

Modernising local economies important for Africa's future

With Africa's population set to triple by 2050, modernising local economies will be vital to make the continent more competitive and to increase people's living standards, according to the [African Economic Outlook 2015](#), released at the African Development Bank Group's 50th Annual Meetings.

Surpassing most regions in spite of the global financial crisis, African economies will grow by 4.5 per cent in 2015 and may reach 5 per cent in 2016, converging with Asia's current growth rates. However, lower oil and commodity prices, uncertain global conditions, the consequences of the Ebola outbreak in West Africa and domestic political uncertainties could delay an expected return to pre-2008 levels of growth.

Foreign direct investment (FDI) is forecasted to reach USD 73.5bn in 2015, underpinned by increasing greenfield investment from China - which remains Africa's largest trade partner after the European Union. The report also shows an increase in intra-African and outward FDI flows. South African companies are the leading investors on the continent.



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"African countries have shown considerable resilience in the face of global economic adversity. For future growth to be sustainable and transformative will require that its benefits are shared more equitably among the population and that governments continue to pursue policies that promote economic stability," stated Steve Kayizzi-Mugerwa, Acting Chief Economist and Vice-President of the African Development Bank.

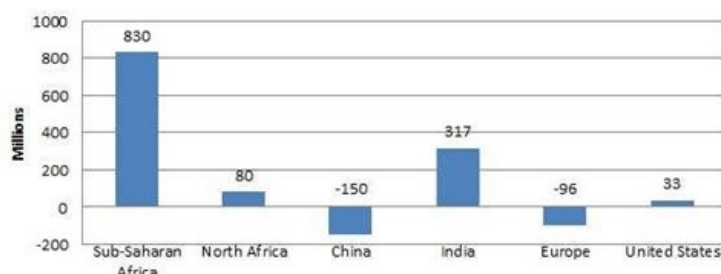
Human development levels in Africa have increased since 2000, with 17 out of 52 countries reaching mid or high levels of development. But the region's poverty rates remain stubbornly high while progress in health, education and income are uneven. Huge inequalities persist between and within countries, and between women and men. In many areas, low productivity and investment, the absence of infrastructure and rural-urban networks and too few jobs outside of the agricultural sector are holding back economic and development progress.

The continent's demographic boom is exacerbating these challenges. By 2050, both cities and rural communities in Africa will see their population grow drastically, with the countryside gaining an estimated 4 million people.

For instance, the report states that over the next 15 years, 370 million youth will enter sub-Saharan Africa's

labour markets, making it necessary to create many more jobs and opportunities for savings and investment. In addition, that population growth, combined with climate change, will exert increasing pressure on natural resources, such as food, water and land.

Projected workforce growth in sub-Saharan Africa, North Africa, China, India, Europe and the United States, 2010-50



Source: UNDESA (2012)

The report argues that past efforts to promote regional development through territorial management, infrastructure development and decentralisation have been scattered and had limited impact. As a result, the potential of Africa's regions, which includes river basins, border areas and key rural-urban corridors, remain unfulfilled.

"African economies could benefit from mobilising the wide and extraordinary untapped potential of their diverse regions. Putting people and places at the centre of policy-making may improve Africa's competitiveness and the well-being of Africans" said Mario Pezzini, Director of the OECD Development Centre.

Transforming economies will require exploring more productive sectors, through promoting manufacturing developing services, creating strategies for green growth or modernising the agricultural sector.

In addition, tackling spatial inequalities would require implementing policies that cut across sectors. These include diversifying rural economies and linking them with cities, through the promotion of value chains and trade corridors. They also include unlocking domestic financing, developing transport and communication and investing in basic social services.

"Inclusive and sustainable growth is a fundamental aspect of Africa's post-2015 development agenda for economic and social transformation," said Abdoulaye Mar Dieye, the Director of the Regional Bureau at the United Nations Development Programme (UNDP). "We need to invest in building economic opportunities, including at the local level. And especially those of young women and men who are the architects of tomorrow's Africa."

The report calls for strengthening skills and education, addressing exclusion through the development of targeted social protection measures, and promoting universal access to sustainable energy and technology.