SUB-SAHARAN AFRICA
REGIONAL ECONOMIC OUTLOOK

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FOREWORD

The updated Regional Economic Outlook for sub-Saharan Africa paints a mixed picture of economic outcomes in 2003 and projections for 2004. On the bright side, a significant number of countries continued to experience relatively strong growth in 2003, and the number is expected to increase this year. The better-performing countries achieved significant progress in improving governance and fighting corruption, establishing stable macroeconomic conditions, raising domestic savings and investment, and attracting increased external capital flows. This combination has improved the countries' prospects for approaching or attaining the Millennium Development Goals (MDGs).

For the majority of countries in the region, however, reasonable and sustained growth rates remain elusive, and the latest global estimates on poverty cited in this *Outlook* indicate that nearly one-half of the population lives below the poverty line. This situation will undoubtedly be further complicated by the impact of the HIV/AIDS pandemic across the continent, adding to the cumulative effects of disease and inadequate nutrition and water supply on the continent's human capital. As well, conflicts continue to undermine progress in a number of countries.

Against this background, recent developments provide a basis for optimism. Many countries have strengthened their macroeconomic frameworks, bringing down their inflation rates to low levels and reducing fiscal deficits. The UNDP's human development index has increased in recent years for the three-fifths of the countries for which data are available. And national frameworks for development management have been strengthened, notably through the participatory PRSPs, while regional political economy initiatives, including the New Partnership for African Development (NEPAD) and the establishment of the African Union, have provided the needed basis for encouraging better governance and continental and international cooperation.

Africa's central challenge remains one of markedly accelerating growth above the recent trend level, while strengthening institutions and enhancing poverty reduction efforts. As a starting point, the lessons from the successes achieved so far in the faster-growing countries of the region need to be applied more broadly in the other countries, in the context of strengthened national and regional frameworks. The enormous development challenges also call for more decisive support from the international community. The Monterrey consensus, the G-8 Africa Action Plan, and related initiatives provide a helpful basis for forging ahead. These need to be translated into timely actions for substantial increases in aid flows and debt relief—as well as in market access for Africa's exports—if the economic growth and poverty reduction objectives are to be achieved. Such actions would hopefully be accompanied by enhanced private capital flows.

It is our wish that the analysis in the *Regional Economic Outlook* can contribute to the policy dialogue and the shaping of responses necessary to address Africa's pressing development challenges.

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I. Overview and Background[1]

External environment

The global economic environment continued to provide little stimulus for SSA in 2003.[2] While world economic growth increased from 3 percent in 2002 to 3.8 percent last year, world import demand did not keep pace and expanded by only 3.2 percent in the advanced economies, where most SSA exports are marketed. In addition, the external terms of trade for the region as a whole were largely unchanged, improving by about 2 percent for the oil exporters and declining by a similar amount for the non-oil economies. Some non-oil exporters received a boost to their terms of trade from stronger commodity prices, especially cotton (up 37 percent), groundnuts (up 30 percent), and robusta coffee (up 25 percent). However, despite these price increases, most key commodity prices remain very low relative to historical averages. On the positive side, world inflation remained low, helping contain inflation in SSA countries with exchange rate pegs. In addition, lower world interest rates kept domestic interest rates in SSA lower than would otherwise have been.

The external environment is expected to provide a modest boost to growth in Africa in 2004. World economic growth is forecast to rise to 4.6 percent and world demand for imports is projected to increase by 5.4 percent. World oil prices are projected to rise by 4 percent (in U.S. dollar terms), while manufactures and nonfuel commodity prices are forecast to rise by about 7½ percent. Against this background, the terms of trade for SSA as a whole is projected to increase by less than 1 percent.

Economic developments and outlook

Average real GDP growth in sub-Saharan Africa (SSA) countries slowed to 2.8 percent in 2003, down from 3.4 percent in the previous year. This slowdown occurred despite the uptick in world economic growth and world trade. Slower economic growth was fairly widespread outside the oil economies,[3] and, with the region's population expanding at about 3 percent a year, real per capita GDP was stagnant overall. While the agricultural sectors of as many as ten countries were adversely affected

[1] The main source of data for the Regional Economic Outlook is the African Department WEO/WETA data base as of February 10, 2004. The data base excludes Eritrea and Liberia, for which comprehensive data are not available.

[2] For the purpose of the Regional Economic Outlook, the term Sub-Saharan Africa refers to the 44 countries covered by the IMF's African Department, It excludes Mauritania, Djibouti, Somalia and Sudan, which are covered by the IMF's Middle East and Central Asia Department.

[3] The oil economies are Angola, Cameroon, Chad, Congo, Equatorial Guinea, Gabon, and Nigeria. São Tomé and Principe does not yet produce oil, but oil-related revenues are being generated from the sale of exploration and development concessions.

by drought in 2003, others rebounded from the adverse weather of 2002, and agricultural performance does not appear to explain the widespread slowdown in growth. Instead, preliminary data indicate that slower growth stemmed, primarily, from declining growth rates in industry and services. Nonetheless, some economies (notably some oil producers and most of the HIPC Initiative completion point countries)[4] continued to grow at rates of 5 percent or more and could be on their way to realizing the income-based poverty targets set forth in the Millennium Development Goals (MDGs).

Real GDP growth is expected to pick up to 4.2 percent in 2004, the highest rate since 1996. This positive outlook rests on some key assumptions, such as favorable weather, the resolution or amelioration of conflicts, the full implementation of policies set forth in governments' economic programs (most of which are being supported by the Fund's Poverty Reduction and Growth Facility (PRGF)), and increases in total factor productivity. There are risks that some of these assumptions may not hold. Nonetheless, economic growth of this magnitude has been experienced before and is in line with the expected increase in growth in the rest of the world.

Inflation remained at bay in most SSA countries in 2003. Inflation rates were 10 percent or lower in nearly three-fourths of the countries in the region. While the average inflation rate for the region as a whole increased by 1 percentage point to 13.3 percent, this largely reflected rapidly rising inflation in Zimbabwe. Excluding countries with a history of exceptionally high inflation rates (Angola, the Democratic Republic of Congo (DRC), and Zimbabwe), inflation averaged just under 7 percent in 2003, as it has for the past five years. The success in containing inflation reflects lower world inflation (for countries with pegged exchange rates – notably the members of the CFA franc zone) and prudent financial policies (in those countries with flexible exchange rates).

External current account deficits generally contracted among the oil-producing countries and expanded for the other countries in the region. External balances were not much affected by the terms of trade, which increased only moderately for the oil exporting countries and deteriorated slightly for the others. Official and private capital and financial flows were sufficient to cover the current account deficits of most of the countries in the region, and most central banks have adequate levels of international reserves. External debt burdens, while still heavy in many countries, are easing.

Fund involvement in SSA

The Fund remained substantially engaged in SSA in 2003, and Fund net lending to SSA increased for the second consecutive year. A total of 26 countries had PRGF-supported programs at some

[4] The six countries to have reached the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative are Benin, Burkina Faso, Mali, Mozambique, Tanzania, and Uganda.

point during the year[5], most of which remained on track, in the sense that at least one disbursement was made during the year. The exceptions were Côte d'Ivoire, Kenya, The Gambia, Guinea, Guinea-Bissau, São Tomé and Príncipe, and Zambia. Kenya, whose 2000 PRGF-supported program quickly went off track, succeeded in obtaining a new one in November 2003. The programs for Chad, Guinea-Bissau, Mali, Mozambique, SãoTomé and Príncipe, and Zambia expired.[6] Ex post program evaluations (in the context of prolonged use of Fund resources) were discussed by the Board for Mali, Mozambique, and Tanzania. A low-access successor PRGF arrangement was approved for Tanzania in August, and similar arrangements are being considered for the other two countries. An ex post evaluation of Chad's program is under way.

The Fund continued to be heavily involved in helping SSA countries progress toward their completion points under the Heavily Indebted Poor Countries (HIPC) Initiative. Benin and Mali reached their completion points in March 2003.[7] In addition, the DRC reached its decision point under the HIPC Initiative in July. Twenty-three SSA countries have now done so. The Fund provided about SDR 101 million in HIPC Initiative debt relief to the region in 2003, bringing total Fund assistance to SSA under the initiative to about SDR 926 million (US$1.3 billion). Three countries (Ethiopia, Niger, and Senegal) are expected to reach the completion point under the HIPC Initiative in April 2004. Another five (Chad, Cameroon, Ghana, Madagascar, and Malawi) could reach the completion point during 2004 if their PRGF-supported programs remain on track and the completion point conditions are met. Another nine countries may require HIPC Initiative relief but have not yet reached the decision point, owing to arrears and/or domestic conflict.

