcing Frontier," *New York Times*, February 2.
- Leigh, Daniel, and Jan-Peter Olters, 2006, "Natural-Resource Depletion, Habit Formation, and Sustainable Fiscal Policy: Lessons from Gabon," IMF Working Paper 06/193 (Washington: International Monetary Fund).
- Leite, Carlos, and Jens Weidmann, 2002, "Does Mother Nature Corrupt? Natural Resources, Corruption, and Economic Growth," in *Governance, Corruption, and Economic Performance*, ed. by George Abed and Sanjeev Gupta (Washington: International Monetary Fund).
- Limão, Nuno, and Anthony J. Venables, 2001, "Infrastructure, Geographical Disadvantage, Transport Costs and Trade," *World Bank Economic Review*, Vol. 15 No. 3, pp. 451–79.
- Martin, Will, 2005, "Outgrowing Resource Dependence: Theory and Evidence," World Bank Development Research Group Working Paper (Washington: World Bank).
- Mattoo, Aaditya, Devesh Roy, and Arvind Subramanian, 2003, "The Africa Growth and Opportunity Act and its Rules of Origin: Generosity Undermined?" *World Economy*, Vol. 26 (June), pp. 829–51.
- McLaughlin, A., 2004, "Where America's White-Collar Jobs Go: It's Not Just India," *Christian Science Monitor*, February 26.
- Mellor, Dominic, and A. Guscina, 2007, "Domestic Debt Distress in Lower Income Countries," IMF Working Paper (Washington: International Monetary Fund, forthcoming).
- Mengistae, Taye, and Catherine Pattillo, 2004, "Export Orientation and Productivity in Sub-Saharan Africa," *IMF Staff Papers*, Vol. 51 No. 2, pp. 327–353.
- Merino, Beatriz, 2006, "Domestic Debt Markets in Sub-Saharan Africa Move Forward," *Credit Week*, Vol. 26 No. 19, pp. 20–29.
- Milanovic, Branco, 2003, "Is Inequality in Africa Really Different?" World Bank Policy Research Working Paper 3169 (Washington: World Bank).

