



African Economic Outlook 2016



SPECIAL THEME:

Sustainable Cities and Structural Transformation

- Algeria
- Angola
- Benin
- Botswana
- Burkina Faso
- Burundi
- Cabo Verde
- Cameroon
- Central African Republic
- Chad
- Comoros
- Congo
- Congo, Dem. Rep.
- Côte d'Ivoire
- Djibouti
- Egypt
- Equatorial Guinea
- Eritrea
- Ethiopia
- Gabon
- Gambia
- Ghana
- Guinea
- Guinea-Bissau
- Kenya
- Lesotho
- Liberia
- Libya
- Madagascar
- Malawi
- Mali
- Mauritania
- Mauritius
- Morocco
- Mozambique
- Namibia
- Niger
- Nigeria
- Rwanda
- Sao Tome and Principe
- Senegal
- Seychelles
- Sierra Leone
- Somalia
- South Africa
- South Sudan
- Sudan
- Swaziland
- Tanzania
- Togo
- Tunisia
- Uganda
- Zambia
- Zimbabwe

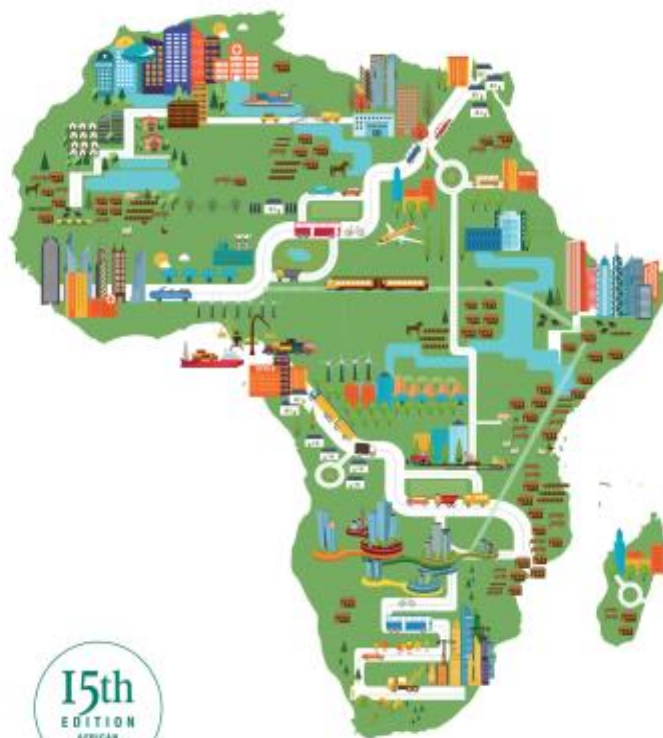
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Geneva Environment
Network

5 July 2016



AFRICAN DEVELOPMENT
BANK GROUP



OECD
DEVELOPMENT CENTRE



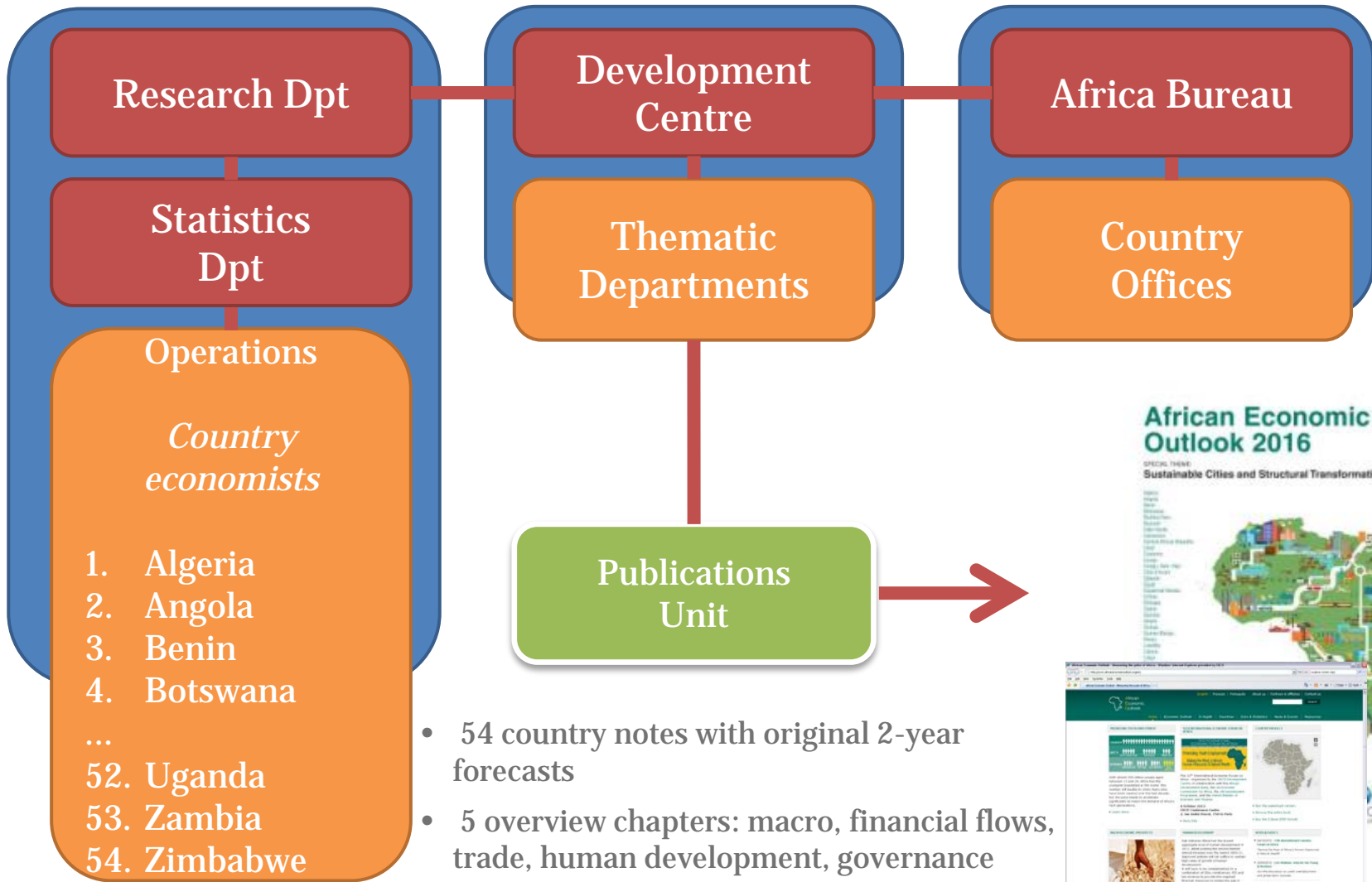
Empowered lives.
Resilient nations.



AfDB

OECD

UNDP

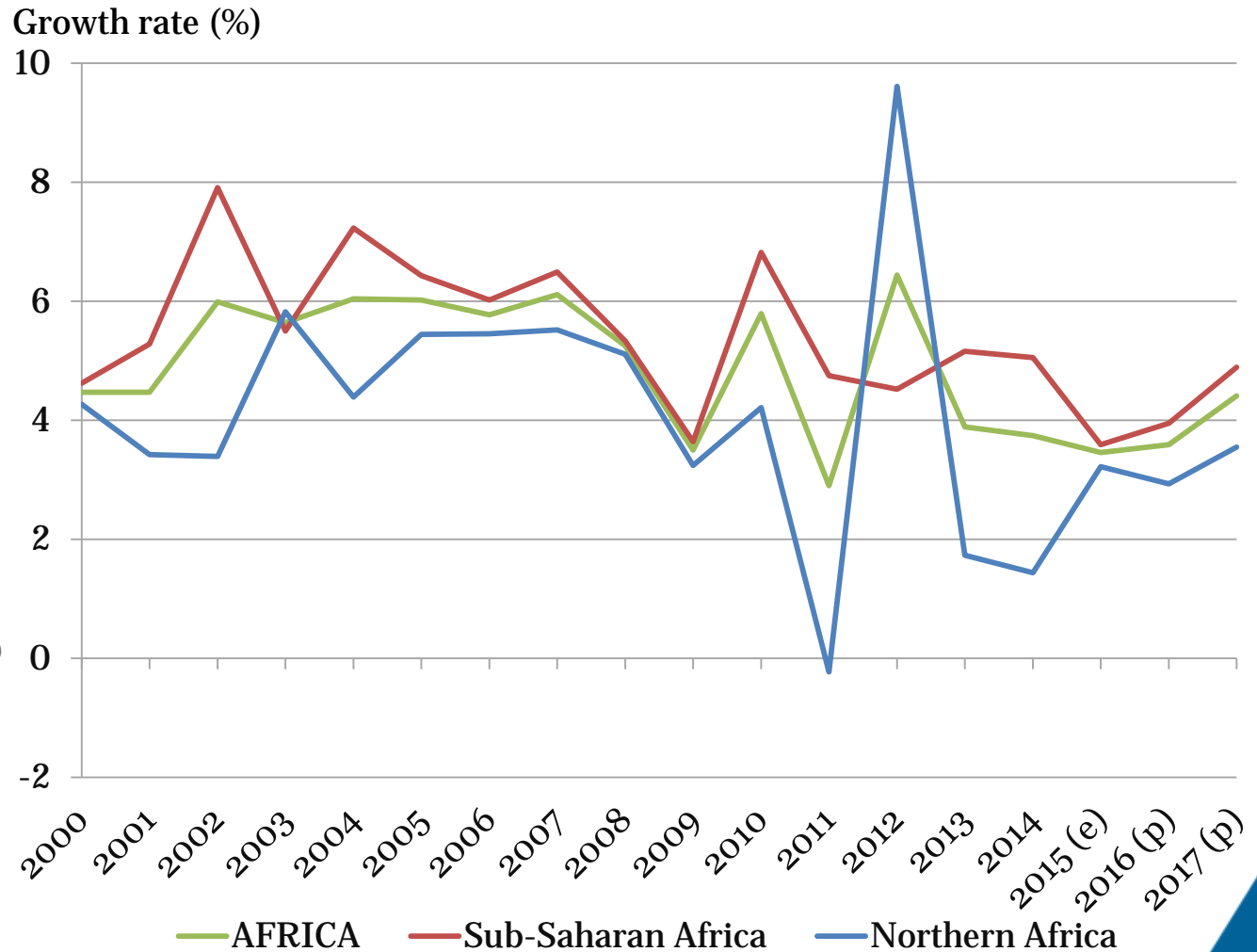


- 54 country notes with original 2-year forecasts
- 5 overview chapters: macro, financial flows, trade, human development, governance
- 1 thematic chapter
- 1 harmonised statistical annex