The Fund is reexamining its role in low-income countries (LICs), so as to better assist countries design and implement policies to achieve the MDGs. This effort includes the alignment of PRGF-supported programs, notably the underlying macroeconomic frameworks and policies, with the objectives of countries' poverty reduction strategy papers (PRSPs) and national budgets. The Fund will continue to work with countries to design appropriate financing packages, focusing on obtaining official grants to the maximum extent possible, to ensure that achieving the MDGs does not undermine macroeconomic or external debt sustainability.

[5] Some programs expired during the year, and others were approved. Twenty-one SSA countries had programs at the beginning of 2003 and 22 had programs at the end.

[6] Chad's program formally expired on January 4, 2004 after a one-month extension. It expired without completion of the final review.

[7] Mali reached its completion point under the original HIPC Initiative in September 2000.

Political developments

Political liberalization and multiparty elections are increasingly becoming the norm in the African political landscape. This political evolution is facilitating a general strengthening of transparency, accountability, good governance, program ownership, and civil society participation in PRSPs. In Kenya, after 40 years of single-party rule, opposition members came to power in 2003 in an election that was deemed to be free and fair. Nigeria also made its first civilian-led transition of power since independence, and Rwanda held its first presidential election since 1994. In 2004, Botswana, Ghana, Malawi, Mozambique, Namibia, and South Africa are scheduled to hold presidential elections.

Some countries, however, continue to experience substantial political problems. There were coups in the Central African Republic (C.A.R.), Guinea-Bissau, and São Tomé and Príncipe, and the elections in Guinea and Togo were controversial. In addition, political liberalization has stalled or is proceeding slowly in Eritrea, Equatorial Guinea, Swaziland, and Zimbabwe. In a break with its predecessor, the Organization of African Unity (OAU), the African Union (AU) is being proactive in promoting democratic institutions in the region (Box 1).

Conflict management and resolution

Conflict continues to be a major cause of slow economic growth in Africa, but important progress in resolving conflicts was made in 2003, owing, in part, to the vigorous mediation efforts of African leaders (Box 2). In the DRC, the peace accord and the formation of an interim government in June 2003 were followed by negotiations on power sharing, signaling the end of the five-year war. In Liberia, continued mediation efforts by African countries, supported by the UN and an African-led peacekeeping force, led to the swearing in of a two-year transitional civilian government. In Rwanda, voters supported a draft constitution designed to prevent genocide. In Burundi, the midterm presidential rotation occurred as scheduled in April, in the context of the power-sharing arrangement agreed under the 2000 Arusha accord. In addition, the government concluded peace negotiations in January 2004 with the last of the rebel factions, establishing the basis for a lasting peace.[8] In Côte d'Ivoire, the fragile peace has been holding up, and there are signs that a national reconciliation could be realized in 2004.

Drought and famine

Parts of the region have suffered from severe drought during the past two years. While many countries are rebounding from the drought of 2002, poor weather extended into 2003 in some regions, adversely affecting agricultural production in at least ten countries, with adverse consequences for food security and economic growth. Particularly hard hit in 2003 were Ethiopia, Eritrea, and Rwanda, and, to a lesser extent, Tanzania and Uganda. The rains of late 2003 were

[8]The Fund Board approved the Burundi government's request for a three-year arrangement under the PRGF on January 23, 2004.

Box 1. From OAU to AU: A Political Economy Approach

In July 2002, the Organization of African Unity (OAU) was replaced by the African Union (AU) after 39 years in existence. Considering that the AU would be facing similar politico-economic and social challenges, one may ask: why did the OAU fail to accomplish what the AU promises to achieve?

The OAU in Brief

The OAU was instrumental in promoting Pan-Africanism and achieving sovereignty for the remaining colonized African countries. The overall mission was perhaps accomplished when the apartheid regime in South Africa was abolished in the early 1990s (South Africa became the last and 53rd member of the OAU in 1994, compared to 32 founding members in 1963.)

During the cold war period, the OAU managed to maintain diplomatic unity among its member states and prevented the continent from falling in two opposing camps. However, as economic mismanagement, poor governance, and conflicts stifled many African economies, it became increasingly evident that the OAU did not have the mandate to implement the required political and economic reforms. This was signified by the constitutive acts of the OAU emphasizing the sovereignty of states and non-interference in the internal affairs of other member countries. Consequently, the OAU could only play a very limited role in safeguarding political stability and promoting good governance. Economic initiatives and strategies, such as the Lagos Plan of Action (1980) and the Abuja Treaty (1991) which established the African Economic Community, did not decisively help African countries cope with the rising economic challenges.

The African Union

As a new organization, the AU therefore saw its chief mandate as one of building on the gains made by the OAU to promote democracy and good governance, and to foster stronger economic growth. Roughly following the EU model, the AU aimed at eventually establishing an African common market and economic and political union. To complement these efforts, the New Partnership for Africa's Development (NEPAD) was put into effect specifically to promote good political and economic governance, and to enhance productive links with Africa's development partners. In order to create consensus within the AU leadership, in 2003 at the AU summit in Maputo, it was agreed that the NEPAD initiative would be managed within the AU structures.

Unlike the OAU's policy of non-interference, the AU, indirectly through the African Peer Review Mechanism (APRM), will have the mandate to promote the observance of the Declaration on Democracy, Political, Economic and Corporate Governance (of NEPAD), and to intervene where conflicts arise. By endorsing the APRM, participating member states will voluntarily agree to be monitored to ensure compliance with the established guidelines. So far, 17 countries have signed up for the review process. At the first African Peer Review Forum in Kigali, in February 2004, Ghana, Kenya, Mauritius and Rwanda agreed to be the first group of countries to be reviewed under the APRM. The AU also intends to involve in these efforts the NGOs, unions, and the civil society to gain credibility and thus secure the broad ownership of the reforms.

While NEPAD emphasizes African ownership of the NEPAD Action Plan, it also calls on Africa's development partners to support the plan by providing further development assistance and debt relief, coupled with the provision of better market access for Africa's exports. In response to these efforts, the G8 leaders adopted, in June 2002, the Africa Action Plan that promises support for African countries "whose performance reflects the NEPAD commitments." Furthermore, IFIs and other aid agencies have also applauded the NEPAD initiative and have committed themselves to assisting Africa through increased funding and policy advice. The AU has helped foster new enthusiasm for the NEPAD Action Plan that above all aims at strengthening the continent's capacity to tackle the various impediments standing in the way of faster development.

Note: The main author of this box is Behrouz Guerami

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More information at: http://www.africa-union.org

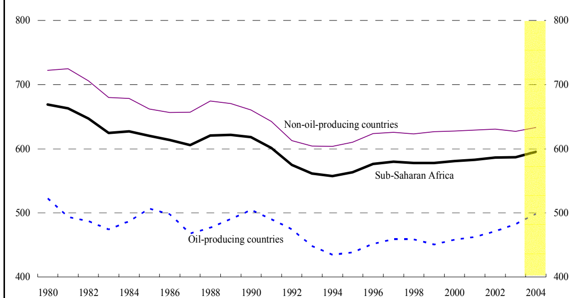
favorable in many countries, but there are preliminary indications that some southern African countries could be in for another year of poor harvests in 2004.

The recurrent nature of drought in SSA has led AFR staff to take a new look at how to incorporate crisis prevention and response into the design of PRGF-supported economic programs. In Ethiopia, financial targets set under its PRGF-supported program (notably, domestic financing of the fiscal deficit) were eased in 2003 to accommodate a higher level of government spending on food security. The AFR staff continues to look for other effective means to help prevent and manage food crises (Box 3).

