Chapter 1

Africa's Socio-Economic Performance

The continent has demonstrated considerable resilience in the face of the slow recovery of the global economy, with growth well spread out in all its sub-regions. Natural resources continued to power growth in 2013, especially among major oil producing regions. But also notable was the good performance of countries that are not richly endowed with natural resources, depending increasingly on good policies to attract domestic and foreign investment. Isolated examples of economic setbacks indicate the need for diligence in addressing deep-seated economic inequalities and in the provision of social services. Economic prospects look good on the whole, given the strengthening of the global economic recovery. Africa is expected to grow at 4.8 and 5.7 percent during 2014 and 2015 respectively. Future growth needs to be higher and more diversified to create a firmer basis for structural transformation. This chapter reviews Africa's economic performance during 2013. It looks specifically at growth performance and prospects, macroeconomic management, and the mobilization of resources, both internal and external. It concludes with a discussion of MDGs and the post-MDG Agenda.

1.1 Growth Performance

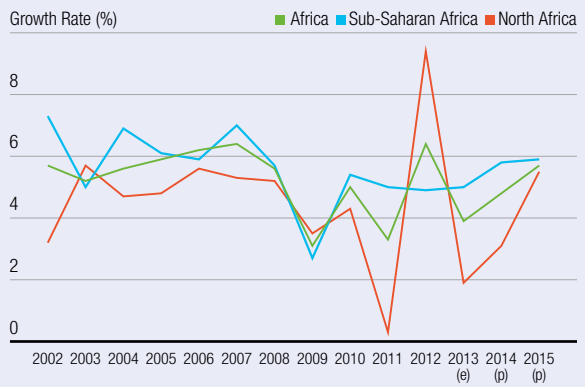
Africa's growth compared favourably with that of other developing regions of the world and the major economies. Domestic demand has been an important growth factor, but so has better macroeconomic management. With a few exceptions, countries have maintained relatively low rates of inflation, while fiscal deficits have been manageable. The higher inflows of financial resources to Africa in recent years, both from remittances and foreign direct investment (FDI), have more than compensated for the generally low levels of domestic savings. A key driver of growth has been high demand for Africa's minerals, oil and gas from the emerging markets.

Real GDP growth. Africa grew by about 4 percent in 2013, a reduction of some two percentage points compared to 2012. Growth in sub-Saharan Africa was 5 percent, and excluding South Africa, about 6 percent (Figure 1.1). Africa's performance compares favourably with that of the rest of the world in 2013, given declining growth among emerging economies in Asia (6.6 percent) and Latin America and the Caribbean (3 percent), and slow recovery in the developed world—notably the US (1.5 percent), the eurozone (where it actually fell by 0.4 percent) and Japan (2 percent). Growth on the continent has also been well distributed among sub-regions.

The prices of oil, gas and other commodities (Figure 1.2) have been key factors in Africa's recent growth, and the continent's mineral and oil exporters continued to register trade surpluses, although prices are unlikely to return to the highs of the past decade. However, new natural resource projects are emerging in more places in Africa than ever before, and they will continue to reflect on the growth picture for years to come. It should be borne in mind that Africa, as a whole, needs to maintain average growth rates of above 7 percent in the medium to long term to generate the employment and incomes required to reduce mass poverty.

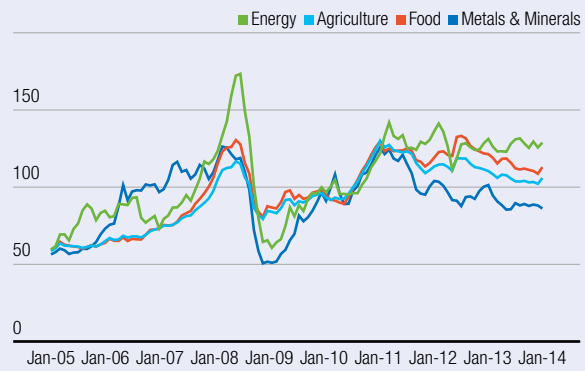
Africa's growth typologies 2013. Africa is a continent of wide variations in terms of economic structure, natural resource endowment, and level of development. While average growth rates provide a good overall assessment of Africa's current and medium-term prospects, they obscure a number of features crucial for understanding the nature of its recent progress. In Table 1.1 Regional Member Countries (RMCs) have been divided into four broad categories, which though not exclusive, do provide good examples of variations in performance across the continent: (i) those that can access the Bank's Fragile States Facility, typically countries with low average scores on the Country Policy and Institutional Assessment (CPIA); (ii) factor-driven economies (usually low income and exporters of raw commodities); (iii) major oil exporters; and (iv) investment-driven economies (also called emerging economies, typically countries in transition towards manufacturing and services as basis for the economy). We have also placed each country in one of five growth brackets during 2013, ranging from below 1 percent to more than 7 percent.