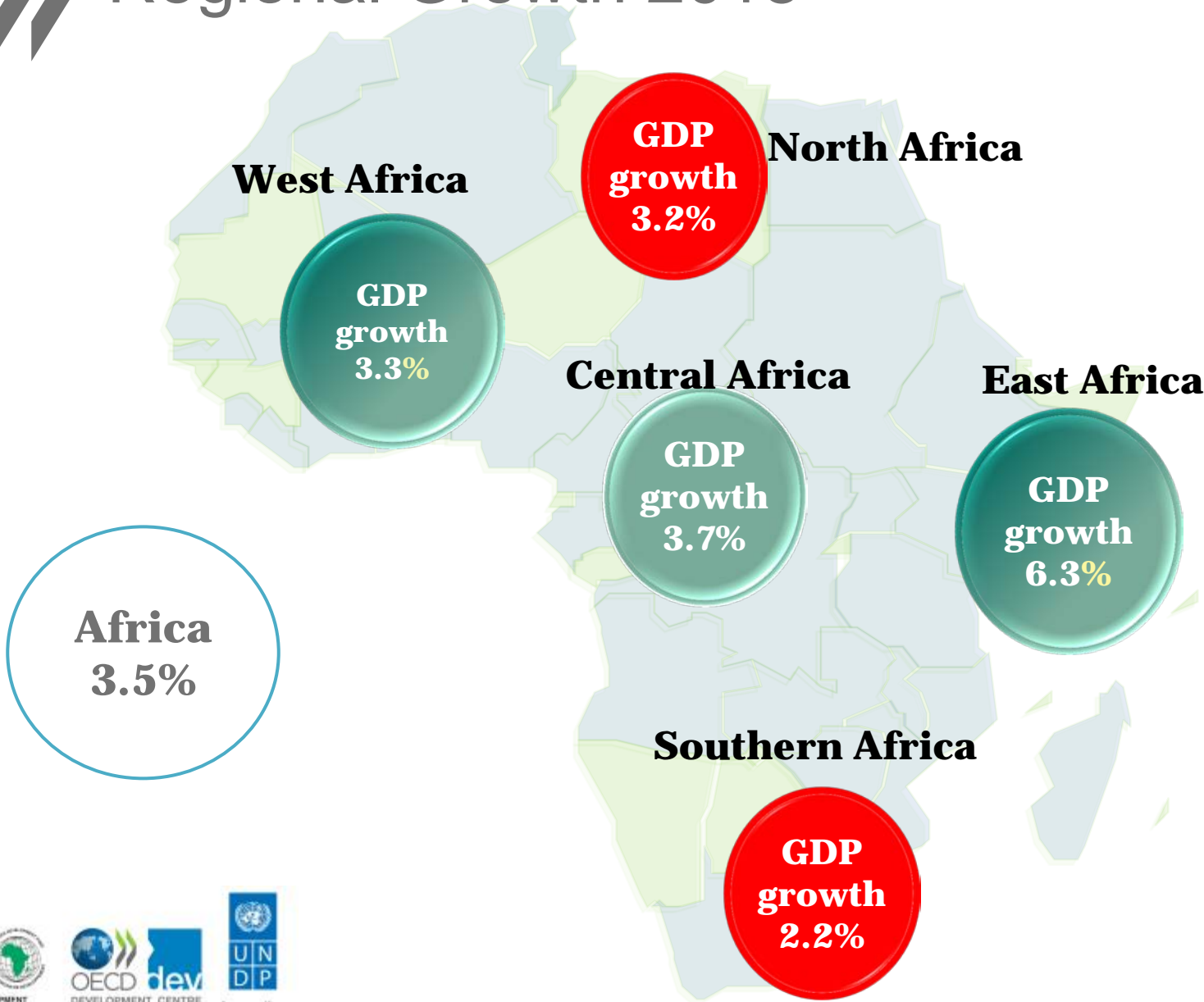
Africa's Growth Performance

- Post 2010 real GDP growth very volatile
- Libyan effect lingering 2011-2014
- SSA steady and buoyant but more moderate in 2015
- Medium term acceleration in North Africa
- Growth expected to remain moderate in 2016 but strengthen in 2017

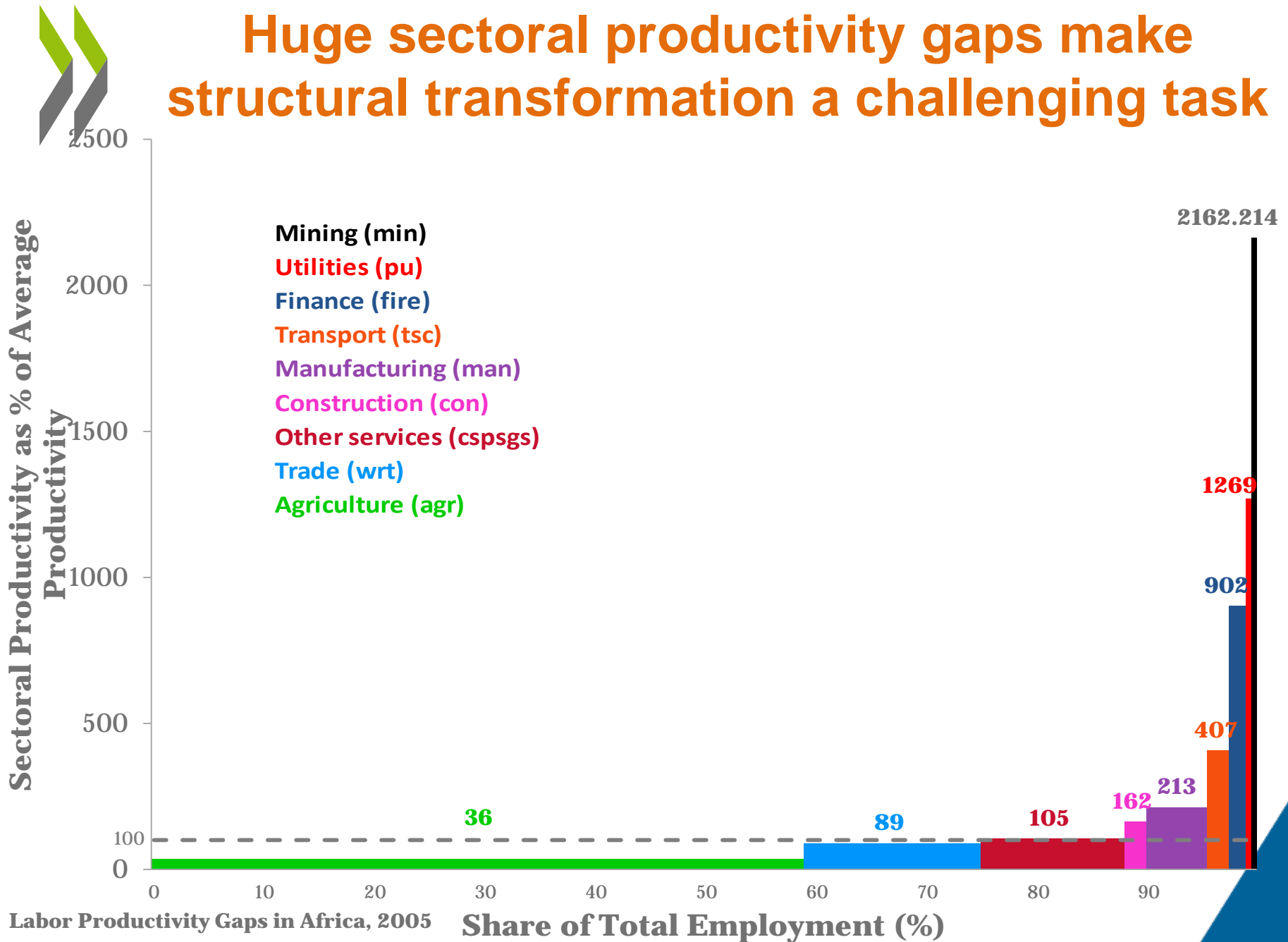




Regional Growth 2015



Huge sectoral productivity gaps make structural transformation a challenging task

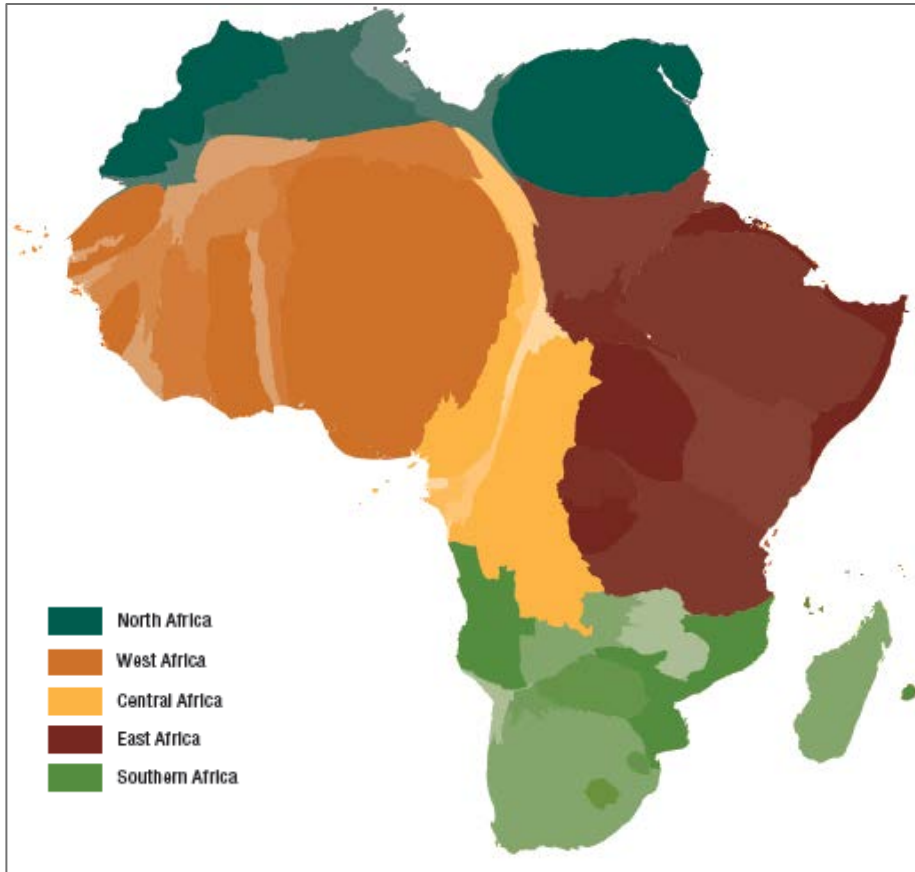




Different challenges: comparing population and income

Africa, 2010 population-weighted

Africa, average 2009-13 GDP-weighted





Structural transformation has 3 components

1. **Economic** = sectoral re-allocation of factor of production
2. **Demographic** = decline in fertility rates
3. **Spatial** = urbanisation

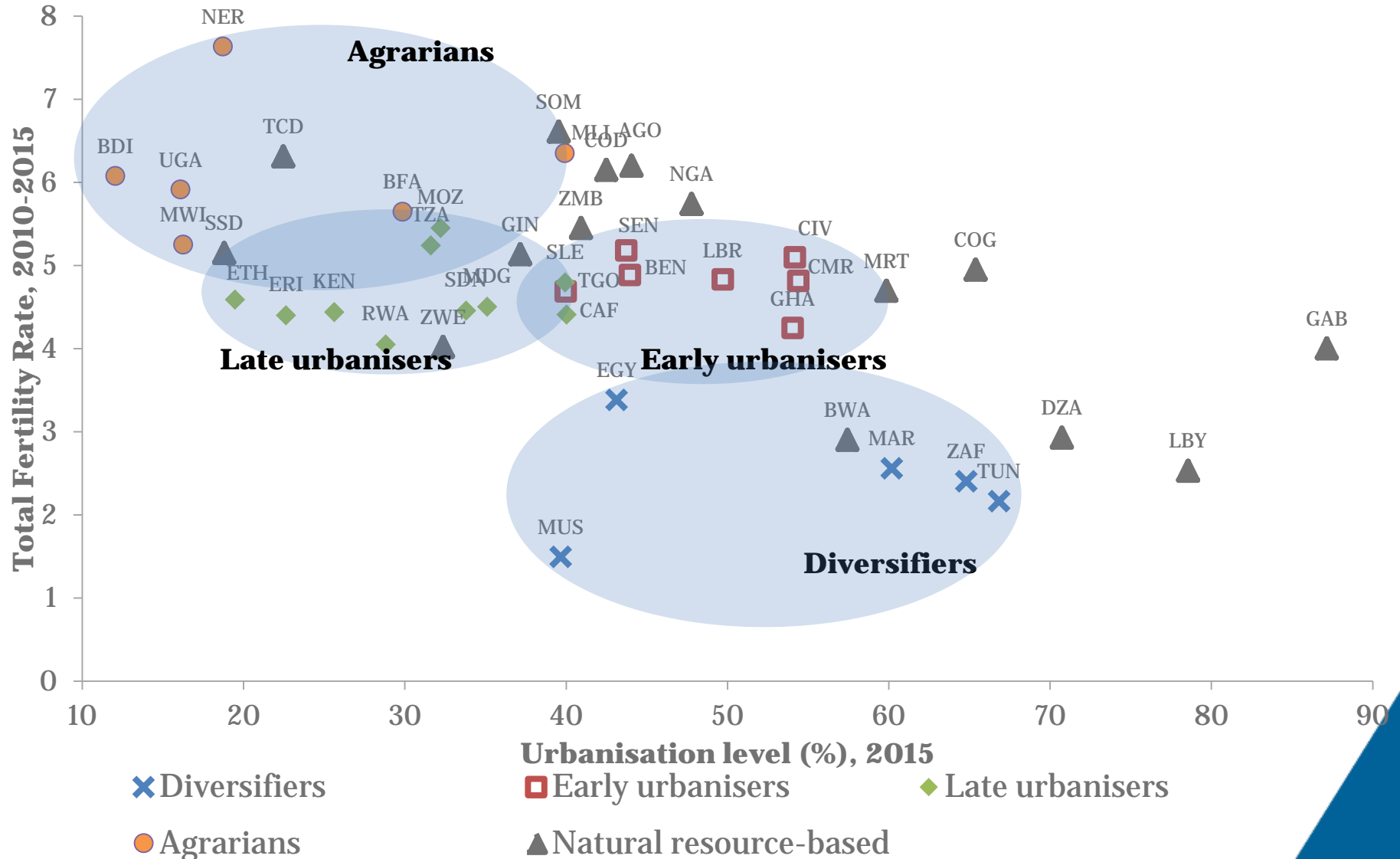
But there is no straight causality relationship between those three dimensions.