Poverty trends and the PRSP process

Recent data reinforce the enormity of the challenge to reduce mass poverty in SSA, and progress has been mixed during the past decade. According to the2003 *Human Development Report* of the United Nations Development Program (UNDP), the share of the SSA population living on less than a dollar a day increased from 47.4 percent in 1990 to 49.0 percent in 1999. The absolute number of people living on less than a dollar a day increased by 25 percent to 315 million. Of the 175 countries for which the UN compiles its human development index (HDI), Seychelles and Mauritius are the only SSA countries in the top 100, and SSA countries occupy the bottom 21 ranks.[9] HDIs have fallen for 14 SSA countries (accounting for 36 percent of the regional population) since 1995, by as much as 12.5 percent in the case of Zimbabwe. Life expectancy fell for half of the countries in the region (with the greatest relative declines occurring in Botswana, Zimbabwe, and South Africa), reflecting the impact of HIV/AIDS.

Figure 1. Real Per Capita GDP, 1980-2004[1]
(In U.S. dollars, at 1990 prices, using 1990 exchange rates)



[1] Shaded area indicates projections.

There are reasons for some optimism, however. The first half of the 1990s was a period of economic contraction for the region as a whole. Since 1994, real per capita GDP has been increasing by about 1 percent per year. In addition, the UNDP human development index increased in the second half of the 1990s in 21 of the 35 countries for which data are available, accounting for 57 percent of the SSA population. The greatest relative increase was realized in Rwanda, with notable improvements in Uganda and Ethiopia as well. Finally, as noted below, a significant number of countries have sustained real economic growth rates of 5 percent or more for the past ten years and could be

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[9] Seychelles and Mauritius are ranked 36 and 62, respectively. The next-highest-ranked SSA country is Cape Verde, at 103. The components of the HDI are life (continued)

expectancy, adult literacy, school enrollment, and per capita income.

Box 2. The Challenge of Post-Conflict Reconstruction in Sub-Saharan Africa

Civil war is 'development in reverse'

Perhaps, one of the greatest obstacles to economic growth and sustainable development in sub-Saharan Africa is the high incidence of civil war. When poverty is associated with the extreme collapse of law and order, as in the case of civil wars, these two forms of development failures become self-reinforcing and produce the most dangerous development trap. Sadly, this has been a key feature of the growth experience of sub-Saharan African countries in recent times. According to the Stockholm International Peace Research Institute (SIPRI) Yearbook (2000), out of the 27 active armed conflicts that occurred in the world in 1999, about 41 percent were civil wars taking place in sub-Saharan Africa. In the Great Lakes region, almost all the countries have experienced some periods of violent conflict, including Burundi, Rwanda, and the many countries embroiled in the conflict in the Democratic Republic of Congo. The effects of civil wars on economic growth and development can hardly be overemphasized. At the macroeconomic level, civil wars reduce savings and divert resources from domestic investment. Civil wars also destroy human and non-human capital and distort the decision making process by economic agents. Civil wars are 'development in reverse'.

Explaining the risk of conflict in Sub-Saharan Africa

A number of factors have been identified as relevant in explaining armed conflict in sub-Saharan Africa (SSA). These factors include the nature of the African states after independence, external intervention in the internal affairs of African countries, human rights abuses by African governments, and ethnic and religious grievances. The economic theory of civil war [Grossman, 1999; Collier and Hoffler, 2002], however, sees civil wars in Africa as being caused by poor growth, poverty, and the abundance of natural resources. In their analysis of the causes of civil wars, Collier and Hoffler [2002] identify economic opportunities as more important than grievances in fuelling armed conflict. Yartey [2003] extends the Collier –Hoffler (CH) analysis by applying the CH model to SSA and introducing measures of institutional quality. The results show that the difficulties faced by many African countries in developing strong institutions are crucial causal factor in most civil wars. The results further show that:

- Africa's high levels of poverty and low rates of growth have been crucial causal factors in most of its civil wars.
- The abundance of natural resources in Africa is associated with the high risk of civil war because they offer rebels an opportunity to finance themselves.
- Civil wars in Africa are more likely in countries with large populations.
- Peace duration is an important factor explaining the risk of civil war in sub-Saharan Africa. The longer we are able to prolong the peace, the lower is the risk of further conflicts.
- Social fractionalization is negatively associated with the risk of conflict, implying that Africa's ethnic diversity, in principle, should promote peace.

These results are in general agreement with most empirical results on the causes of civil wars.

Reducing the risk of renewed conflict

According to Bigombe et al [2000] civil wars always end but they usually restart. In sub-Saharan Africa, about 50 percent of peace restorations have lasted less than ten years. For post-conflict countries, the optimal strategy should be to prevent new war. The longer the duration of the peace period, the lower the risk of further conflict. It is important to emphasize that the end of a conflict does not necessarily imply that problems are solved. Post conflict countries will have to go through periods of post-conflict reconstruction. In addition, the risk of conflict is likely to be higher in post-conflict countries because the conflict is likely to have caused some growth indicators, like per capita income, to deteriorate. It has been estimated that, during a war period, the per capita growth rate of a country is reduced by 2.2 percentage points. Therefore, in post-conflict countries, the main priority should be to support the peace agreements that exist and to prevent past tensions from reoccurring. Post-conflict economic policies should focus on social reconciliation and reconstruction and tackle macroeconomic imbalances. The fact is that post-conflict countries take a long time to rebuild their institutions. In this regard, assistance to post-conflict countries in the form of debt relief initiatives and budgetary support would speed up reconstruction.

Possible Avenues for Conflict Prevention

Reducing primary commodity dependence could help prevent civil wars. In the medium term, African governments should take positive steps to diversify their economies. Collier identifies three factors that promote diversification: growth, aid, and policy. The development of good economic policies is paramount. It is important to emphasize that economic growth alone is not sufficient for conflict prevention and peace building. Growth must be combined with policies that deliberately attack poverty and promote education and health. This requires, at the minimum, an appropriate balance between short-term stabilisation and adjustment measures, and longer-term considerations, including capacity building, institutional development and human resources development. An important approach to conflict prevention is the development of good quality institutions. The evidence that good quality institutions become very effective when a country reaches middle-income level provides strong support for this policy option.

Note: The main author of this box is Charles Amo Yartey.

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making substantial progress in reducing income-based poverty.

In 2003, the Boards of the Fund and Bank endorsed the PRSPs of 5 SSA countries—Benin, Cameroon, Chad, Ghana, and Madagascar—bringing to 18 the total number of countries with Fund/Bank-endorsed PRSPs. The Boards also endorsed the interim PRSP for the DRC (bringing the total to 28). There are still 16 countries that have not had PRSPs or interim PRSPs approved by the two institutions, but many of these are well advanced in developing their poverty reduction strategies.

HIV/AIDS

SSA remains by far the region worst affected by HIV/AIDS in the world, according to the Joint United Nations Program on HIV/AIDS (UNAIDS) and World Health Organization (WHO).[10] An estimated 26.6 million people, 3.8 percent of the population, were living with HIV in 2003, including 3.2 million persons newly infected.[11] An estimated 2.3 million persons died from AIDS in 2003.

The prevalence of HIV varies considerably, ranging from 1-2 percent of the population in The Gambia, Mali, and Niger, to about 40 percent in Botswana and Swaziland. The latter two countries have seen their population growth rates approach zero, and current projections for Botswana see its population shrinking in the coming years. In South Africa, where an estimated 10-12 percent of the population is living with HIV, UNAIDS/WHO estimates that death rates will continue to rise over the next five years. There is some evidence that HIV prevalence is leveling off across much of SSA, albeit at very high rates of infection. However, this "stabilization" largely reflects the combination of high AIDS mortality rates and HIV incidence. Some countries (such as Senegal, Niger, and Mali) have been highly successful in keeping the rate of HIV/AIDS from rising, but only Uganda has demonstrably succeeded in reducing rates of infection. UNAIDS reports that few countries have national orphan policies in place, or any programs for the prevention of mother-to-child transmission, a fact that will have long-lasting implications for social cohesion, health care costs, and economic growth.

International trade—The Doha Round

The countries of SSA undertook significant trade liberalization in the 1990s (Box 4). More often than not, liberalization took place in the context of Fund-supported programs. Still, export growth in SSA has been less than robust, reflecting both the need for additional trade reform in the region and, importantly, the need for trade reform in the advanced economies.

The Doha Ministerial Declaration of November 2001 held out the promise of fundamental and far-reaching changes in international trade practices that

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[10] UNAIDS/WHO, Aids Epidemic Update, December 2003.

[11] This figure is lower than the one reported in the previous SSA Regional Outlook. This is due primarily to the downward revision in the incidence of HIV in Zimbabwe.