Figure 1.1
Africa's Economic Growth and Projections



Source: AfDB Statistics Department.
Note: (e) estimates; (p) projections.

Figure 1.2
Changes in International Commodity Prices (January 2010=100)



Source: AfDB Statistics Department.

Growth in post-conflict and conflict-affected economies was relatively high in 2013. For instance, growth rates of above 8 percent were recorded for the Democratic Republic of Congo, Côte d'Ivoire, Liberia, Sierra Leone and South Sudan. Natural resources, which were sometimes in the past a cause of conflict for many of these countries are now providing a basis for reconciliation and national reconstruction in some of them. Fourteen of the eighteen countries that can access the Bank's Fragile States Facility (not all chose to do so) posted growth rates of 3 percent or above in 2013. The Central African Republic was the exception with growth declining by over 10 percent in 2013. It is also significant that many Low-Income Countries (also known as factor-driven) that depend more on agriculture, minerals, other than oil, and light manufacturing, performed well in 2013, in spite of weak global demand. Table 1.1 shows that seventeen such countries, led by Ethiopia (above 7 percent), and drawn from most parts of the continent, registered growth that was above 3 percent on average. Ten countries in this category grew between 5 and 7 percent.

Among major oil exporters, growth was highest for Angola, Gabon and Nigeria, at above 5 percent. Equatorial Guinea saw growth fall in 2013 to below 1 percent, compared to above 5 percent in 2012. A major oil field has reached its peak, and is in decline, while new prospects under development are yet to be completed. In the case of Libya, socio-economic disruptions during the year prevented the rolling out of new investment, and led to growth falling below one percent.

The economies referred to as investment-driven registered growth rates that were, at about 4 percent on average, comparable to those of their peers—Low- and Middle-Income Economies—elsewhere in the world. Six countries were in this category, posting growth rates of 3 percent and above. The tourist sectors in Kenya, Morocco and Seychelles continued to perform well, but manufacturing performance was below expectations. Typically Foreign Direct Investment (FDI) flows remained low. Cabo Verde, Egypt, South Africa and Tunisia grew at below 3 percent.

Regionally, Central Africa grew by 3.7 percent compared to about 6 percent in 2012. But prospects had worsened significantly by the end of 2013 as armed conflict ensued in the Central African Republic. East Africa grew by 6.2 percent on average, about 2 percent higher than 2012. In North Africa

Table 1.1
Africa's Growth by Country and Structural Grouping, 2013*

Growth Bracket/Grouping	Can Access Bank's Fragile States Facility*	Factor-Driven/ Low Income	Major Oil Exporter	Investment-Driven Economies
Above 7%	Congo, Dem. Republic Côte d'Ivoire Liberia Sierra Leone South Sudan	Ethiopia	Nigeria	
5% - 7%	Djibouti Togo	Benin Burkina Faso Gambia Malawi Mali Mauritania Mozambique Tanzania Uganda Zambia	Angola Gabon	Botswana
3% - 4.9%	Burundi Chad Comoros Congo São Tomé & Príncipe Sudan Zimbabwe	Cameroon Ghana Lesotho Niger Rwanda Senegal	Algeria	Kenya Mauritius Morocco Namibia Seychelles Swaziland
1% - 2.9%	Eritrea Guinea	Madagascar		Cabo Verde Egypt South Africa Tunisia
Below 1%	Central African Republic Guinea-Bissau		Equatorial Guinea Libya	