=> **Typology of African countries:**

- a) 5 'diversifiers': most advanced on all three dimensions
- b) 13 countries based on natural resources: usually highly urbanised, decreasing fertility but slow economic transformation (undiversified)
- c) 7 'early urbanisers'; 8 'late urbanisers'; 9 'agrarian' countries: struggling with fast urbanisation, high fertility rates and slow economic transformation



Diverse types of structural transformation

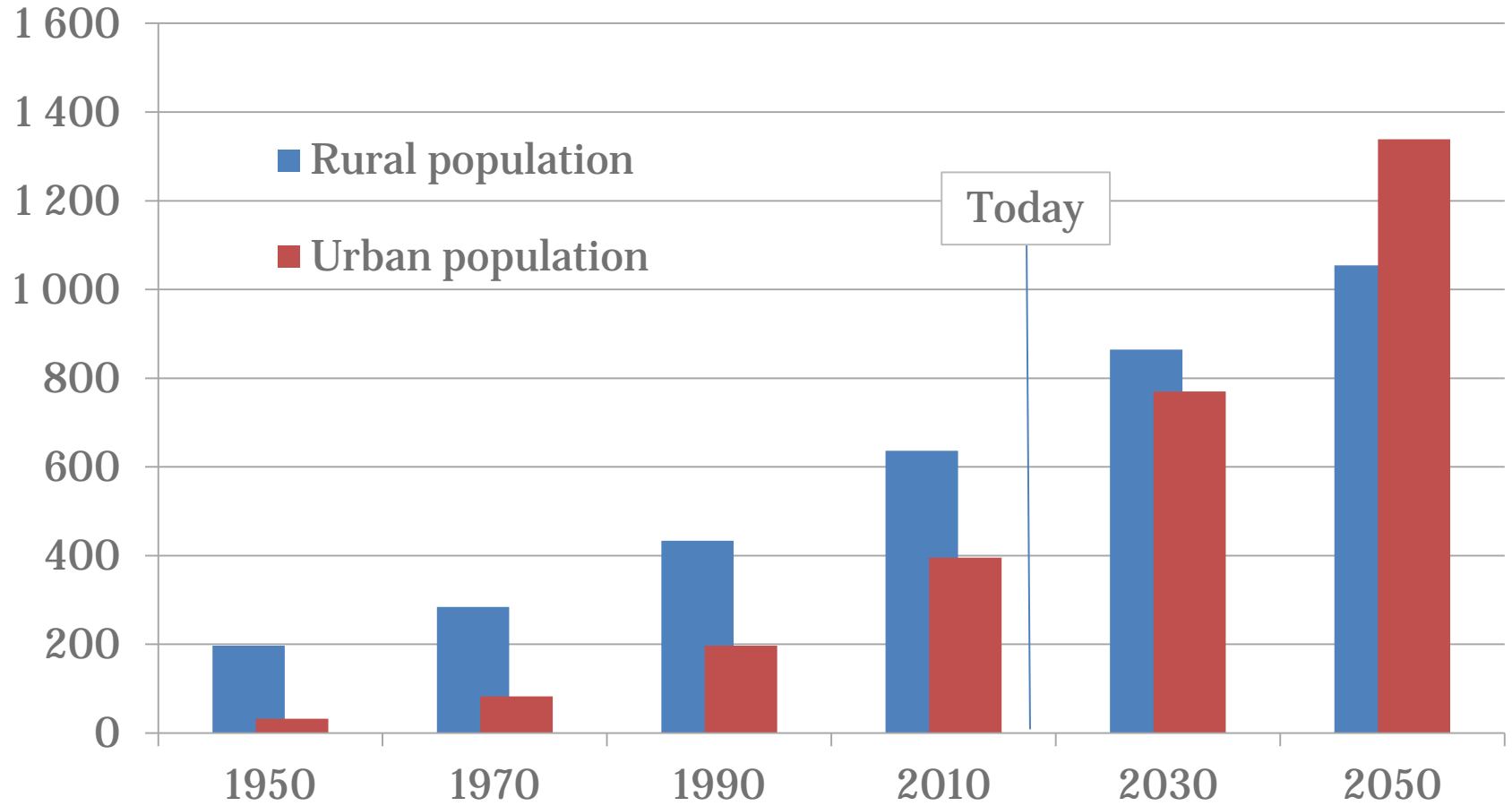


Africa is urbanising fast with slow structural transformation



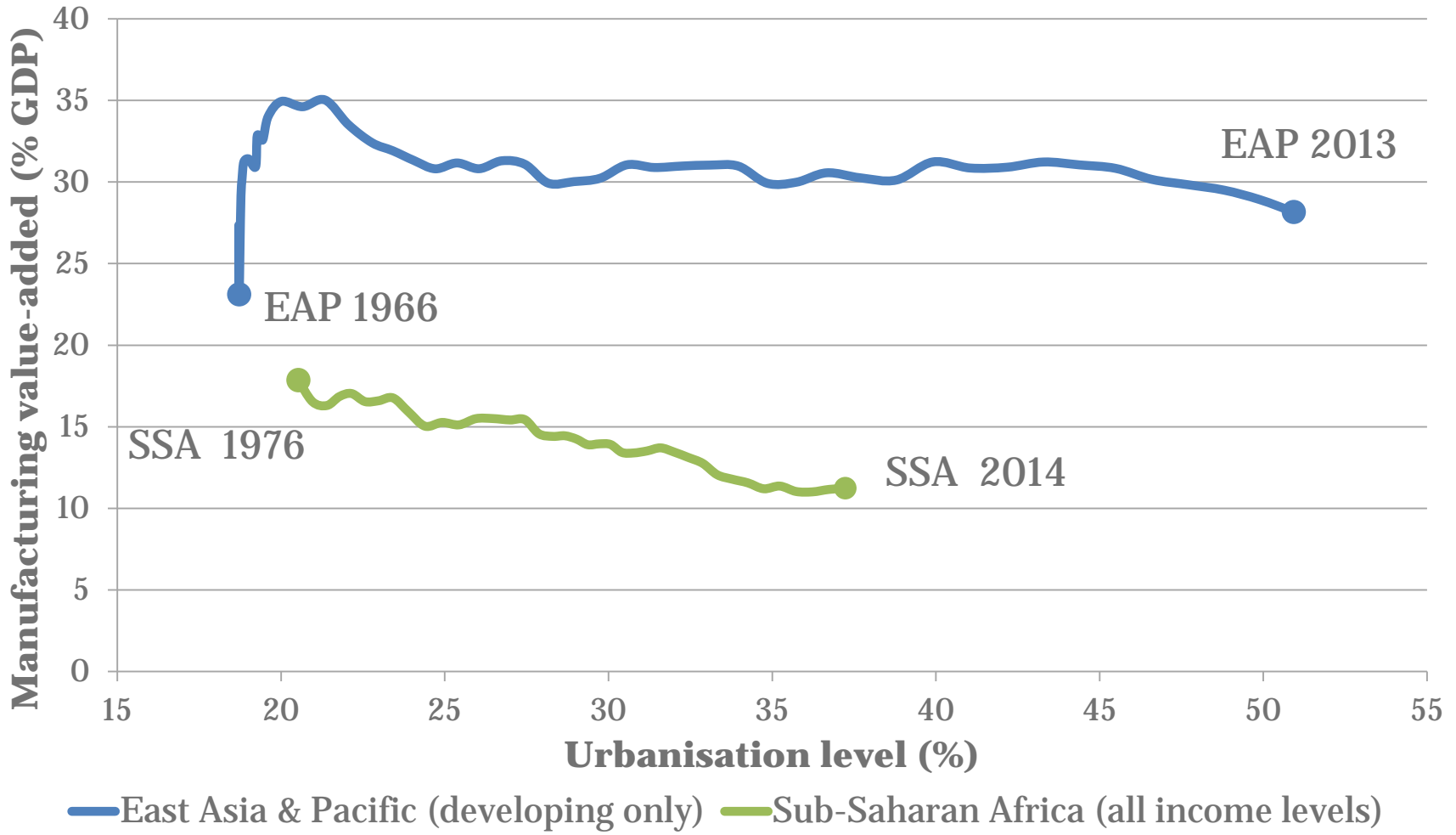
Africa's urbanisation is a megatrend

Population and urban population growth trends in Africa, 1950-2050





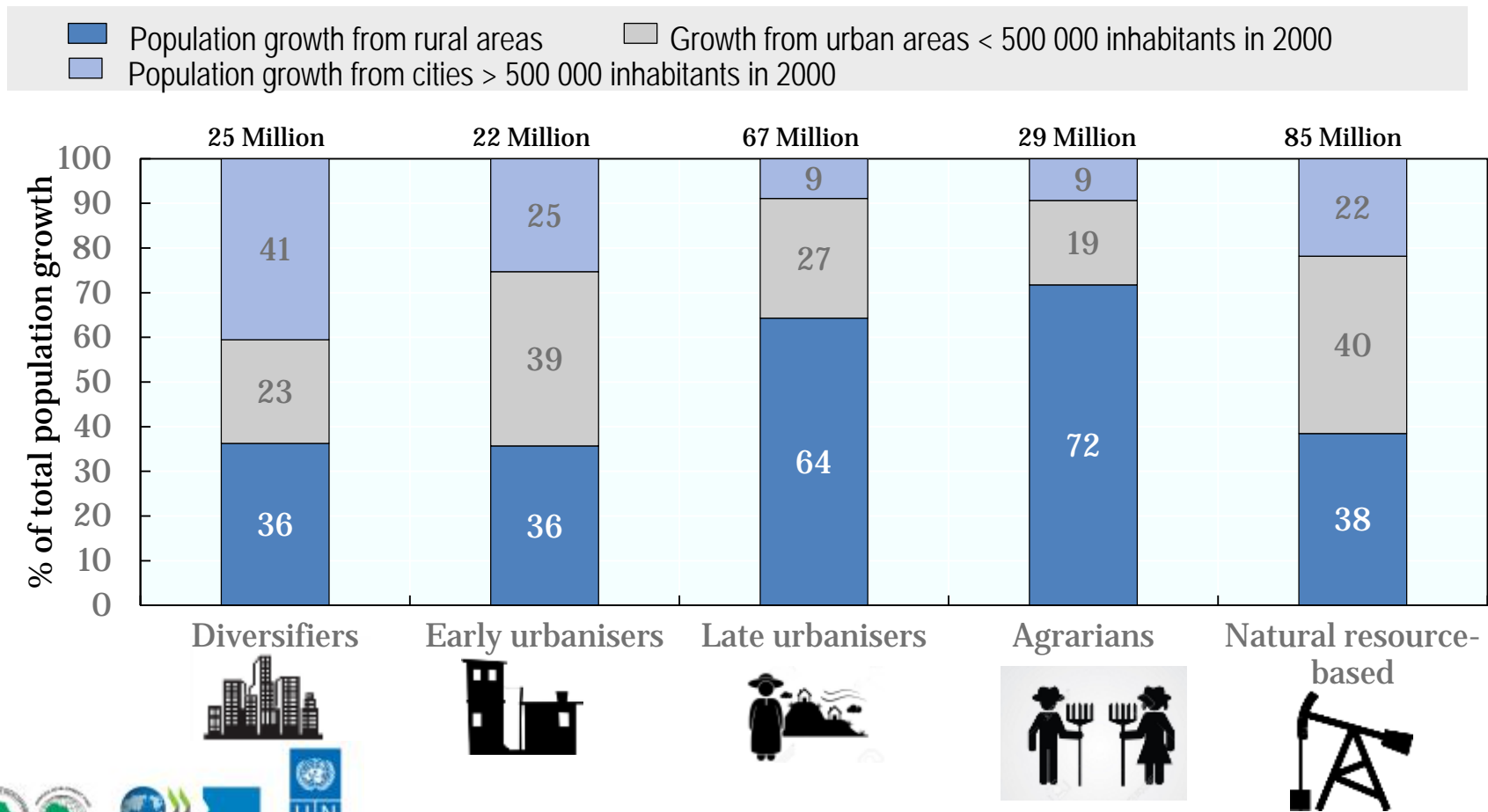
Fast urbanisation yet no industrialisation