Box 3: The Persistent Problem of Drought and Famine in Africa

Background: Famines have been endemic in African since the late 1960s. They have been triggered by a combination of factors including: natural damage (drought, flood); economic vulnerability (poverty, fragmented markets); and political failure (war, government policies, and inadequate international response). Droughts can affect macroeconomic stability, undermine growth, and increase poverty. The prevalence of HIV/AIDS in Africa is changing the nature of famine by decreasing agricultural productivity, increasing people's vulnerability to shocks, and threatening social stability.

Impacts: Drought exacerbates income and asset inequality. There is often a huge destruction of assets, the death of cattle in particular. This leads to years of suppressed consumption while stocks are rebuilt. Distress sales of assets (jewelry, animals and land) leads to long-term household insecurity. Social support systems disintegrate. Families become divided in search of work or support and children may be sold. The deepening recession in the rural economy affects production and exchange, employment, and income of non-farm households as well. Landless farmers, craftsmen, and traders experience shrinking demand for their work, goods, and services, while grain prices rise. Pastoralists and fishermen are vulnerable as they rely on the exchange of meat and seafood to obtain cheaper grain calories. In the dynamics leading to famine, the terms of trade turn sharply against producers of animal products. In **Ethiopia's** famine of 1972-74, the caloric terms of trade declined by 85% against animal products in some areas. By contrast, local producers of grain and grain merchants unaffected by drought may be net beneficiaries.

Crisis prevention and response: Key prevention measures include management of food stocks; the buildup of international reserves; contingent expenditure provisions in the national budget; creation of safety nets; and supporting asset markets to promote private savings. A better understanding of how drought and famine affect short- as well as long-term growth is also required. For example, impacts may be just short-term if only crops are affected. However, if cattle die, there will be long-term impacts. Irregular periods of drought are inevitable and economic projections should consider this. An increased focus on structural reforms and governance would help reduce vulnerability to drought and famine. Moreover, government spending should be reviewed to ensure that drought mitigation investments are protected. In **Malawi,** in 2001, there was a major shortfall of maize production due to irregular weather, a scaling back of a starter pack program of free seeds and fertilizers, and a failure of the Early Warning System (EWS) to indicate a food shortfall. In response, the government established a food security policy with the assistance of civil society organizations and the international community. The policy is based on four pillars: an EWS to monitor the food situation and indicate shortages in advance; a physical buffer stock of maize; sufficient international reserves at the central bank to finance imports; and social safety net programs to meet food needs of the poor.

Crisis responses generally fall into two categories. In those instances where incomes have not been too adversely affected, but where the market has failed to supply food (e.g. to urban workers), the government may acquire food from surplus regions (by buying it from international markets or from local regions unaffected by the drought) and sell it to those who can afford it. This type of intervention addresses a local market failure and is self financing. Some governments receive grant food aid from international donors to resell to local markets and to use the proceeds to fund government food security projects. In the second instance, where people may have no income or assets (e.g. farmers in the drought affected region), the government may provide food free. If the food is supplied by international food aid, there are no direct fiscal or balance of payments impacts (though it can result in a decline in food prices for local farmers in areas unaffected by the drought). However, if the government buys food, or draws down existing food stocks, and gives it away, there will be implications for the budget and the balance of payments. Thus, Fund-supported economic programs in SSA need to be sufficiently flexible to enable governments to respond to these crises, and help prevent future crises, while still ensuring that macroeconomic stability is not undermined. In the case of **Ethiopia**'s PRGF-supported economic program, the Fund agreed to raise the implicit ceiling on the fiscal deficit to allow the government to undertake necessary humanitarian and food security operations.

Domestic policy implications: Widespread hunger is primarily related to poverty and disempowerment, and not to food self sufficiency. The focus should be on income and entitlement and policies are critical in determining a country's vulnerability to drought and famine. In many countries, budget revenues are not directly dependent on agriculture, but droughts can affect the budget through its impact on nonfarm incomes. Further, food crises can worsen the fiscal position and reduce the effectiveness of pro-poor programs, as well as a country's growth prospects. Structural issues like land reform and market structure should be addressed to reduce vulnerability and promote growth. For example, in **Ethiopia**, vulnerability to drought and famine is exacerbated by its land tenure system in which all land is owned by the state and the size of plots is limited, constraining production. Farmers cannot mortgage the land and cannot leave the agriculture sector without loosing their right to earn income from the land. However, the Ethiopian government has integrating a food security strategy within its broader agricultural development and poverty reduction strategy.

Recommendations for the international community:

- **Focus on longer-term structural policy solutions**: View drought less as an exogenous shock and more as a structural problem. The risk of drought should be explicitly built into overall development strategies, adjustment policies sectoral plans, and Fund programs. Well-tested models now exist for EWS and rapid responses, as well as activities to reduce drought vulnerability, such as improved infrastructure and water conservation and management.
- **Promote economic diversification:** Reverse the mono cropping trends of the past 30 years back to intercropping, and promote the diversification into more drought tolerant crops.
- **Improve donor coordination:** Improve donor coordination. Poverty Reduction Strategies (PRSs) should be used as framework for coordinating donors and local authorities, clearly identifying their respective roles (as was done **Malawi**). The PRS process can also provide a useful forum for a public dialogue on food security. The government and key donors including, the IMF, should be part of this dialogue to promote a better public understanding of institutions' roles and their policy advice with respect to crisis response and crisis prevention.

Note: The main authors of this box are Caroline Kende-Robb and Tove Strauss.

would have greatly benefited SSA countries. With regard to agricultural policy, the declaration called for "substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. A group of African countries called for removal of agricultural subsidies in industrialized countries during the Cancun Ministerial of the WTO in September 2003. At the same time, they resisted the inclusion of new topics desired by the industrialized country members (the "Singapore issues" pertaining to competition and investment). The ensuing impasse led to the failure of the Cancun Ministerial. The Managing Director of the Fund subsequently sent letters to heads of state and government, urging them to resume negotiations to improve market access in all countries, to reduce agricultural subsidies in the advanced economies, and to be flexible with regard to new regulatory obligations. In addition, the Fund announced at the Cancun Ministerial that it was preparing an initiative to provide financial support in the context of Fund-supported programs to members that face a net negative impact on their balance of payments as a result of the implementation of the results of the Doha Round. While there is still an opportunity to conclude negotiations before the Doha Round expires in 2005, talks are stalled for the time being.

New Partnership for Africa's Development (NEPAD)

Africa's most recent and comprehensive response to the various development challenges it faces has been NEPAD, whose action plan was adopted by the AU in July 2002. NEPAD has an overall economic growth objective of 7 percent annually to 2015, and emphasizes peace and democracy, as well as economic governance, a dynamic private sector, and active international development partnerships. The needed improvements in political and economic governance are to be underpinned by a voluntary African Peer Review Mechanism (APRM), intended to foster the adoption of desirable policies, standards, and practices. This will be done through the sharing of experiences, reinforcement of successful best practices, and identification of capacity-building needs of AU member countries. By February 2004, 17 countries had signed the enabling memorandum of understanding. Apart from the APRM, the objectives of NEPAD, including regional development and integration, could be promoted at the national level through greater incorporation of those objectives and priorities in the PRSPs.

The vision of NEPAD is consistent with the Monterrey consensus on international development and is supported by the Group of Eight (G-8) Africa Action Plan. It is clear that the NEPAD growth objective and the broader challenge of approaching the MDGs for SSA will require a much more supportive international economic environment. Continued progress in improving aid effectiveness and enhancing its predictability, including through the ongoing work on donor harmonization, would certainly be helpful. The volume of aid needs to be increased substantially; unfortunately, aid is well below the level in 1990 and below the aid target of 0.7 percent of GNP. Increased support for NEPAD's economic objectives should also come through reducing agricultural

Box 4. African and Multilateral Trade Liberalization

The countries of sub-Sahara Africa undertook significant trade liberalization in the 1990s. For example, for eastern and southern Africa, the Fund's Index of Trade Restrictiveness declined on average from the highly restrictive category (over 9) to the moderately restrictive (over 5) category, with a number of regimes classified as open (for example, Mozambique, Uganda, Zambia) or moderately open (Botswana, Lesotho, South Africa).[1] At the same time, growth performance improved in Africa, though with a lag, illustrating the positive relationship between growth and openness.[2] Liberalization took place in lowering tariffs, simplification of the tariff regimes, reduction in effective protection and in non-tariff barriers, elimination/reduction in export and exchange restrictions, and in exemptions. Nonetheless, tariffs and other restrictions in Africa remain higher, on average, than in most other regions and there remains scope for further trade liberalization, particularly in services where liberalization has only just begun or is largely lacking.