Source: AfDB Statistics Department.
*Note: * Excluding Somalia for lack of data.*

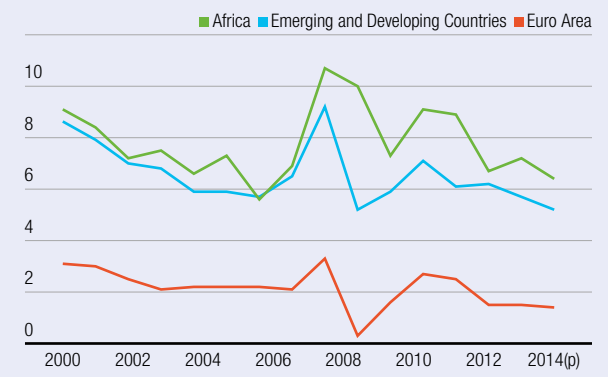
growth was 1.9 percent in 2013, a decline of more than 8 percentage points compared with 2012, owing to social unrest in some countries. Southern Africa's growth averaged 3.0 percent in 2013, indicating little change from 2012. West Africa grew by 6.7 percent, a decrease of 0.2 percent on the previous year.

1.2 Macroeconomic Management

African policy makers continued to pursue cautious macroeconomic policies in 2013, characterized by low inflation and, on the whole, manageable fiscal positions. It is notable that fiscal discipline was exercised by countries in all sub-regions, including those well-endowed by natural resources. Resource mobilization was a key preoccupation, although revenue effort for many countries remained below that in other developing regions.

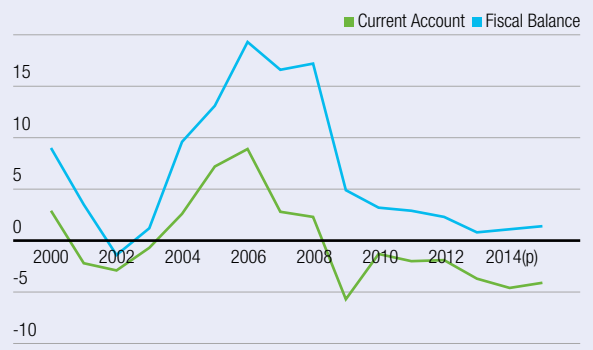
Inflation. On the whole, African governments continued to pursue cautious monetary and fiscal policies in 2013. Coupled with sluggish global demand, average inflation rates improved by 2 percentage points to 6.7 percent in 2013; compared to global rates of 6 percent, and rates of less than 2 percent in the US and the EU (Figure 1.3). Inflation in WAEMU and CAEMC member countries was at about 2 percent, close to the eurozone average, resulting from the pegging of the local currency, the CFA, to the euro. Elsewhere in Africa, inflation rates were more varied, but remained generally within single digits as in 2012. Exceptions were countries such as Sudan and Malawi that experienced economic shocks during 2013, and saw inflation rates rising to approximately 30 percent. In East Africa, inflation fell to about 12 percent from about 20 percent in 2012. In terms of underlying structures, net oil-exporting countries experienced higher inflation than net oil-importing countries—with a margin of 2 percentage

Figure 1.3
Average Inflation in Africa and other Regions (%)



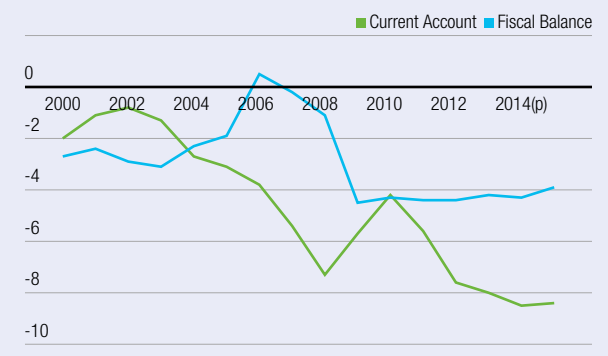
Source: AfDB Statistics Department.
Note: (p) projections.