Africa reflects different types of urbanisation

Contribution to population growth by city size and rural-urban interface by type of African country, 2000-10



Diversifiers



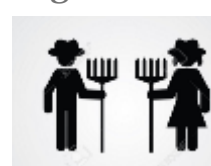
Early urbanisers



Late urbanisers



Agrarians



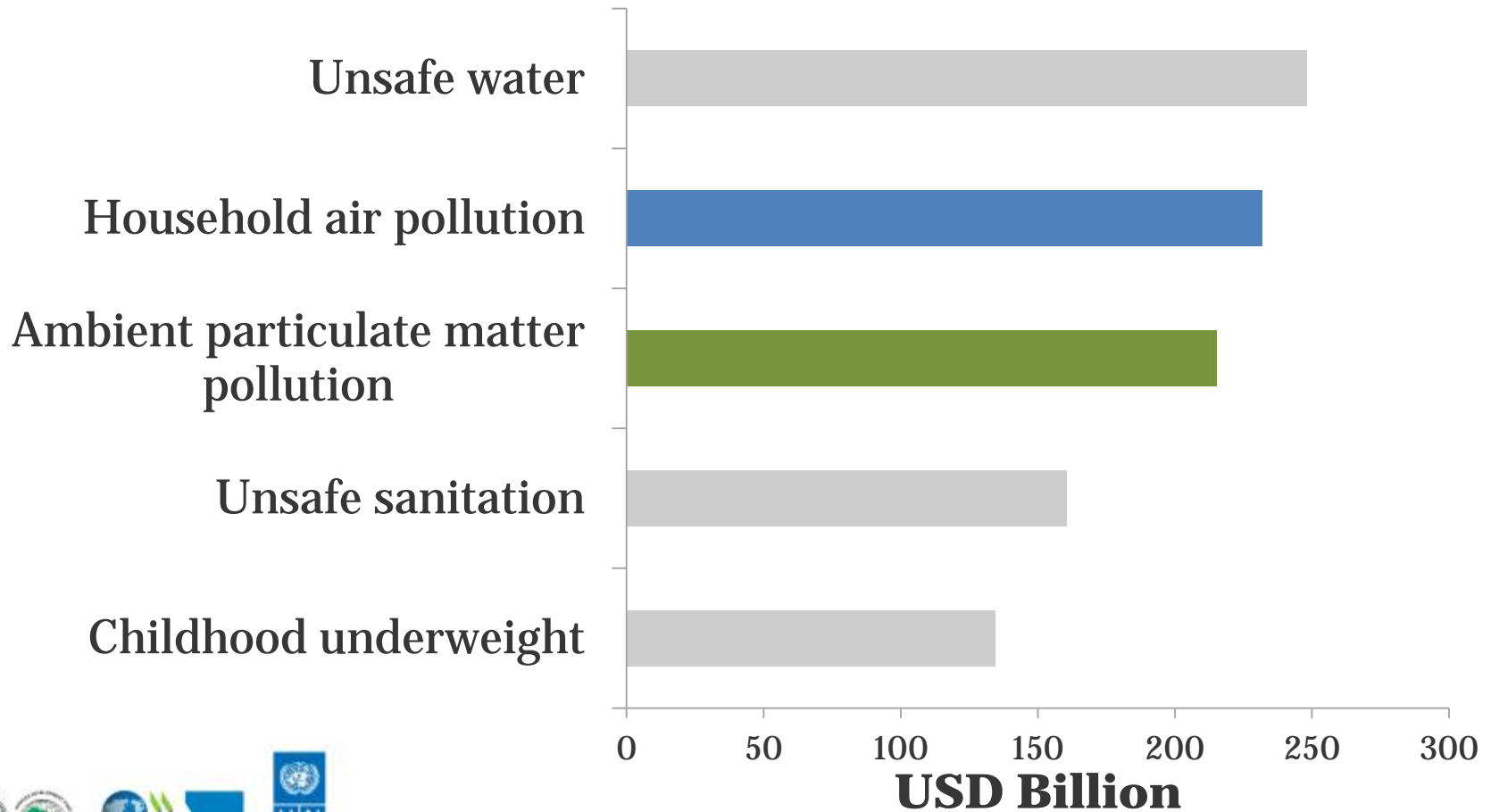
Natural resource-based





High costs of air pollution despite slow industrialisation

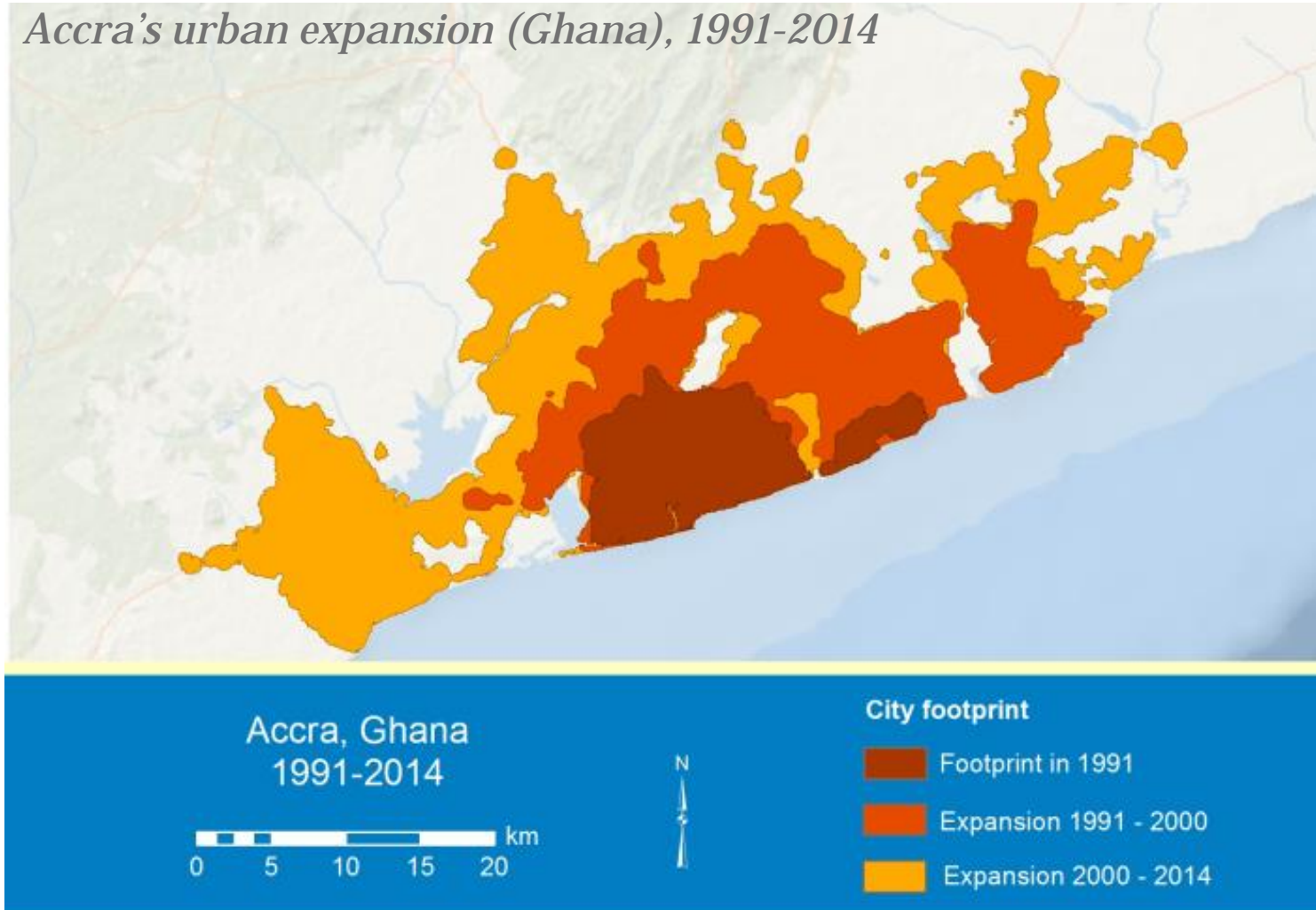
Economic cost of selected risk factors in the African continent





Many cities grow through sprawling

Accra's urban expansion (Ghana), 1991-2014



Source: AUE, 2016 project, contribution by UN-Habitat

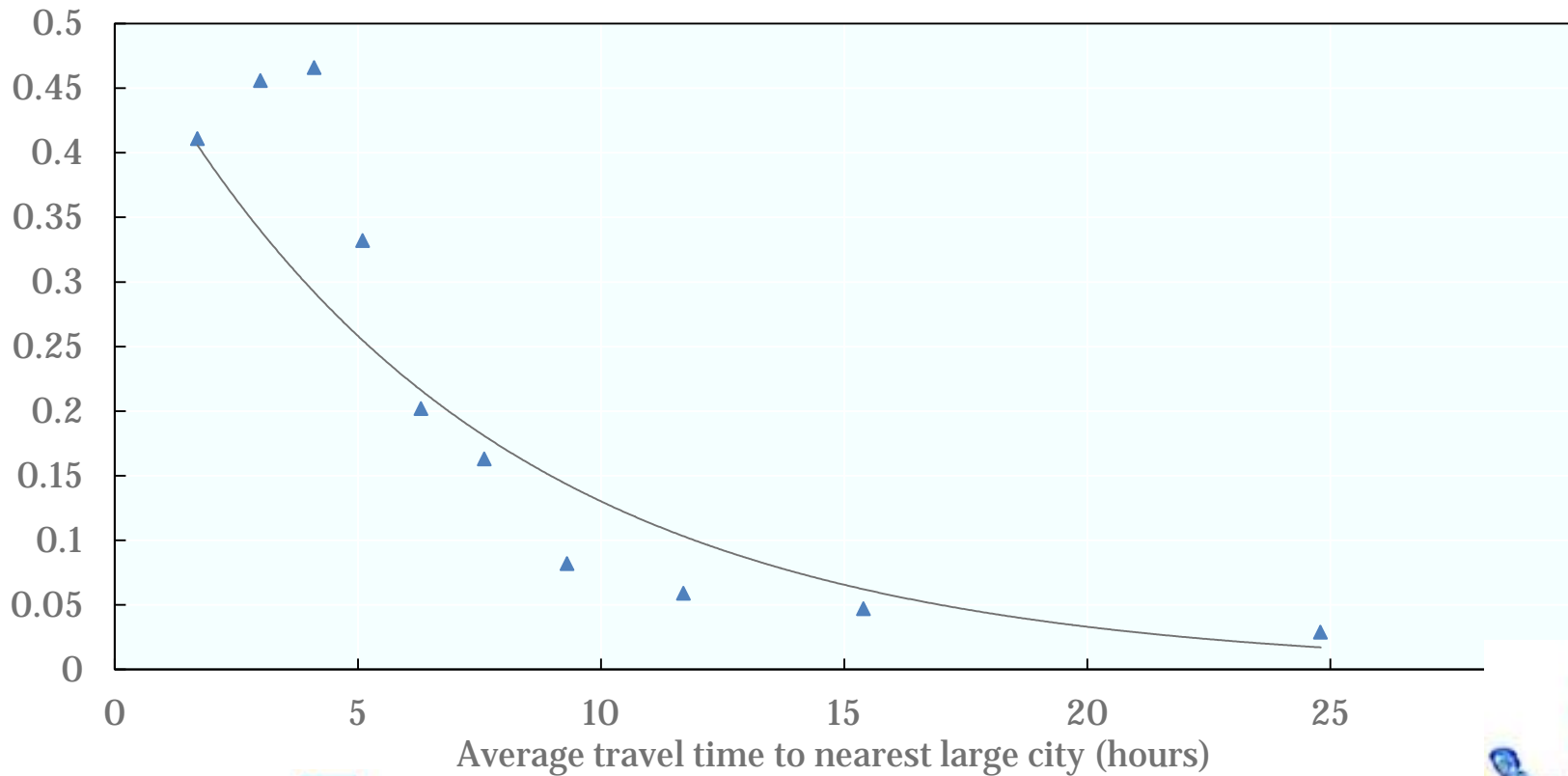
How can cities foster structural transformation?