- Moss, Todd, Gunilla Pettersson, and Nicolas van de Walle, 2006, "An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State Building in sub-Saharan Africa," CGD Working Paper 74 (Washington: Center for Global Development). Available via the Internet: <http://www.cgdev.org/content/publications/detail/5646>.
- Multilateral Investment Guarantee Agency, 2006, *Snapshot Africa: Benchmarking FDI Competitiveness in Sub-Saharan Africa* (Washington: MIGA).
- Neary, J. Peter, and Sweder van Wijnbergen, 1986, "Natural Resources and the Macroeconomy: A Theoretical Framework," in *Natural Resources and the Macroeconomy*, ed. by J. Peter Neary and Sweder van Wijnbergen (Cambridge, Massachusetts: MIT Press).
- Nkomo, J.C., A. Nyong, and K. Kulindwa, 2006, "The Impacts of Climate Change in Africa," report prepared for the *Stern Review*. Available via the Internet: <http://www.sternreview.org.uk>.
- Norges Bank, 2006, "Management of the Government Petroleum Insurance Fund—Report for the Fourth Quarter and for the Year 2005" (unpublished; Oslo: Norges Bank Investment Management). Available via the Internet: [www.norges-bank.no/english/petroleum\\_fund/insurance\\_fund/report-2005/](http://www.norges-bank.no/english/petroleum_fund/insurance_fund/report-2005/).
- Olters, Jan-Peter, 2007, "Uncursing Oil Wealth: Fiscal Benchmarks for Oil-Producing Countries in Sub-Saharan Africa" (Washington: International Monetary Fund, forthcoming).
- Ossowski, Rolando, Mauricio Villafuerte, Paulo Medas, and Theo Thomas, 2007, "The Role of Fiscal Institutions in Managing the Oil Boom" (Washington: International Monetary Fund, forthcoming).
- Pattillo, Catherine A., Helene Poirson, and Luca Ricci, 2002, "External Debt and Growth," IMF Working Paper 02/96 (Washington: International Monetary Fund).
- Rajan, Raghuram G., and Arvind Subramanian, 2005, "What Undermines Aid's Impact on Growth?" IMF Working Paper 05/126 (Washington: International Monetary Fund).
- Ramachandran, V., and M. K. Shah, 1999, "Minority Entrepreneurs and Firm Performance in Sub-Saharan Africa," *Journal of Development Studies*, Vol. 36, No. 2, pp. 71–87.
- Rice, X., 2006, "Africa Needs Help to Avoid Climate Change Catastrophe, Warns UN," *The Guardian* (London), November 6.
- Rodrik, Dani, 1988, "The Welfare Economics of Debt Service," NBER Working Paper 2655 (Cambridge, Massachusetts: National Bureau of Economic Research).
- Rose, Andrew K., 2002, "Estimating Protectionism Through Residuals from the Gravity Model" (unpublished; Berkeley: University of California, Haas School of Business).
- Sachs, Jeffrey, and Andrew Warner, 1995, "Natural Resource Abundance and Economic Growth," NBER Working Paper 5398 (Cambridge, Massachusetts: National Bureau of Economic Research).
- Sala-i-Martin, Xavier, and Arvind Subramanian, 2003, "Addressing the Natural Resource Curse: An Illustration from Nigeria," IMF Working Paper 03/139 (Washington: International Monetary Fund).
- Sobolev, Yuri, and Ayumu Yamauchi, 2005, "Foreign Aid Inflows and the Issue of Dutch Disease," in *The Federal Democratic Republic of Ethiopia: Selected Issues and Statistical Appendix*, IMF Country Report 05/28 (Washington: International Monetary Fund).
- South Africa, 2003, "Towards a Ten Year Review" (Pretoria, South Africa: Government of South Africa).
- Stern, N., 2006, *The Stern Review: The Economics of Climate Change* (London: HM Treasury). Available via the Internet: <http://www.sternreview.org.uk>.
- Strauss, Tove, 2006, "Dimensions of Poverty and Social Policy Toward the Poor," in *Namibia: Selected Issues and Statistical Appendix*, IMF Country Report 06/153 (Washington: International Monetary Fund).
- Takizawa, Hajime, Edward Gardner, and Kenichi Ueda, 2004, "Are Developing Countries Better Off Spending Their Oil Wealth Upfront?" IMF Working Paper 04/141 (Washington: International Monetary Fund).
- Tokarick, Stephen, 2006, "Does Import Protection Discourage Exports?" IMF Working Paper 06/20 (Washington: International Monetary Fund).
- Tsangarides, Charalambos G., Pierre Ewencyk, and Michal Hulej, 2006, "Stylized Facts on Bilateral Trade and Currency Unions: Implications for Africa," IMF Working Paper 06/31 (Washington: International Monetary Fund).
- UNAIDS, 2006, "Report on the Global AIDS Epidemic" (Geneva, UNAIDS).
- UNAIDS/UNICEF/USAID, 2004, "Children on the Brink" (New York and Washington: UNAIDS/UNICEF/USAID).
- UNAIDS/WHO, 2006, "AIDS Epidemic Update: December 2006" (Geneva, UNAIDS/WHO).