Figure 1.4
Oil-exporting African Countries: Surplus/Deficit (% of GDP)



Source: AfDB Statistics Department.
Note: (p) projections.

Figure 1.5
Oil-importing African Countries: Surplus/Deficit (% of GDP)



Source: AfDB Statistics Department.
Note: (p) projections.

points between them. African inflation is expected to remain moderate in the medium term.

Fiscal and current account balances. Africa experienced some deterioration in its current account and fiscal balances for 2013, with notable differences between net oil-exporters and net oil-importers (Figures 1.4 and 1.5). Net oil-exporting countries saw their current account surplus as a percentage of GDP fall from 2.3 percent in 2012 to 0.8 percent in 2013, while the current account deficit was 8 percent of GDP for oil-importers, compared to 7.6 percent in 2012. Africa's overall fiscal deficit as a percent of GDP increased from 2.9 percent in 2012 to 3.9 percent in 2013. But there was considerable variation: countries experiencing social disruptions of various kinds, witnessed more fiscal and current account pressures than others.

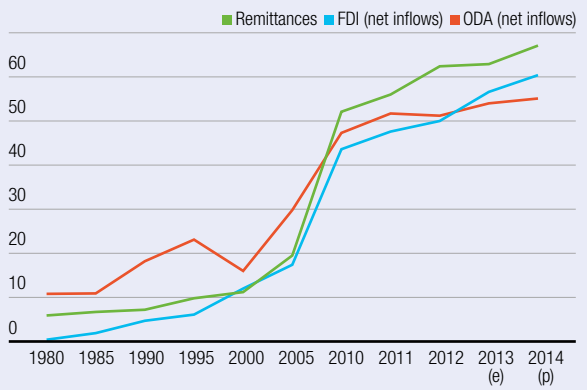
1.3 External Financing

One of the remarkable stories of the past decade is the global shift in sentiment regarding investing in Africa. The rapid rise in foreign direct investment (FDI) since the early 2000s and increases in remittances have compensated for Africa's relatively low rates of savings. FDI inflows fell well short of what the continent requires for its structural transformation. Innovative approaches to funding Africa's development are urgently needed. One such effort is to curb the illicit flow of finances out of the continent.

Three interrelated factors explain the large and sustained inflows of external financing to Africa in recent years—in spite of the deep recession that affected developed countries and the decline of development assistance. The first is the natural resource boom, including oil and gas, from which a number of African countries have benefitted in the past decade, and which have attracted financing from China and other emerging economies. Second has been the search for value by investors from developed countries in Africa's frontier markets as returns in mature markets declined. Third, remittances from the African Diaspora have been rising steadily in the past decade in response to increasing investment opportunities, including the real estate sector—and have become the most important source of financial flows to Africa, surpassing both FDI and Official Development Assistance (ODA) (Figure 1.6).

However, Africa's financing gap remains large and countries in most parts of the continent are looking for ways to enhance

Figure 1.6
Africa: External Financial Resources (USD billion)



Source: AfDB Statistics Department.
Notes: e) estimates; (p) projections

domestic resource mobilization. The natural resource boom and the political economy of election cycles have sometimes eroded domestic revenue raising efforts. However, the long global recession, which weakened donor budgets, has forced many African countries to find other avenues for financing their public sector activities, including reduction in subsidies, strengthening tax efforts and setting realistic tariffs for utilities, including electricity.

Remittances. In spite of the global financial crisis, remittances witnessed only a mild decline, and then continued to rise (Figure 1.6). They grew to USD 65 billion in 2013, up by 5 percent over 2012. They are expected to reach USD 67 billion in 2014. The bulk of remittances went to North and West Africa, the regions with the largest number of diaspora communities abroad. The two regions received about 80 percent of total remittances. As a source, Europe accounted for 40 percent of the remittance inflows, the United States for 28 percent, Africa itself for 13 percent, and the Middle East for 9 percent.