Urbanisation could make food supply chain more efficient

Travel time and crop production in sub-Saharan Africa, 2000

Total crop production/potential

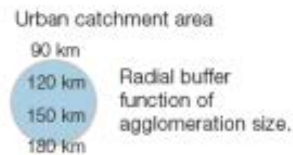
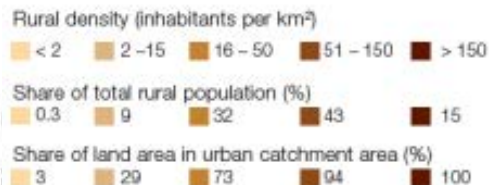
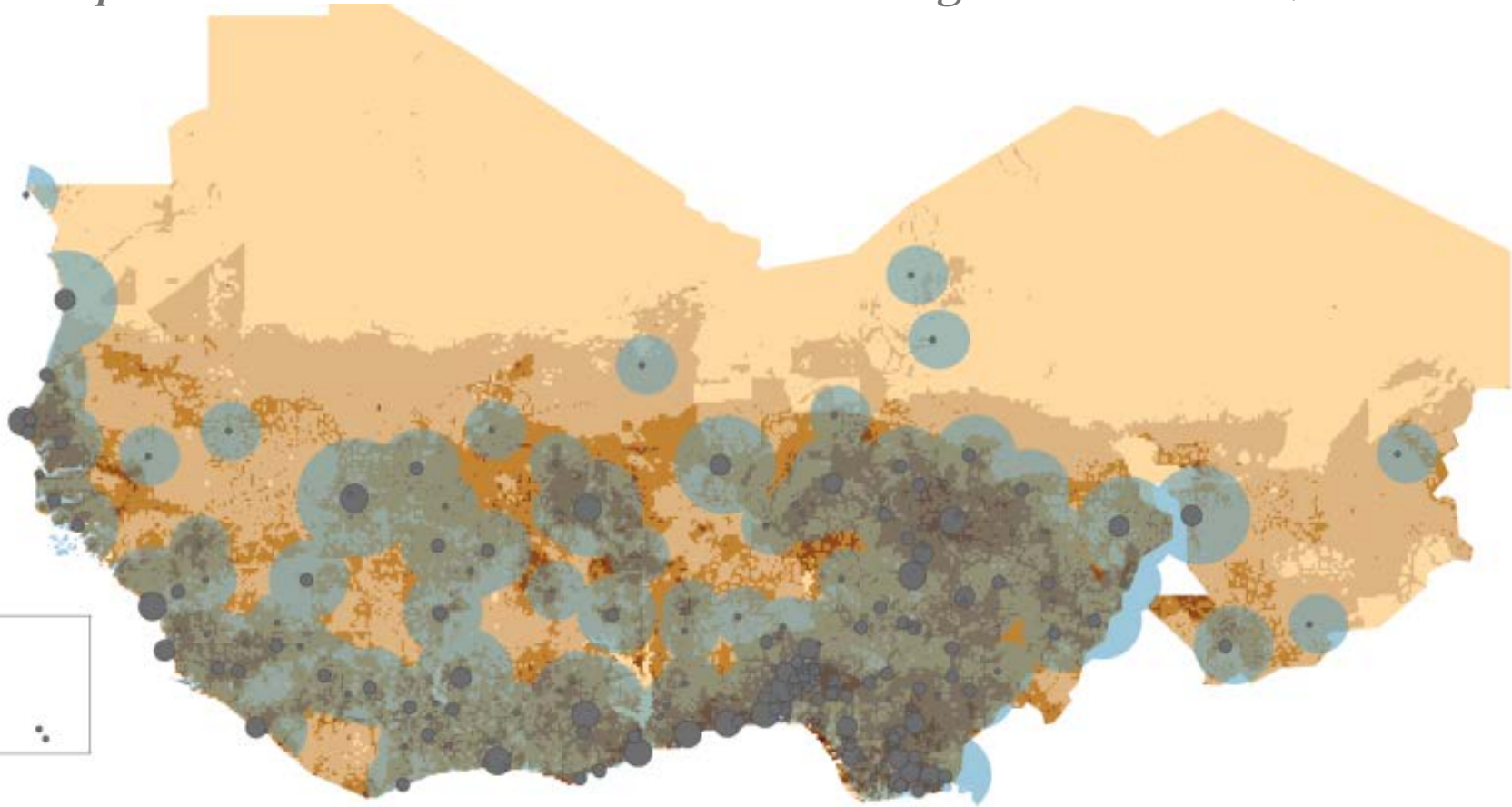


Feed Africa



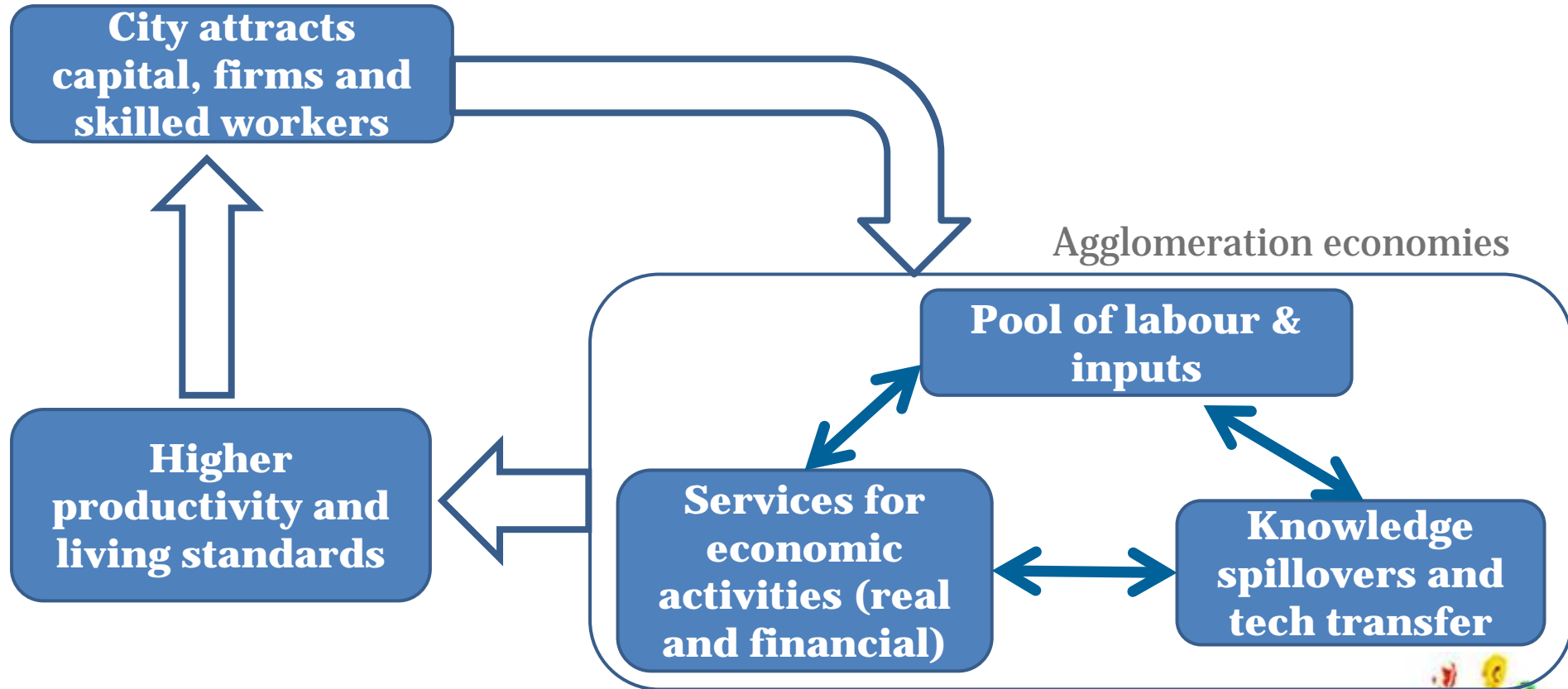
Connecting the network of cities could link rural-urban economies

Population settlements and rural-urban linkages in West Africa, 2000





Cities could provide enabling conditions to host African productive sectors

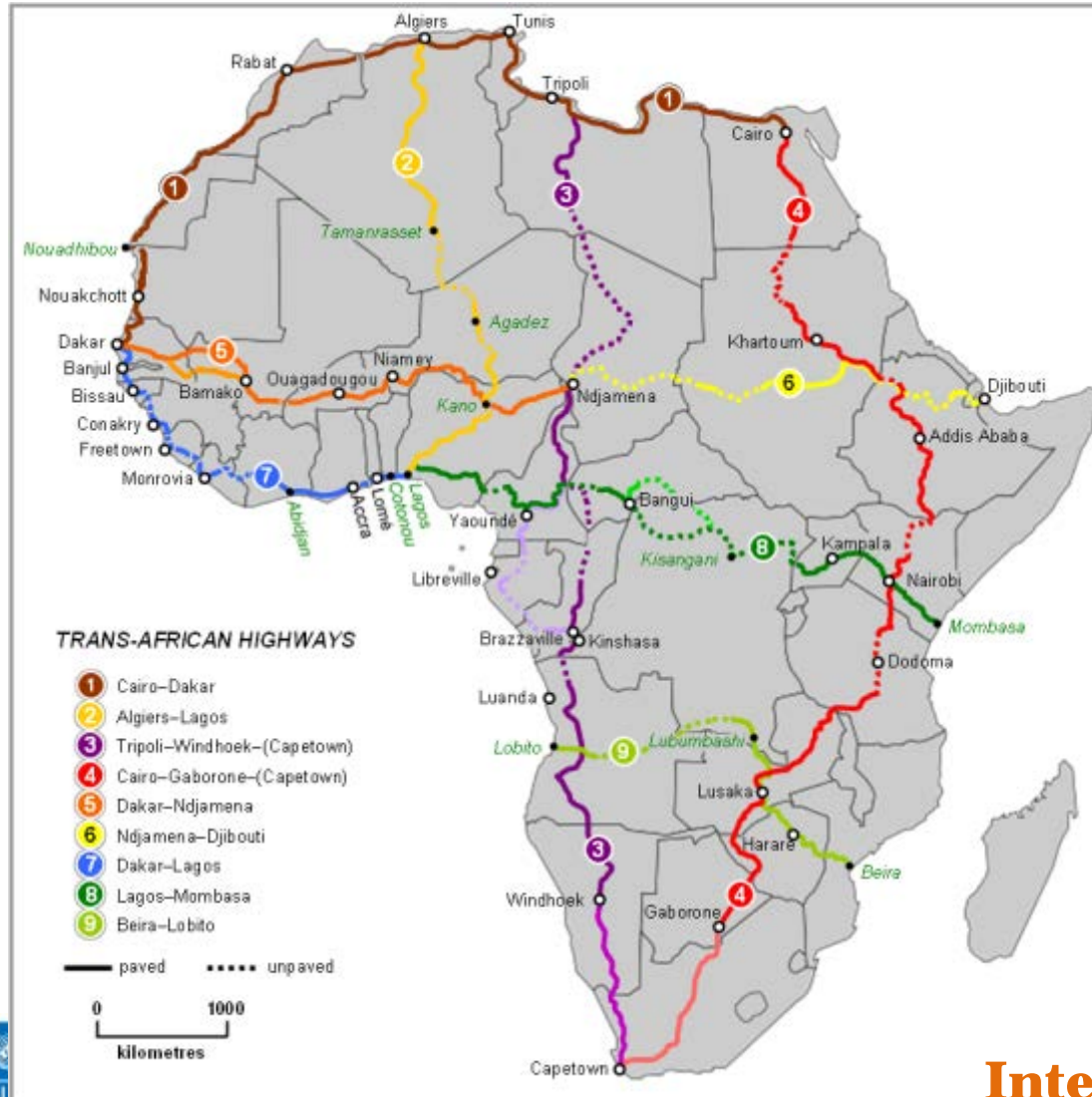


Industrialise Africa





Cities as part of networks could “integrate Africa”