- United Nations, 2006a, "Impacts, Vulnerability, and Adaptation to Climate Change in Africa," background paper for the African Workshop on Adaptation of the United Nations Framework Convention on Climate Change (Accra, Ghana). Available via the Internet: [http://unfccc.int/adaptation/adverse\\_effects\\_and\\_response\\_measures\\_art\\_48/items/3743.php](http://unfccc.int/adaptation/adverse_effects_and_response_measures_art_48/items/3743.php).
- , 2006b, "Report on the African Regional Workshop on Adaptation," note by the Secretariat, United Nations Framework Convention on Climate Change (Accra, Ghana): Available via the Internet: [http://unfccc.int/adaptation/adverse\\_effects\\_and\\_response\\_measures\\_art\\_48/items/3743.php](http://unfccc.int/adaptation/adverse_effects_and_response_measures_art_48/items/3743.php).
- van Wijnbergen, Sweder, 1984, "Inflation, Employment and the Dutch Disease in Oil Exporting Countries: A Short Run Disequilibrium Analysis," *Quarterly Journal of Economics*, Vol. 94, pp. 633–44.
- World Bank, 2004, *Patterns of Africa-Asia Trade and Investment: Potential for Ownership and Partnership*, Africa Region, Private Sector Unit (Washington: World Bank).
- , 2005, IDA Resource Allocation Index (Washington: World Bank).
- , and International Monetary Fund, 2007, *Global Monitoring Report 2007* (Washington: forthcoming).
- Yang, Yongzheng, and Sanjeev Gupta, 2005, "Regional Trade Arrangements in Africa: Past Performance and the Way Forward," IMF Working Paper No. 05/36 (Washington: International Monetary Fund).
- Zachary, G.P., 2004, "Outsourcing in Africa," *Project Syndicate*. Available via the Internet: [www.project-syndicate.org/commentary/zachary2](http://www.project-syndicate.org/commentary/zachary2).

# Publications of the IMF African Department, 2003-2007

## WORKING PAPERS

**07/40**

Do South-South Trade Agreements Increase Trade?  
Commodity-Level Evidence from COMESA

Mayda, Anna Maria; and Steinberg, Chad

**07/38**

Impact of Remittances on Poverty and Financial Development in  
Sub-Saharan Africa

Gupta, Sanjeev; Pattillo, Catherine; and  
Wagh, Smita

**07/34**

Fixed Exchange Rates and the Autonomy of Monetary Policy:  
The Franc Zone Case

Veyrune, Romain

**07/32**

Sources of Inflation in Sub-Saharan Africa

Barnichon, Régis; and Peiris, Shanaka

**06/303**

Assessing Competitiveness After Conflict: The Case of the  
Central African Republic

Bakhache, Said; Lewis, Mark; Kalonji,  
Kadima; and Nachege, Jean-Claude

**06/300**

A VAR Analysis of Kenya's Monetary Policy Transmission  
Mechanism: How Does the Central Bank's REPO Rate Affect the  
Economy?

Cheng, Kevin C.

**06/236**

FEER for the CFA Franc

Abdih, Yasser; and Tsangarides, Charambolos

**06/208**

Economic Growth and Total Factor Productivity in Niger

Nachege, Jean-Claude; and Fontaine,  
Thomson

**06/193**

Natural-Resource Depletion, Habit Formation, and Sustainable  
Fiscal Policy: Lessons from Gabon

Leigh, Daniel; and Olters, Jan-Peter

**06/185**

Oil and Growth in the Republic of Congo

Bhattacharya, Rina; and Ghura, Dhaneshwar

**06/183**

Management of Oil Wealth Under the Permanent Income  
Hypothesis: The Case of Sao Tome and Principe