Much of the trade liberalization (in goods) was unilateral, and not "bound" in GATT/ WTO.[3] Thus Africa did not get as much of the benefits of multilateral liberalization as was conceivable, though unilateral liberalization benefited its economies themselves. Africa did benefit from preferences, but in most cases the benefits are limited. The main exceptions are the EU's "Everything but Arms" Initiative and, for some countries, the African Growth and Opportunities Act of the US.

In fact, Africa did not participate at all in earlier rounds, and only marginally in the Uruguay Round, but hoped to do so in the Doha Round, which is supposed to be a 'development' round, tackling trade issues of concern to developing countries. Estimates of the welfare gains from eliminating barriers to merchandise trade in the Doha Round range from US$250 billion to US$620 billion annually, with about one half to one third accruing to developing countries.[4] For sub-Sahara Africa, the priority by far was agricultural liberalization by industrial countries including, importantly, the removal of the latter's subsidies. In addition, Africa faced tariff peaks and tariff escalation on products of export interest to it. Some net food importing African countries were concerned that multilateral liberalization would hurt them by raising food prices. The benefits of the Doha Round were, however, said to be much wider and greater than the concerns over the possible negative effects on a few food-importing countries. The experience of the Uruguay Round suggested that net food importing countries suffered minimal losses due to liberalization.

Three-quarters of the population of sub-Sahara Africa depend in one way or another on rural activities, and for many of its countries a few or a single crop constitutes the majority of its exports. Increased market access for agricultural products would thus directly address poverty reduction. Agricultural subsidies in industrial countries stand at over US$300 billion annually. Subsidies and other support to agriculture is running more than six times higher than development assistance.[5] A group of countries (including Burkina Faso, Mali, and Benin), which have a comparative advantage in cotton production and depend on it as their major export crop, are leading the African voice for removal of agricultural subsidies in industrial countries. Thus, African nations have joined other developing countries in the Doha Round in calling for more balance in trade relations between rich and poor countries, and policy coherence in the former's advice to the latter. They also joined other developing countries in resisting demands for inclusion of new topics—such as competition policy and investment rules—in the negotiations. The ensuing impasse led to the failure of the Cancun ministerial. To encourage a revival of the Doha Round, the heads of the International Monetary Fund and the World Bank have written to heads of WTO states about the potential benefit to the world economy of the Doha Round. Countries have yet to respond. In fact, some countries have begun to seek liberalization through bilateral trade deals. The benefits of multilateral trade liberalization are great, but remain currently elusive.

Improved market access will not be sufficient to engender a sustained growth performance of Africa, but it should form part of a broader strategy to promote a vigorous supply response, and thus contribute to higher economic growth and a more rapid reduction in poverty.

Note: The main author of this box is Naheed Kirmani.

[1] "Trade and Trade Policies in Eastern and Southern Africa" by Arvind Subramanian, et al., IMF Occasional Paper 196, Washington, D.C. 2000.
[2] For a discussion of the empirical relationship between growth and openness, see references in Box 6.6 of the World Bank's 2002 Global Economic Prospects.
[3] Binding means the tariff cannot be re-imposed without compensating other countries.
[4] "Market Access for Developing Country Exports" (SM/02/280, 8/28/02).
[5] World Bank, 2002 Global Economic Prospects.

subsidies in industrial countries and extending greater market access for Africa's exports. Leadership is needed, especially from the major economies, to resolve the impasse on the Doha Round and relaunch the global trade negotiations.

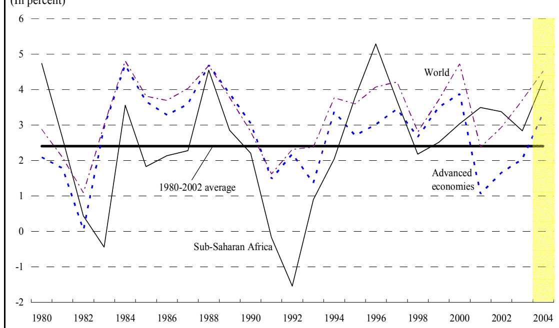
II. Economic Developments in 2003

Six basic themes emerge from the 2003 outturn: (i) average growth in the region remains far below the 7 percent estimated to be needed for the region as a whole to reach the MDGs on income-based poverty; (ii) growth experiences continue to be diverse, and some countries appear to be on a path of relatively strong sustainable growth; (iii) domestic policies matter—countries facing the same external environment are having very different growth experiences; (iv) conflict, civil strife, drought, and poor policies continue to be the causes of the worst growth experiences; (v) net exports have not been the source of economic growth, except in the oil exporting countries; and (vi) the achievement of growth rates sufficient to significantly reduce poverty will require higher rates of investment, which, in the absence of higher rates of national savings, will need to be financed through larger official and private capital flows.

Economic growth

Average real economic growth slowed to 2.8 percent in 2003 from 3.4 percent in the previous year. The slowdown occurred against the backdrop of an increase in world economic growth from 3.0 percent to 3.8 percent, and in the volume of world trade as well. The slowdown was fairly widespread, occurring in 23 of the region's countries. The more common causes of the slowdown were drought (notably in Ethiopia, Guinea, Mali, and Rwanda), conflict (Burundi, the C.A.R., the Republic of Congo, and Côte d'Ivoire), lower oil production (Angola and Congo), and economic mismanagement or poor governance (Seychelles and Zimbabwe).

Figure 2. Sub-Saharan Growth, 1980-2004[1]
(In percent)



[1] Shaded area indicates projections.

Real GDP growth in the region's oil-producing countries increased to an average of 6.0 percent in 2003. Sharply higher oil production levels in Chad, Equatorial Guinea, and Nigeria offset contractions in the other oil economies. Economic growth in Nigeria, with a fifth of the region's population, increased from 1.5 percent in 2002 to 5.9 percent in 2003, primarily on the basis a large increase in oil production.

Growth in the non-oil economies slowed from 2.9 percent in 2002 to 2.1 percent last year. Growth in South Africa declined from 3.6 percent to 1.9 percent, the slowest expansion since 1998. Rising gold and platinum prices induced a sizable increase in foreign portfolio investment. The resulting appreciation of the exchange rate choked off export growth and spurred import demand. The decline in net exports more than offset the increase in the growth of domestic demand and the overall growth rate fell as a result. Excluding South Africa, growth in the other non-oil economies as a whole was unchanged at 2.2 percent, compared with an average growth rate of 2.7 percent during the previous five years. Real growth in the non-oil CFA franc countries, at 2.2 percent, was in line with the experiences in most other non-oil economies in the region.

The economies of 13 countries, accounting for just under one-half of the region's population, expanded at rates of 5 percent or more in 2003. The highest rates of growth were realized in two oil-producing countries: Equatorial Guinea (14.7 percent) and Chad (10.0 percent), but all the rest (except one – Nigeria) were non-oil producers. The reasons for the relatively strong performance of these other countries vary. Four of them (Benin, Burkina Faso, Mozambique, and Tanzania) are HIPC Initiative completion point countries, with strong macroeconomic and structural reform agendas. The Gambia and Senegal rebounded from the effects of the 2002 drought, while Sierra Leone, the DRC, and Madagascar were recovering from civil unrest. Cape Verde, which had enjoyed relatively high growth in the past, continued to rebound from the acute macroeconomic imbalances of 2000. Real growth in Nigeria increased to nearly 6 percent, reflecting the increase in its Organization of Petroleum Exporting Countries (OPEC) quota.

Seven countries saw their economies contract in 2003, compared with six in 2002. The reasons are familiar: domestic unrest (Burundi, Côte d'Ivoire, and the C.A.R.),[12] drought (Ethiopia), a combination of drought and a collapse in private consumption owing to the nonpayment of government salaries (Guinea-Bissau), and acute macroeconomic mismanagement (Seychelles and Zimbabwe).