Official Development Assistance (ODA). ODA amounted to about USD 55 billion in 2013, about the same as 2012, indicating a small decline in real terms. It continues to be an important source of financing for many countries in Africa, particularly conflict-affected and post-conflict countries. Among the latter, ODA financed upwards of 40 percent of total budgets and a considerable part of their public sector capital spending in 2013.

Foreign direct investment. Net FDI flows to the continent as a whole were some USD 57 billion in 2013, an increase of about 14 percent over the previous year. The increase reflects the search for value by investors in the West, in a climate of generally low interest rates and slow recovery. The bulk of these investments went to mineral prospecting and building new capacities in the extractive industries across Africa.

For comparative purposes, the size of foreign direct investment as a percentage of GDP in 2013 has been presented in three categories in Table 1.2: (i) the high FDI category, with 10 countries with ratios exceeding 10 percent; (ii) the medium FDI category, with 23 countries with ratios between 3 and 10 percent; and (iii) the low FDI category, with 19 countries with ratios below 3 percent. It can be noted, in contrast, that net FDI to OECD countries amounted to only about 2.4 percent of GDP in 2013, indicating that size effects matter.

The high FDI category comprised many mineral-rich countries, notably the Democratic Republic of the Congo, or those currently developing new oil or gas deposits, such as Mozambique. However, only Gabon and Equatorial Guinea belong to the group of mature oil exporters—although Congo also exports oil in large quantities. In most of these countries, investments from emerging economies dominated FDI inflows. The medium FDI category includes a larger and more varied group of countries with at least four investment-driven economies, but with a number of factor-driven ones as well, though not necessarily dominated by natural resource economies. The low FDI category contains a number of large countries such as South Africa, which get substantial amounts of FDI in nominal terms, but which are low relative to the size of their GDP.

Among the countries receiving relatively high levels of FDI, Mozambique's offshore gas finds in the Indian Ocean, and rich mineral resources in the Democratic Republic of the Congo and Mauritania have been important targets. Among medium level recipients of FDI, agriculture and manufacturing have attracted considerable attention.

While there are many factors that affected the flow of FDI to Africa as a whole and to regions and countries in particular in 2013, a number of important features are summarized below:

- FDI net inflows to South Africa fell by some 20 percent in 2013, adding to a decline of a similar magnitude in 2012.
- There was a sizeable flow of South African FDI to other parts of Africa, mostly in finance and utilities.
- In West Africa, inadequate port capacities raised production costs and were a disincentive to FDI in some countries. Many countries, including Nigeria, embarked on projects to rectify port congestion and to improve turnaround times.
- Although the buoyancy of investments in the oil and gas sectors in Africa is unmistakable, the regulatory environment is still inadequate in many countries. The Bank's African

Table 1.2
Africa: Foreign Direct Investment as Percent of GDP, 2012/2013

	Countries		Observations
High: More than 10% of GDP	Congo Republic Congo, Democratic Republic Equatorial Guinea Gabon Guinea	Liberia Mauritania Mozambique Niger Sierra Leone	At least 5 countries highly dependent on mineral extraction, and a number of countries with new mineral discoveries.
Medium: Between 3-10% of GDP	Cabo Verde Central African Republic Chad Comoros Djibouti Gambia Ghana Lesotho Madagascar Malawi Mali Mauritius	Morocco Namibia Seychelles São Tomé & Príncipe Sudan Tanzania Togo Tunisia Uganda Zambia Zimbabwe	Many countries in this category are more dependent on agriculture, non-oil minerals and light manufacturing than on oil.
Low: Less than 3% of GDP	Algeria Angola Benin Botswana Burkina Faso Burundi Kenya Cameroon Côte d'Ivoire Egypt	Eritrea Ethiopia Guinea-Bissau Libya Nigeria Rwanda Senegal South Africa Swaziland	Group consists of a number of major oil producers, investment-driven economies, and notably South Africa.

Source: AfDB Statistics Department.

Legal Support Facility (ALSF) has been helping a number of countries to formulate regulatory frameworks for their oil, gas and mining sectors.