Segura, Alonso

<b>06/150</b> An Empirical Investigation of the Exchange Rate Pass-Through to Inflation in Tanzania	Mwase, Nkunde
<b>06/140</b> Exchange Rate Misalignment: An Application of the Behavioral Equilibrium Exchange Rate (BEER) to Botswana	Iimi, Atsushi
<b>06/138</b> Did Botswana Escape from the Resource Curse?	Iimi, Atsushi
<b>06/132</b> Determinants of Emigrant Deposits in Cape Verde	Karpowicz, Izabela
<b>06/115</b> Excess Liquidity and the Effectiveness of Monetary Policy: Evidence from Sub-Saharan Africa	Saxegaard, Magnus
<b>06/91</b> Distributional Effects of Oil Price Changes on Household Expenditures: Evidence from Mali	Kpodar, Kangni
<b>06/90</b> What Is Fuzzy About Clustering in West Africa?	Tsangarides, Charalambos G.; and Qureshi, Mahvash Saeed
<b>06/82</b> Adopting Full Dollarization in Postconflict Economies: Would the Gains Compensate for the Losses in Liberia?	Honda, Jiro; and Schumacher, Liliana
<b>06/31</b> Stylized Facts on Bilateral Trade and Currency Unions: Implications for Africa	Tsangarides, Charalambos G.; Ewencyk, Pierre; and Hulej, Michal
<b>06/28</b> Zimbabwe 's Export Performance: The Impact of the Parallel Market and Governance Factors	Muñoz, Sonia
<b>06/24</b> Implications of Quasi-Fiscal Activities in Ghana	Chivakul, Mali; and York, Robert C.
<b>06/15</b> Suppressed Inflation and Money Demand in Zimbabwe	Muñoz, Sonia
<b>06/01</b> Are Donor Countries Giving More or Less Aid?	Gupta, Sanjeev; Pattillo, Catherine; and Wagh, Smita

<b>05/240</b> Bank, Efficiency and Competition in Low-Income Countries: The Case of Uganda	Haunner, David; and Peiris, Shanaka J.
<b>05/236</b> Money Demand and Inflation in Madagascar	Nassar, Koffie
<b>05/221</b> Fiscal Dominance and Inflation in the Democratic Republic of the Congo	Nachege, Jean-Claude
<b>05/195</b> Sustaining Growth Accelerations and Pro-Poor Growth in Africa	Pattillo, Catherine; Gupta, Sanjeev; and Carey, Kevin
<b>05/179</b> The Macroeconomic Challenges of Scaling Up Aid to Africa	Gupta, Sanjeev; Powell Robert; and Yang Yongzheng
<b>05/178</b> How Useful Is Monetary Econometrics in Low-Income Countries? The Case of Money Demand and the Multipliers in Rwanda	Hauner, David; and Di Bella, Gabriel
<b>05/174</b> Subordinated Levy Processes and Applications to Crude Oil Options	Krichene, Noureddine
<b>05/172</b> Inflation Targeting Lite in Small Open Economies: The Case of Mauritius	Porter, Nathan; and Yao, James Y.
<b>05/156</b> Forestry Taxation in Africa: The Case of Liberia	Schwidrowski, Arnim; and Thomas, Saji
<b>05/145</b> Ten Years After the CFA Franc Devaluation: Progress Toward Regional Integration in the WAEMU	van den Boogaerde, Pierre; and Tsangarides, Charalambos
<b>05/143</b> Trade Integration in the East African Community: An Assessment for Kenya	McIntyre, Meredith A.
<b>05/58</b> The Implications of South African Economic Growth for the Rest of Africa	Arora, Vivek B.; and Vamvakidis, Athanasios
<b>05/47</b> The Disconcerting Pyramids of Poverty and Inequality of Sub-Saharan Africa	Lopes, Paulo Silva

<b>05/40</b> The Composition of Capital Flows - Is South Africa Different?	Ahmed, Faisal; Arezki, Rabah; Funke, Norbert
<b>05/36</b> Regional Trade Arrangements in Africa - Past Performance and the Way Forward	Yang, Yongzheng; Gupta, Sanjeev
<b>05/35</b> Tanzania's Growth Process and Success in Reducing Poverty	Treichel, Volker
<b>05/32</b> A Simultaneous Equations Model for World Crude Oil and Natural Gas Markets	Krichene, Noureddine
<b>05/18</b> Growth Empirics Under Model Uncertainty - Is Africa Different?	Tsangarides, Charalambos
<b>05/17</b> Competition and Efficiency in Banking - Behavioral Evidence from Ghana	Buchs, Thierry D.; Mathisen, Johan
<b>05/13</b> Currency Crises in Developed and Emerging Market Economies - A Comparative Empirical Treatment	Fontaine, Thomson
<b>04/238</b> Local Financial Development and the Aid-Growth Relationship	Nkusu, Mwanza; Sayek, Selin
<b>04/223</b> Inflation and Monetary Pass-Through in Guinea	Blavy, Rodolphe
<b>04/218</b> Capital Inflows, Sterilization, and Commercial Bank Speculation - The Case of the Czech Republic in the Mid-1990s	Christensen, Jakob
<b>04/212</b> Are There Negative Returns to Aid? A Comment	Nkusu, Mwanza
<b>04/198</b> Growth and Convergence in WAEMU Countries	Wane, Abdoul Aziz
<b>04/196</b> Deriving Market Expectations for the Euro-Dollar Exchange Rate from Option Prices	Krichene, Noureddine
<b>04/189</b> Can Higher Reserves Help Reduce Exchange Rate Volatility?	Hviding, Ketil; Nowak, Michael; Ricci, Luca Antonio

