PART III

Country notes

ALGERIA

- **Growth reached an estimated 3.9% in 2015, mostly driven by agriculture and a rebound in oil and gas activity.**
- **With approximately 49% of government revenues and 96% of exports depending on the oil sector, the drop in oil prices has reduced budgetary and external savings, underscoring the need to diversify the sources of public finance.**
- **A process of urban transition begun in 1987-88 has led to 70% of the population's 40 million people living in urban areas by 2015.**

Real gross domestic product (GDP) growth in 2015 was 3.9%, against 3.8% in 2014, driven mostly by agriculture, especially vegetable production, and by a noticeable rebound in oil and gas activity in Q4 of 2015. Against a background of falling global oil prices since June 2014, this rebound followed nine consecutive years of decline. This should be an opportunity to speed up reforms aimed at diversifying the economy and its structural transformation. Real GDP growth should reach 3.4% and 3.0% in 2016 and 2017 respectively.

Rising prices of food and manufactured goods pushed up inflation, which had declined for two consecutive years, to 4.8% in 2015. The price hikes were due to problems in the distribution channels, especially for fresh agricultural produce and industrial foodstuffs.

The economic situation is mostly dominated by the drastic fall in oil prices and its effects on the country's external position, as well as on public accounts. For the first time in 16 years, in 2015 the trade balance was negative (-9% of GDP) because imports (31% of GDP) were not covered by exports (21% of GDP), resulting in lower official foreign-exchange reserves.

Public accounts have been affected by erosion in the resources of the revenue-stabilisation fund (*Fonds de regulation des recettes*) from the notable fall in oil-taxation receipts, down from 20% to 13% of GDP between 2014 and 2015. With total revenues falling (27% of GDP in 2015 versus 33% in 2014) and fiscal expenditure still high (43% of GDP in 2015 and 2014), the overall deficit grew to 16% of GDP in 2015 from 8.3% in 2014.

Regional planning has systematically included "urban" and "sustainability" as concepts in the regulations and development plans for the three major zones: Littoral, High Plateaux and Sahara. In 2015, more than 70% of the country's population of 40 million lived in urban areas.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	3.8	3.9	3.4	3.0
Real GDP per capita growth	1.8	2.1	1.6	1.2
CPI inflation	2.9	4.8	4.3	4.0
Budget balance % GDP	-8.3	-16.0	-15.4	-14.7
Current account % GDP	-4.4	-15.6	-17.1	-15.2

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

ANGOLA

- **Angola's economy grew by 3.8% in 2015, and GDP growth will remain subdued, at 3.3% in 2016 and 3.5% in 2017, due to lower crude oil prices.**
- **Policies to accelerate economic diversification and strengthen human development and equitable growth are needed to reduce vulnerability to external shocks.**
- **Investment in economic and social infrastructure is needed to enhance the sustainability of the country's urbanisation process.**

Angola's natural resource wealth helped attract foreign direct investment and ensured strong economic growth over the past decade. But the economy has recently undergone a major structural shock due to lower crude oil prices, and forecasts for the coming years remain filled with uncertainty about the evolution of the country's oil exports and international commodity prices. Growth of gross domestic product (GDP) is projected to remain subdued, at 3.3% in 2016 and 3.5% in 2017, down from 3.8% in 2015. Growth of the oil sector will average 4%, while the non-oil sector is expected to show a small improvement, growing by 3.4%, driven mainly by a strong recovery in agriculture.

In January 2016, the government adopted a strategy for mitigation of the oil crisis aimed at finding substitutes for oil as a major source of revenue. Agriculture is expected to play a key role in boosting the country's exports and generating foreign currency earnings. The strategy also envisages investments in infrastructure, gradual reduction of imports, deepening of financial sector reforms, skills development and improvement of the business environment. The main initiatives for enhancing the ease of doing business involve reducing bureaucracy and facilitating credit. Notwithstanding these reforms, the legal framework still needs adjustment to ease the business environment. Income inequality, unemployment and poverty remain a challenge in Angola. Regional economic imbalances also persist. Transformative investments are required to decongest large cities and reconnect them with major economic growth poles, particularly in rural areas.

Although Angola is perceived as highly urbanised, with 62.3% of the population living in urban areas, the country needs to broaden human development opportunities for the population. Under its National Development Plan 2013-2017, the government is contemplating a territorial development strategy to create a network of development poles. The country has a National Urbanisation and Housing Programme, a 2015-2030 Metropolitan Plan for Luanda and several ongoing urbanisation projects in other areas. Rural to urban migration has been a major driver of urbanisation, especially during the 27 years of armed conflict that followed independence in 1975. The country counts 18 provinces divided into municipalities, communes, villages and towns. Depending on the setting, the government recognises different criteria for classifying urban areas. There is a need to integrate informal housing progressively into city planning and management and to strengthen national institutional capacities for managing urbanisation and urban and rural development.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.8	3.8	3.3	3.5
Real GDP per capita growth	1.5	0.5	0.1	0.3
CPI inflation	7.3	10.2	14.1	14.8
Budget balance % GDP	-5.6	-4.1	-5.5	-5.6
Current account % GDP	-2.5	-7.2	-5.4	-5.4

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

BENIN

- **Growth, estimated at 5.2% in 2015 against 6.5% in 2014, dipped slightly due to a decline in cotton production and disruptions in the electricity supply.**
- **Projected growth rates of 5.5% in 2016 and 5.7% in 2017 will depend on political and social developments, marked by the March 2016 presidential election.**
- **With Benin's cities expanding, sustainable urbanisation through regional development hubs will require new funding, notably from private sources.**

Growth, estimated at 5.2 % in 2015, down from 6.5 % in 2014, slowed for three main reasons: disruptions in electricity supply, less favourable rainfall and the slowdown in economic activity in neighbouring Nigeria. Inflation remained low due to the drop in oil and food prices. The government deficit widened, however, with an increase in public investment and current expenditure, leading to greater recourse to government securities.

Growth is forecast to reach 5.5% in 2016 and 5.7% in 2017 thanks to support for the agriculture sector and investment in infrastructure. Economic policy in 2016 and 2017 should work towards the Sustainable Development Goals for 2030. The political and social environment will be decisive in a context marked by the presidential election of March 2016. The vote threatened to raise tensions among political parties, although the risk of a political crisis or instability remained low.

The challenge of urbanisation must be addressed in order to ensure balanced development and reduce poverty. Urban growth, which has accelerated in recent years, creates challenges in terms of transit and pollution, as well as housing and land management. The authorities intend to promote sustainable urbanisation through the emergence of several regional development hubs that will require greater private-sector investment. Mechanisms to support public-private partnerships (PPPs) and access to banking for local communities therefore need to be promoted.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	6.5	5.2	5.5	5.7
Real GDP per capita growth	2.7	2.7	2.6	2.6
CPI inflation	-1.1	0.4	2.3	2.4
Budget balance % GDP	-1.9	-4.3	-3.6	-3.7
Current account % GDP	-7.2	-7.1	-7.1	-7.0

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

BOTSWANA

- **The pace of economic growth has slowed reflecting weak demand for mineral exports and a gloomy outlook for the global economy.**
- **Growth prospects look promising, but the weak pickup in global growth, subdued commodity prices and persistent electricity supply problems pose substantial downside risks.**
- **The country has experienced a rapid pace of urbanisation which has been associated with some environmental harm and is straining urban areas' capacity to provide jobs, infrastructure and other essential amenities.**

The Botswana economy rebounded in the last five years after a significant setback following the 2008 global economic downturn. However, the country's pace of economic activity moderated in 2014, reflecting modest growth in mining and persistent electricity and water supply problems. Real gross domestic product (GDP) growth is estimated to have weakened further in 2015 mainly due to subdued demand for mineral exports on account of the gloomy global economy.

Despite this, Botswana's growth prospects look promising, with real GDP growth projected to pick up slightly in 2016-17. The improvement in growth over the medium term is predicated on the government's Economic Stimulus Programme (ESP), a gradual recovery in the global diamond market, and increased energy availability following the completion of remedial measures at Morupule B Power Station. The favourable outlook is also underpinned by expected growth in manufacturing following the commission, in 2015, of a steel manufacturing plant and a horticultural processing plant. Downside risks persist from the weak pickup in global economic growth and subdued commodity prices.

In keeping with the government's fiscal stance targeting a balanced budget, fiscal operations resulted in a budget surplus in FY 2014/15 for the third successive financial year. The government also projected a budget surplus for FY 2015/16. However, government operations during the first half of FY 2015/16 resulted in a fiscal deficit. The deteriorating fiscal situation is on account of a decline in mineral exports receipts. Therefore, Botswana is expected to record a fiscal deficit in FY 2015/16 for the first time in four years.

Inflation continued to fall and breached the lower end of the Bank of Botswana's medium-term target range in February, March, September and November 2015. Annual average inflation ended the year in 2015 much lower than in 2014, reflecting lower fuel prices and the government's commitment to prudent monetary policy.

Botswana has experienced a high rate of urbanisation, with nearly two-thirds of the country's total population now living in urban areas. Although rural-urban migration and natural population increase have played a role in urban population increase, the positive trend is mainly due to the reclassification of some villages to urban settlements.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.4	2.5	3.2	3.5
Real GDP per capita growth	2.4	0.6	1.4	1.7
CPI inflation	4.4	3.1	4.5	4.3
Budget balance % GDP	5.6	3.6	-2.8	-2.3
Current account % GDP	15.7	16.0	5.6	5.2

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

BURKINA FASO

- **Economic growth is expected to reach at least 5% in 2016 and 5.9% in 2017 due to the recovery of mining and the return to democratic institutions.**
- **Strengthening security to combat jihadist threats is still a major challenge to economic revival, especially after the January 2016 terrorist attack.**
- **Urban growth has speeded up in the past decade and the urban population could reach 35% of the total by 2026, but towns and cities are still poorly equipped to sustainably manage this growth.**

Economic prospects for 2016 are good, with overall growth forecast at 5.0% (slightly up from 4.8% in 2015) thanks to the return of democratic institutions after the 2015 elections and the resumption of mineral production. Inflation should remain modest (about 2% in 2016 and 2017) due to a good harvest and low world oil prices.

This growth rate is still far from the robust 2010-13 period, when it was well above an annual 6%. The economy has been damaged since 2014 by the political transition following the October 2014 popular uprising and two factors that are likely to persist in 2016: a drop in gold and cotton prices and higher defence spending in the final quarter of 2015.

Economic prospects also still depend on the new democratically elected government's ability to foster political peace to ensure institutional stability. Stronger security measures to tackle jihadist threats remain a major challenge too, especially after the January 2016 terrorist attack. Although the poverty rate fell to 40.1% in 2014 (from 46.7% in 2009), the social situation remains worrying, with vast inequalities, so poverty is a source of future uncertainty, along with unemployment and under-employment among urban youth and women.

Burkina Faso is one of the world's least urbanised countries, but its towns and cities have grown more quickly in the last decade. Urban-dwellers were 22.7% of the population in 2014 and could reach 35% in 2026. Weak urban governance has produced slums, and the country faces economic, ecological and infrastructural challenges. The dual land management system may seriously threaten national development policy. Large towns and cities are poorly equipped for sustainable development, and the economies of second-category urban areas are dominated by raw materials production, which is an obstacle to real efforts to turn them into centres of sustainable development.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	5.0	4.8	5.0	5.9
Real GDP per capita growth	2.1	1.8	2.1	3.0
CPI inflation	-0.3	0.8	2.0	1.9
Budget balance % GDP	-1.8	-2.5	-3.1	-3.7
Current account % GDP	-6.1	-4.5	-5.3	-6.9

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

BURUNDI

- **Burundi achieved average annual growth of 4% between 2010 and 2014, but due to the social and political environment in 2015, the growth rate fell and GDP is estimated to have dropped by 4.1%.**
- **The deterioration in public finances led to large-scale recourse to advances from the central bank (Banque de la République du Burundi) to finance the budget deficit in 2015.**
- **Continuation of the current socio-political climate and the accompanying fall in support from donors could do serious damage to the country's remarkable advances in development and poverty reduction since 2005.**

The socio-political strains from which Burundi has suffered since April 2015 have created major difficulties for economic activity, which has slowed markedly, interrupting the growth dynamic of the start of this century. Latest estimates suggest that growth of real gross domestic product (GDP) was negative, at around -4.1% in 2015 as against 4.7% in 2014 and 4.5% in 2013. This contraction was chiefly the consequence of a drop in activity in the secondary sector, in particular in industry and construction. Inflation remained steady at an average 5.5% in 2015, compared with 4.4% in 2014, thanks to the relative stability of the exchange rate, good harvests and the continuing drop in international oil prices. In respect of the budget, Burundi continues to suffer from a weak mobilisation of internal resources (11.7% of GDP in 2015 compared with 12.9% in 2014 and 13.1% in 2013) and from a substantial fall in foreign aid (-33% in 2015), according to the Finance Ministry. The budget deficit rose from 1.2% of GDP in 2014 to 5.7% in 2015. The deterioration in the public finances was strongly reflected in the accounts of the central bank (BRB), in particular with a steep fall in the official reserves (less than two months of import cover in 2015, compared with four months in 2014), mainly because of broad government recourse to BRB advances to finance the deficit. This financing, which amounts to an injection of liquidity into the economy, resulted in a greater demand for foreign exchange. The current account deficit, transfers included, is estimated at 4.5% of GDP in 2015 compared with 9.5% of GDP in 2014.

The implementation of the second-generation strategic framework for growth and poverty reduction, adopted in February 2012, brought significant progress in human development. The present political context, however, could call into question much of what has been achieved. The prolonged absence of support from technical and financial partners has negative consequences for the country and risks endangering the progress that has been made, particularly in social dimensions. Renewed engagement by these participants is largely dependent on a political solution to political tensions, which would make it possible to avoid an even more serious deterioration in the socio-economic situation. The whole international community is worried by the persistent tensions in the country, which also carry risks for the entire sub-region. Several Western countries have already announced the suspension of support to Burundi. Furthermore, the problems observed in 2015 surrounding the implementation of reforms supported by the extended credit facility (ECF) could also have a negative impact on the budget in the short and medium term.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.7	-4.1	3.3	4.4
Real GDP per capita growth	1.4	-7.4	0.0	1.0
CPI inflation	4.4	5.5	7.5	6.7
Budget balance % GDP	-1.2	-5.7	-2.2	-2.1
Current account % GDP	-9.5	-4.5	-6.0	-6.6

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

CABO VERDE

- **Cabo Verde's real GDP growth increased to 3.6% in 2015 from 1.8% in 2014 and 0.8% in 2013 as tourism receipts increased, domestic demand improved and energy prices remained low. However, the economy is still underperforming due to deflation and high unemployment.**
- **While government deficit has narrowed from previously high levels, fiscal consolidation remains a priority to reduce the risk of debt distress, reassure investors and safeguard macroeconomic stability.**
- **Despite Cabo Verde's insularity and unequal distribution of the population across islands, its urban renewal can drive structural transformation by providing informal and micro-entrepreneurs opportunities to upgrade and expand their market reach.**

Cabo Verde's economic recovery remains feeble due to the weak global economy and domestic vulnerability. Tourism and tourism-related foreign investment, including construction, continue to be the main engines of growth. In fact, economic growth recovered to around 3.6% in 2015 (from 1.8% in 2014 and 0.8% in 2013) due to the return of foreign direct investment (FDI) – which grew by 13% in 2014 – especially in tourism. However, economic activity is still catching up with its potential. In addition to public sector efficiency, Cabo Verde's long-term growth depends on bolstering productivity. In 2016 and 2017, growth is expected to recover to an average rate of 4%, below the rate of the boom years before the global financial crisis.

The fiscal situation improved slightly in 2015 due to public investment programme (PIP) phase-out, yet it remains vulnerable. The overall central government deficit is expected to fall in 2015 to 4.5% (from 7.4% in 2014), and again in 2016 to 4%. Challenges also remain to find the appropriate policy path given debt sustainability requirements and a need to improve economic growth. Public debt is expected to reach 118% of GDP in 2015 from 94.7% in 2013. While external public debt is high (76.2% of total public debt in 2015), it remains overwhelmingly concessional, and debt service indicators show that the country shall remain comfortable in servicing its future debt obligations.

Cabo Verde's urban population accounts for about 65% of the country's 514 000 population. The high rate of urbanisation is due mostly to rural-urban migration. Although the increase in the rate of urbanisation is a source of social problems, it also presents an opportunity for informal and micro-entrepreneurs to upgrade and expand their market reach. With a remarkable literacy rate exceeding 85%, Cabo Verde has the foundation for an economic lift-off driven by a robust urban population with skills for a competitive private sector. The country's urban renewal can therefore be an important driver of structural transformation in the years ahead.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	1.8	3.6	4.0	4.0
Real GDP per capita growth	0.5	2.4	2.8	2.7
CPI inflation	-0.2	0.0	1.6	2.7
Budget balance % GDP	-7.4	-4.5	-4.0	-3.8
Current account % GDP	-8.0	-9.0	-9.8	-10.4

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

CAMEROON

- **Cameroon's economy grew by a brisk 5.7% in 2015, led mainly by the secondary sector.**
- **In the current context of declining oil prices, the country must rationalise public investment and improve the effectiveness of its expenditure.**
- **Urbanisation has had a positive impact on poverty reduction, but more proactive policies are needed to diminish inequalities and imbalances.**

In 2015, Cameroon's economy, the engine of the Central African Economic and Monetary Community (CAEMC), continued to prove resilient despite an unfavourable global economic context (stagnation in the Organisation for Economic Co-operation and Development [OECD] member countries, slowdown of growth in China and in several emerging countries, and a fall in oil prices and in the country's export earnings). The region is facing persistent pockets of insecurity at its northern and eastern borders because of the threat of Boko Haram and the crisis in the Central African Republic. Cameroon's growth in 2015 has been estimated at a solid 5.7%, led mainly by the secondary sector, which grew by 8.4%. The tertiary sector grew by 5% and the primary sector by 4.9%. Oil production, which makes the country a net oil exporter, rose by an exceptional 28.3% as new fields began production. The construction sector also grew, by 7.3%.