- Countries, notably in East Africa, are recognizing the importance of collaboration, over regulatory frameworks, and sharing costs in the development of ports, and related infrastructure, to deepen markets and enable regional participation in global value chains.

New sources of external financing. A large number of African countries have tapped into the international bond markets in recent years. In 2013 alone, Nigeria, Ghana, Tanzania and Rwanda raised some USD 4 billion, while Kenya, Angola and Uganda were planning to go to the markets in 2014. However, there has been concern that the reversal of the policy of quantitative easing, primarily in the US, might disrupt the growth of emerging economies and scuttle international bond markets. Already, the end of 2013 saw the return of volatility of capital flows to emerging economies, lowering growth prospects in China, and by implication in Africa.

Illicit financial flows. While Africa is eager to attract financial resources for development, many governments are concerned that large sums of money have been taken out of the continent illicitly. The methods used range from underpricing of export commodities to various forms of financial fraud. It has been estimated that reducing illicit flows, even by a limited amount, could greatly contribute to the resources available for investment on the continent, and hence for poverty reduction. However, the approaches and systems required to stem the flow demand a high level of commitment by governments, the private sector and other stakeholders, including the international community.

1.4 Economic Prospects

Africa's medium-term prospects are good. Above-average growth is expected, in light of slow, but improving global economic recovery. Natural resources will continue to be important determinants of performance. But equally important will be Africa's ability to attract FDI and to embark on sustainable industrialization and trade in manufactured goods.

Real GDP growth. Africa's average GDP growth is expected to be 4.8 and 5.7 percent during 2014 and 2015, respectively, buttressed by an improving global economy. Map 1.1 presents Africa's regional growth projections for 2014. As in

previous years, growth will be sustained by strong domestic demand, associated in many countries with investments in infrastructure and expansion of export capacities.

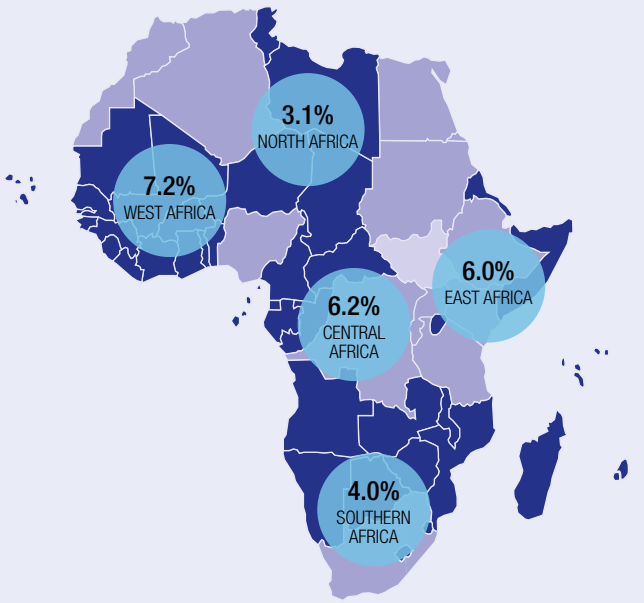
Growth in Central Africa was expected to be about 6 percent in 2014 before the armed conflict in the Central African Republic, but is likely to be lower in the medium term. The Democratic Republic of the Congo has the potential to grow at 8 percent or more during 2014 and 2015. The Republic of Congo, on the other hand, is well positioned to bolster growth by attracting investment into its natural resource-rich economy. Chad is projected to grow at close to 9 percent in the medium term, driven by investments in oil and agriculture. In East Africa, economies are expected to grow at about 6 percent on average. But the dynamics are changing with the new oil and gas discoveries in the region, which are expected to attract FDI in prospecting and construction of infrastructure. Armed conflict in South Sudan has disrupted business in the region, but is not expected to have a lasting impact on performance. North Africa is expected to grow by 3.1 percent in 2014 and by 5.5 percent in 2015. However, political developments in the region will be a key determining factor.