The diversity of growth experiences in the face of a common external environment reveals the importance of both domestic policies and good luck. Eleven countries have experienced average real economic growth rates of five percent or more during the past five years. Three of them (Angola, Chad, and Equatorial Guinea) are benefiting from rapid expansions in oil production. Botswana continues to expand its production of diamonds and other minerals. Rwanda's economy is still rebounding from the effects of the domestic violence of the mid-1990s (real per capita income has still not recovered to pre-genocide levels). Cape Verde has been implementing a wide-ranging reform program for over ten years. The other five (Benin, Burkina Faso, Mozambique, Tanzania, and Uganda) are all HIPC Initiative completion point countries with strong reform programs. Ten of these countries (the exception being Tanzania) are the only ones to have achieved average

[12] For the purposes of this report, seven countries are defined as conflict cases: Burundi, the C.A.R., the Republic of Congo, the DRC, Côte d'Ivoire, Madagascar, and Sierra Leone. A country is classified as being in conflict if there has been sustained fighting during the past three years.

Figure 3. Real GDP Growth by Regional and Country Grouping, 2000-04[1]

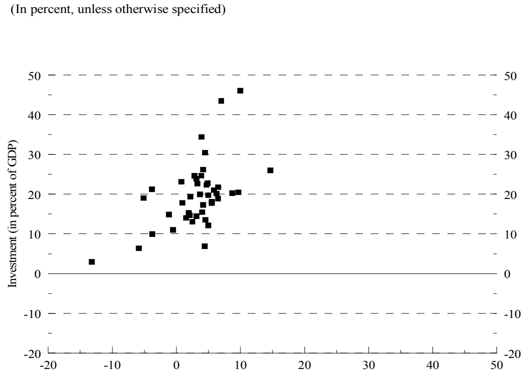
(In percent)

[1] Shaded areas indicate projections.

growth of 5 percent or more for the past ten years.

The faster-growing economies share some common characteristics. During the past five years, investment rates have generally been higher than average, and fiscal expenditures, and fiscal deficits have generally been smaller (Annex Table 2). However, excluding countries with histories of high inflation (Angola, the DRC, and Zimbabwe), inflation has generally been the same (below 10 percent) in the fastest and slowest growing economies. The faster-growing economies also have had (Annex Tables 1 and 2) somewhat larger external current account deficits than the average for non-oil exporters, an outcome that has been possible because of large concessional official flows and a growing level of foreign direct investment. However, the correlary of this is that net exports have been less of a source of growth for these countries than on average, or even compared with the slowest-growing economies.

Figure 4. Investment and Real GDP Growth, 2003
(In percent, unless otherwise specified)

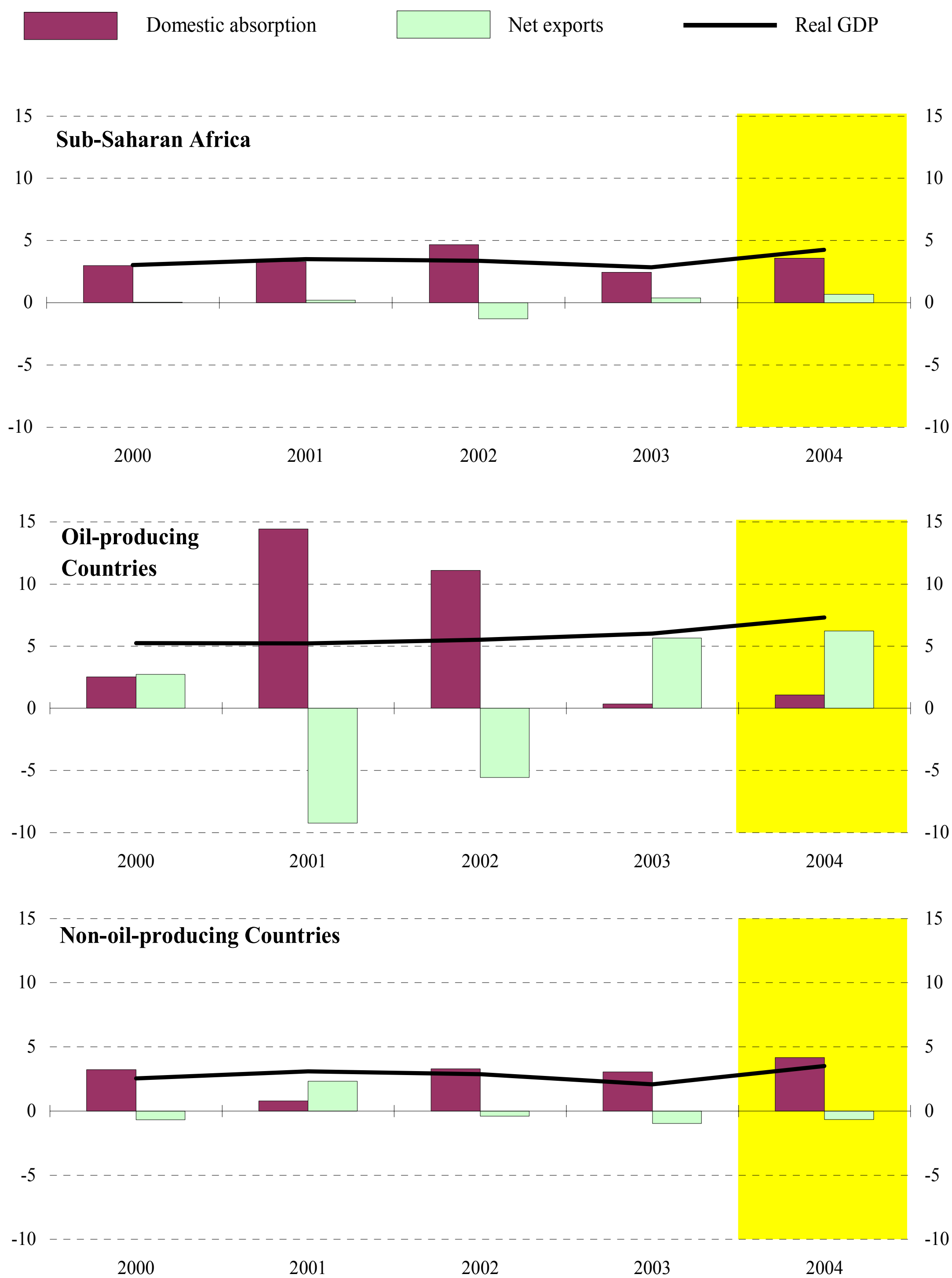


A general falling off in manufacturing and other secondary economic activity were the principal causes of the economic slowdown, which shaved 0.5 percentage point off real GDP growth. Growth of tertiary economic activities (mostly services) also slowed, contributing another 0.3 percentage point to the decline in overall regional growth. Primary sector activities, basically increased oil production, provided a modest boost to the overall growth rate (0.2 percentage point). This effect was sufficiently large to increase the overall real GDP growth rate in the oil producers. In the other countries, the impact of drought and conflict on agricultural production resulted in a modest reduction in overall primary sector growth, contributing to the slowdown in aggregate economic growth.

With regard to aggregate expenditure, the economic slowdown generally reflected softer domestic demand, which was offset only partially by the contribution of net exports to growth. The weakening of domestic demand was most pronounced in the oil exporters, which saw a sharp decline in the growth of private consumption. This effect was more than offset by the increase in net exports. The reduction in the contribution of domestic demand to growth was less pronounced in the non-oil economies, but the contribution of net exports declined, resulting in a reduction in the overall growth rate.