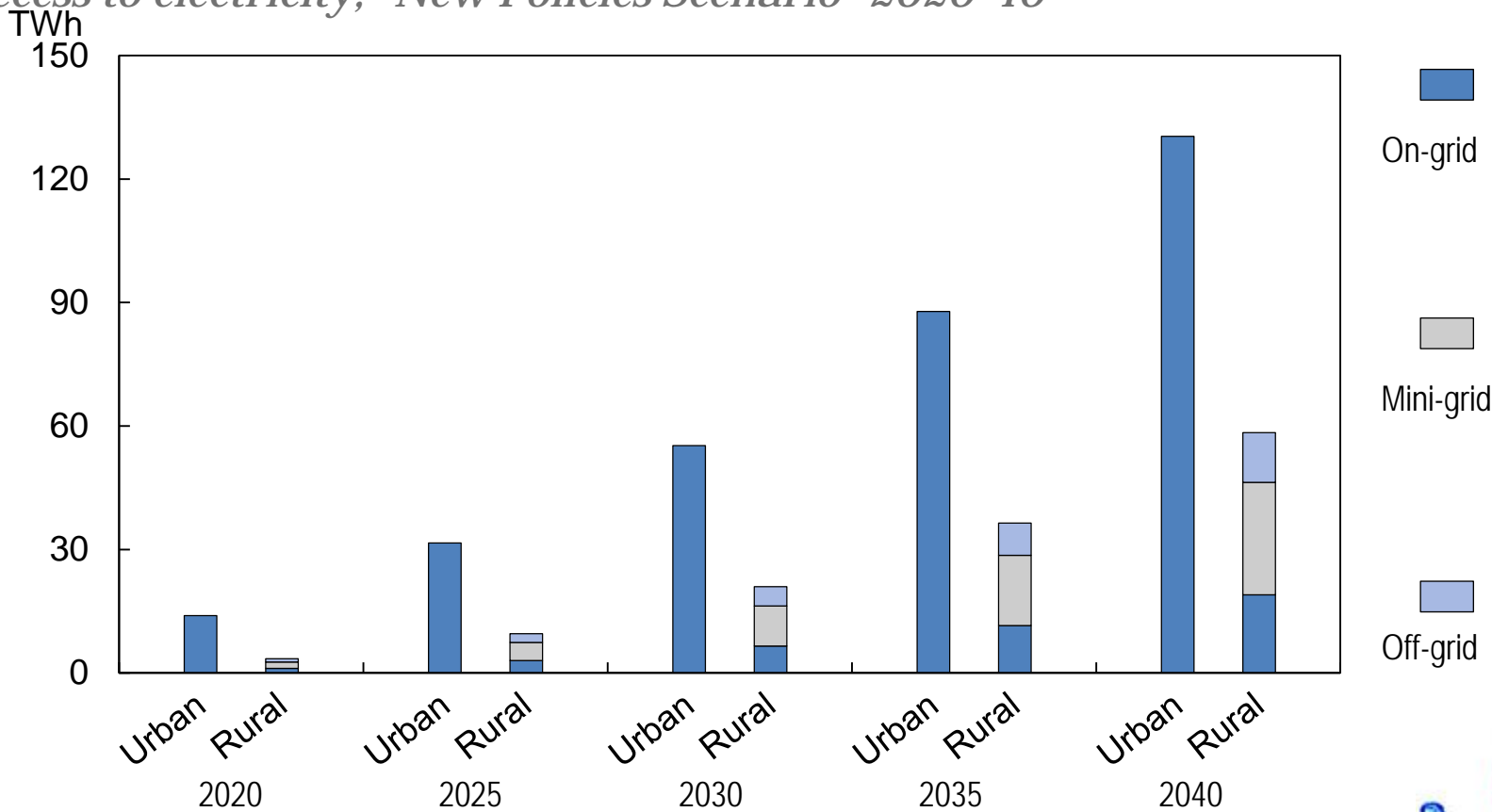
**Integrate
Africa**





Cities could “lighten up and power Africa”

Projected electricity demand from the sub-Saharan African population gaining access to electricity, “New Policies Scenario” 2020-40



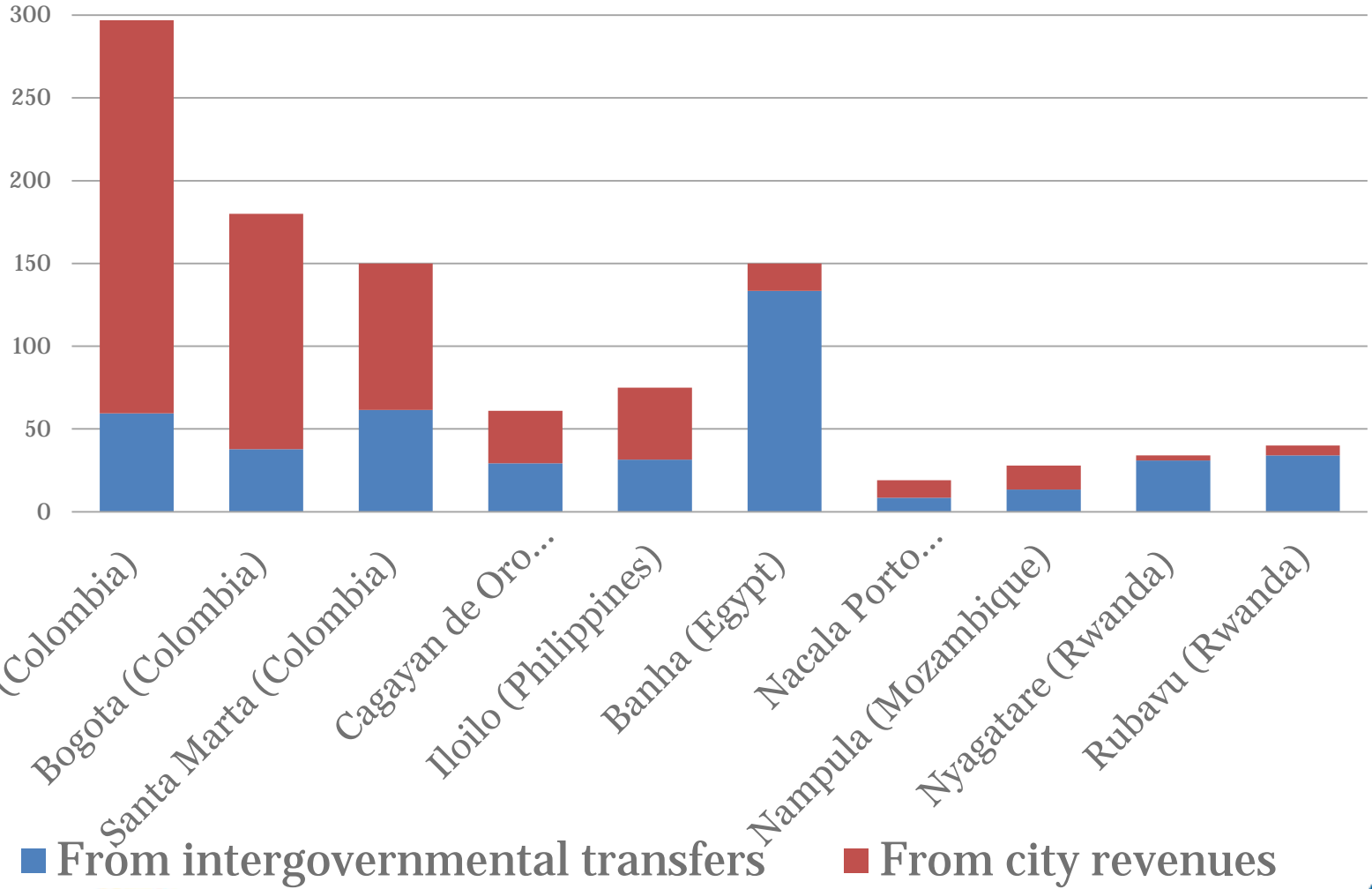
Light up and power Africa





African cities must also raise more local revenues

City expenditure in USD per capita



■ From intergovernmental transfers

■ From city revenues

What conditions make cities sustainable
and spur structural transformation?



National urban strategies have to be country specific

Principles

Participatory



Multi-sectoral



Place-based



Policy priorities

Urban land reform



Infrastructure



Intermediary cities



Multi-level Governance

Decentralisation



Capacity building



Transparency



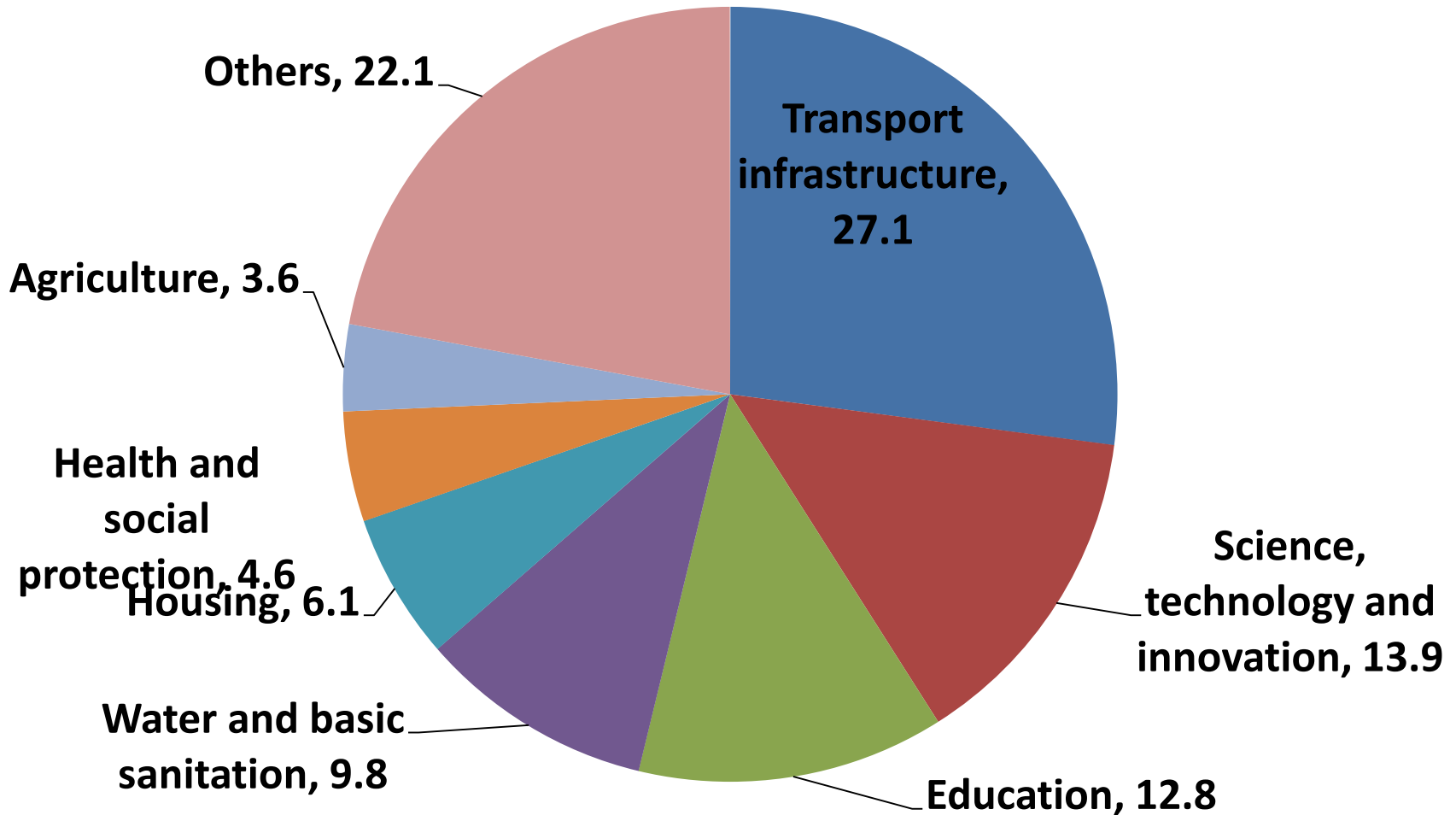
Empowered lives.
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Phasing out fossil fuel subsidies could free up investment in renewable energy