Fiscal policy remained moderately expansionary, in line with the furtherance of major infrastructure projects. The 2015 budget, like those of 2013 and 2014, was developed and implemented under the programme-budgeting method. Monetary policy was aimed at stabilising prices and the real effective exchange rate by preventing public expenditure from crowding out private investment. Inflation increased in 2015 by 0.8 of a percentage point to 2.7% because of the rising price of fuel at the pump, itself due to a 40% cut in subsidies to oil products in July 2014, but remained under the 3% CEMAC convergence criterion.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	5.9	5.7	5.3	5.1
Real GDP per capita growth	3.4	3.2	2.8	2.6
CPI inflation	1.9	2.7	2.2	2.1
Budget balance % GDP	-3.9	-5.3	-5.7	-4.9
Current account % GDP	-15.2	-14.0	-14.6	-15.0

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

CENTRAL AFRICAN REPUBLIC

- **The economic upturn that began in 2014 continued in 2015, but was then interrupted by the resurgence of the security and political crisis, resulting in economic growth of 4.1% of real GDP compared with an initial forecast of 5.5%.**
- **The political transition was completed when presidential and legislative elections were held, with former Prime Minister Faustin-Archange Touadéra being elected president in the second round of voting.**
- **The huge movement of people that followed the March 2013 crisis has exacerbated the challenges linked to urban planning and development of the territory.**

The upturn in economic activity that began in 2014 was confirmed during the first nine months of 2015, but its dynamism was interrupted by the resurgence of cross-community violence at the end of September. The worsening security environment held back growth of real gross domestic product (GDP) to an estimated 4.1% in 2015, compared with an initial target of 5.5%. Even so, the economy grew faster than in 2014, when growth of 1.0% was recorded. Most sectors accelerated in 2014, even though the export sector continued to suffer from the country's suspension from the Kimberley Process. This measure effectively means that there is a ban on the export of diamonds, although the restrictions were partly lifted in July 2015. In spite of this difficult climate, there was a significant improvement in the management of public finances thanks in particular to the substantial efforts undertaken by the transition authorities and the support of the technical and financial partners (TFP). Most of the quantitative targets of the budget were achieved, with a progressive return to the normal procedure for public expenditure and greater transparency in the management of public resources.

Presidential and legislative elections were important events in 2015, with Faustin-Archange Touadéra being elected president. Touadéra previously served as prime minister during François Bozizé's presidency. The vote was organised in an unpredictable security environment and uncertain political climate, but brought an end to the transition process that began three years earlier. These elections followed the Bangui Forum in June 2015, which was concluded by the signing of the Republican Pact for Peace, National Reconciliation and Reconstruction of the Central African Republic (CAR) and by the adoption of a new constitution in November 2015. Overall conditions in the social and humanitarian areas were relatively stable for part of 2015, but deteriorated amid fresh outbreaks of cross-community violence, which claimed many victims and swelled the number of people displaced both inside and outside the country.

The state of affairs in the country's urban areas was greatly affected by the political and security crisis, which particularly damaged prospects for the development of towns and cities. A study is underway to redesign urban development and planning in Bangui, with the aim of bringing structure to its breakneck urbanisation and establishing a healthy housing environment.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	1.0	4.1	5.2	6.0
Real GDP per capita growth	-1.0	2.1	3.2	4.0
CPI inflation	11.6	5.6	4.7	4.0
Budget balance % GDP	3.2	-3.2	-2.8	-2.3
Current account % GDP	-6.1	-11.5	-5.1	-4.0

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

CHAD

- **Economic growth reached an estimated 4.1% in 2015, possibly falling to only 2.6% in 2016 due to the collapse in oil prices and a steep fall in export revenues.**
- **The need to maintain internal and external balances in 2016 makes budgetary consolidation indispensable in the face of numerous financial, social, security and humanitarian challenges.**
- **Among other things, work towards structural transformation of the economy is driven by an integrated development strategy in the urban centres, especially through planning, promoting decent housing and equitable access to social services.**

The Chadian economy, which is particularly dependent on the oil industry, is likely to experience a serious slowdown in 2016. After reaching 6.3% in 2014, GDP growth could fall to 4.1% in 2015 and then to 2.6 % in 2016, mainly due to the collapse in oil prices on international markets. This sharp decline could result in a significant reduction in the level of public investment, particularly in the extractive sector, and lead to a fall in domestic demand in 2016 and 2017. Agriculture's poor performance is likely to worsen the unfavourable economic situation. This important sector of the economy suffered from a lack of rainfall in 2015, resulting in a sharp decline in cereal production of around 12% according to government estimates. The Chadian state's capacity to implement the public investment programmes in its economic policy is being severely challenged. The significant expenditure in 2015 on meeting the threats and violence of the terrorist sect Boko Haram and jihadist movements also affected the country's economy. In 2015, the inflation rate could rise from the 1.7% recorded in 2014 to reach 4.0%, breaching the community standard of 3.0% for the Central African Economic and Monetary Community (CEMAC), before falling to 2.6% in 2016. The main causes are disturbances to the country's supply chains and exports related to the security situation. Preserving the country's economic gains, especially the benefits of achieving the Heavily Indebted Poor Countries (HIPC) target in late April 2015, makes prudent debt management essential now, given the current highly volatile oil prices.

The structural transformation of the country's emerging economy – which remains one of the government's major objectives – faces many obstacles, including the inefficient organisation of urban spaces. Better spatial inclusion would enable them to become effective centres of production and thereby contribute to job creation, strengthening the country's social cohesion and the resilience of its economy.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	6.3	4.1	2.6	4.9
Real GDP per capita growth	2.9	0.8	-0.6	1.7
CPI inflation	1.7	4.0	2.7	4.0
Budget balance % GDP	-4.7	-6.4	-7.0	-7.4
Current account % GDP	-8.9	-9.9	-8.6	-8.5

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

COMOROS

- **The energy crisis restrained economic growth to under 1.1% in 2015.**
- **Saudi Arabian budget support and the resumption of electricity generation should push growth to 4.1% in 2016 and 2017.**
- **As a small-island developing state, rapid urbanisation is a threat to peace in the Comoros, where there are few job opportunities for young people.**

Since reaching its completion point under the Heavily Indebted Poor Countries (HIPC) Initiative in December 2012, the Comoros has returned to economic growth. Nevertheless, the archipelago still faces major obstacles, including a poorly diversified economy, electricity shortages and vulnerability to external shocks. The power generation crisis penalises tax-paying sectors such as importers of frozen goods and large retail outlets, which have accumulated salary arrears. Despite these constraints, the Comorian economy has rebounded, with positive growth rates since 2012. Growth in 2016 will depend largely on two factors: the political climate, with presidential elections taking place in April, and the solutions adopted in response to the energy crisis. The International Monetary Fund (IMF) initially projected growth of 2.2% in 2016, but that was before the Comoros received huge budget support from Saudi Arabia on 31 December and Chinese technical assistance for the energy sector to the tune of EUR 4 million. Forecasters are now projecting 4.1% growth in 2016 and 2017 thanks to the gradual recovery of electricity generation, and more importantly, the impact of Saudi Arabian budget support on household consumption.

The political situation is still marked by the electoral process that began in February 2015, when a general election, municipal elections, and island council elections were held. This process concluded with the second round of presidential elections on 18 April 2016 on all the islands. The first round took place on 21 February only on Grande Comore, which will hold the rotating presidency until 2021. The latest rulings by the Constitutional Court on the eligibility of candidates confirmed that democracy is established.

The Comoros moved up five places to 154th out of 189 countries in the 2016 edition of the World Bank's annual *Doing Business* report. Some 45% of the population live below the poverty line, and the Comoros is ranked 159th out of 187 countries in the United Nations Human Development Index, falling well short of achieving the Millennium Development Goals (MDGs).

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	0.6	1.1	4.1	4.1
Real GDP per capita growth	-1.8	-1.3	1.7	1.8
CPI inflation	2.9	2.1	2.2	2.6
Budget balance % GDP	-0.7	-1.2	-2.2	-1.7
Current account % GDP	-6.1	-7.4	-6.9	-7.9

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

CONGO

- **After rebounding to about 6% in 2014, growth fell back to 1.2% in 2015 but should reach 4.2% in 2016, though prospects could be affected by persistent low prices for oil.**
- **The speed and range of structural reform and of the diversification of the economy are still not enough to improve significantly the country's social indicators and to achieve the Millennium Development Goals.**
- **Despite great potential, urban areas are not yet driving economic structural transformation and the national urban strategy still has to be developed to tackle the problems of rapid urban growth.**

Growth slipped to 1.2% in 2015 (from 6% in 2014) because of a sharp fall in the world price of oil (60% of the country's gross domestic product [GDP]) and slower expansion of the non-oil sector caused by less government investment. Inflation was stable at around 0.9%. Budget policy was tighter because of lower government revenue but the primary deficit still reached 9.3% of GDP in 2015. The current account deficit widened (with lower oil prices) from 2.6% of GDP in 2014 to 14.5% in 2015. Overall growth should be 4.2% in 2016 and 4.7% in 2017, driven by greater oil production from new wells and by robust transport and agriculture sectors. But fluctuating oil prices could upset these predictions.

Congo's score on the UN Human Development Index improved slightly from 0.564 in 2013 to 0.591 in 2014, but the country's social indicators remain below those of African states with similar income levels. Poverty fell from 50.7% of the population in 2005 to 40.9% in 2011 but is still higher than average for middle-income countries. Unemployment is high, affecting in particular 30% of young people between the ages of 15 and 29, because of the capital-intensive nature of the oil sector and the weakness of the non-oil private sector. Significantly improving social indicators is a major challenge and requires stronger and more inclusive growth, along with faster structural reform and economic diversification. This is urgent, especially because of rapid urban growth.

Congo is one of Africa's most urban countries, with more than two-thirds of the population living in towns and cities. The chief motor for urban growth is the concentration of public services and economic activity in the two big cities, Brazzaville and Pointe-Noire. The urban economy supplies 80% of GDP, mainly from oil production at Pointe-Noire and administration and services based in Brazzaville. Urban areas have great economic potential but have not developed to drive the economy because of inadequate access to basic social services for a growing population; inadequate infrastructure that reduces urban mobility; unplanned urban spread; high unemployment (16%); and insufficient funding. The government aims to tackle these problems with the 2012-16 national development plan (PND) and has increased funding of the towns and cities (through its programme of "accelerated municipalisation") which aims to build major social and administrative infrastructure there. But much remains to be done and the government needs to take on the challenges represented by towns and cities by coming up with a national urban development strategy that remains to be drawn up and complete town planning blueprints being drafted.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	6.0	1.2	4.2	4.7
Real GDP per capita growth	3.5	-1.4	1.6	2.1
CPI inflation	3.0	0.9	1.5	1.0
Budget balance % GDP	-4.8	-9.6	-1.8	1.3
Current account % GDP	-2.6	-14.5	-12.4	-9.6

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

CONGO, DEM. REP.

- **The growth of the Congolese economy slowed in 2015, falling to 7.7% from 9.2% in 2014, a trend set to continue in 2016 (7%), with a recovery expected to start in 2017 (8%).**
- **Poverty remains widespread, although the country has made significant progress in implementing the Millennium Development Goals (MDGs), moving up 11 spots in the 2014 world ranking of the Human Development Index (HDI).**
- **The country faces significant challenges in the planning and financing of urban development in order to improve quality of life and to capitalise on the opportunities provided by urbanisation.**

In 2015, economic growth was 7.7%, down from 9.2% in 2014, and below the 10.3% growth initially projected. The growth was supported by the extractive and manufacturing industries, transport, and telecommunications. Inflation was held at 0.8% and the exchange rate of the Congolese franc (CDF) to the United States dollar (USD) remained stable, fluctuating by 0.2%. Despite the drastic fall in the price of raw materials,[1] macroeconomic stability was preserved due to a tightening of tax revenue, international reserves and an increase in the current account deficit. Economic activity is expected to slow slightly to 7.0% in 2016 before climbing to 8.0% in 2017, due to a recovery of mining prices, expected from 2017, and the positive effects of structural reforms and the rebuilding of infrastructure. To strengthen the economy's stability and resilience to shocks, in January 2016 the government adopted 28 urgent measures, and as part of the strategic national plan for development (PNSD) currently being drawn up, it decided to diversify the country's economy and to broaden the value creation chain.

On social issues, although the Democratic Republic of the Congo (DRC) did not achieve the Millennium Development Goals (MDGs) by the end of 2015, it did make significant progress, although considerable challenges still remain. Despite the fragile political and security context, the incidence of poverty fell from 80% in 1990 to 63.4% in 2012. The continual increase in the national budget allocated to social sectors led to an increase in the enrolment, literacy and primary school-completion rates; a significant reduction in infant and maternal mortality; and improved electricity provision and access to water, sanitation and housing. This progress led to the country improving on the Human Development Index (HDI), moving from 0.329 in 2000 to 0.439 in 2014, thus climbing 11 spots in the 2014 world ranking. The holding of free, democratic elections planned for 2016, within the constitutional deadline, is the country's main political challenge to consolidate the achievements of the democratic process that began in 2006.

Although urbanisation is viewed as an opportunity by the Congolese authorities, it faces a real challenge in terms of the planning and financing of urban development. Urban areas dominate the national economy and offer better living conditions than rural areas. However, there are risks associated with current urbanisation trends in the DRC: an increase in unplanned and informal neighbourhoods, poor quality of urban transport and congestion in cities, and limited access to social infrastructure. The country does not have a national urbanisation strategy, although it does have some measures and ongoing national initiatives which could directly or indirectly contribute to urban development, especially the land-use planning reform, construction projects for special economic zones and agro-industrial parks.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	9.2	7.7	7.0	8.0
Real GDP per capita growth	6.0	4.5	3.8	4.9
CPI inflation	1.0	0.8	2.1	2.5
Budget balance % GDP	0.5	-0.5	-0.7	1.0
Current account % GDP	-9.2	-8.7	-10.8	-13.9

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

1. The price of copper traded on the London Metal Exchange (LME) lost 28% of its value between December 2014 and December 2015. Oil, cobalt and gold lost respectively 38.26%, 28.35% and 10.70% of their value over the same period.

CÔTE D'IVOIRE

- **The economy grew strongly for the fourth straight year in 2015, with booming agriculture, a better business climate, returning investors, but also international uncertainty; these trends should continue in 2016 and 2017.**
- **The incumbent president was re-elected in October 2015 in a peaceful vote that was a big step in consolidating peace and economic confidence in the country.**
- **Towns and cities have emerged because of the physical expansion of exported raw-material areas, but these urban centres are not very attractive because of poor electricity supply, inadequate logistics and fragmented regional policies.**

Economic growth remained strong despite international uncertainty, estimated at 8.8% in 2015, close to previous years (8.7% in 2013 and 7.9% in 2014) according to the African Development Bank (AfDB). It was driven by agriculture, investment, services and an improved business climate. This performance is projected to continue in 2016 (at 8.6%) and 2017 (at 8.3%). The government intends to continue its efforts, after the success of the 2012-15 national development plan (PND), to make Côte d'Ivoire an emerging country by 2020 and see that growth is more inclusive.

Budget policy focused on increased investment as well as funding other post-conflict development needs. The primary account was nearly balanced in 2014 and 2015, while the overall deficit was around 3% of gross domestic product (GDP). Inflation was 1.5% in 2015, loans to the private sector increased, and foreign reserves remained strong. The current account deficit was expected to widen from 2.5% of GDP in 2015 to 3% in 2016 due to more investment in exports and infrastructure.

The improved business and macroeconomic environment boosted investment with more firms set up, a greater flow of foreign direct investment (FDI) and growth of public-private partnerships (PPP), which need to be better implemented for a fairer distribution of risks. Problems remain in taxation and in access to land titles and funding.

The October 2015 presidential election was a landmark in the consolidation of political peace, with incumbent President Alassane Ouattara re-elected in the first round with 83.7% of the vote. The main challenges of his new five-year term will be to ensure social cohesion, strengthen civil peace and improve the justice system. Access to healthcare and education has increased.

The 2014 census showed that 49.7% of Ivorians lived in towns and cities, including 19.4% in Abidjan where most economic activity is. Except for Abidjan, most urban areas are not very attractive for want of formal planning. Three ongoing projects may change this: investment to double electricity output by 2020, an urban plan for the Abidjan district and upgrading the road between Bamako and San Pédro.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	7.9	8.8	8.6	8.3
Real GDP per capita growth	5.4	6.3	6.2	5.9
CPI inflation	0.4	1.5	1.8	1.9
Budget balance % GDP	-2.3	-3.5	-3.4	-3.8
Current account % GDP	-2.3	-2.5	-3.0	-3.9

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

DJIBOUTI

- **Growth of about 7.4% is forecast for 2016, compared to 6.7% in 2015 and 6% in 2014, an improvement which has not prevented widespread poverty or unemployment.**
- **The budgetary deficit improved in 2015, but the country's level of debt remains critical, with a service economy centred on transport.**
- **Activities and jobs are largely concentrated in the capital, which has led the government to contemplate the development of economic hubs in the country's interior.**

Djibouti has a dual economy. On the one hand, it has a modern sector, based on rental revenue from the ports and military bases rented by foreigners. On the other hand, it still has a large informal sector. The economy is focused on services, in particular transport and related services, due to the country's geostrategic position on the Gulf of Aden, at the intersection of maritime corridors important to the transport of goods and oil. The construction, hotel and telecommunication sectors are growing but are not yet significant. The Chinese investment of the past three years could change the economy's structure, given the development of special economic zones (SEZs) to attract processing industries as part of global value chains.

Djibouti is developing its infrastructure, particularly its ports, to promote rapid growth and reduce poverty. Led by major investment projects, the growth of recent years (6.7% in 2015 and 6% in 2014) will continue, with rates of 7.4% and 7.1% forecast for 2016 and 2017. Despite this upturn, extreme poverty and unemployment remain endemic. Critically, Djibouti's debt was 65.8% of GDP in 2015 and is expected to reach 75.8% in 2016 before reaching the 79% threshold in 2017, placing the country at high risk of over-indebtedness.