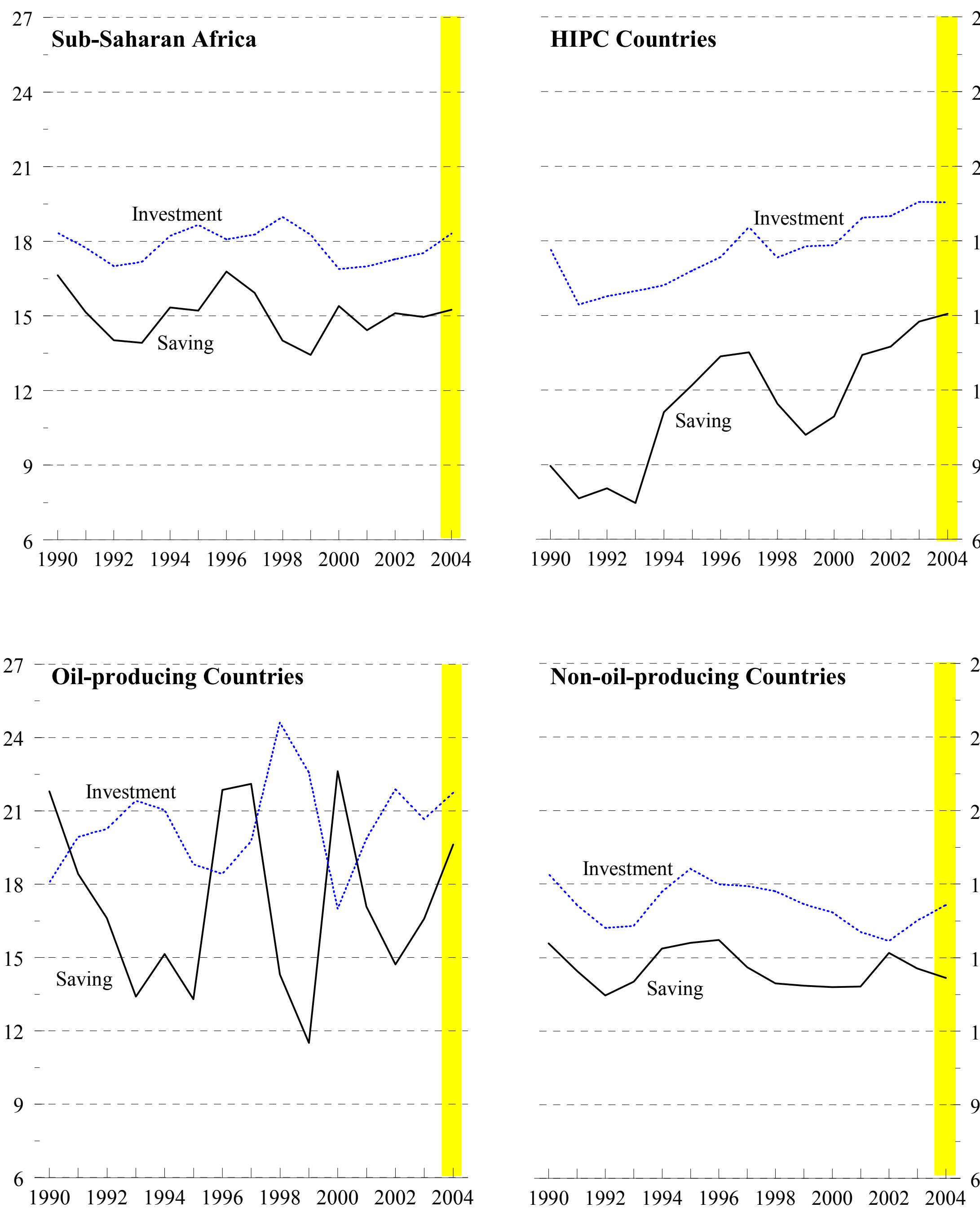
Investment rates increased for most countries, but, because of a decline in Nigeria, the average investment rate was broadly unchanged at 17.5 percent of GDP. Investment rates fell in most of the oil-producing countries to an estimated 20.7 percent of GDP, and increased in the other countries by ¾ of 1 percentage point to an average of about 16.5 percent of GDP. Private sector investment is

Figure 5. Contribution to GDP Growth, 2000-04[1]
(Average annual contribution; percent)



[1] Shaded areas indicate projections.

Figure 6. Saving and Investment, 1990-2004[1]
(In percent of GDP)



[1] Shaded areas indicate projections.

estimated to have amounted to an estimated 12.5 percent of GDP and that in the public sector to about 5 percent.

The overall national savings rate was nearly unchanged at 15 percent of GDP, rising in the oil producing countries and falling in the non-oil economies. The increase in savings rates among oil producers to 16.6 percent reflected the improved fiscal positions arising from higher oil revenues; private savings rates generally fell. Private savings rates among the other economies generally increased, but the widening fiscal deficits among this group resulted in an overall decline in the savings rate to about 14.6 percent of GDP.

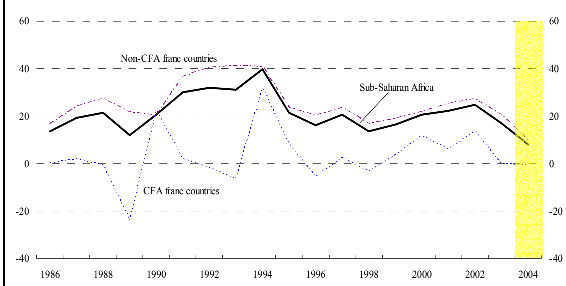
Monetary policy and inflation

Inflationary pressures remained subdued in most countries in the region. This was largely the result of low world inflation (in the countries with exchange rate pegs) and continued monetary discipline (in the floating-rate economies). Inflation in the advanced economies averaged about 2 percent in U.S. dollar terms. As a result of the appreciation of the euro against the dollar and other major currencies, import prices fell for SSA countries with exchange rates pegged, either directly or indirectly, to the euro. In addition, liquidity conditions tightened in about half of the countries in the region.[13]

[13] Liquidity conditions are considered to tighten when the difference between the growth rates of nominal broad money and real GDP declines. This measure does not account for shifts in money velocity, which may decline in periods of rapid disinflation (as in the DRC) or in the aftermath of conflict (as in the C.A.R.).

Most of the countries that saw an easing of liquidity conditions were rebounding from unusually tight policy stances in 2002, or suffered temporary supply-side shocks (such as Ethiopia).

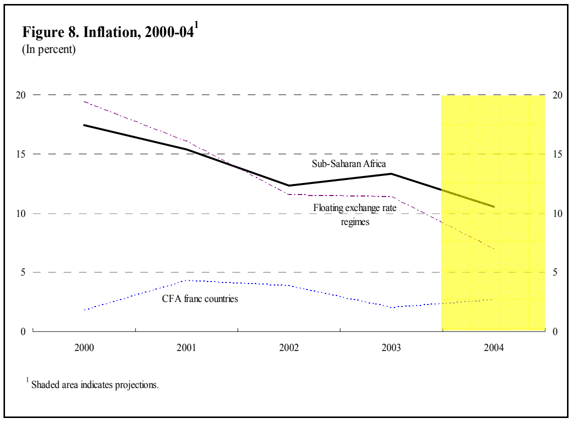
Figure 7. Liquidity Conditions, 1986-2004[1]
(In difference between broad money growth and real GDP growth)



[1] Shaded area indicates projections.

Nearly three-quarters of SSA countries had single-digit inflation rates in 2003, continuing a trend that began in 1998. Although for SSA as a whole, inflation increased to 13 percent, this was primarily because of a sharp increase in inflation in Zimbabwe to 430 percent; the median inflation rate rose only slightly to 6.3 percent, in line with the trend of the previous five years.. Four countries (Burundi, Ethiopia, The Gambia, and Guinea) saw inflation rates rise above 10 percent, owing to the impacts of drought and/or conflict, and poor macroeconomic policies were the cause in The Gambia. Inflation in these four countries has averaged less than 10 percent during the past five years. For the other six countries with inflation rates above 10 percent, five (Angola, Ghana, Nigeria, Zambia, and Zimbabwe) have histories of relatively high inflation rates, reflecting a general lack of monetary restraint (though Nigeria has had a few years with inflation rates below 10 percent). Mozambique, which experienced a sharp rise in inflation in

2002 because of a temporary relaxing of policies, was able to lower the rate in 2003 to about 13.5 percent.



Countries that have maintained some form of a pegged exchange rate regime, supported by appropriate macro-economic policies, generally continued to experience inflation rates lower than those with more flexible regimes. The 14 countries in the CFA franc zone have maintain low inflation for the past 10 years. The stability of the peg has been supported by the adoption of a convergence program introduced following the devaluation of 1994. Average inflation fell to 2.0 percent in the CFA franc zone, down from 3.8 percent in 2002. Lesotho, Namibia, and Swaziland, whose exchange rates are pegged to the rand, benefited from lower inflation in South Africa. Botswana maintains a peg against a basket of currencies, and the exchange rates of Cape Verde and the Comoros are pegged to the euro. Inflation in these six countries averaged 5 percent in 2003.[14] Inflation in the flexible exchange rate countries, by comparison, averaged about 11½ percent. However, some countries with floating exchange rates did quite well. South Africa succeeded in bringing inflation down to 6 percent, and, with the exception of 2002, has kept annual average inflation in the range of 5-7 percent since 1998.