In Southern Africa, South Africa is projected to grow at 2.7 percent and 3 percent in 2014 and 2015, respectively. The impact of South Africa's growth on the region will be marked during the next cycle of global recovery. Other countries in the region, notably Zambia, are expected to post higher growth rates, above 7 percent. In particular, Zimbabwe is expected to return to more normal capacities, growing at around 4 percent, following serious reform attempts in the past few years. Growth in Mozambique is expected to rise substantially in the medium term, to above 8 percent. Botswana, Lesotho and Swaziland are expected to post growth rates of between 2 and 6 percent.

West Africa will continue to demonstrate Africa's best prospects for growth in the medium term. Average growth is projected at about 7 percent in 2014 and 2015, respectively. This will mainly be due to the rich natural resource endowment and the reaping of the peace dividend, including higher tourism flows. Structural reforms and the consolidation of peace will help ensure regional stability and high growth.

Macroeconomic outcomes. Inflation is expected to be moderate in the medium term, at about 7 percent in both 2014 and 2015, reflecting continuing disinflation in Low-Income Countries and projected good weather patterns. Fiscal deficits are expected to increase in 2014 and 2015, respectively, as countries adjust to demanding fiscal environments, with expenditures exceeding revenue. The deterioration is expected to be sharper for oil and mineral exporters, which could face weaker commodity prices in the medium term. Shale oil discoveries in the US are, for example, a major cause of concern. They are expected to impose a cap on oil prices globally, which might lower them in real terms over the next few years. Countries that export oil will nevertheless record trade surpluses equivalent to 6.2 percent of GDP in 2014, while oil-importing countries will record deficits equivalent to 11.1 percent of GDP in the same year.

Map 1.1
Africa's Growth Projections, 2014, by Sub-region



Source: AfDB Statistics Department.

Looking ahead, there are three areas of medium-term policy concern:

Risks of slowdown of the global economy. Although the global recovery is well underway, it is subdued and subject to significant downside risks. The return of economic volatility among emerging economies, especially in China and other emerging markets (Brazil, India, Argentina and Turkey), could well weaken exports and FDI flows. Besides, any further weakening of the OECD economies is likely to reduce donor flows to Africa, already adversely affected by the global economic crises.

Reversal of capital flows. In the wake of the monetary tapering by the US Federal Reserve, there is concern that FDI flows to Africa might slow down considerably. The return of

economic volatility among emerging economies could well weaken exports and FDI flows. Already, emerging markets are witnessing a toughening of market conditions and the coupon values for their bond issuances are no longer as attractive as before.

Home-grown risks. Contagion and neighbourhood effects have been fairly contained in Africa in recent years, as a result of more peaceful conditions and improving governance. However, political upheaval in several Regional Member Countries, if not resolved, could threaten the gains made during a decade of robust growth.

1.5 Progress Toward a Post-MDG Agenda

Africa's Post-MDG Agenda builds on lessons learnt during implementation of the MDGs. Issues of economic inclusion and structural transformation will be at the centre of the debate.

Achievement to date. Africa has made progress towards meeting the Millennium Development Goals (MDGs). The proportion of people living in extreme poverty (on less than USD 1.25 a day) has fallen from 56.5 percent in 1990 to below 48 percent today. Though poverty has not been halved, the reduction is still significant. Most countries have achieved universal primary enrolment, with rates of 90 percent or higher, even though the quality of delivery is often below what is required for the steady development of human capital. In the area of HIV/AIDS, the rate of spread has been halted and even reversed in some countries. In the area of political representation by gender, the proportion of seats held by women in African national parliaments stands at about 20 percent on average, which is much higher than in more developed countries in the West.