To face these challenges, since March 2014 a new strategic framework, Djibouti Vision 2035, is aimed at the country's economic emergence by that date. Its first medium-term product is a five-year strategy for rapid growth and job creation (Stratégie de croissance accélérée et de promotion de l'emploi, Scape), launched in August 2015.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	6.0	6.7	7.4	7.1
Real GDP per capita growth	4.7	5.4	6.1	5.8
CPI inflation	3.0	3.1	3.3	3.4
Budget balance % GDP	-10.5	-6.7	-5.8	-5.8
Current account % GDP	-25.6	-16.0	-14.0	-12.8

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

EGYPT

- **Economic outlook for Egypt in 2016 remains cautiously optimistic, partly based on the government's ability to deliver on expectations, as well as effective implementation of the Sustainable Development Strategy and ongoing macroeconomic reforms.**
- **Growth is expected to accelerate, conditional on improved investor confidence, although global economic headwinds present challenges to the outlook.**
- **Overall, success will be demonstrated by effectively addressing long-standing domestic challenges of low and non-inclusive growth, and the implications of high population on the sustainability of urban growth.**

There has been a lengthy political transition following President Mubarak's removal from office in 2011. The formal "political roadmap" has now been completed. A fragile security situation, however, reflects the fight against radical Islamists. Meanwhile, growth has been steadily picking up, driven by the gas, manufacturing and real estate sectors, alongside an increase in foreign direct investment (FDI). But tourism performance weakened following the bombing of a Russian tourist aircraft at the end of October 2015, and import-dependent industries faced foreign exchange shortages, resulting in reduced activity. The cautiously optimistic 2016 economic outlook is largely based on the government's ability to deliver on its policy reforms and growth strategy.

Throughout 2015 the authorities faced continuing policy pressures. Recent sluggish economic growth and an expansionary fiscal policy led to the fiscal deficit remaining large. In response, the government's fiscal consolidation exercise aims to increase revenues and rationalise expenditures, with savings directed towards social safety nets. To finance the deficit, the government borrowed heavily, which pushed domestic debt up significantly, crowding out the private sector. Faced with these strains, the Central Bank of Egypt (CBE) laboured with some success to strike a balance between curbing inflationary pressures and boosting growth while keeping the exchange rate steady. The CBE may decide to ease monetary policy in the rest of 2016 to prevent growth from slowing. However, a tight stance will be needed to support the Egyptian pound (EGP), given the sharp fall in foreign exchange reserves.

On the assumption that the government continues to implement its economic reform programme, the prospects for 2016 and beyond suggest a steady recovery. Success in stabilising the economy and boosting growth will be demonstrated by lowering the fiscal deficit while at the same time increasing pro-poor spending; managing price stability in a context of exchange rate uncertainty; increasing meaningful employment (especially among the young); enhancing the business environment; and improving security and strengthening social justice.

Egypt continues to work towards achieving sustainable cities and structural transformation. However, strains are evident, such as Egypt's high population growth that has major implications for the sustainability of urban growth. As job-seekers move to urban areas, city populations will rise, adding more strains on urban infrastructure. Moreover, urbanisation has a direct impact on Egypt's food security, given urban sprawl has overrun crop-growing areas. The government of Egypt has financed several new projects in response to urban growth. These include those in Upper Egypt, northwest coast and along the new Suez Canal.

Macroeconomic indicators

	2013/14 (e)	2014/15(p)	2015/16(p)	2016/17(p)
Real GDP growth	2.2	4.2	4.3	4.5
Real GDP per capita growth	0.0	2.0	2.2	2.4
CPI inflation	10.8	11.2	8.8	10.2
Budget balance % GDP	-12.2	-11.5	-9.6	-8.7
Current account % GDP	-0.9	-3.7	-1.1	-1.4

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

EQUATORIAL GUINEA

- **GDP fell by 10.2% in 2015 due to the drop in oil prices, and according to the latest forecasts it will contract by 8% in 2016.**
- **The government, aware of financial imbalances, took major steps in May 2015 to reduce public investment by half and make drastic cuts in government operating costs.**
- **Equatorial Guinea's strong dependence on petroleum has enabled it to use oil revenues to carry out structural changes over the last 15 years and implement a housing policy for new homes and better access to water and electricity.**

The drop in oil prices since July 2014 has caused a recession. Oil and gas production fell by 10%, compared to 2014, to around 165 000 barrels a day in 2015. The non-oil economy, although in relative growth with respect to the rest of the economy, is nonetheless in decline. The recession, corresponding to a drop of 10.2% of GDP in 2015, is likely to continue until 2020 because of unfavourable forecasts for crude oil prices. While difficult to quantify, domestic government arrears and lower public investment tend to reduce fiscal space and constrict growth in the non-oil economy.

The importance of oil and gas (90% of GDP, 87% of fiscal revenues and 89% of exports) in the economy meant that the drop in oil prices had a spillover effect on public investment spending, which, at XAF 1 951 billion (CFA francs) in 2015, accounted for 86% of all public expenditure and is the engine of growth. The Amending Finance Law of May 2015 was based on an oil price of USD 40 per barrel, but further falls to close to USD 30 per barrel in January 2016 risk exacerbating budgetary pressures. Major steps have been announced for optimising revenues through fiscal reform and a reduction in tax exemptions. At the same time, spending is being reduced through controls on government operating costs. Moreover, the authorities have expressed their desire to return to balanced budgets in the coming years, in accordance with the second phase of the National Programme for Economic and Social Development (PNDES) 2013-17, which calls for less public investment.

The country's proactive policy on urbanisation and housing improvement is ambitious. The new city of Djibloho, in the centre of mainland Equatorial Guinea, will be created under the framework of the policy of regrouping the populations of the main cities – Malabo, Bata, Mongomo, Ebebiyin, Evinayong and Luba. A complementary approach was taken in drafting the master plans for roads, housing and social infrastructure in order to improve the quality of urban life through economies of scale. Implementation of these plans will need to take account of the drop in oil revenues.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	2.3	-10.2	-8.0	-3.4
Real GDP per capita growth	-0.7	-13.2	-10.9	-6.3
CPI inflation	4.3	3.6	2.6	2.3
Budget balance % GDP	-6.8	-6.9	-7.3	-9.0
Current account % GDP	-10.0	-7.1	-2.3	-1.8

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

ERITREA

- **Growth is projected at 0.3% in 2015, from 1.7% in 2014 and 1.3% in 2013, reflecting challenges in the business and investment environment, and a poor global economic environment.**
- **The government's commitment to strengthening public financial management and natural-resource management through the African Development Bank's technical assistance has helped to create favourable medium-term prospects.**
- **Eritrea has been promoting urbanisation but this is limited by financial capacity and a shortage of urban housing.**

In the 22 years since independence in 1993, the Government of the State of Eritrea (GoSE) has prioritised investments in infrastructure (communication networks, energy, and water facilities); agriculture (mainly for food security); marine resources; social and other services; and manufacturing. In 2016, GoSE priorities are human-resource development; investment in machinery and equipment; transport and communication facilities; water supply; energy; and essential social services. The government is also creating an attractive environment for the active participation of local and foreign private investors. However, these efforts are being severely curtailed by unresolved border issues, the government's relatively substantial spending on security, the UN sanctions and macroeconomic instability. Real gross domestic product (GDP) growth is projected to slow from 1.7% in 2014 to 0.3% in 2015 because of slower economic activity and increasing challenges in the global market. However growth should recover in 2016 to 2.2%. Over the medium term, the government sees further prospects in improved trade with Middle-Eastern and Asian countries, additional mining activities, growth in the food sector, and the development of tourism. The GDP is heavily based on services (59.2%), with a very small manufacturing sector (6%). Agriculture, hunting, forestry and fisheries constitute 17.2% of GDP.

The budget deficit declined slightly to 10.3% of GDP in FY 2015/16 from 10.7% in 2014/15, and this trend will continue to 9.9% in 2016/17 as a result of increasing revenue from mining projects, access to more grant resources, and a reduction in unproductive expenditures. Inflation remained at 12.5% in 2015 mainly because of food-supply shocks and high foreign exchange demand. Food-crop production in 2015 was only about 50% of its 2014 level. Lower international food and oil prices in 2015 and 2016 should contain 2015/16 inflation below 12.5%.

Exports are expected to have grown in 2014-15 due to the start of mineral production at the Asmara project and gold extraction by the Zara Mining Share Company. The current account deficit is forecast to increase to 3.4% of GDP in 2015 from 2.4% of GDP in 2014 and this trend will continue in 2016 despite rising levels of both remittances and the "development and recovery tax" (a 2% tax levied on the Eritrean Diaspora). Eritrea has continued to benefit from the IMF's capacity-building institute, the East African Regional Technical Assistance Centre (E-Afritac), located in Tanzania. Moreover, Eritrea will be able to access the resources of the AfDB's Transition Support Facility (TSF), a component of the Bank's Pillar I grants window, which will further strengthen natural-resource governance, public-finance management, and data collection and analysis.

In addition to capacity-building support, the AfDB will help to strengthen institutional governance, especially in the Ministries of Finance and National Development because of their critical roles in ensuring macroeconomic stability and growth. Two projects are in preparation to support reform within the Ministry of Finance to improve public-finance management and tax and customs administration. The Drought Resilience Livelihood Support Program (DRLSP) II aims at integrating private-sector involvement into Bank projects and at developing the private sector in a decentralised environment as key components in skills development and the promotion of employment and entrepreneurship.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	1.7	0.3	2.2	3.4
Real GDP per capita growth	-0.5	-2.0	-0.2	1.0
CPI inflation	12.3	12.5	12.0	11.7
Budget balance % GDP	-14.6	-10.7	-10.3	-9.9
Current account % GDP	-2.4	-3.4	-4.1	-4.5

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

ETHIOPIA

- **The strong growth of Ethiopia's economy in 2014/15, estimated at 10.2%, is expected to continue in 2016 and 2017, while public investment is expected to ease infrastructure bottlenecks and bolster economic structural transformation.**
- **Ethiopia faced severe drought in 2015 requiring emergency food and aid in 2016 and causing inflationary pressure, while the risk of public-debt distress increased due to rising non-concessional borrowing and export underperformance in 2014/15.**
- **The urban population, growing at 3.8% per annum, is expected to reach 42.3 million by 2037, which could pose significant development challenges if not addressed.**

Ethiopia has experienced double-digit economic growth, averaging 10.8% since 2005, which has mainly been underpinned by public-sector-led development. Real gross domestic product (GDP) is estimated to have grown by 10.2% in fiscal year 2014/15. The agriculture, services and industry sectors accounted for 38.8%, 46.6% and 15.2% of real GDP, respectively. Public investments are expected to continue driving growth in the short and medium term with huge investments in infrastructure and the development of industrial parks, prioritised to ease bottlenecks to structural transformation, which will still have to take shape with industry playing a significant role in the economy.

Fiscal policy has remained prudent, focused mainly on increasing spending on pro-poor and growth-enhancing sectors, and on boosting efforts in tax-revenue collection. The monetary-policy stance has been geared to ensure a stable exchange rate and single-digit inflation targets. Despite this, inflation has tended to rise from single digits and reached 10.1% in December 2015. Although Ethiopia has been pursuing a sound debt-management policy, debt-burden indicators signalled a rise in debt distress from low to moderate in 2015, as indicated by the World Bank/International Monetary Fund (IMF) debt-sustainability analysis. Moreover, poor performance and volatility in export earnings, and ever-increasing demand for imports have led to a deterioration of the balance of trade deficit.

In 2015, Ethiopia faced one of the worst droughts in 30 years caused by the El Niño climate conditions, leading to failed harvests and shortages of livestock forage. Some 10.2 million persons have been affected by the drought and will need emergency food and non-food aid into 2016.

Ethiopia, the second most populated country in Africa after Nigeria, is also the least urbanised, with urbanisation at only 19%, significantly below the sub-Saharan average of 37%. The urban population has grown at an average 3.8% per annum since 2005 and is expected to triple from 15.2 million in 2012 to 42.3 million by 2037. This could pose a significant development challenge if not addressed. Since 2004/05, the government has focused more on developing housing, upgrading slums, providing infrastructure and promoting small urban enterprises.

Macroeconomic indicators

	2013/14	2014/15(e)	2015/16(p)	2016/17(p)
Real GDP growth	10.3	10.2	8.1	7.7
Real GDP per capita growth	7.7	7.7	5.6	5.2
CPI inflation	8.1	7.7	7.4	8.9
Budget balance % GDP	-2.6	-2.0	-1.3	-0.8
Current account % GDP	-10.9	-14.6	-8.4	-9.3

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

GABON

- **Estimated at 4.2%, growth remained vigorous in 2015 despite falling hydrocarbon prices, which reduced the country's tax revenue.**
- **In 2015 Gabon continued to adopt reforms intended, among others, to streamline the management of performance-related bonuses in public administration.**
- **The great majority of Gabon's population (at 1.8 million) is urban; efforts to upgrade housing have been undertaken, as well as measures to stimulate rural areas.**

Despite the impact of the fall in hydrocarbon prices, growth remained relatively strong in 2014 at 4.4% and has been estimated at 4.2% in 2015 and projected at 4.5% in 2016. It is projected to continue at a rate higher than 5% until 2020. The economy remains dominated by hydrocarbon production, though manganese production and wood processing still play a major part in it. Gabon needs to diversify its economy, and recent outlooks and projections show non-oil activities on a stronger growth path than hydrocarbons thanks to public policy devised in this direction. Tax revenue fell sharply in 2015 as a result of declining oil prices and a slight drop in oil production.

The economic situation has pushed the authorities to accelerate ongoing reform programmes, in particular those intended to streamline performance-related bonuses paid to civil servants, with a view to having greater control over the wage bill and to improve public services. In terms of its operating expenditures, the government has also made important budgetary decisions to keep public investment at 22% of revenue under its "emerging Gabon" strategy plan (Plan stratégique Gabon émergent, PSGE) while maintaining a proactive social policy. The authorities also aim to raise tax revenue by broadening the tax base and modernising procedures for filing and paying taxes.

Gabon is highly urbanised, and its urbanisation level is growing. In 2015, 86% of the population lived in the country's four big cities: Libreville, Port-Gentil, Franceville and Oyem. The capital, Libreville, has a population of nearly 800 000, or half the total population of Gabon. Outside of urban areas, however, the population density is lower than 2 people per km², which is similar to that of Sahelian desert countries. Housing policies are designed to fight against precarious housing and simplify legislation, while improving the housing stock and sanitation conditions in urban areas. Otherwise, the ambitious ongoing agricultural-development programme, Gabonaise des réalisations agricoles et des initiatives des nationaux engagés (GRAINE), includes developing 3 000 km of tracks leading to plantations, integrating about 1 600 villages into the basic-infrastructure development plan and involving 30 000 families in the formation of agricultural co-operatives. The programme aims to fight against rural-urban migration, promote youth employment, create 15 000 to 20 000 jobs and triple agricultural production. It should have a strong impact on rural housing, because it encourages participants to settle on a reserved farmland area.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.4	4.2	4.5	5.1
Real GDP per capita growth	2.1	2.0	2.3	2.9
CPI inflation	3.2	1.2	2.4	2.4
Budget balance % GDP	2.7	-2.7	-4.6	-2.3
Current account % GDP	8.3	-6.1	-9.6	-4.1

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

GAMBIA

- **Growth rebounded to an estimated 4.7% in 2015 from its low level of 0.9% in 2014, and could exceed 5% in 2016 if the government implements appropriate policy reforms.**
- **The fiscal balance deteriorated further in 2015 and international reserves came under pressure, while the outlook is clouded by policy slippages related to financing another large programmed deficit of 9.3% of GDP in 2016.**
- **With almost half of the population residing in urban areas and rapid unplanned urbanisation, Gambia is facing significant socio-economic and environmental challenges.**

Gambia's economic performance has been affected by a series of external shocks. The impact of the regional Ebola outbreak on tourism and delayed summer rains in 2014, together with weak economic policy implementation, led to a contraction in real gross domestic product (GDP) growth to 0.9% in 2014, sharply down from an initial estimate of 7%. Growth is projected to rebound to 4.7% in 2015 and to 5.5% in 2016 due to a recovery in tourism and agriculture.

The country has experienced large fiscal imbalances, caused by persistent policy slippages in recent years and financial difficulties in public enterprises. Higher than budgeted levels of spending pushed the overall fiscal deficit from 4.4% of GDP in 2012 to 11% in 2014 and around 9.6% in 2015. The fiscal deficit is largely financed from domestic borrowing due to difficulties in mobilising external resources. This has led to an increase of ten percentage points since mid-2013 in the government's one-year treasuries borrowing interest rate, which reached 21.9% in November 2015. The stock of public debt rose from just below 70% of GDP at end-2010 to 108% by end-2015. Consequently, interest payments on public sector debt increased to absorb 40% of government revenues in 2015, up from 25% in 2013. The outlook for 2016 is clouded by policy slippages related to financing another large programmed deficit of 9.3% of GDP. Associated with the fiscal deficit, Gambia experienced a significant balance of payments crisis, which led to a decrease in its official reserves from six months of import cover at end-2012 to less than three months in early 2016. Inflation hovered at around 6.5% at the end of 2015, up from around 5.3% in 2013.