<b>04/176</b> Sources of Growth in Sub-Saharan Africa	Tahari, Amor; Ghura, Dhaneshwar; Akitoby, Bernardin; Aka, Emmanuel Brou
<b>04/174</b> Microfinance in Africa - Experience and Lessons from Selected African Countries	Basu, Anupam; Blavy, Rodolphe; Yulek, Murat
<b>04/170</b> Financing Uganda's Poverty Reduction Strategy - Is Aid Causing More Pain Than Gain?	Nkusu, Mwanza
<b>04/158</b> Dimensions of Land Inequality and Economic Development	Erickson, Lennart; Vollrath, Dietrich
<b>04/140</b> Explaining Efficiency Differences Among Large German and Austrian Banks	Hauer, David
<b>04/130</b> Zimbabwe - A Quest for a Nominal Anchor	Kovanen, Arto
<b>04/117</b> On Fixed and Variable Fiscal Surplus Rules	Basci, Erdem; Ekinci, Fatih M.; Yulek, Murat
<b>04/114</b> Sources of Growth in the Democratic Republic of the Congo - A Cointegration Approach	Akitoby, Bernardin; Cinyabuguma, Matthias
<b>04/83</b> Angola's Fragile Stabilization	Gasha, Jose Giancarlo; Pastor, Gonzalo
<b>04/80</b> Political Instability and Growth - The Central African Republic	Ghura, Dhaneshwar; Mercereau, Benoit
<b>04/68</b> A Bayesian Approach to Model Uncertainty	Tsangarides, Charalambos
<b>04/49</b> Aid and Dutch Disease in Low-Income Countries - Informed Diagnoses for Prudent Prognoses	Nkusu, Mwanza
<b>04/46</b> Domestic Debt Markets in Sub-Saharan Africa	Christensen, Jakob
<b>04/40</b> And Schumpeter Said, "This Is How Thou Shalt Grow": The Further Quest for Economic Growth in Poor Countries	Beaugrand, Philippe



<b>04/30</b> Fiscal Sustainability in Heavily Indebted Countries Dependent on Nonrenewable Resources - The Case of Gabon	Ntamatungiro, Joseph
<b>04/26</b> How Much Do Trading Partners Matter for Economic Growth?	Arora, Vivek B.; Vamvakidis, Athanasios
<b>04/25</b> Rational Speculation, Financial Crises, and Optimal Policy Responses	Surti, Jay
<b>04/7</b> Fiscal Sustainability - The Case of Eritrea	Yamauchi, Ayumu
<b>03/252</b> Sources of Nominal Exchange Rate Fluctuations in South Africa	Gottschalk, Jan; Bhundia, Ashok
<b>03/211</b> Mauritius - Unemployment and the Role of Institutions	Mcdonald, Calvin; Yao, James Y.
<b>03/195</b> Poverty and Social Impact Analysis - A Suggested Framework	Hossain, Shahabuddin M.
<b>03/186</b> FDI Spillovers, Financial Markets, and Economic Development	Alfaro, Laura; Chanda, Areendam; Kalemli-Ozcan, Sebnem; Sayek, Selin
<b>03/178</b> Potential Output and Total Factor Productivity Growth in Post-Apartheid South Africa	Arora, Vivek B.; Bhundia, Ashok
<b>03/175</b> Debt Relief, Additionality, and Aid Allocation in Low-Income Countries	Powell, Robert
<b>03/167</b> Diamond Smuggling and Taxation in Sub-Saharan Africa	Oomes, Nienke; Vocke, Matthias
<b>03/125</b> Modeling Stochastic Volatility with Application to Stock Returns	Krichene, Noureddine
<b>03/118</b> Welfare Implications of HIV/AIDS	Crafts, Nicholas; Haacker, Markus
<b>03/109</b> Stock Markets and the Real Exchange Rate - An Intertemporal Approach	Mercereau, Benoit