Unfinished agenda. Although the MDGs have been an important anti-poverty push in Africa as a whole, success has been far from universal. In sub-Saharan Africa, countries in conflict or post-conflict situations have seen a steady worsening of their access to modern services and increasing levels of poverty. In the worst cases, the situation of women has deteriorated markedly, leading to high levels of maternal and child mortality—resulting from malnutrition, and disease. As the target date of 2015 for achieving the MDGs draws near, there has been much reflection on measures that should be adopted in the medium- to long-term to complete the unfinished agenda. It can be argued, in hindsight, that a number of issues indispensable to enhancing human development should have been included in the MDGs:

- *Protection of human rights*—vulnerable groups and minorities tend to be subjected to gross human rights abuses in many countries, especially in states of war, with little or no redress. Domestic mechanisms offer limited protection in such cases, while the international community can be slow in responding to emergencies.
- *Peace, security and disarmament*—in the absence of mechanisms for ensuring permanent peace, many conflict-affected African countries tend to swing between war and peace. Defunct armies require alternative livelihoods, which when not forthcoming force them back into armed rebellion. "Truth and reconciliation frameworks" though much talked about, have not worked effectively outside South Africa.
- *Environmental sustainability and climate change*—environmental issues and climate change are given top priority by countries and development agencies in the course of policy dialogue, but resources and budgetary allocations to address them are quite limited.
- *Inequality, job creation and access to services*—MDGs were largely silent on the issues of inequality, including spatial and gender inequalities, especially manifested in disparities in access to social services, and income-generating opportunities. They also did not consider the issue of economic transformation explicitly.

1.6 Africa's Common Position on the Post-2015 Development Agenda

African countries have agreed on a common position on the Post-2015 Development Agenda that emphasizes structural transformation and inclusive green growth, the use of innovative technologies, human capital development, and productive financing partnerships.

In 2011, the African Development Bank, the African Union Commission, the United Nations Economic Commission for Africa and the UN Development Program jointly initiated a series of consultations at sub-regional and continental levels, with the goal of articulating a common African position on the Post-2015 Development Agenda. To date, four meetings have taken place—in Ghana, Kenya, Senegal and Tunisia. The meeting in Tunisia produced the first draft African Common Position on the Post-2015 Development Agenda.

So far, the consultation process has identified four broad development outcomes and a set of enablers as Africa's priorities for the post-2015 Development Agenda:

- ***Structural economic transformation and inclusive green growth.*** Growth should be people-centred, diversified, promoting green activities and targeted at reducing inequality by integrating the poor into productive sectors. Africa will benefit greatly from an environment that is conducive to industrialization, through the development of value chains across sectors, and private sector development, including promoting the transformation of the informal sector. Equity

should be measured using disaggregated outcome indicators, with a view of integrating them into the goals.

- ***Innovation and technology transfer.*** Access to energy and ICT is critical for Africa's economic and social transformation, as is basic infrastructure. Africa must seize the technological and digital innovations in the areas of mobile technology, cloud computing, biotechnology, e-governance etc., to expand business opportunities.

- ***Human capital development.*** There should be emphasis on equality, improving food security, social protection and health for all, adequate shelter and access to water, sanitation and hygiene, gender parity, and eradication of poverty. It is vital to implement comprehensive policies that include capacity building and promote market-relevant curricula to help young people obtain decent and well-paid jobs. To this end, the quality of education and service delivery should be measured with emphasis on building core skills that are relevant to the labour market.

- ***Financing and partnerships.*** A Post-2015 Development Agenda requires adequate financing and an enabling global environment. Aid flows have been declining in relative terms and new modalities to support development are needed. Rather than continued dependence on aid and global partnerships, Africa must focus more on attracting domestic and foreign investment and mobilization of domestic revenue. Focus must be placed on strengthening financial intermediation, broadening the tax net and improving revenue generation capacity through innovative financing mechanisms, curtailment of illicit financial flows, and efficient use of existing resources.

1.7 Conclusion: From Resilience to Transformation

This chapter has painted the picture of a resilient Africa, in the context of a prolonged global recession. Many countries on the continent continued to register above average growth rates, and for some there are signs of the beginning of a process of structural transformation. High demand for Africa's natural resources from the emerging economies has been a key growth engine in the past decade. However, to push growth to another level and to ensure a sustainable development process will require that Africa does more to extract value from its products, including involvement in their value chains. The following two chapters discuss the issue of global value chains (GVCs), which has received much attention in recent years, and how Africa could benefit. They also look at the role that the Bank could play in promoting GVCs, including advising countries on the appropriate entry strategies and how to avoid some of the negative consequences.