Despite the enormous opportunities that urbanisation offers in Gambia, it has been perceived as a risk in recent decades. This is largely due to rapid and unplanned urbanisation that has resulted in large-scale flooding and other environmental hazards, as well as pressure on social services. Almost 50% of Gambia's population live in urban areas. To date, urbanisation has not been guided by a comprehensive policy or strategy despite the fact that urban areas generate a large share of the economy and employment opportunities. Urbanisation is largely driven by high rural-urban migration and high population growth. The lack of adequate policy frameworks and the weakness of institutions have significantly undermined the potential of urbanisation and the management of its associated risks.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	0.9	4.7	5.5	5.6
Real GDP per capita growth	-2.4	1.5	2.3	2.4
CPI inflation	6.3	6.5	5.5	5.5
Budget balance % GDP	-11.0	-9.6	-9.3	-6.1
Current account % GDP	-17.7	-20.0	-15.0	-10.2

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

GHANA

- **Ghana's economic growth, which had slowed from 4.0% in 2014 to 3.7% in 2015, is expected to recover to 5.8% in 2016 and 8.7% in 2017, following consolidation of macroeconomic stability and implementation of measures to resolve the crippling power crisis.**
- **Monetary and fiscal policies were tightened in 2015 and are expected to remain so in 2016 in line with the fiscal and monetary policy consolidation reforms underway as Ghana prepares for national elections in late 2016.**
- **Ghana continues to experience rapid urbanisation, which has led to a number of sustainable development challenges, particularly regarding sanitation and transportation infrastructure.**

In 2015, the Ghanaian economy grew at an estimated 3.7%, down from 4% in 2014. The 2015 slowdown resulted from a number of economic challenges, most of which were in play in 2014. These include a 3-year power crisis, rising fiscal deficit and public debt levels, a significant external sector deficit and unpredictably low world market prices for the country's oil and gold exports. The services sector was the main driver of growth. The industrial sector also posted a positive growth rate of 9.1%. Over the medium term the country should see a recovery with a projected GDP growth of 5.8% in 2016 and 8.7% in 2017. The forecasted recovery in economic growth in 2016/17 depends on fiscal consolidation measures remaining on track, quick resolution of the power crisis, two new oil wells coming on-stream, and improved cocoa harvest and gold production.

Ghana maintained a tight monetary and fiscal policy in 2015. The government's fiscal consolidation programme aimed to address demand pressures exacerbated mostly by the wage bill and by public debt services, which account for most un-earmarked revenues. Monetary policy in 2015 continued to be tightened with measures to contain rising inflation and the depreciation of the domestic currency. To address these challenges, government entered into a 3-year Extended Credit Facility (ECF) agreement with the International Monetary Fund (IMF) in April 2015, successfully undertaking two reviews under the programme. The fiscal consolidation stance is expected to meet the conditions of the reviews in 2016 as well. Ghana will hold its national election in late 2016; peaceful and credible elections will be key for policy continuity and for solidifying the country's democratic dividend, especially after the closely contested 2012 elections and the judicial adjudication of the presidential elections.

By 2010 over half of Ghana's population lived in urban areas (localities with a population of 5 000 or more), as compared to 30% at independence in 1957. The urbanisation rate is projected to increase to 72% by 2035. While rural-urban disparities are still significant, there are signs that Ghana's cities are facing considerable challenges with land use, infrastructure and services provision (particularly with regard to housing, sanitation and transportation), and the absence of gainful and productive employment opportunities, especially for the youth. The critical policy challenge has been to ensure orderly and sustainable spatial development, co-ordination and planning, and measures to enable metropolitan and municipal authorities to secure adequate financing for infrastructure and services.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.0	3.7	5.8	8.7
Real GDP per capita growth	1.6	1.4	3.5	6.4
CPI inflation	17.0	17.2	10.2	7.9
Budget balance % GDP	-6.4	-5.7	-5.0	-3.9
Current account % GDP	-9.5	-8.2	-7.7	-6.0

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

GUINEA

- **The Ebola epidemic ended in December 2015, but left the country in a state of devastation, with near-zero growth, a budget deficit of more than 7% of GDP and major constraints on its capacity to accelerate essential reforms to relaunch development and transform the economy structurally.**
- **Progress has been slow to materialise in the social sectors, with poverty on the increase, made worse by the negative impact of Ebola on income-generating activities and by spending on presidential elections.**
- **Rapid, poorly controlled urbanisation is adding to social pressures, and implementation of the national housing policy (Vision Habitat 2021) is a national priority that should place young people at the centre of challenges and issues that lie ahead.**

Guinea recorded a major economic slowdown for the third year running in 2015, with growth estimated at 0.1% of gross domestic product (GDP) in real terms (equal to a 2.7% decline in per capita GDP), compared with 1.1% growth in 2014 and 2.3% in 2013. The culprit was the Ebola epidemic that struck the sub-region, especially Guinea, Sierra Leone and Liberia, between December 2013 and December 2015. Other contributing factors included a wait-and-see approach to governance in the run-up to the 11 October 2015 presidential election, and the adverse international economic outlook, which hurt the prices of export goods.

In addition to this drastic fall in growth, the government relaxed its fiscal discipline, mainly through increased capital outlays on infrastructure (roads, energy, etc.). This downturn in growth, combined with low domestic and foreign revenue, increased the budget deficit from 4.1% of GDP in 2014 to 7.5% in 2015 and reduced external assets in foreign currency from four months' worth of imports in 2013 to two months in 2015. Despite good performances since 2011 in implementing the International Monetary Fund's (IMF) Extended Credit Facility (ECF), most performance criteria and indicative targets were not achieved.

Growth prospects are expected to improve in 2016 thanks to a more peaceful political climate and the end of the Ebola epidemic, with Guinea officially declared Ebola-free on 29 December 2015. Furthermore, the government's commitment to redress the macroeconomic situation and vast improvements to the electricity supply thanks to the new Kaleta hydroelectric dam will improve the business environment. Economic growth is therefore expected to accelerate again, reaching 4.0% in real terms in 2016 and 4.8% in 2017.

Like many other developing countries, Guinea is facing major challenges as a result of urbanisation. In 2014, urban areas were estimated to be home to 3.7 million people, or 34.7% of the population, up from 30.6% in 1996. Guinea's urban growth is the result of its natural population growth, the rural exodus and the transformation of the outskirts of the country's towns and cities. Imbalances in the urban structure of towns and cities have increased, confirming the predominant role of the capital, which had 1 667 864 residents in 2014 (15.7% of the national population). The main challenges for the country are youth unemployment, worsening urban poverty (incidence increased from 23.5% in 2002/03 to 30.5% in 2007 and 35.4% in 2012) and the shortage of basic public services, including education, health care, security and decent housing.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	1.1	0.1	4.0	4.8
Real GDP per capita growth	-1.6	-2.7	1.3	2.1
CPI inflation	9.7	8.0	8.5	8.8
Budget balance % GDP	-4.1	-7.5	-5.0	-4.6
Current account % GDP	-26.1	-23.6	-28.4	-25.6

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

GUINEA-BISSAU

- **Despite 4.8% growth estimated for 2015, and 5.7% projected for 2016 and 6.2% for 2017, the outlook remains fragile because the economy is highly dependent on the social and political climate, the performance of the cashew-nut subsector and on continuation of reforms.**
- **There has been significant progress in reforms thanks to better consideration of the country's development priorities, but the state's capacity to continue and reinforce its management of public finances will be critical for recovery in the medium term.**
- **The city of Bissau is the country's main economic magnet, but for inclusive growth, public policies must energise secondary towns as well as work for the economic and social development of rural areas.**

Guinea-Bissau's return to constitutional order in 2014 allowed the country to improve its socio-economic situation and return to growth. After three years of stagnation due to the 2012 coup, Guinea-Bissau's economy has returned to significant growth – estimated at 4.8% in 2015, up from only 0.8% in 2013 and 2.7% in 2014. The growth is because of a good year of cashew-nut sales and a sharp increase in subsistence food crops, as well as the private sector's increased confidence, public-sector reforms (budgetary consolidation in particular) having been resumed and the return of donors, as illustrated by the success of the partners' round table held in Brussels in March 2015. There was also some political mayhem in 2015, which could jeopardise the projected growth and the viability of reforms. The major challenges to growth in the short term are the political situation and climate hazards that could affect the primary sector. Assuming that political tensions are resolved, rainfall is similar to 2015 and reforms are continued, growth is projected at 5.7% in 2016 and 6.2% in 2017.

Compared to previous years, 2015 was marked by a considerable rise in revenues and expenditure. During the transition period, the country's management of public finances had taken a turn for the worse. During 2015, the authorities were able to improve tax management and administration by setting up treasury committees and bolstering customs-related posts and functions. Even though much remains to be done to secure and develop the progress made since the end of the transition period, these improvements have allowed the state to function better (wages paid on time, auditing of wage arrears, etc.). Thus, the tax burden rose from 8.7% in 2014 to 10.5% in 2015, while the overall balance stood at -2.2% of gross domestic product (GDP) and the primary balance at -1.6%. Measured by the Harmonised Index of Consumer Prices, inflation has been estimated at 1.5% in 2015 in a context of demand recovery.

Compared to 2014, there was very little improvement in the social situation and in human development. Although the consolidation of public finances and support from the country's technical and financial partners improved education and health coverage, the overall situation remains disturbing. The country holds one of the lowest ranks in the Human Development Index, and data from the latest multiple-indicator cluster survey (MICS IV) has highlighted major human-development deficiencies, particularly in relation to women and the rural populations.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	2.7	4.8	5.7	6.2
Real GDP per capita growth	0.2	2.4	3.4	3.8
CPI inflation	1.9	1.5	2.1	1.8
Budget balance % GDP	-2.1	-2.2	-2.7	-3.1
Current account % GDP	-1.3	1.5	-2.4	-2.6

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

KENYA

- **Real GDP growth was 5.3% in 2014, while the 2015 estimate and the 2016 and 2017 projections show economic expansion of 5.5%, 6.0%, and 6.4% respectively.**
- **In 2014 and 2015, the economy experienced a stable macroeconomic environment, with single-digit inflation despite a 10.0% currency depreciation in 2015. At the same time, calls to amend the constitution to increase finances to the 47 county governments dominated the political scene.**
- **Kenya is set to experience rapid urbanisation in the foreseeable future.**

GDP growth remained robust in 2014 at 5.3%. The expansion of construction, manufacturing, finance and insurance, information, communications and technology, and wholesale and retail trade buoyed GDP. The economy slowed in the first half of 2015, but growth is estimated to have reached 5.5% by year-end. As shown in the table below, overall GDP growth prospects are 6.0% and 6.4% for the years 2016 and 2017 respectively. Consumer Price Index (CPI) inflation projections remain at around 6.0% over the same period. The short- to medium-term positive growth projections are based on the assumptions of increased rainfall and enhanced agricultural production, a stable macroeconomic environment, continued low international oil prices, the stability of the Kenya shilling (KES), improved security boosting tourism and reforms in governance and justice.

Political activity in 2015 continued to centre on two areas: a call by the opposition party, Coalition for Reforms and Democracy (CORD), to amend the constitution and county governments seeking to raise national government financial transfers from 15% to 45%.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	5.3	5.5	6.0	6.4
Real GDP per capita growth	2.6	2.9	3.4	3.8
CPI inflation	6.9	6.0	6.0	5.2
Budget balance % GDP	-5.7	-8.8	-8.2	-6.3
Current account % GDP	-10.0	-7.9	-6.3	-6.9

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

LESOTHO

- **After four years of robust growth averaging 4.3% annually, growth dropped to an estimated 3.4% in 2015, largely due to weakness in the construction and manufacturing sectors and it is expected to remain subdued in 2016 and 2017.**
- **Unemployment, poverty and inequality have remained pervasive in the face of non-inclusive growth.**
- **The high rate of urbanisation has outpaced the ability of the authorities to provide necessary services, and the sustainability of living conditions for much of the urban population remains a critical challenge.**

Economic growth in Lesotho slowed to an estimated rate of 3.4% in 2015, down from 3.6% in 2014. Growth is projected to remain subdued at 2.6% in 2016 and 2.9% in 2017. Growth in 2015 was significantly affected by low implementation of the public investment budget, which weighed heavily on the construction sector and other inter-related sectors highly dependent on government spending. Slow growth in manufacturing and spillovers from slower growth in South African economy were a further brake on growth.

Despite the country's solid economic performance in recent years (2010-14), growth remained non-inclusive. Consequently, a large population is still languishing in extreme poverty. Unemployment remains high at 24%, and the country's Gini coefficient of 0.5 means that inequality is still a problem. Based on the poverty headcount ratio at USD 1.25 a day, 56.2% of the population is still trapped in extreme poverty. Efforts to promote inclusive growth are constrained by the pressure of high HIV prevalence (22.9% of the total population) and the volatility of receipts from the Southern African Customs Union (SACU), which finance 50% of the budget.

A massive influx of the population from rural to urban centres has led to rapid urbanisation. This has been triggered by a multitude of factors, the most important being climate change, which has led to low agricultural productivity, and spatial differences in the provision of services and the location of opportunities, often in favour of urban areas. With urban dwellers estimated at 22.8% of the overall population and the urban population growing at a rate of 37% every ten years, sustainability remains a critical challenge. The urban population has outpaced the ability of the authorities to provide commensurate social services. This in turn has often resulted in other challenges, such as poor waste disposal, pollution of water bodies, poor housing and inadequate social and economic infrastructure. For urbanisation to remain sustainable, innovative policies are required, along with commitment towards their effective implementation. The government plans to link urban growth poles to the rural economy, and its commitment to implement climate change adaptation initiatives are highly commendable.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	3.6	3.4	2.6	2.9
Real GDP per capita growth	2.4	2.2	1.4	1.7
CPI inflation	5.3	3.8	3.9	4.0
Budget balance % GDP	-2.5	0.6	-3.1	-5.5
Current account % GDP	-10.6	-8.4	-6.5	-15.7

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

LIBERIA

- **The drop in commodity prices and after effects of the Ebola outbreak cut Liberia's economic growth in 2015 to 0.4%. However, gold production and the resumption of public infrastructure projects will support a modest pickup in growth in 2016 to 2.8%.**
- **Lower revenue growth, tighter borrowing limits, and a large wage bill increase the need to align expenditure and borrowing with development priorities in the lead up to the 2017 presidential elections.**
- **The rapidly increasing population in Monrovia requires stronger urban policies to reduce congestion and improve the quality of life in informal settlements and continued effort to increase economic opportunities in rural areas.**

Liberia is facing headwinds to growth following two major shocks over the past year. The country is recovering from the effects of the Ebola Virus Disease (EVD) outbreak combined with the drop in international export prices for Liberia's traditional engines of growth – iron ore and rubber – to slow economic growth in 2015 to 0.4%. Public infrastructure projects and the commencement of gold production will support estimated GDP growth of 2.8% in 2016, but the drawdown of the United Nations peacekeeping force will reduce demand for services while requiring the government to assume full responsibility for the security sector and its costs.

Liberia is facing lower revenue growth and tighter borrowing limits, calling for increased efforts to contain the wage bill and align expenditure and borrowing with development priorities in the lead up to the 2017 presidential elections. Energy production will gradually increase through 2018, but improved management of the sector will be necessary to maximise considerable investments and sustain service delivery. While gradually improving infrastructure will be a crucial support for economic growth, increased focus on improving the business environment will be necessary to diversify the economy and enable inclusive growth. Task forces on agriculture and manufacturing are prioritising interventions to improve the environment for business growth, to increase value-added and to attract investment in non-extractive sectors.

With urbanisation increasing rapidly in Monrovia, increased efforts on urban governance issues will be needed to sustain growth and improve the quality of life. Inadequate infrastructure and weak planning have led to a build-up of informal settlements, a lack of access to basic services, and traffic congestion. The urban road network and the water supply is expanding, but from a very low base. Increasing economic opportunities outside of Monrovia will help reduce urban migration. There is growing momentum to de-concentrate services and expand infrastructure in rural areas, but the process will take several years.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	0.7	0.4	2.8	4.4
Real GDP per capita growth	-1.7	-2.0	0.3	1.9
CPI inflation	9.9	7.7	7.0	7.5
Budget balance % GDP	-2.9	-9.9	-5.6	-5.7
Current account % GDP	-24.1	-36.9	-32.0	-29.5

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

LIBYA

- **GDP contracted by 6.0% in 2015 but in the event of a resolution to conflict and a rapid resumption of oil production, economic growth could recover quickly.**
- **Prospects for a unity government have improved, although the coastal cities of Sirte and Derna remain controlled by the Islamic State.**
- **The urban policies adopted in the 1970s have had positive effects on structural transformation, in particular with the impulse of the industrial dynamism of cities like Tobruk, Misrata, Zawya, Al Bayda and Derna.**

Following months of delay, Libya's House of Representatives (HoR) was elected in June 2014, replacing the General National Congress (GNC), which had acted as Libya's legislative body since July 2012. The election of HoR was disputed by the Islamist factions who subsequently reconvened the GNC in Tripoli in August. Consequently, there are currently two rival governments in Libya: one linked to the HoR, the internationally recognised government, the other to the GNC, indicating the depth of administrative and bureaucratic chaos in the country.

The United Nations and humanitarian partners estimate that 4.35 million people, almost half the population, have been affected by the armed conflict. Political divisions and the intense fighting between rival militias since August 2014 have cost hundreds lives, and displaced over 435 000 people. Most of the displaced are living in urban centres within host communities, with just over 100 000 living in collective centres in the open or in makeshift buildings such as schools and empty warehouses. The largest number of displaced are located in Benghazi, Al Jabal Al GhaRbi, Al Zawiya, Tripoli and Misrata. The conflict has also caused serious damage in terms of provision of and access to basic goods and services, especially health care, food, shelter, clean water and sanitation and education in Tripoli and across the country.

The poor political and security situation has had serious consequences for the economy, public finance and official reserves in 2015. The continuing clashes between tribal and militia associated with different political factions around the oil sites have steadily reduced oil production and exports by almost two-thirds, compared to pre-crisis levels. An average of 400 000 barrels per day (bpd) were produced in 2015 and 1.8 million bpd in 2010. As a result, GDP contracted by an estimated 6.0% in 2015, against a contraction of 23.5% in 2014, and is projected to show a decline of 0.8% in 2016 if the security situation does not improve.

After several attempts, international efforts to forge a consensual roadmap succeeded in December 2015 when the factions agreed on a national unity government deal at an UN-facilitated meeting in Tunisia. A Government of National Accord (GNA) was announced on 19 January 2016, and 32 ministers were proposed. However, the HoR parliament rejected the UN-backed unity government because it included too many ministers and asked the Tunis-based Presidential Council to propose a new, shorter list of ministers within 10 days. A revised and shorter list was presented on 15 February but, by the end of the month, agreement had still not been reached.