City	National pre-tax fossil-fuels subsidies (2015) USD billion	Net investment in renewable energy (2017 – 25) USD billion	People whose annual electricity consumption would be covered (annually)	Jobs created (2017 – 74)
Lusaka	2.1	2.4	3 774 481	55 838
Total (for 24 cities)	16	16	54 880 707	387 992

Colombia's royalty payments generated USD 5.2 billion in 3 months for regional development





*Empowered lives.
Resilient nations.*

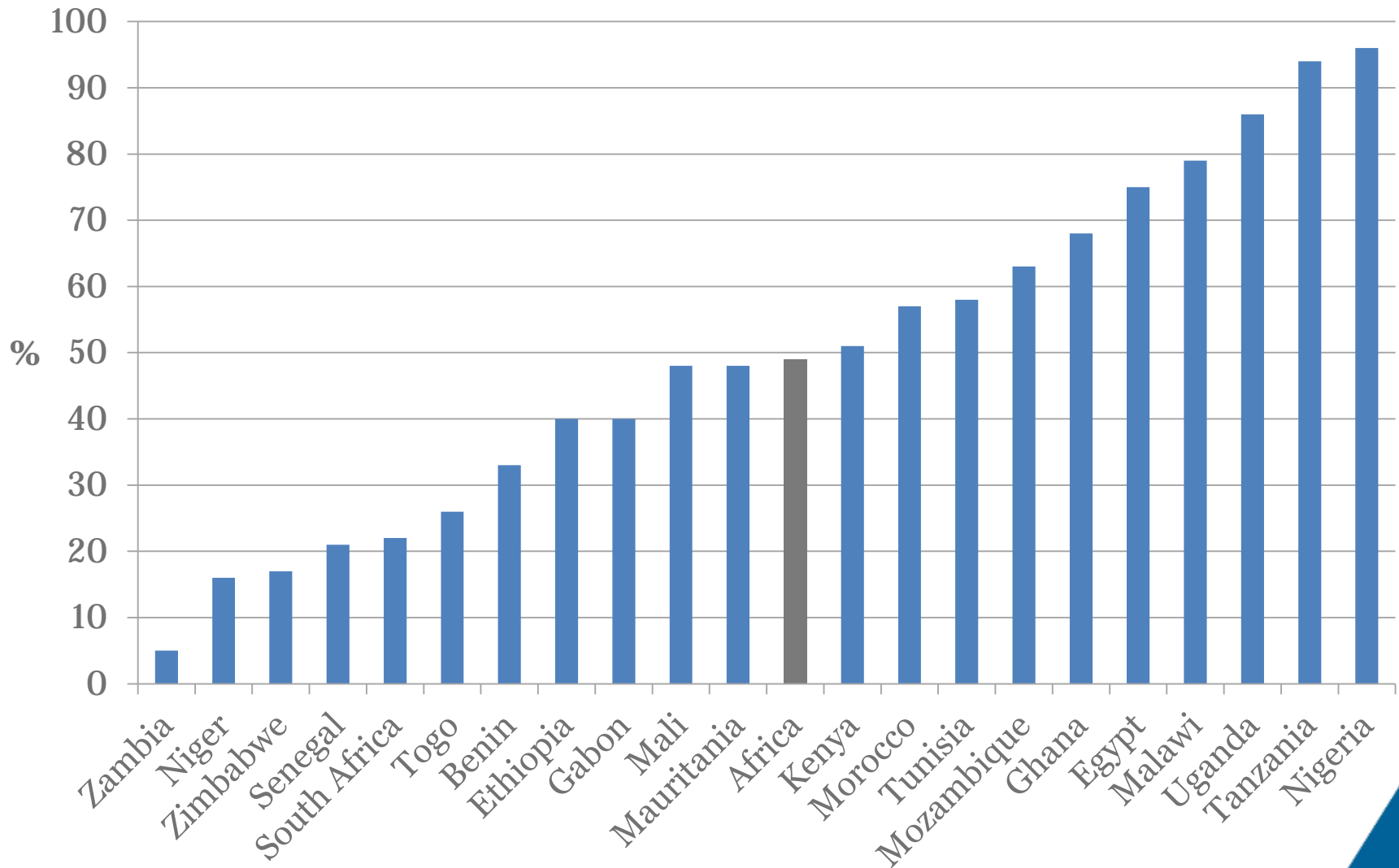
THANK YOU!

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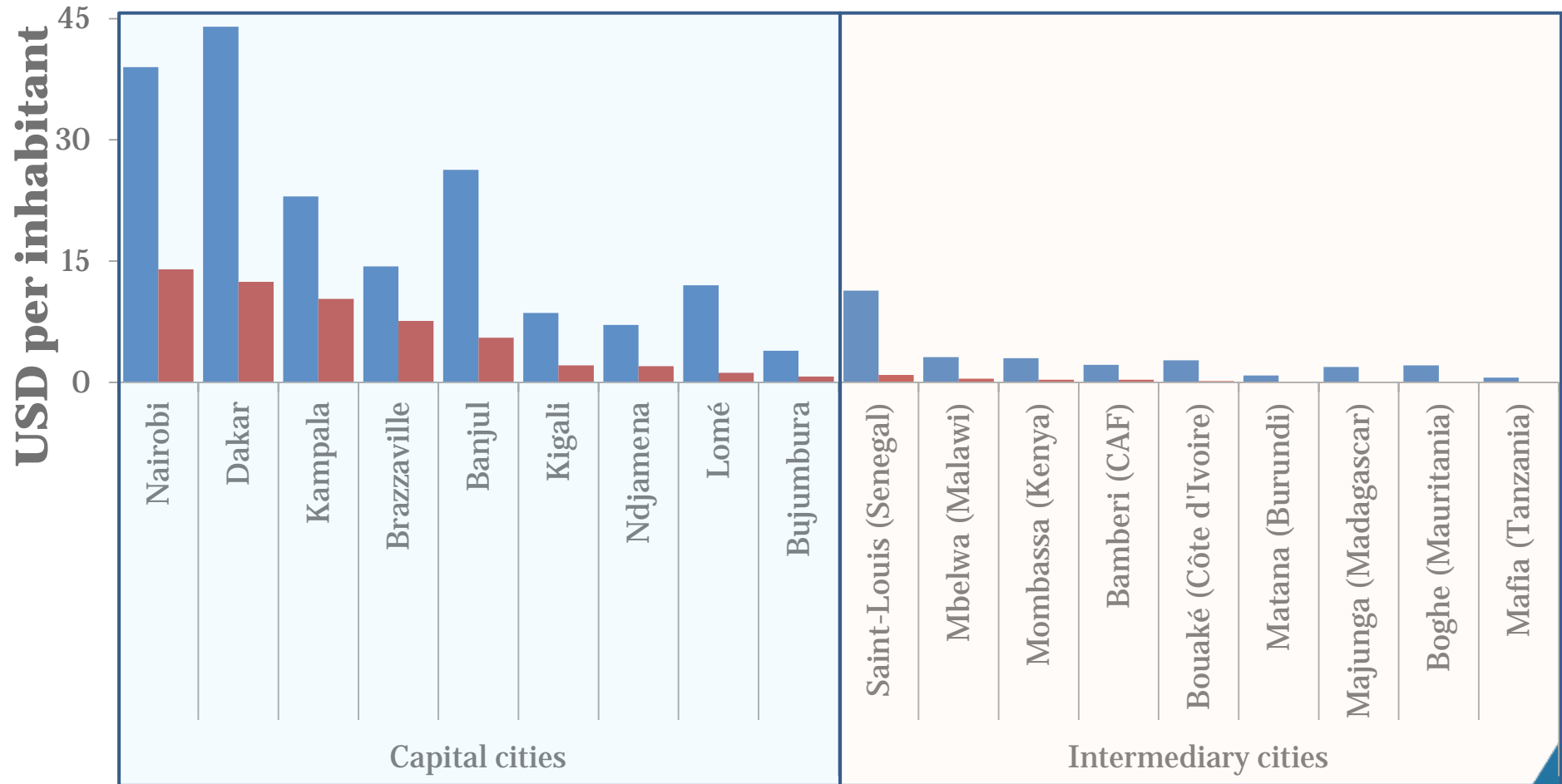


Central government transfers make up a significant share of local budgets





African cities are poor, towns even poorer

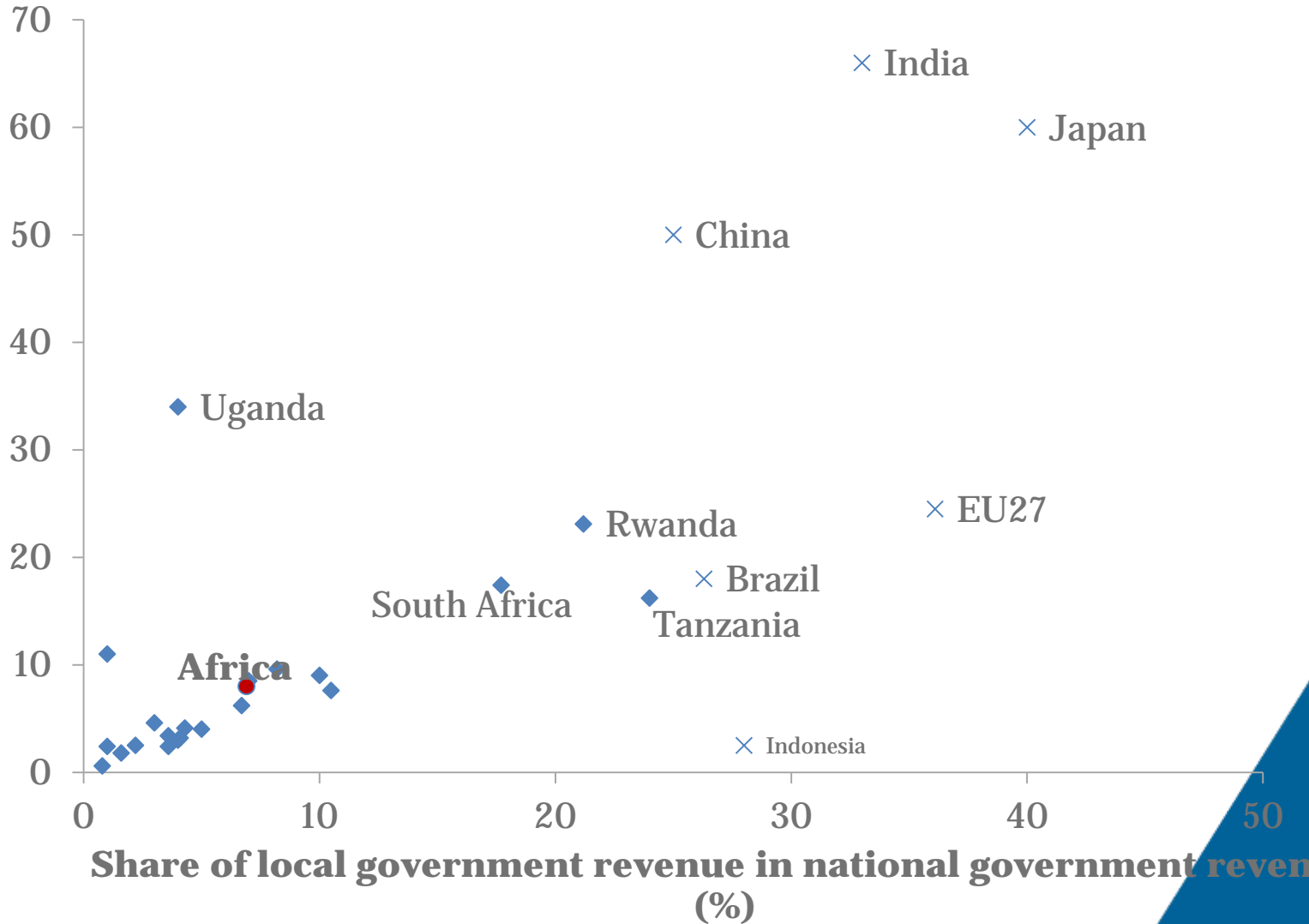


- Operating revenue (USD per inhabitant)
- Capital expenditure (USD per inhabitant)