## REGIONAL ECONOMIC OUTLOOK: SUB-SAHARAN AFRICA

### **03/108**

The Role of Stock Markets in Current Account Dynamics -  
Evidence from the United States

Mercereau, Benoit

### **03/105**

Overshooting and Dollarization in the Democratic Republic of  
Congo

Beaugrand, Philippe

### **03/104**

Estimation of the Equilibrium Real Exchange Rate for Malawi

Mathisen, Johan

### **03/85**

Regional Impact of Cote d'Ivoire's 1999-2000 Sociopolitical  
Crisis - An Assessment

Dore, Ousmane; Anne, Benoit; Engmann,  
Dorothy

### **03/63**

Interest Rates, Credit Rationing, and Investment in Developing  
Countries

Nkusu, Mwanza

### **03/44**

Estimation of the Equilibrium Real Exchange Rate for South  
Africa

Mcdonald, Ronald; Ricci, Luca

### **03/43**

Poverty and Social Analysis - Linking Macroeconomic Policies  
to Poverty Outcomes - Summary of Early Experiences

Robb, Caroline

### **03/42**

Taxation and Pricing of Petroleum Products in Developing  
Countries: A Framework for Analysis with Application to Nigeria

Hussain, Shahabuddin

### **03/28**

The Equilibrium Real Exchange Rate of the Malagasy Franc -  
Estimation and Assessment

Cady, John

### **03/6**

Small African Stock Markets - The Case of the Lusaka Stock  
Exchange

Marone, Heloisa

## **BOOKS AND MONOGRAPHS**

Sub-Saharan Africa: Financial Sector Challenges

Gulde, Anne-Marie; Pattillo, Catherine;  
Christensen, Jakob; Carey, Kevin; Wagh,  
Smita

Post-Apartheid South Africa: The First Ten Years

Nowak, Michael; Ricci, Luca Antonio

Macroeconomic Challenges of Scaling Up Aid to Africa	Gupta, Sanjeev; Powell, Robert; Yang, Yongzheng
Sustaining and Accelerating Pro-Poor Growth in Africa	Pattillo, Catherine; Gupta, Sanjeev; Carey, Kevin
Regional Trade Arrangements in Africa	Yang, Yongzheng; Gupta, Sanjeev
The ICT Sector and the Global Economy: Counting the Gains in: The Global Information Technology Report 2004/05	Haacker, Markus, 2005
Lifting the Oil Curse: Improving Petroleum Revenue Management in Sub-Saharan Africa	Bartsch, Ulrich; Cuc, Milan; Katz, Menachem; Malothra, Harinder
The Macroeconomics of HIV/AIDS	Haacker, Markus
Mauritius: Challenges to Sustained Growth	Sacerdoti, Emilio; El Masry, Gamal; Khandelwal, Padamja; Yao, Yudong
Postconflict Economics in Sub-Saharan Africa: Lessons from the Democratic Republic of the Congo	Clément, Jean A.P.
HIV/AIDS – A Fiscal Policy Perspective in: Commonwealth Finance Ministers Reference Report 2006	Haacker, Markus
Access to Communication Services in Sub-Saharan Africa in: The Global Information Technology Report 2006/07	Haacker, Markus