The economic situation in 2016 will largely depend on the implementation of the Government of National Accord and the extent of security stabilisation. In this context, the economic recovery will proceed slowly, especially in the oil sector. In 2017, the implementation of an important reforms programme could release substantial growth potential and significant improvements in both the budget and current balances. This would stabilise Libya's official reserves and help create a climate of trust and confidence for potential investors.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	-23.5	-6.0	-0.8	3.9
Real GDP per capita growth	-23.4	-6.3	-1.6	3.1
CPI inflation	2.4	8.6	9.7	5.8
Budget balance % GDP	-43.5	-58.9	-60.7	-56.8
Current account % GDP	-30.1	-51.0	-44.5	-33.3

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

MADAGASCAR

- **Economic growth in Madagascar is estimated to have plateaued at 3.2% in 2015, but is projected to accelerate to 4.0% in 2016 and 4.5% in 2017.**
- **In 2015, the International Monetary Fund approved a second disbursement under the Rapid Credit Facility, while technical and financial partners provided support for the National Development Plan.**
- **Sustainable growth requires rational territorial management and controlled urbanisation.**

In 2015, Madagascar consolidated the institutions set up the previous year, adopted a decentralisation policy, held elections for local councils and for the senate, convened talks on national reconciliation attended by former presidents, launched a national consultation on public-security reform, and swore in the second government since the transition. Despite this progress, stability still seems to be fragile due to the rise in poverty and unemployment, and to ongoing tensions between the executive branch and parliament.

Economic growth is estimated to have stagnated in 2015 at 3.2%, falling short of the minimum 5% target set in the National Development Plan to reduce poverty. This poor performance was the result of political uncertainties, limited progress in terms of governance, low investment in the social sectors and in infrastructure, energy shortages, a 40-day summer strike at Air Madagascar and an overall deterioration of the business environment. These factors were compounded by exogenous shocks, including drought in the south, floods in the north, lower mineral prices and weak growth in the country's European partner.

Economic growth is still driven by the secondary sector (export processing zones, agro-industry, and the metal and wood industries) and the services sector (banking, tourism, insurance and construction). As a whole, the primary sector recorded poor growth in 2015 (0.7%, down from 3.3% in 2014) due to floods in the north and drought in the south. Inflation was kept below 10%. The budget deficit widened to an estimated 4.6% of GDP in 2015, from 2.3% in 2014, and the current-account deficit deteriorated from 0.2% to 2.3% of GDP, so macroeconomic stability remains fragile and food insecurity is still a concern. Consequently, Madagascar still has a poor Human Development Index of 0.510, ranking the economy as 154th in the United Nations Development Programme's 2015 *Human Development Report*. The country has become less resilient to external shocks.

In terms of the outlook for the future, a calmer political environment with better governance and the recovery of public and private investment should allow economic growth to reach 4.0% in 2016 and 4.5% in 2017, driven by agriculture, production in export processing zones, new information and communications technology, transport, tourism and construction. This economic growth should alleviate poverty and unemployment.

Sustainable development will require a structural transformation of the economy, with resources reallocated to the more productive sectors, rural and urban areas that are better integrated into the economy, and public policies to support efficient land management and better control of the rapid urbanisation taking place.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	3.3	3.2	4.0	4.5
Real GDP per capita growth	0.5	0.4	1.2	1.7
CPI inflation	6.0	7.9	7.4	7.8
Budget balance % GDP	-2.3	-4.6	-3.1	-3.6
Current account % GDP	-0.2	-2.3	-1.7	-2.0

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

MALAWI

- **Malawi's economic growth decelerated to 2.9% in 2015 (down from 5.7% in 2014), due largely to external and internal shocks to the economy, but it may pick up to 4% in 2016.**
- **High inflation in 2015 continued to undermine Malawi's prospects for economic growth and poverty reduction, necessitating a further tightening of monetary and fiscal policy.**
- **Key challenges to Malawi's urbanisation process stem from the lack of capacity to meet the basic social and economic needs of a growing urban population.**

In 2015, buffeted by weather and policy shocks, Malawi's real GDP growth was estimated at 2.9%, down from 5.7% in 2014. Floods and dry spells reduced maize production by 30%, resulting in a 2.3% slowdown in agriculture sector growth. This caused food insecurity for an estimated 2.8 million people (16% of the population). The contraction in agricultural production and reduced demand affected the wholesale, retail and manufacturing sectors. The services sector, particularly information and communication, proved more resilient, registering 9% growth. This was partly driven by rapid expansion in mobile phone services. In 2016, economic growth is projected to rebound to 4%, possibly reaching 4.9% in 2017, with agriculture as the main driver. The growth outlook is premised on favourable weather conditions, macroeconomic stability, consistency in policy implementation and renewed private-sector confidence. Population growth of 2.8% a year will require consistent economic growth to reduce poverty and improve progress towards the Sustainable Development Goals.

Fiscal pressures intensified in the 2014/15 fiscal year because of shortfalls in external financing due to the continued suspension of budgetary support, lower domestic revenue, and expenditure overruns, particularly on wages and salaries and on interest payments. Restoring confidence will require deeper public financial management reforms to improve accountability and transparency in the management of public funds. Inadequate fiscal adjustments widened the fiscal deficit beyond forecasts, driving up net domestic borrowing, inflation and interest rates. Inflation surged to 24.9 % in December 2015 as food supplies ran low and the Malawi kwacha (MWK) depreciated more than expected. Monetary policy was further tightened to contain inflation and achieve exchange rate stability. Inflation is projected to decline to 18.1% in 2016, remaining above the government's initial 12% target. The sharp decline in the local currency has been driven by foreign-exchange demand pressures and persistent current account deficits, estimated at 6.0% of GDP in 2015 and expected to remain within the 6-7% range in 2016 and 2017, reflecting the narrow export base and strong dependence on imports and external aid.

Urbanisation in Malawi poses both challenges and opportunities for transformation. The country is one of the least urbanised in the region, but the 3.8% urban growth rate is higher than the overall population growth rate of 2.8%. The major challenge is to meet demand for housing and other basic services, despite limited resources. However, urbanisation presents an opportunity if its potential to transform the economy can be harnessed.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	5.7	2.9	4.0	4.9
Real GDP per capita growth	2.6	-0.2	0.9	1.8
CPI inflation	23.8	21.2	18.1	16.0
Budget balance % GDP	-5.9	-5.7	-3.3	-3.1
Current account % GDP	-8.2	-6.0	-6.1	-6.7

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

MALI

- **The country's peace and reconciliation agreement, signed on 15 May and 20 June 2015, has stabilised political life, but the security situation is still fragile.**
- **Growth slowed in 2015 to an estimated 5.2%, down from 5.8% in 2014, but the economic recovery since the 2012 crisis has reduced poverty slightly, to 46.9% in 2014 (from 47.1% in 2013).**
- **Population growth (3.6%) remains high but the government has pledged, through its national urban policy, to improve the life of urban dwellers, boost local economies, tackle under-unemployment and poverty, support socio-cultural diversity and strengthen local civic rights.**

Economic activity slowed in 2015, with real gross domestic product (GDP) increasing an estimated 5.2% (5.8% in 2014), due to poor agricultural sector performance (growth of only 3.9%, down from 14.8% in 2014). The secondary sector fared badly too, with growth of 2.6% (9.2% in 2014). In agro-industry, overwhelmingly plant-oil mills, growth fell to 18% (down from 35% in 2014) because of poor agricultural output, especially cotton. However, growth strengthened in the tertiary (services) sector, at 6.9% (up from 3.6% in 2014). The current account deficit (including grants) improved to 3.6% of GDP (from 5.7% in 2014) due to lower oil prices and more volume exports of gold, improving the terms of trade to 15.2% (from 5.3% in 2014). The current account deficit is expected to be entirely funded by foreign direct investment (FDI) in gold and telecommunications and by foreign loans.

Medium-term macroeconomic prospects are good, with overall growth forecast as 5.2% in 2016 and 5.0% in 2017, driven partly by more public investment and foreign aid and by the agricultural and service sectors. But the current account (including grants) deficit is expected to widen to 4.1% of GDP in 2016 and 5.2% in 2017 due to lower gold production and poorer terms of trade. The deficit should again be funded by FDI in gold and telecommunications and by foreign loans. The good prospects could be undermined by continuing risks such as the security situation, unpredictable gold and cotton prices and bad rainfall.

Mali has made progress in recent years towards the Millennium Development Goals (MDG) of universal primary education (Goal 2), combating HIV/AIDS (Goal 6) and access to safe drinking water (Goal 7, target 10). The security crisis has set back this progress but it should be strengthened with implementation of the 2015-30 UN Sustainable Development Goals that the country has also signed up to.

The humanitarian situation remains a worry in the north, especially for 2.5 million people dependent on humanitarian aid, internally displaced people (62 000) and refugees (140 000). These difficult conditions did not stop 423 427 refugees and displaced people returning to the region. Humanitarian groups have drafted a USD 354 million (US dollars) plan for 2016 to help the most vulnerable.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	5.8	5.2	5.2	5.0
Real GDP per capita growth	2.9	2.2	2.1	2.0
CPI inflation	0.9	2.0	2.7	1.8
Budget balance % GDP	-3.5	-3.7	-3.5	-3.6
Current account % GDP	-5.7	-3.6	-4.1	-5.2

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

MAURITANIA

- **Mauritania's economy grew an estimated 3.1% in 2015, down from 6.6% in 2014, primarily because of the drop in the price of iron ore, the country's main export.**
- **The economic outlook remains promising in the short term, due particularly to new mining development at the Guelb II deposit, the recovery of manufacturing activity and the intensification of structural reforms.**
- **Transformation of Mauritanian cities into engines of growth is slow because of unplanned and unmanaged urbanisation, which has had a negative impact on local development.**

The ongoing drop in world iron prices has derailed the Mauritanian economy from its high-growth track. Its gross domestic product (GDP) grew at an estimated 3.1% in 2015, down from 6.6% in 2014. In 2015, there was a significant drop in the mining industry's share of GDP to 7.4%, from 12.8% in 2014. The slowdown in growth is also due to a decline in gross investment. The economic outlook remains promising in the short term, however, due particularly to the new mining development of the Guelb II deposit, the recovery of manufacturing activity and the intensification of structural reforms.

The country's macroeconomic achievements were sustained in 2015. Inflation (3.5% in 2014) was contained at 1.5%, thanks in particular to a fall in international food prices. The fiscal stance remains viable, with a manageable overall balance deficit equal to 2.9% of GDP (3.7% in 2014). By the end of 2015, official foreign-exchange reserves had remained comfortable at an estimated US dollar (USD) 809 million, or 6.8% of non-extractive imports (5.5 months of imports), against USD 639.1 million in 2014, or 4.7 months of imports. The tertiary sector's share of GDP continued growing to reach 44.8%, its highest ever. The current account deficit maintained its gradual recovery, expected to continue until 2017, falling to 22.2% of GDP in 2015 from 30% in 2014.

The encouraging results of the 2014 survey on household living conditions (EPCVM) published in 2015 show significant progress in poverty reduction, falling to 31% from 42% in 2008. In the 2015 United Nations Development Programme (UNDP) Human Development Index (HDI) rankings Mauritania was placed 156th with a score of 0.506, 5 places higher than in 2014. While other social indicators have improved, the country's social performance remains mixed, and Mauritania is still categorised as a low HDI country. The first Millennium Development Goal (MDG), which was to reduce the poverty rate to 28% by the end of 2015, was not reached. Despite the relatively low unemployment rate (12.8% in 2014), the labour market remains highly precarious and informal, with a vulnerable-employment rate of 54.62%.

Significant among the country's major development challenges are: managing urbanisation, as strong urban-population growth has brought the urban share of the total population to 48.3%; the persistence of districts with precarious housing; improving land management; better application of taxation; and reducing vulnerability to climate change. In this context, a well-structured and clearly-focused urbanisation process is essential to local development.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	6.6	3.1	3.5	4.5
Real GDP per capita growth	4.1	0.7	1.0	2.2
CPI inflation	3.5	1.5	6.7	6.1
Budget balance % GDP	-3.7	-2.9	-2.4	-2.2
Current account % GDP	-30.0	-22.2	-20.3	-19.3

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

MAURITIUS

- **The Mauritian economy grew by 3.7% in 2015 – slightly more than the 3.6% recorded in 2014 – and is projected to grow by 3.8% in 2016 and 4.0% in 2017 on the back of stronger domestic and external demand.**
- **Mauritius was rated as the best performing economy in Africa and was ranked 46th out of 140 economies in the latest edition of the World Economic Forum *Global Competitiveness Report*.**
- **The government introduced an innovative urban development approach, consisting of 8 "Smart Cities" and 5 techno-parks, in an effort to boost sustainable economic growth and enhance the competitiveness of Mauritius.**

The Mauritian economy recorded real growth of 3.7% in 2015, up from the 3.6% recorded in 2014. Economic growth in 2015 was driven by the information and communications technology and by the financial and insurance sectors, which grew by 6.3% and 5.6%, respectively. These gains were partially offset by the poor performance of the construction sector, which contracted by 5.4% over the same period. The government's fiscal stance in 2015 remained expansionary, with the budget deficit increasing to 4.4% of GDP, compared with 3.2% at the end of 2014. The Bank of Mauritius (BoM) lowered the key repo rate to 4.4%, from 4.65%, taking into account the slow pace of growth and subdued inflation levels. Inflationary pressures in the domestic economy were generally low on account of subdued food prices and declining international commodity prices. Inflation stood at 1.3% in December 2015, and is expected to remain within the 2.5-3.0% range in the short term. Mauritius' current account deficit fell to 4.9% in 2015, compared with 5.9% in 2014, largely due to the impact of weak oil prices on merchandise imports and a booming tourist sector on service exports.

Evidence from the first year in office for the Alliance Lepep (AL), led by Sir Anerood Jugnauth, supports the view that the policy proposals of the new government will focus on promoting inclusive growth and investment in the economy, with fiscal consolidation a secondary concern in the short term. The government's main announcements to date have been its Economic Mission Statement (*Achieving the Second Economic Miracle and Vision 2030* – delivered in August 2015) and its first budget (*Mauritius at the Crossroad* – delivered in March 2015), which had a distinctly expansionary flavour (e.g. higher social spending), but was also largely aimed at drawing in private investment through tax incentives and major infrastructure projects. The budget also included a proposal to improve fiscal transparency by abolishing special funds and boosting sustainability with the creation of a "Legacy Sovereign Fund". The 2015-19 government programme also places special emphasis on infrastructure development and promoting the "Blue Economy" while at the same time enhancing human capital development as the country looks to reduce the stubbornly high levels of unemployment which remain in the 8.5-9% range.

During the delivery of its 2015/16 national budget, the Government of Mauritius announced the set-up of the "Smart City Scheme" to provide an enabling framework and a package of attractive fiscal and non-fiscal incentives to investors for the development of smart cities across the island. The smart-city concept is about providing investors, nationals and foreigners, with options for living in sustainable, convenient and enjoyable urban surroundings. These new cities will be built around the "work-live-play" lifestyle in a vibrant environment with technology and innovation at their core.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	3.6	3.7	3.8	3.7
Real GDP per capita growth	3.2	3.3	3.4	3.3
CPI inflation	3.2	1.3	2.8	2.5
Budget balance % GDP	-3.2	-4.4	-3.9	-3.8
Current account % GDP	-5.9	-4.9	-4.7	-4.0

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

MOROCCO

- **Morocco is posting more balanced macroeconomic results with a budget deficit of 4.3% of GDP in 2015 and a clear improvement in foreign exchange reserves to about seven months of imports at the end of the year.**
- **The government is continuing its reforms and major investments (Nador West Med port, TGV high-speed train, Noor solar complex, Kenitra Atlantique port) to improve the business climate and attract foreign investors as drivers of innovation and value-added.**
- **Territorial reform and successful regional and local elections held in 2015 bode well for the introduction of a new dynamic in governance and local development, allowing towns and cities to be developed in a more sustainable way.**

Morocco continued making significant efforts to balance its macroeconomic results in 2015. The budget deficit stood at 4.3% of gross domestic product (GDP), thanks in particular to the economy's strong performance (growth of 4.5%) and a reduction in government subsidies. Foreign exchange reserves increased to about seven months of imports at the end of 2015 due to a strong export sector and a reduction in imports following the drop in oil prices. These results also reflect the country's proactive policy of improving the business climate to help to transform its economic model. On the one hand, major steps were taken in the legal and fiscal domains and in exchange regulations. On the other, major public investments are moving forward: the financing of the Nador West Med port has been completed, a call for tenders for the Kenitra Atlantique port was issued in January 2016, and work on the TGV high-speed rail line has continued. These initiatives are bearing fruit, with the automobile sector becoming the country's chief exporter in 2015. The developments are occurring in parallel with a search for new partners, with Morocco continuing to position itself as a platform for access to African markets. Nonetheless, efforts must be pursued to make growth less volatile through lower dependency on the low-intensity agricultural sector. In 2016, low rainfall is expected to have a strong effect on this sector, with knock-on effects for GDP growth, projected at 1.8%.

Other challenges endure. Morocco must tackle deep inequalities (in terms of gender, geography, education and access to basic services) that can undermine the inclusive nature of its growth. With this in mind, Morocco kept up its strong reform momentum in 2015 to put its regulatory and institutional framework in line with the requirements of its 2011 constitution. First, the decentralisation process took a major step forward with territorial reform and regional and local elections, which are leading to the progressive transfer of power from the central government to local authorities. Second, the government is seeking to improve access to basic social benefits (medical coverage has been extended to the 260 000 students in public higher education and access to Tayssir cash subsidies for keeping primary pupils in school has become widespread). Third, the government remained committed to improving public services and making them more accessible (public services charter, e-government, anti-corruption measures). Finally, the government continued to promote gender equality by implementing quotas for female politicians in the 2015 elections.