Local governments make up:
7% of total revenue and
8% of expenditure

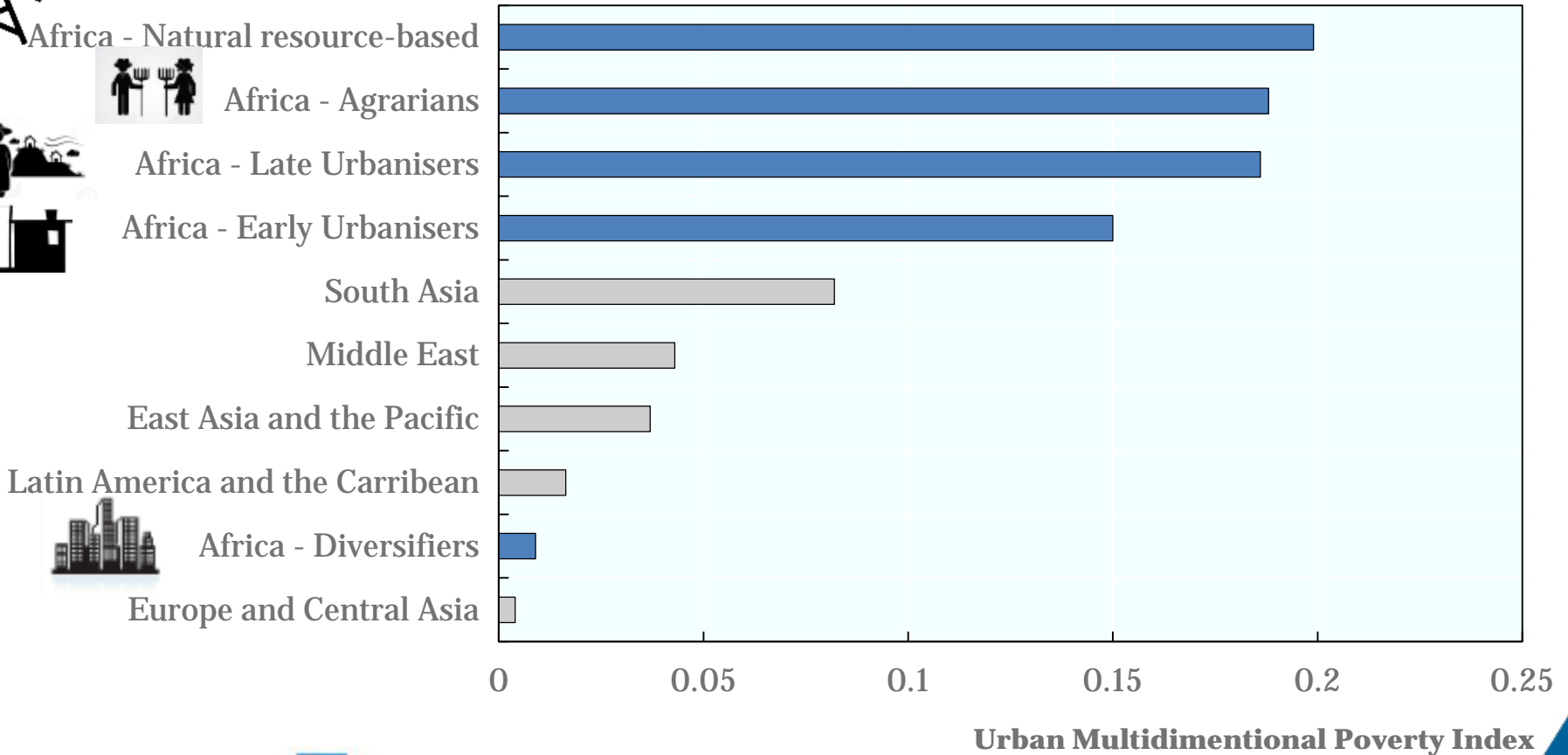
Share of local
government
expenditure in
national
government
expenditure (%)





“Slum urbanisation” prevails

Urban Multidimensional Poverty Index by world region and AEO 2016 typology group



Urban Multidimensional Poverty Index

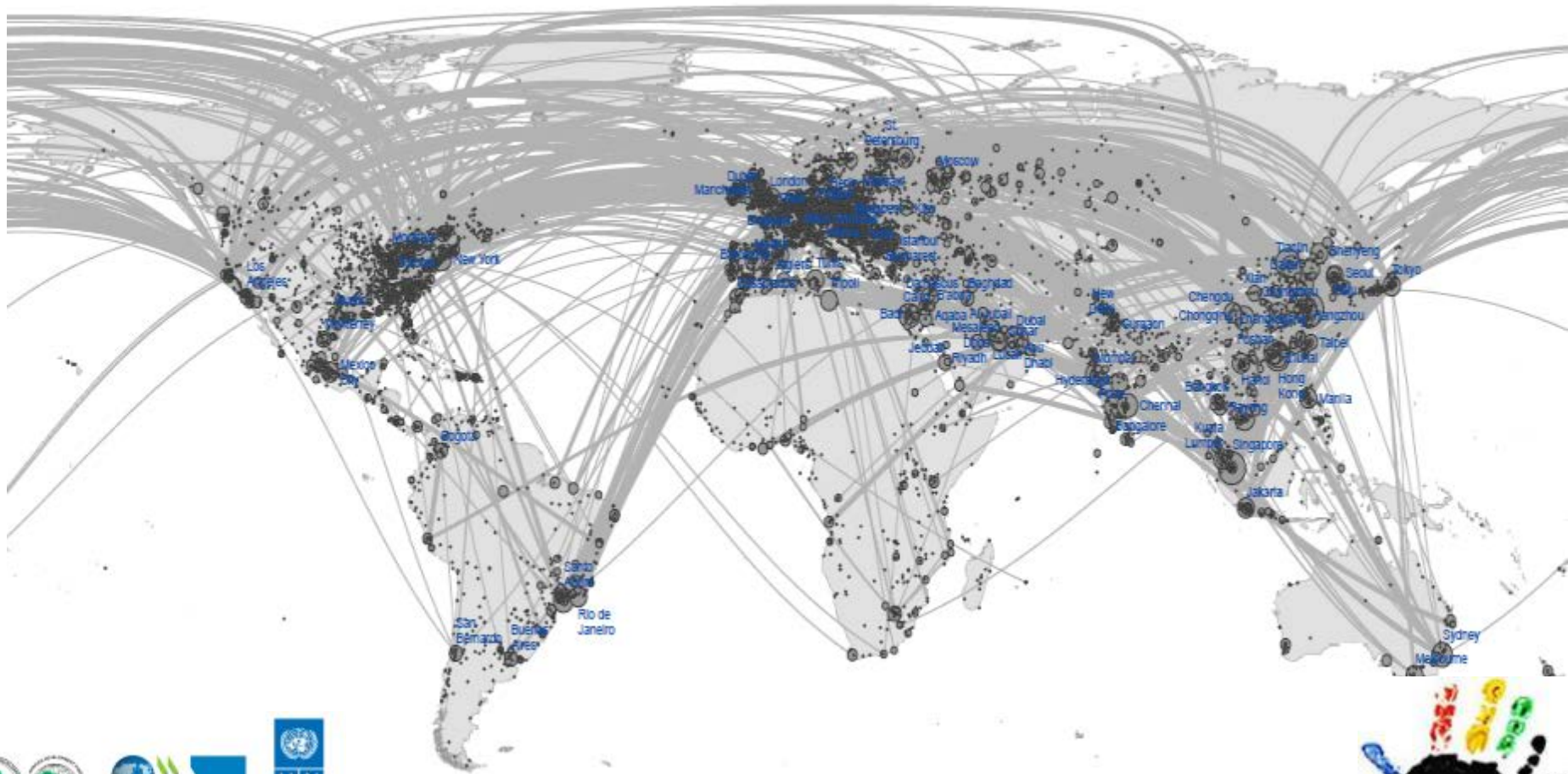


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African cities attract a small but growing share of global FDI

Global greenfield investments between cities, 2003-2014



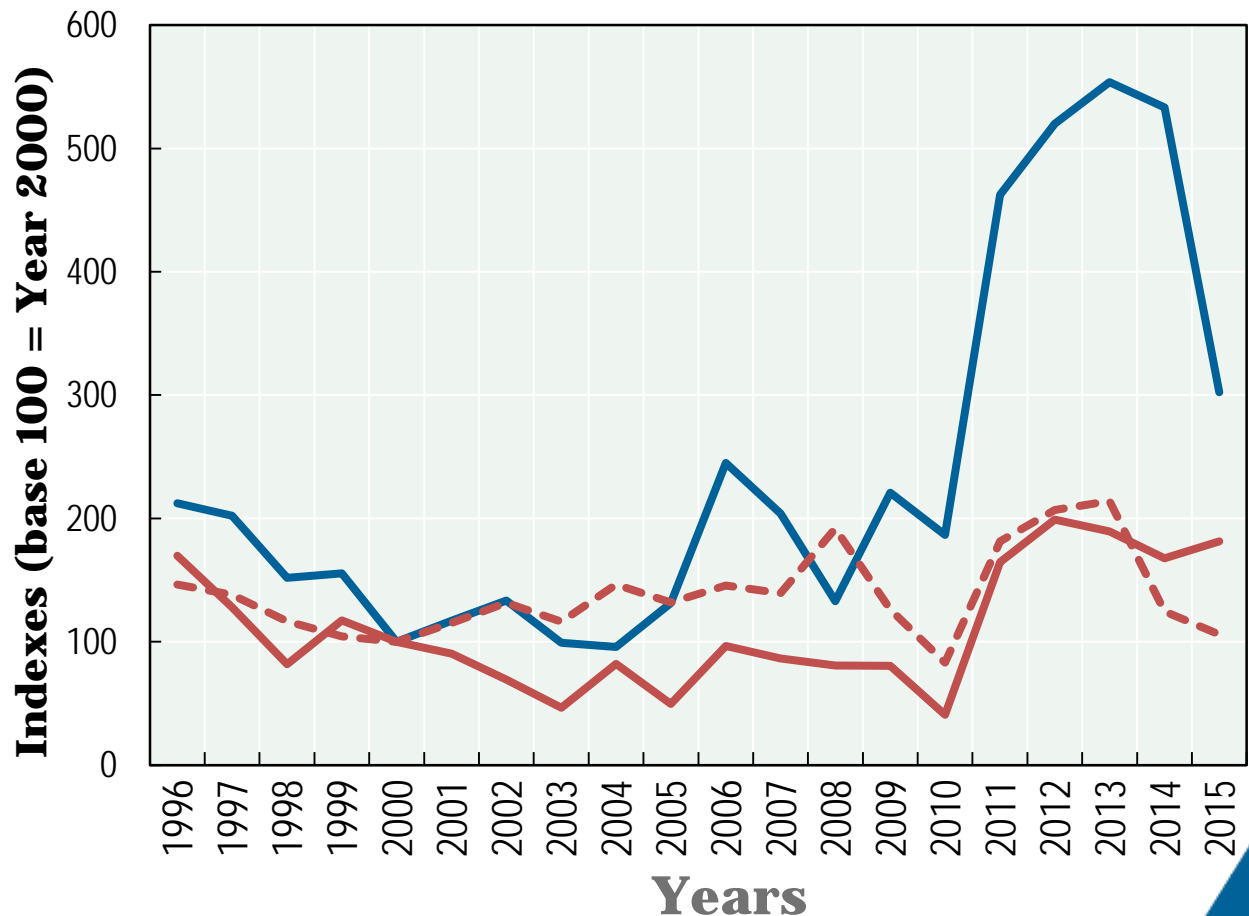
Industrialise Africa





Public protests dropped in 2015, while violence by non-state actors slightly increased

— Public protest — Civil violence - - - Political hardening



Easing of tensions in most African countries in 2015 after peaking tension in 2013

Unemployment and poor public services are the top drivers of public protests