

Executive summary

Africa's Development Dynamics 2018 shows that despite the continent's strong growth, quality jobs remain scarce and inequalities high. Africa's economy grew 4.7% per year between 2000 and 2017, making it the world's second fastest growing region. However, to achieve the aspirations of the African Union's Agenda 2063, new development strategies are necessary for at least five reasons:

1. **Growth remains volatile, despite accumulating much capital and acquiring new trade partners.** Some governments may no longer be able to sustain current levels of public investment.
2. **Recent growth has not translated into higher well-being.** In Africa, gross domestic product per capita is less correlated with well-being indicators than is the world average.
3. **Quality jobs remain scarce.** If current trends persist, the share of vulnerable employment in Africa will remain at 66% until 2022 – far from the Agenda 2063 target of 41% by 2023. Today, 282 million workers are vulnerably employed.
4. **Reducing inequalities is essential for lowering poverty.** Were Africa's Gini coefficient equal to that of developing Asia, its 1990-2016 level of growth would have lifted an additional 130 million people out of poverty.
5. **Structural transformation may be hard to sustain without improving productivity growth.** African firms lag behind the global productivity frontier in many labour-absorbing sectors. Firms need to boost their productivity to sustain long-term growth.

Regional and global markets offer several avenues for new and stronger growth patterns. Deepening regional integration and regional value chains can provide sizable opportunities for diversifying exports. Currently, intermediate goods account for less than 15% of Africa's trade. Also, regional demand for goods is rising, and the technology to produce them is increasingly accessible. Demand for food products alone is expected to triple by 2030. Governments can help African firms catch up with global productivity by building stronger industrial linkages and developing local capacity. Innovative policies can help channel financial inflows to unlock private investment.

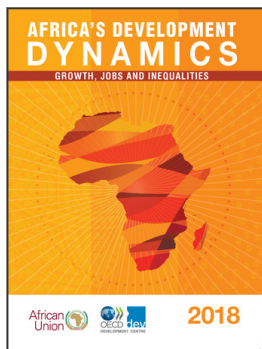
Five megatrends are shaping Africa's integration into the global economy. Each brings opportunities and risks and has important policy implications. First, global wealth is shifting with emerging countries producing more than half of the global output. New partnerships with Africa are increasing. Second, the new production revolution offers additional markets and different production methods but also creates obstacles for African producers. Third, the continent's population boom could create a "demographic dividend" if local economies can supply enough jobs and basic services to meet the growing demand. Fourth, rapid urbanisation is changing economic structures and posing new challenges. Fifth, many African countries need "green growth" strategies to adapt to climate change.

The dynamics of growth, employment and inequalities vary across Africa's regions. East Africa has benefited from higher and more resilient economic growth than the other regions thanks to a more diversified economy. While underemployment and vulnerable employment characterise the majority of African labour markets, some Northern and Southern African countries also face high structural unemployment. In Central Africa, net job creation has been negative in the formal sector since 2015. Poverty has fallen: in East and West Africa, extreme poverty rates fell by 23 and 12 percentage points respectively between 1990 and 2013. Southern Africa is the most unequal region, hosting six of the world's top ten unequal countries in terms of income.

The continent's development agenda calls for context-specific, multifaceted and holistic development strategies. This report recommends ten policy actions to meet the development targets of Agenda 2063. Actors at all levels can contribute. The recommendations rest on three pillars: sustainable economic development, social development and institutional development. The report tailors actions for each region in several main policy areas, as summarised in the table below. This can serve as a tool for policy dialogue and reform for African decision makers.

Main policy areas for African regions

Region	Main policy areas
Central Africa	<ul style="list-style-type: none"> • Deepen regional co-operation on fiscal, monetary and trade policies, to promote regional value chains and enhance private sector competitiveness. • Encourage the local processing of raw materials by ensuring local businesses have access to electricity, basic services, qualified labour and equipment. Target support for women and youth. • Facilitate national and regional infrastructure investments, especially in electricity and transportation. Foster a stable business environment to attract long-term investment. • Strengthen tax collection, redistributive policies and social protection systems to ensure that rents from the extractive sector better benefit the population.
East Africa	<ul style="list-style-type: none"> • Continue the reform agenda to improve the business climate. Stimulate investment through structural and institutional measures such as simplifying business regulations and liberalising imports of capital and intermediate goods. • Boost agricultural productivity and support high-potential firms in the industrial and services sectors in order to accelerate economic transformation. • Reduce poverty by enhancing social protection programmes and by investing in education and skills development.
North Africa	<ul style="list-style-type: none"> • Invest in strategic sectors that create quality jobs for the youth and engage further in intra-African trade. • Link lead firms with local small- and medium-sized enterprises to help the enterprises meet standards, and improve co-operation between local governments and the private sector. • Promote workplace flexibility to encourage female participation. Align education with labour market needs to ensure youth employment.
Southern Africa	<ul style="list-style-type: none"> • Implement the Southern African Development Community's Industrialization Strategy and Roadmap 2015-2063 by facilitating investments in domestic technological and industrial capabilities and by encouraging intra-regional trade. • Invest in skills training programmes together with the private sector, notably among high-potential local entrepreneurs. • Expand and integrate labour market policies and social assistance programmes into social protection systems. Continue poverty reduction efforts, especially in rural areas.
West Africa	<ul style="list-style-type: none"> • Develop the domestic private sector by supporting business clusters, including informal ones, by improving regulatory frameworks and tax systems to attract investment. • Strengthen rural-urban linkages through intermediary cities, better domestic and cross-border infrastructure and corridors, and agribusiness activities. • Invest in universal education and professional skills development that match labour market demand.



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