Morocco is seeking to develop its economic model in a sustainable way. This approach is being promoted as part of the national sustainable development strategy, but also through the adoption of new legislation like the water law. Morocco, which will host COP22 in 2016, was the second African country to commit to reducing greenhouse gas emissions. However, these initiatives need to be better decentralised, notably to the municipal level. Numerous challenges remain concerning the sustainable development of urban zones, in particular due to the rapid expansion of suburbs.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	2.4	4.5	1.8	3.5
Real GDP per capita growth	1.0	3.2	0.5	2.3
CPI inflation	0.4	1.8	1.4	1.6
Budget balance % GDP	-4.9	-4.3	-3.5	-3.0
Current account % GDP	-5.7	-2.7	-0.7	-0.9

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

MOZAMBIQUE

- **Mozambique's GDP growth declined in 2015 to 6.3% because of lower export earnings and public expenditure but is expected to expand to 6.5% in 2016.**
- **Amid government-opposition political tensions, improved financial management and public expenditure are needed to counter growing inequalities.**
- **The number of Mozambicans in cities will rise from 31% now to 40% by 2040 and they will need better transport and facilities.**

After a decade of average annual economic growth above 7%, Mozambique saw a slowdown to 6.3% in 2015 as the country faces defining economic and political challenges. The slower gross domestic product (GDP) growth was due to lower than expected exports and a decrease in public expenditure and foreign direct investment. A reduced influx of hard currency assisted the devaluation of the metical (MZN) against the US dollar and pressured the balance of payments. This was halted only by a USD 282.9 million standby credit facility agreement with the International Monetary Fund in December 2015. The budget deficit was reduced from 6.6% in 2014 to 5.4% in 2015. The main short-term challenge is to regain growth momentum while ensuring fiscal and debt sustainability. Predicted GDP growth of 6.5% in 2016 and 7.5% in 2017 hinges on the advancement of gas and coal production projects and attracting foreign investment.

President Filipe Nyusi's government faces many challenges. Negotiations between the authorities and liquefied natural gas (LNG) operators on new projects have taken longer than expected. This has held up final investment decisions now expected in late 2016. Lower oil and gas prices are a further concern for the development of the projects. The political situation remains uncertain with renewed low intensity conflict between the government and RENAMO opposition party, which refuses to recognise the result of the 2014 presidential election. The government is struggling to repay a bond issued for the Empresa Mocambicana de Atum (EMATUM) state tuna company. This will require some kind of restructuring. Finally, the currency's devaluation is expected to spike up inflation, affecting living conditions for the wider population.

Data has revealed rising household expenditure since 2009, but Mozambique's ranking dropped in the United Nations Development Programme's 2015 Human Development Index. It showed rising disparities between regions and stressed the underdevelopment of rural areas.

The urban population is growing strongly but still represents less than a third of the total population. Rural population growth is bigger in absolute terms. Urban unemployment is higher than in rural areas and a large part of the city population is not reaching its full economic potential. Public policy in general considers urbanisation as a challenge, rather than an opportunity, focusing on rural development. Nonetheless, progressively more recognition is being given to structured urbanisation. The first post-independence new city developments are being designed and implemented.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	7.2	6.3	6.5	7.5
Real GDP per capita growth	4.4	3.5	3.7	4.7
CPI inflation	2.3	2.0	5.7	5.2
Budget balance % GDP	-6.6	-5.4	-3.7	-2.4
Current account % GDP	-41.6	-44.0	-46.1	-47.9

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

NAMIBIA

- **Growth moderated to 4.4% in 2015 on the back of low global commodity prices and should remain subdued in 2016 as fragile external demand dims the outlook.**
- **Political stability and sound macroeconomic management are promoting investor confidence but education and skills must improve to achieve a more competitive and inclusive economy.**
- **The public housing programme will need to be complemented with accelerated urban infrastructure development and further strengthening of rural growth centres to create more rural jobs and contain rapid rural to urban migration.**

Gross domestic product (GDP) growth moderated to 4.4% in 2015 from 6.4% in 2014 on the back of weak commodity prices and prevailing drought conditions. Growth at 4.2% in 2016 is expected to remain subdued due to weak external demand but should rebound in 2017 as new mines start producing and exporting. Falling Southern Africa Customs Union (SACU) revenues due to a fragile South African economy, inadequate international reserves and a rapid rise in house prices are key risk factors going forward. Tight monetary policy to contain rising credit linked to luxury imports and low global oil prices has reduced inflation, year-on-year, from 5.3% in 2014 to 3.5% in 2015. The repo rate was increased twice in 2015 to reach the current 6.5%. However, further depreciation of the local currency and higher anticipated food prices due to drought are expected to counter the benefits from lower international oil prices and should push inflation to breach the upper end of the South African Reserve Bank (SARB) target range of 3-6%.

Political stability and sound macroeconomic management are promoting investments and sustaining Namibia's high growth rates. Benefiting from its strong links to South Africa, Namibia attracts more investment than average sub-Saharan countries. However, to accelerate convergence with high-income countries in line with its current National Development Plan, the authorities need to address remaining structural bottlenecks. Having passed a new Public Procurement Law in 2015, work on Public Finance Management law must be speeded up to reinforce economic governance. Fiscal consolidation, including current expenditure prioritisation and public sector wage bill containment, should complement revenue mobilisation measures to improve fiscal and current account balances. Efforts to improve the quality and relevance of education must be stepped up and anti-corruption efforts redoubled to recapture public confidence and strengthen the country's strong governance record.

Namibia's rate of urbanisation has accelerated. Growing at 4.5% per year, the urban population as a share of total population increased from 28% in 1991 to 43% in 2011. The rate of urbanisation has been higher than the population growth rate of 3.5%. This has led to mushrooming of informal settlements in the major towns and urban centres. This has largely resulted from low access to serviced land and low incomes among unskilled and semi-skilled immigrants. About 74% of the Namibian households cannot afford conventional housing and only 57% of urban households have access to sanitation facilities, which has serious environmental and health implications. The government's ongoing public housing programme will need to be completed with better urban infrastructure development programmes and further strengthening of rural growth points to create more rural jobs.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	6.4	4.4	4.2	6.0
Real GDP per capita growth	4.0	2.1	1.9	3.8
CPI inflation	5.3	3.5	3.9	5.5
Budget balance % GDP	-4.3	-3.8	-3.1	-3.7
Current account % GDP	-10.4	-8.1	-11.3	-11.1

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

NIGER

- **Economic growth slowed to 3.6% in 2015 (down from 7.0% in 2014) because of weather problems and the steady fall in world prices of uranium and oil, but is forecast to pick up again in 2016 (projected at 5.0%) and 2017 (at 5.5%).**
- **The Boko Haram rebels, their effect on trade and managing the flow of refugees continue to be a major economic, security, social and budgetary challenge.**
- **Only 16.2% of the population is urban, but this group is growing fast (at an average 4% a year) and faces poor housing, water and electricity supplies and other services for businesses and households.**

Niger's economic growth eased to 3.6% in 2015 from 7.0% in 2014 due to weather problems, less activity in the Diffa area (affected by the fight against the Boko Haram rebels) and the drop in uranium prices. Agriculture continues to drive the economy, and as it is mostly rain-fed, it is very much at the mercy of climate-related shocks. Economic prospects are quite good, mainly because of the expected expansion of extractive industries and more investment in agriculture and transport. Growth is projected to improve to 5.0% in 2016 and 5.5% in 2017.

Security and humanitarian problems due to increased attacks by Boko Haram rebels undermined budget execution and could slow planned reforms and major development under the 2012-15 economic and social development programme (PDES) and its successor. The sharp rise in spending on national security increased current expenditure in the budget. Continued spending on infrastructure for development in remote areas is important to reduce the vulnerability that feeds extremism there.

Niger is a vast landlocked country of 1 267 000 km² with only 16.2% of the population living in towns and cities in 2012, slightly up from 15.2% in 1988. The urban population's average annual growth rate of 4% means the number of urban dwellers will double over the next 15 years, but this growth has not been matched by expansion of infrastructure (housing, water, electricity and other services to business and households) and has led to great inequality in towns and cities. The main risk of current urban growth is the rise of unplanned neighbourhoods in urban and peri-urban areas. The government set up an institutional and legal framework for urban development (SNDU) in 2004 and gave it various means to operate, but these have been little used.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	7.0	3.6	5.0	5.5
Real GDP per capita growth	2.9	-0.5	0.9	1.4
CPI inflation	-0.9	1.0	1.3	0.9
Budget balance % GDP	-5.5	-7.1	-6.7	-4.4
Current account % GDP	-20.9	-21.2	-21.9	-17.5

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

NIGERIA

- **Nigeria has had sluggish economic growth since the end of 2015 with the rate dropping to an estimated 3.0% in December 2015, leading the authorities to adopt an expansionary 2016 budget that aims to stimulate the economy.**
- **Security, fighting corruption, and improving the social welfare of Nigerians are at the heart of the development policy of the new administration that was inaugurated on 29 May 2015.**
- **Nigeria has been rapidly urbanising and fast-growing cities such as Lagos and Kano face increasing unemployment and income inequality because of poor urban planning and weak links between structural transformation and urbanisation.**

The Nigerian economy has been adversely affected by external shocks, in particular a fall in the global price of crude oil. Growth slowed sharply from 6.2% in 2014 to an estimated 3.0% in 2015. Inflation increased from 7.8% to an estimated 9.0%. The sluggish growth is mainly attributed to a slowdown in economic activity which has been adversely impacted by the inadequate supply of foreign exchange and aggravated by the foreign exchange restrictions targeted at a list of 41 imports, some of which are inputs for manufacturing and agro-industry. This has resulted in cuts in production and shedding of labour in some sectors. However, with the increasing policy concern over the decline in growth, the central bank has moved to reduce the cost of borrowing for government and the private sector to stimulate the economy.

The 2016 outlook is for slow economic recovery as some of the reforms begin to take effect and measures to boost the economy, such as increased spending on infrastructure, are implemented. Some specific reforms pursued by the new administration to lay a foundation for renewed growth are commendable. The key reforms include the rationalisation of the public sector in order to cut the cost of governance; enforcement of the single treasury account to block financial leakages; renewed efforts at enforcement of tax compliance; preparation for zero-budgeting starting in 2016; and increasing the ratio of capital to recurrent expenditure to 30:70.

Security remains a major challenge, in the northeast in particular. While the military has stepped up the fight against the Boko Haram insurgency the humanitarian situation has continued to deteriorate. The number of internally displaced persons is estimated at over 2 million, located mainly in the cities where conditions are safer. Both the government and development partners continue to explore additional ways of improving the situation.

Sustainable cities can only be driven by structural transformation if there is an integrated approach to urban planning. It is expected that the Federal Ministry of Power, Works and Housing will review the urban development policy and work with other line ministries to improve service delivery and chart a way forward for tapping into the opportunities provided by the growth of cities in Nigeria. Lagos is one of the seven mega-cities in Africa and has a high potential for innovation and job creation opportunities in sectors such as construction, information communications and technology (ICT) and retail trade.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	6.2	3.0	3.8	5.0
Real GDP per capita growth	3.5	0.3	1.1	2.3
CPI inflation	7.8	9.0	10.1	9.4
Budget balance % GDP	1.0	-2.3	-3.4	-3.1
Current account % GDP	0.2	-3.5	-3.2	-2.0

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

RWANDA

- **Real GDP grew by an average of 6.9% during the first three quarters of 2015, in line with the 7.0% target for 2015. It is projected to decrease to 6.8% this year before going back up to 7.2% in 2017.**
- **The indicators for rule of law, political rights and civil liberties, participation and inclusiveness, and safety and security have all improved.**
- **With urbanisation an emerging priority, measures are being implemented to position Kigali as a centre for investment and business growth. There is also a focus on promoting balanced and transformative urbanisation through the development of secondary cities.**

Real GDP grew by an average of 6.9% in the first three quarters of 2015, lower than the 7.2% average recorded during the same period in 2014. However, the 6.9% rate is in line with the 7.0% target for 2015. The services and industry sectors led the expansion during this period. Growth in the agriculture sector, however, was moderate in part due to fluctuations in weather conditions. For 2016 and 2017, sustained investments to address energy and transport infrastructure constraints, continued progression in industry and a recovery in services are expected to lead growth. Agriculture is projected to grow at a moderate rate.

Headline inflation is projected to remain below the central bank's medium-term target in 2016 and 2017. Inflationary pressures are expected to remain subdued due to low fuel and food prices. Strong demand for capital, intermediate goods and fuel products is projected to persist in the short to medium term in line with the public investment programme. Current account deficits are expected to remain high in the near term as export receipts continue to account for only 25% of imports.

Rwanda's urban population accounted for 28.0% of its total population in 2014, which is lower than the sub-Saharan Africa (SSA) and global averages of 37.0% and 53.0% respectively. However, the 5.9% annual urbanisation rate exceeds the averages of 4.2% and 2.1% for SSA and the world respectively. This calls for an integrated urban/rural development approach to ensure sustainability and to link urban development objectives with other goals, notably socio-economic transformation. Implementation of the Urbanization and Rural Settlement Strategy (2013-18) is underway. This strategy focuses on two objectives. The first objective is to enhance Kigali's development and provide urban planning and management support to the districts. The second objective relates to the creation of balanced urbanisation for economic inclusion and transformation. In this regard, six secondary cities are at various levels of development, the goal being to transform budding trade and transport centres into regional growth poles. Achieving these objectives is expected to increase the urbanisation rate to 35.0% by 2020.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	7.0	7.1	6.8	7.2
Real GDP per capita growth	4.6	4.7	4.5	4.9
CPI inflation	2.4	2.5	3.0	3.0
Budget balance % GDP	-4.0	-5.0	-4.9	-5.6
Current account % GDP	-11.8	-12.3	-11.9	-11.4

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SAO TOME AND PRINCIPE

- **The Sao Tome and Principe economy grew by 5.3% in 2015, up from 4.5% in 2014, but should drop back to 5% in the next two years**
- **Sao Tome and Principe was the top Central African performer for overall governance in the 2015 Ibrahim index with key improvements in economic opportunity, human rights and rule of law.**
- **The rural move into the city has made a national urbanisation strategy imperative in the absence of any national planning.**

The Sao Tome and Principe economy grew by 5.3% in 2015, up from 4.5% in 2014. Economic growth is expected to remain above 5% in 2016 and 5.4% in 2017. Increased foreign direct investment in construction, agriculture, tourism and new projects funded by donors should lead and boost future growth. Inflation will decline to about 4.6% in 2016 and 4.7% in 2017, from 5.3% in 2015, backed by the fixed exchange rate regime. Structural reforms for sustainable economic growth and job creation are central to the government's economic reform agenda. The reforms include improving the taxpayer registry and expanding the tax base by registering new taxpayers. The government has also revised its investment code, prepared financial sector and private sector development strategies and is implementing an automatic price adjustment mechanism for petroleum products. Effective implementation of the reforms and strategies will improve public administration efficiency and social services for the population.

The credibility, accountability and transparency of the SAFE financial administration system remain critical for the government. The system was started as a pilot project in four ministries dealing with decentralisation and was used to prepare the 2010, 2011, and 2012 financial accounts. The government is also finalising the establishment of an electronic financial control department to assist with financial accounts reporting.

The capital, Sao Tome, is the only urban agglomeration. Its 131 000 people in 2015 represented 68% of the total population. The city and its surrounding area is subject to increased urbanisation. The island of Principe (7 450 inhabitants in 2015) has no urban agglomeration. Although migration to the city seems to be slowing, the average annual urbanisation growth rate is estimated at 1.87% for 2013 to 2018.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.5	5.3	5.0	5.4
Real GDP per capita growth	2.3	3.1	2.9	3.3
CPI inflation	6.7	5.3	4.6	4.7
Budget balance % GDP	-5.5	-6.1	-3.9	-4.0
Current account % GDP	-24.2	-14.0	-13.8	-13.5

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SENEGAL

- **Growth of gross domestic product (GDP) in Senegal in 2015 is estimated to have been 5.1% in 2015 and is predicted to reach 6.0% in 2016 and 6.5% in 2017.**
- **The establishment of a precautionary reserve in 2015 and its continuation in the 2016 budget are examples of results-based management in line with the directives of the West African Economic and Monetary Union (WAEMU) relating to public finances.**
- **Urban development provides opportunities linked to economic sector diversification, but the inflow of people from the countryside raises the issue of sustainable urban management.**

The growth rate is on the rise and should have reached 5.1% in 2015, as against 4.3% in 2014, driven by the vigour of the agricultural sector, the continuing recovery of the vegetable oil and sugar industries, the dynamic cement industry, building and public works, energy, telecommunications and financial services. Nevertheless growth was slightly lower than the authorities' predictions of 5.4% and is forecast to be 6% and 6.5% in 2016 and 2017 respectively.

The implementation of the flagship projects in the Emerging Senegal Plan (*Plan Sénégal émergent* [PSE]) entered its second year in 2015, along with the major reforms which should speed up their completion. Of the 17 flagship projects launched so far (out of a total of 27) 10 are being implemented, one is operational and six are in the study phase. One of the PSE flagship projects is the development of integrated industrial platforms, and work began in 2015 on the special economic zone of Diamniadio, which will be a multifunctional urban platform. The authorities must ensure the sustained implementation of the major reforms, in particular in the fields of energy, property rights, logistics and infrastructure, as well as information and communication technologies and the business environment.

Urbanisation is constantly increasing in Senegal, where the urban population rose from 38% in 1988 to 45.2% in 2013 due mainly to the exodus from the countryside. Urban development provides opportunities linked to economic sector diversification and to transport infrastructure development between the country's different regions. The promotion of urban hubs in regions with strong economic potential is achieved through a policy of major equipment and infrastructure projects with significant economic and social impacts. However the inflow of people from rural areas brings with it a substantial demand for socio-economic infrastructure and leads to environmental damage, thereby raising the issue of sustainable urban management.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.3	5.1	6.0	6.5
Real GDP per capita growth	1.1	2.0	3.0	3.4
CPI inflation	-0.5	0.0	-0.4	1.2
Budget balance % GDP	-5.2	-4.6	-4.1	-3.2
Current account % GDP	-9.0	-8.1	-6.0	-4.2

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SEYCHELLES

- **In July 2015 Seychelles reached high-income status, reflecting the government's sound macroeconomic policies and comprehensive structural reforms in recent years that have supported robust economic growth, averaging 5.3% during 2011-15.**
- **Seychelles' medium-term growth outlook is moderate, with GDP projected to grow at 3.1% in 2016 and 3.7% in 2017 while the traditional tourism and fisheries sectors are expected to remain the main drivers.**
- **With potential increases in economic activities in non-traditional sectors, such as high-value added manufacturing and growth of population, changing consumption patterns and the limited land available, rapid urbanisation represents a major challenge for the towns of Seychelles and, indeed, all small island developing states.**

In July 2015 Seychelles reached high-income status, after average gross national income (GNI) per capita reached USD 13 710 in 2013-14. The government has implemented sound macroeconomic policies and comprehensive structural reforms in recent years, which have supported robust economic growth, averaging 5.3% during 2011-15, driven primarily by tourism and information and communication technology (ICT). Growth rates nonetheless registered an overall downward trend from about 7.9% in 2011 to an estimated 4.6% in 2015, mainly because of decelerating growth in construction, as several large projects ended in those years. Seychelles' medium-term growth outlook is moderate, with gross domestic product (GDP) projected to grow at 3.1% in 2016 and 3.7% in 2017. The traditional tourism and fisheries sectors are expected to remain the main drivers of growth. Prudent fiscal and monetary policies have helped consolidate macroeconomic stability, and inflation is expected to remain below 3% in 2016 and 2017.

Seychelles continues to face a number of challenges. The country suffers from insufficient economic diversification and vulnerability to external shocks, given the dependence of its economy on tourism and fisheries. The development of the private sector is therefore paramount in achieving a more diversified economy, reducing vulnerability and shielding the country from shocks. However, the private sector requires a more enabling environment to exploit its potential fully and expand into new business areas. Furthermore, growth needs to be made greener to protect Seychelles' fragile natural environment better against the adverse impacts of climate change.

To promote the socio-economic development of the country, the government adopted the National Development Strategy (NDS) 2015-19 in November 2015, with the concept of the "Blue Economy" as its centrepiece. The concept emphasises the economic potential of Seychelles' vast Exclusive Economic Zone (EEZ), a marine area of 1 374 000 km^2 (the second largest in Africa), for inclusive growth. This innovative concept integrates conservation and sustainable use of ocean resources, oil and mineral wealth extraction, bio-prospecting, sustainable energy production and marine transport, as well as branding Seychelles a "blue" tourism destination. The NDS 2015-19 focuses on four "key results areas": governance, economic development, social development, and environment and energy.

Seychelles is a small island developing state (SIDS), with high income inequality: the 2006/07 household survey measured the Gini coefficient of income inequality at 65.8. Poverty levels are, however, very low with only 0.25% of the population living on USD 1.25 or less per day in 2007. Around 90% of the 94 000 inhabitants live on Mahé, one of three main islands. However, with its limited land space and high population density, the country needs to observe a delicate balance in addressing land use, conservation and economic development. The country has begun to design policies and plans to address these issues holistically.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	3.7	4.6	3.1	3.7
Real GDP per capita growth	3.0	4.0	2.5	3.1
CPI inflation	1.4	4.4	2.6	2.7
Budget balance % GDP	2.2	1.9	1.4	1.0
Current account % GDP	-21.3	-14.2	-15.4	-15.9

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SIERRA LEONE

- **Sierra Leone is currently grappling with the after-effects of the Ebola crisis and the sustained decline in iron ore prices. Accordingly, GDP for 2015 is estimated to have contracted by more than one-fifth.**
- **Remedial actions and policies are needed to improve the indicators that may have been reversed by the Ebola Virus Disease (EVD) crisis, following positive strides in improved economic and political governance.**
- **Sierra Leone, with approximately 40% urban population is experiencing its urbanisation without industrialisation (manufacturing), which does not promote appropriate structural linkages and sustained transformation of the economy.**

Sierra Leone is on the path to recovery following the effects of an 18-month Ebola outbreak and the sustained decline of iron ore prices. The Ebola outbreak affected the socio-economic livelihoods of the country, disrupting normal health care and education services, agricultural production and trade. The iron ore price decline affected macro-financial stability and reversed the country's remarkable positive growth trajectory as economic growth declined from a buoyant 20.1% in 2013 to 4.6% in 2014 and thereafter contracted by 21.5% in 2015 according to the latest estimates. GDP in 2016 is expected to remain relatively unchanged and to rise moderately in 2017. Inflation, which was moderate in the first quarter of 2015, is now estimated at 9.9% for 2015 and is expected to hover around 10% in 2016 and 2017. The Bank of Sierra Leone (BSL) needs to be vigilant as regards second-round inflationary pressures resulting from the depreciation of the Leone and the bottoming out of crude oil prices. Fiscal space in Sierra Leone is very limited due to the historically low revenue to GDP ratio and higher government expenditure.

There have been significant gains in the Human Development Index (HDI) from 0.344 in 2005 to 0.413 in 2014 (an improvement of more than 20%), and this will most likely be reversed due to the impact of the EVD on health (i.e. life expectancy at birth), education (years of schooling) and standard of living (gross national income per capita). Having failed to achieve most Millennium Development Goals (MDGs) by 2015, government authorities and development partners on the ground are now aware of the pertinence and inseparability of the 17 Sustainable Development Goals (SDGs) which essentially means that development work should be across all sectors. Government needs to do more on poverty reduction using the new poverty-related data and information which will be generated by the population and housing census conducted in December 2015.

Sierra Leone has a population of about 6.3 million with approximately 39.1% living in urban areas (Freetown, Bo, Kenema, Makeni and other urban areas) in 2015 and the urbanisation rate is projected to reach 43.8% in 2030. Manufacturing is the "missing link" in Sierra Leone's structural transformation as labour migrates from low productivity agricultural activities in the rural areas directly to low productivity services (informal jobs in the urban areas) without a transformative industrial sector.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.6	-21.5	0.2	3.7
Real GDP per capita growth	2.4	-23.7	-1.9	1.6
CPI inflation	7.1	9.9	10.0	10.1
Budget balance % GDP	-3.0	-3.7	-6.0	-6.0
Current account % GDP	-16.4	-11.3	-8.4	-8.1

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SOMALIA

- **The country's economic base continues to be narrow with the majority of people depending on livestock and fisheries.**
- **The small tax base and weak public financial management continue to cause serious constraints on the government budget, thus leaving the country almost totally dependent on foreign assistance and remittances.**
- **While the main obstacles to commerce, investment, and government revenue collection continue to be a lack of peace and security, the Somali National Army (SNA) has had success in recovering many areas that were under Al-Shabaab's control.**

Somalia's economy remains fragile, as recovery continues to be hampered by the challenging security environment, poor infrastructure and limited financial resources. The country's dependence on agriculture and livestock in particular (which is a vital export commodity) reflects its narrow economic base and vulnerability to adverse external and environmental shocks. This also constrains the Federal Government of Somalia's (FGS) capacity to generate sufficient revenue to support its economic reconstruction and development agenda and stabilise the macroeconomic environment.

The IMF estimated real GDP to be 2.7% in 2015, driven by growth in agriculture, financial services, construction and telecommunications. Assuming gradual progress on the security front and absence of droughts, medium-term annual real GDP growth is projected at about 5%. Nevertheless, growth will remain inadequate to address the widespread poverty in the country. Creating jobs for the youth, providing social services such as education and health, and building sustainable livelihoods continue to be Somalia's key development challenges.

In a bid to attract investment, the FGS is taking steps in a few strategic areas. These include: i) trying to ease the flow of imports and exports; ii) creating more financial stability and legitimacy in the country; iii) facilitating the continued flow of remittances; and iv) rebuilding and developing basic infrastructure.

In June 2015, the Ministry of Planning and International Co-operation initiated the process of developing a National Development Plan (NDP) that will be the post-2016 planning framework for Somalia. The NDP framework will define the country's development priorities over a five-year period. The plan will also outline internal and external financing needs and major sources of funding and will guide the allocation of resources and prioritisation of government actions and international development support. The NPD will also serve as the Interim Poverty Reduction Strategy Paper (IPRSP), until a full-fledged official one is developed, and will include a vision and direction for Somalia's socio-economic development and poverty reduction.

The FGS has also set up a unit within the Prime Minister's office to develop a framework for public sector capacity building. This process is ongoing and will slowly start to enhance the Federal government capabilities and responsiveness. However, the current tight fiscal space, with extremely limited revenue raising capacity, combined with the challenging security situation, makes it difficult to attract skilled professionals into the public sector, thereby limiting the government's capacity to deliver services.

SOUTH AFRICA

- **GDP growth declined from 1.5% in 2014 to 1.3% in 2015, and is expected to weaken further to 0.7% in 2016. Electricity shortages, low commodity prices and low consumer and business confidence continue to restrain the growth of economic activity.**
- **Slow progress in delivering economic and social services in townships and rural areas remains one of the major challenges to government.**
- **South African cities are dynamic poles of socio-economic activity facing high inequality and environmental risks.**

Economic performance remained challenging in 2015, with GDP growth of only 1.3%. This sluggish growth was primarily due to depressed commodity demand from China, low global commodity prices, low investment, erratic capital flows and low consumer and business confidence. Real GDP growth is forecast to continue its downward trend in 2016, with an estimated rate of just 0.7%. The public sector wage bill has been expanding while economic growth has been very slow. Persistent shortages in electricity have had a knock-on effect on the economy, while the worst drought in two decades continues to devastate agriculture whose real proportion of GDP has been reduced by 16.2%.

The Rand (ZAR) depreciated by more than 30% between December 2014 and December 2015. Consumer price index (CPI) inflation remained in 2015 within the target range of 3% to 6% year-on-year but, owing to the continued currency depreciation and the ongoing drought, pressures on the CPI will persist in 2016. Limited electricity supply has also weighed down manufacturing, mining and service-sector activity.

National government revenue increased by 8.4% to reach ZAR 955 billion (24.8% of GDP) boosted by higher personal income tax, taxes on property and value added taxes, while national-government expenditure increased by 8% to reach ZAR 1.13 trillion (29.4% of GDP). Monetary policy has been tightened with the repurchase rate reaching 6.75% to respond to the rising inflation risk. Despite the increased rate, demand for credit by the private sector rose by 8.6% in August 2015 compared to 8% in June.

Unemployment remains stubbornly high at 25.3%, and is particularly pervasive among the youth, at 52.5% in 2015. High unemployment, especially among black South Africans, is the main cause of the widening income inequality, as shown by a Gini Coefficient of 0.69, which is one of the highest in the world. To resolve these challenges, the government unveiled a nine-point plan to kick-start economic growth, increase investment and create jobs.

Socio-economic inequalities continue to threaten long-term stability. The legacies of apartheid, poor service delivery and widespread poverty have characterised socio-political discourse throughout 2015. Protests against service delivery were widespread in various parts of the country.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	1.5	1.3	0.7	1.8
Real GDP per capita growth	0.5	0.3	-0.2	0.9
CPI inflation	6.1	4.6	6.8	7.0
Budget balance % GDP	-3.6	-3.9	-3.3	-3.1
Current account % GDP	-5.4	-4.3	-4.1	-4.0

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SOUTH SUDAN

- **The drop in oil revenues is having a significant negative impact on the South Sudan's economy; the level of GDP is estimated to have fallen by more than 5% in 2015, and the government net oil-revenue forecast for the 2015/16 fiscal year was only 17% of the previous year.**
- **The parties to the South Sudan civil conflict signed a Peace Agreement in August, although significant progress in its implementation has been slow.**
- **The humanitarian situation continues to deteriorate, with over 2.2 million people displaced by the continuing civil conflict as of November 2015.**

Since independence in 2011, the political landscape in South Sudan has continued to be dominated by both internal and external threats to sustainable peace and stability. In December 2013, the country descended into protracted strife which has heightened uncertainty in the country. The parties to the conflict finally signed a peace agreement in August 2015 but timely implementation is a significant challenge. For instance, the time for the parties to form a transitional government expired. The conflict comes at a huge humanitarian cost. As of November 2015, over 2.2 million people, an increase of 200 000 since the beginning of 2015, have been displaced. Over 1.6 million people have been displaced internally while over 616 000 people have fled to neighbouring states. Severe food insecurity is expected to affect 4.6 million people this year, compared to 3.8 million last year, at the height of the lean season. The incidence of poverty has worsened from 44.7% in 2011 to more than 57% in 2015.

The challenges of the civil conflict are compounded by enormous economic and fiscal problems. The government budget is facing a huge shortfall caused by the sharp decline in oil revenues. South Sudan is one of the most oil-dependent countries in the world, with oil accounting for almost the totality of exports, around 60% of gross domestic product (GDP), and over 95% of the government revenues in previous fiscal years. Oil production in 2014-15 was 40% lower than projected in November 2013. In addition to the sharp fall in production, there has been a collapse of international oil prices, declining from close to 110 United States dollars (USD) per barrel in July 2014 to less than USD 35 per barrel in January 2016. The drop in oil revenues has led to a sharp reduction in the government's revenues, preventing investment in development activities. Government net oil-revenue forecast for the 2015/16 fiscal year is only 17% of the previous year. In the last few years, GDP growth has been very erratic, driven by conflict and fluctuations in oil prices. By the African Development Bank estimates, after experiencing a 15.9% increase in 2014, growth is expected to experience a decline of -5.3% in 2015. The predictions are a small recovery in 2016 with 0.7% growth rate, and a revival in 2017 with 8.8% growth rate. However, the realisation of the forecast will depend on the recovery of oil prices and the implementation of the peace agreement.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	15.9	-5.3	0.7	8.8
Real GDP per capita growth	13.3	-7.9	-1.8	6.3
CPI inflation	1.7	41.1	14.7	25.0
Budget balance % GDP	-10.9	-21.3	-22.0	-18.1
Current account % GDP	4.0	-2.5	0.9	2.8

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SUDAN

- **Sudan's economic growth rose to above 5% in 2015 and is expected to increase further to above 6% in 2016 and 2017, mainly driven by agriculture and extractive industries and supported by improved macroeconomic policies.**
- **Challenges continue to be sustaining economic policy reforms, economic stability, civil war, and meeting the country's Millennium Development Goals (MDGs); but a positive outcome of the national dialogue is hoped to lead to an end of the civil war and improvement in economic stability.**
- **A coherent urban-development strategy is needed to better cope with population growth, the internal displacements of people due to the continuing civil war and the currently weak urban-rural linkages.**

Inflation declined to 16.9% in 2015, while real GDP growth remained buoyant at 5.3%, supported by agriculture, minerals, services, oil-transit fees and foreign direct investment (FDI). Growth is expected to strengthen to 6.2% in 2016 and 6% in 2017, despite the fall in oil prices, reduced gold purchases by the Central Bank and the unstable security situation. The forecast is based on the assumption of strong agricultural revival, a gradual recovery of global oil prices, political stability in South Sudan, sustained inflows of FDI and a positive outcome from the national dialogue to end the civil war and conflicts.

Fiscal and monetary consolidation, together with low global food prices and a significant increase in FDI by 37%, have boosted economic growth and helped to reduce inflation from 36.9% in 2014 to 16.9%. Nonetheless, the challenges of diversification and social development, including high unemployment, poverty and unequal distribution of wealth, in the context of the civil war still remain. Spending on social development in 2015 is unlikely to be higher than it was in 2014 (0.3% of GDP) and is not expected to rise in 2016. Challenges of the external-debt problem and normalisation of relations with creditors also continue to persist. The government has yet to agree on a new IMF-Staff Monitored Programme (SMP) as a prelude for reaching a decision on the Heavily Indebted Poor Countries (HIPCs) Initiative. In 2015, Sudan was removed from the "black list" of the Financial Action Task Force, an international financial-fraud monitoring body located at the OECD. However, the continued difficulties of processing international banking transactions may fuel informal transfers, contribute to exchange-rate distortion, and reduce fiscal revenues.

Sudan's cities contributed an estimated 60% of GDP in 2014, with a skills base 62% higher than in rural areas. In urban areas, job creation is above average and the poverty rate is less than half of the national average. By 2030, the urban population will represent 48.6% of the total, reflecting a continuing contraction in the share of the rural population. However, since 1990 urban growth has been propelled by rural-urban migration, internally displaced people (IDPs) due to the civil war and conflict, climate-change impacts on the environment, and population growth. This has led to serious strains on urban services and disrupted the urban-rural market links that are of key importance for agriculture-based structural transformation. Policies adopted to upgrade slums have resulted in low-density, auto-dependent sprawl, further adding to urban services delivery inefficiencies. The adoption of an urban-development strategy aiming to improve infrastructure, land governance, and involve the private sector more in urban development is, therefore, inevitable if Sudan is to harness the potential benefits of its rapidly growing urban sector.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	3.6	5.3	6.2	6.0
Real GDP per capita growth	1.4	3.1	3.9	3.7
CPI inflation	36.9	16.9	13.1	11.2
Budget balance % GDP	-1.0	-1.5	-1.4	-1.0
Current account % GDP	-9.0	-6.5	-6.4	-6.2

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SWAZILAND

- **Economic growth slowed down in 2015 to 1.7%, mainly because of severe drought, with prospects in 2016 and 2017 remaining poor.**
- **The political scene has remained relatively calm since the September 2013 elections, but the ranking in participation and human rights remains low.**
- **Increased urbanisation has resulted in development tensions and challenges that the government remains committed to address so as to ensure maximum economic benefit and sustainability.**

Real gross domestic product (GDP) growth slowed from 2.5% in 2014 to 1.7% in 2015. The major factors include a drought that hurt agricultural production, a weaker mining sector and subdued prospects in South Africa, the major trading partner. Growth in the tertiary sector also slowed down, but the overall impact was cushioned by an increase in investment in government capital investment programmes. Short-term prospects in 2016 and 2017 remain muted, with economic growth expectations remaining below 2% per annum. Growth prospects are predicated on improved weather conditions and enhanced policy efforts to address critical challenges in areas such as the business climate and export diversification. This is particularly important in view of the country's loss of eligibility under the African Growth and Opportunity Act (AGOA) in January 2015 and its high dependence on volatile revenues from the Southern African Customs Union (SACU).

Major social challenges include the high rate of HIV/AIDS and an uneven distribution of resources. Despite its classification as a low middle-income country, the incidence of poverty is high, with 63% of the population living below the poverty line. Other problems include a high unemployment rate of 28.1%, and a low Human Development Index (HDI) ranking of 150 out of 187 countries; Swaziland's HDI score of 0.531 is mainly due to the high maternal mortality rate, underdeveloped labour markets and mistrust in national government. There has been some progress over the past three decades in the fight against HIV/AIDS and the incidence rate has declined trend from 3.1% in 2010 to 2.23% in 2013, to 1.94% in 2015, but the HIV prevalence of 26% among 15-49 year olds is among the highest in the world. This has translated into increased health spending and high numbers of orphaned and vulnerable children requiring social protection.

Swaziland is among the smallest countries in Africa in both size and population of whom 78% live in rural areas and 22% in urban areas. It is projected that the share of the population living in towns and cities will rise to 26.5% by 2030. The main urban centres are Mbabane, the administrative capital, and Manzini, the commercial hub. The two cities and the corridor between them support approximately 75% of the country's urban population. Growth in both Manzini and Mbabane has been largely informal and about 60% of urban Swazi households live in unplanned and/or un-serviced informal settlements. The central location of the Manzini-Mbabane corridor makes it a prime area for transportation networks linking to other areas in the country, with consequent overcrowding as a result of internal migration. Other challenges arising from increased urbanisation include providing adequate access to sanitation and power, and dealing with air and water pollution, inadequate waste management and increased crime rates. Local governments are hard pressed to raise adequate financial resources to address these challenges and mainly rely on transfers from the central government. The government remains committed to prioritising urban development, through initiatives such as the Urban Development Programme, so as to harness fully the inherent potential from this key segment of the economy while ensuring its sustainability.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	2.5	1.7	0.8	1.7
Real GDP per capita growth	1.0	0.3	-0.5	0.4
CPI inflation	5.7	5.6	6.0	6.7
Budget balance % GDP	0.7	-1.4	-1.8	-2.1
Current account % GDP	2.9	0.9	1.6	1.5

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

TANZANIA

- **The economy grew by 7% in 2014 and estimates suggest the same growth rate in 2015, mainly driven by the services, industry, construction, and information and communication sectors. The fiscal position was healthy with an overall deficit of 3.4% of GDP in 2013/14. Similar prospects are expected over the medium term.**
- **Successful and peaceful general elections in October 2015 transferred power to a new president who has committed to prudent resource management, fighting corruption and pursuing inclusive growth.**
- **There is a growing rate of urbanisation with associated unemployment, pressure on infrastructure and overstretched government capacity to manage urban development.**

Economic performance has remained stable and strong over the past decade. There was 7% growth in 2014 and preliminary estimates indicate the same growth rate in 2015, driven mainly by the services, industry, construction, and information and communication sectors, each of which grew in double digits. For the medium term, growth is projected to outperform the records of 2014 and 2015, increasing to 7.2%. While other sectors are expected to at least perform at their recent levels, higher growth performance is expected largely from increased industrial activities and investment in infrastructure. The inflation rate in 2014 was 6.1%, and is expected to further reduce to 5.6% in 2015 due to favourable weather conditions that led to a sustained level of agricultural output and prudent fiscal and monetary policy management. The government's total debt is sustainable at 30.2% of GDP in 2014/15.

On social and human development, there has been an improvement in Tanzania's Human Development Index value from 0.371 to 0.521 between 1985 and 2014. Between 1980 and 2014, life expectancy at birth increased by 14.5 years, expected years of schooling increased by 3.3 years and infant mortality declined from 68 deaths per 1 000 live births in 2005 to 41 in 2012/13. However, a major area of weakness is poverty reduction where, due to the structure of the Tanzanian economy, high economic growth has not been reflected in a proportional reduction in poverty levels. While the average growth rate has been about 7%, the agriculture sector that employs about 70% of workers has been growing at less than 4%. The latest household budget survey (2011/12) revealed that 28.2% of Tanzanians are poor, with a higher incidence of poverty in rural areas.

The general election of October 2015 led to the emergence of Dr. John Magufuli as the president of the United Republic of Tanzania, with a five-year mandate. The president has unveiled a comprehensive five-year work plan that focuses on addressing land ownership, water, health services, education, agriculture, electricity and justice delivery issues. The plan also focuses on government effectiveness and efficiency, increasing government revenue and combating corruption. Faithful implementation of policies and programmes in these areas outlined by the president will be crucial in addressing Tanzania's poverty problem in the medium term.

Urbanisation has become a major development challenge in Tanzania. In the city of Dar-es-Salaam and other major cities, unemployment is higher than in the rural areas, basic infrastructure (roads, electricity, water, bus transit, etc.) have become highly insufficient to meet the demands of users and there is inadequate provision of recreational facilities, sewage systems, water drainage channels and environmental protection. Planned residential areas are rare, although land itself is in abundance. Intra-city transportation presents a serious challenge to commuters due to poor road networks and the absence of intra-city mass rail transport systems. A comprehensive and co-ordinated "Urban Development and Management Policy" is under preparation and success in finalising and implementing the policy will be a big achievement for the new government.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	7.0	7.0	7.2	7.2
Real GDP per capita growth	3.8	3.9	4.0	4.0
CPI inflation	6.1	5.6	5.9	6.0
Budget balance % GDP	-3.4	-3.9	-4.4	-5.4
Current account % GDP	-10.3	-9.4	-8.2	-7.0

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

TOGO

- **The economy expanded 5.5% in 2015, but funding of infrastructure increased government debt to 62.5% of GDP in 2015, up from 46.0% in 2012.**
- **The time needed to legally set up a business fell from 38 days in 2012 to 19 in 2013, and 10 in 2014 and 2015.**
- **The country's land tenure system has not adjusted to the growth of urban areas and trade and an average 288 days are needed for property transactions, making them the slowest in Africa.**

Major infrastructure investment begun in 2010 continued more slowly in 2015. Erratic rainfall undermined buoyant agriculture and the economy grew a more modest 5.5%, down from 5.9% in 2014. Agriculture was the main source of economic expansion in 2014, contributing 3.7 percentage points of GDP growth, though this fell by 0.7 points in 2015. Phosphates, clinker and cotton production should improve in 2016, and the Scanmines limestone and cement company is expected to do well. Continuing government reforms to increase competition in hotels, electricity, banks and telecommunications, along with support for agriculture and extractive industries, should drive growth, forecast at 5.9% in 2016 and 6.0% in 2017.

Funding of public investment over the past five years has contributed to growth but also increased public debt, from 46.0% of GDP in 2012 à 62.5% in 2015. Interest on internal debt in 2015 was put at XOF 26 billion (CFA francs), at least three times more than on external debt, and the International Monetary Fund (IMF) says Togo risks further accumulation of public debt. Government revenue has grown significantly in the past two years due to better collection by the new national tax office (OTR). Revenue increased 13.6% in 2014 and 4.8% in 2015 to reach XOF 480.4 billion (20.2% of GDP). Due to the creation of a body to fight corruption and related crimes (*la Haute autorité de prévention et de lutte contre la corruption et les infractions assimilées*) was set up in 2015. As a result, Transparency International's Corruption Perceptions Index ranked Togo 19 places higher than in 2014: 107 out of 168 countries.

Some 2.8 million people live in Togo's towns and cities, a 160.0% increase between 1990 and 2014, representing 39.5% of the total population in 2014. This is up from 28.6% in 1990 and is expected to reach 50.0% by 2030. The steady decline of the share of industries and services in GDP over the past 30 years reflects the meagre structural transformation of the economy. The country's land tenure system requires 288 days for property transactions, making it the slowest in Africa (the sub-Saharan average is 58 days). The cost of energy and communications since the 1990s, as well as market weakness and limited access to funding, are serious obstacles to the growth of towns and cities and to the country's structural transformation. These constraints, which must be removed, stem mostly from a land tenure system that has failed to adapt over the past half-century to the growth of urban areas and market demands.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	5.9	5.5	5.9	6.0
Real GDP per capita growth	3.2	2.8	3.2	3.4
CPI inflation	0.2	1.9	2.1	2.2
Budget balance % GDP	-3.4	-5.3	-4.7	-4.4
Current account % GDP	-13.2	-11.9	-11.0	-10.5

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

TUNISIA

- **The new government that took office in February 2015 has continued the economic recovery plan launched in 2011, with a striking 21.6% increase in investment in 2015.**
- **The worsening security situation after the terrorist attacks in Sousse and Tunis and rising social unrest affected growth, which is not expected to exceed 0.5% in 2015, as the country entered a recession in the second quarter of the year.**
- **The start of decentralisation in 2015 and municipal elections in 2016 should boost local democracy, a key to successful and sustainable urban policy that involves citizens.**

Growth for the year was anticipated as 3% in the 2015 budget but it was no more than 0.5% in the end (down from 2.3% in 2014), due to the contraction of non-manufacturing industries in the first quarter, notably oil production and an almost complete halt in phosphate mining in the centre of the country because of strikes. This was partly offset by growth in agriculture, non-commercial services and manufacturing. Tourism (7% of gross domestic product), the traditional source of foreign currency and jobs (400 000 direct and indirect), took a sharp dive, with revenue 35% down on 2014.

Domestic consumption is expected to continue as the chief engine of the economy in 2016 and 2017. Investment was 18.5% of GDP in 2015 (down from 21.9% in 2014) despite a slight recovery of foreign direct investment (FDI) in the second quarter after the elections went well. Government capital investment increased 21.6%.

The weak 2015 performance, along with macroeconomic imbalances, prevent the country from dealing with its main problems, such as unemployment, which remains high (15% in 2015) despite much more hiring in the public sector since 2011. Joblessness is greater among women (21.1%) than men (12.5%) and especially hits college graduates (31.4%).

Regional disparities persist because of meagre government investment and inefficient local authorities. The country is administratively centralised and economically polarised, with activity concentrated in the expanding towns and cities of the coastal regions, so the gap between these and smaller urban areas in the interior is widening. To a lesser extent, overall disparity is growing between urban and rural areas, notably in three of the country's six regions (Nord-Ouest, Centre-Ouest and Sud).

The last census (2014) showed that facilities, roads, health care and leisure services in the governorates of Kasserine, Sidi Bouzid, Gafsa, Jendouba, Kebili and Kairouan were lagging behind the national average and also behind the average in coastal governorates and even regions of the interior.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	2.3	0.5	2.0	2.4
Real GDP per capita growth	1.1	-0.6	0.9	1.3
CPI inflation	5.5	5.0	4.0	3.5
Budget balance % GDP	-4.4	-4.2	-3.9	-3.7
Current account % GDP	-9.0	-7.6	-5.9	-5.8

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

UGANDA

- **Uganda's economy continued to improve in 2015, despite external shocks, with real GDP growth projected to reach 5.1% in 2016, and 5.8% in 2017, driven by industry, services and public infrastructure investment.**
- **Uganda's economic stance remains focused on containing inflationary pressures and on enabling growth by ensuring exchange rate stability and maximising domestic resources mobilisation.**
- **Uganda has made progress in reducing poverty and in enhancing gender equality and women's empowerment.**

Uganda's economic outlook is positive, with real GDP growth expected to reach 5.1% in 2016, compared to 5.3% in 2015, and 4.7% for 2014. This assumes that the government will maintain macroeconomic stability and tackle corruption. Growth will mainly be driven by strong performances in the industry and services sectors, and also by public infrastructure investment and other investments in priority sectors. Large infrastructure projects will boost manufacturing, as well as services, notably tourism. Rising private consumption will also drive growth. Credit expansion, which increased by 16% in February 2015, more than double last year's growth rate, will boost consumption, as will higher government consumption in the run-up to elections. Investment in the energy sector will also boost growth, although the pace of growth has slowed in the past year as oil prices have fallen sharply. The issue of new licences for further oil exploration in the greater Albertan region will boost much-needed foreign direct investment.

Uganda's Human Development Index (HDI) improved slightly to 0.483 in 2014, from 0.478 in 2013. This still falls below the 0.502 average for the world's least developed countries (LDCs), and the 0.518 average for sub-Saharan Africa. Moreover, earlier progress towards Millennium Development Goals (MDGs) for health and education has stalled, with outcomes underperforming the goals due to insufficient funding. Nonetheless, there has been significant progress in increasing access to anti-retroviral treatment, in preventing mother-to-child HIV transmission, and in reducing the prevalence of malaria, which fell from 43% in 2009 to 19% in 2014. Poverty fell in all regions except the Eastern region, where it increased between 2009/10 and 2012/13. Although the Northern region has witnessed a significant reduction in poverty – from 60.7% in 2005/06 to 43.7% in 2012/13 – this still remains more than twice the national average. Uganda has steadily improved its performance in gender equality and women's empowerment. Nonetheless, women continue to face discrimination, particularly in their access to economic opportunities and ownership of assets.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.7	5.3	5.1	5.8
Real GDP per capita growth	1.4	2.0	1.8	2.5
CPI inflation	4.3	4.5	5.2	5.3
Budget balance % GDP	-4.1	-4.5	-6.0	-5.5
Current account % GDP	-9.6	-9.1	-9.1	-9.1

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

ZAMBIA

- **Zambia is facing its worst economic crisis in more than ten years, with falling copper prices, pressure on the government's operating and investment budget, and electricity-supply shortages affecting the real economy.**
- **For Zambia's national elections in 2016, the Constitutional Amendment Act has set the date at 11 August and introduced a 50% +1 requirement for winning the election, as well as a presidential running mate.**
- **In 2015, urban growth continued at an estimated rate of 42% as people moved to towns in search of jobs and opportunities.**

In 2015, the Zambian economy faced economic headwinds initially due to fast rising expenditures and a fiscal deficit that more than doubled in 2013. Slowing demand from China had reduced copper prices to their lowest level in more than seven years. The situation was exacerbated by low agriculture output and a growing electricity crisis. Real economic growth fell to its lowest in 15 years, with gross domestic product (GDP) growth estimated to have slowed to 3.7% from 5.0% in 2014. Maize output declined by 22% due to poor rains. Copper prices declined by 28% while mining output remained roughly the same as in 2014. Slow economic growth is projected for the medium term as the electricity-supply deficit continues and Zambia continues to import electricity from neighbouring countries. The 2016 agricultural season is expected to slow following El Niño weather effects. In addition, elections planned for 2016 will add pressure to public spending. Copper prices are expected to remain flat as world copper supply is sufficient to meet global demand.

The electricity-supply deficit, which began in June 2015, has affected manufacturing and other businesses. It is estimated at 40-50% of baseload, necessitating considerable daily load shedding. This has increased operating costs as firms have had to invest in diesel generators, and the increase in costs has been passed on to consumers. Combined with waning confidence in the economy, the Zambia kwacha (ZMW) depreciated by 42% against the United States dollar (USD), raising end-of-year inflation to 21%. The slowdown in the economy led to more than 9 000 job losses in the formal private sector.

In 2010, 60% of Zambians were living in rural areas. Official projections show that urbanisation will have risen to 45% by 2025. The greatest contributors to the country's domestic product are the capital city, Lusaka, and other major mining towns. Urbanisation is both a result of natural population growth and rural-to-urban migration.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	5.0	3.7	3.6	4.9
Real GDP per capita growth	2.5	0.6	0.5	1.8
CPI inflation	7.8	10.1	10.8	8.9
Budget balance % GDP	-5.9	-8.2	-6.6	-6.2
Current account % GDP	2.2	-3.0	-1.1	1.3

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

ZIMBABWE

- **Economic growth slowed from 3.8% in 2014 to an estimated 1.5% in 2015 as a result of weak domestic demand, high public debt, tight liquidity conditions, drought, poor infrastructure, institutional weaknesses and an overvalued exchange rate with projected negative inflation in 2016 and 2017.**
- **The business environment improved according to the World Bank report, *Doing Business 2016*, with the country moving up 16 places to 155 out of 189 countries.**
- **Zimbabwe has experienced reverse urbanisation in recent years as an economic slowdown hampered opportunities in cities.**

GDP growth declined from 3.8% in 2014 to an estimated 1.5% in 2015 but is projected to slightly increase to 1.6% in 2016. This improvement is due to an anticipated expansion in the tourism, construction and financial sectors. The poor performance of government revenue against the background of high recurrent expenditures continues to constrain the fiscal space.

The depreciation of the South African rand against the US dollar (USD) has resulted in a decline in prices of imports from South Africa. This trend, along with weak domestic demand, tight liquidity conditions and declines in crude oil and global food prices, resulted in negative inflation. Annual average inflation declined from -0.2% in 2014 to -2% in 2015. Inflation is projected to remain negative in 2016 and 2017.

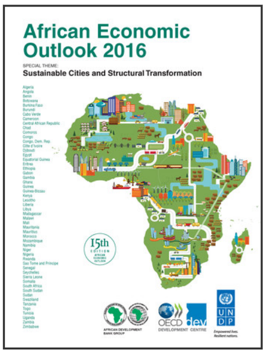
The country remains in debt distress, exacerbated by the lack of a diversified export base and declining terms of trade that make it difficult for the country to adjust to changing world demand for tradable goods. These structural weaknesses have constrained the country's ability to generate high and sustainable growth that is necessary to mitigate the debt distress. Moreover, the external position is projected to remain under severe pressure in the medium term on account of poor export and import performance on the back of an appreciating US dollar. The Public Debt Management Act, passed into law in September 2015, is expected to strengthen the legal and institutional framework for debt management.

The fiscal space remains constrained due to underperformance of domestic revenues, increase in public expenditures, depressed exports, limited foreign direct investment (FDI) and other capital inflows into the country. This has undermined development expenditure and social services provision in both urban and rural areas, exacerbating the incidence of poverty. Financing for urban development, both housing and transport, has been negatively affected.

Macroeconomic indicators

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	3.8	1.5	1.6	3.1
Real GDP per capita growth	1.5	-0.9	-0.4	0.8
CPI inflation	-0.2	-2.0	-1.3	-0.7
Budget balance % GDP	-1.9	-1.6	-1.5	-1.2
Current account % GDP	-23.2	-21.4	-19.8	-18.7

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.



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