Fiscal developments

The main fiscal challenge facing most SSA countries is how to increase spending on key poverty-reducing programs, while ensuring that the stance of fiscal policy is sustainable and consistent with macroeconomic stability. This challenge is being met, to varying degrees of success, by a combination of expenditure restructuring, revenue enhancement, and, equally important, greater reliance on non-debt-creating external financial support.

Fiscal balances (excluding grants) increased in 2003 for half the countries in the region and declined for the other half.[15] The average fiscal deficit shrank from 4.1 percent to 3.8 percent, and half the countries in the region had fiscal deficits equivalent to 7 percent of GDP or less. Three countries (Cameroon, Equatorial Guinea, and Gabon—all oil producers) ran fiscal surpluses, as high as

[14] While Seychelles and Zimbabwe have de jure fixed exchange rates regimes, both have large parallel foreign exchange markets with large premia. Inflation in Seychelles has been suppressed through the use of price controls.

[15] Not all countries have fiscal deficits. An increase in a fiscal balance refers to either an increase in the fiscal surplus or a reduction in the size of the fiscal deficit.

23.3 percent of GDP in the case of Equatorial Guinea. Otherwise, deficits continue to be the norm, and the average deficit among the non-oil economies increased moderately from 4.2 percent to 4.6 percent of GDP, ranging as high as 44.7 percent for São Tomé and Príncipe. Fiscal deficits among the HIPCs as a group expanded very slightly from 6.8 percent to 7.1 percent of GDP. The deficits of the six HIPC Initiative completion point countries expanded moderately to 9.1 percent of GDP. Deficits in countries with fixed exchange rates were generally smaller than those in their floating-rate counterparts.

Revenue performance is estimated to have improved in most countries; although the average revenue ratio remained at about 22.2 percent of GDP. Revenues in Equatorial Guinea, Ghana, Malawi, and Seychelles increased by 3 percent of GDP or more. At the other end, Angola, Botswana, and the C.A.R. saw revenues fall by 2 percent of GDP or more. Performance varied widely within the region, ranging from a low of 8 percent in the C.A.R. and the DRC (which have long histories of low revenue yields) to a high of 44 percent of GDP in Botswana and Seychelles (mineral royalties and unusually high tax rates, respectively).

The increase in revenues among non-oil countries reflects the impact of new policy initiatives. As part of a fiscal adjustment package, the government of Seychelles has implemented new taxes, including an across-the-board 12 percent sales tax, which are estimated to have yielded 8 percent of GDP in new revenues in 2003. New tax measures in Ghana, including a national health premium, petroleum excises, new road and timber fees, and improved revenue administration boosted revenues by nearly 4½ percent of GDP. In Malawi, revenues were increased through efficiency gains, higher fees, and onetime maize sales.

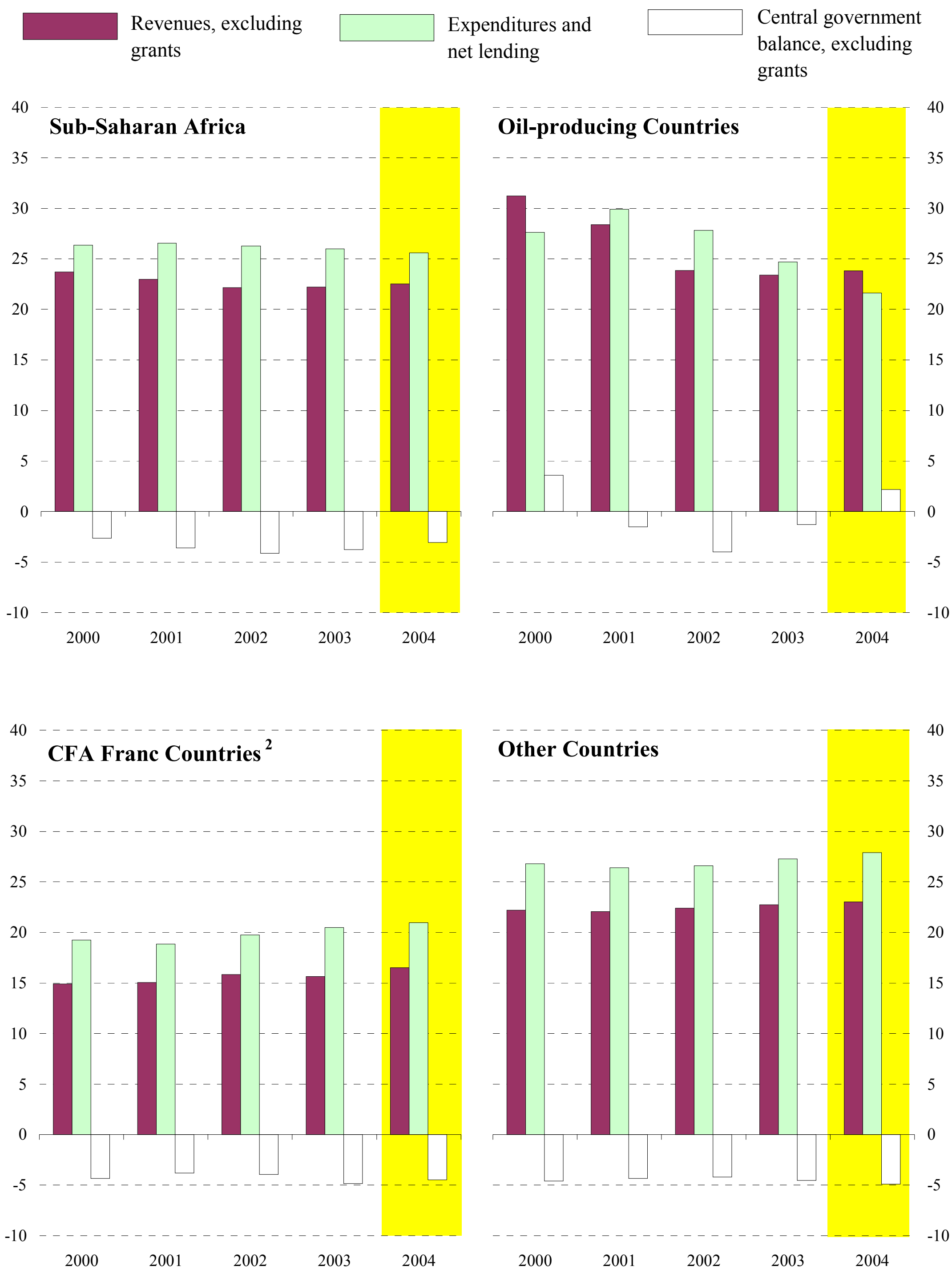
Expenditures are estimated to have remained about 26 percent of GDP for the region as a whole in 2003, falling in oil exporting countries (where GDP is rising rapidly) and rising very slightly in non-oil countries. As is the case with revenues, expenditure levels also varied widely, ranging from a low of 11 percent of GDP in Equatorial Guinea (where GDP has been growing very rapidly) to a high of 68 percent in São Tomé and Príncipe, where basic social spending is extremely high, relative to GDP, and is financed primarily by external resources. Wages and salaries, on average, amounted to 8.0 percent of GDP and public investment expenditures amounted to just over 4 percent. Scheduled interest payments (domestic and foreign) were an estimated 34 percent of GDP.

Official grant financing of fiscal operations is estimated to have increased moderately to 1.3 percent of GDP in 2003. Excluding Nigeria and South Africa (which receive no grants), the increase is a bit more encouraging, from 2.2 percent to 3.0 percent of GDP (the highest level since 1984), as such financing rose for most countries in the region. Based on recent indications from donors, Mozambique, São Tomé and Príncipe, and Sierra Leone are estimated to have received grants in excess of 10 percent of GDP. In the latter two cases, the magnitude of donor assistance reflects the needs for post-conflict reconstruction and provision of basic services. In the case of Mozambique, it reflects strong donor

Figure 9. Fiscal Deficits and Grants, 2000-04[1]
(In percent of GDP)

[1] Shaded areas indicate projections.
[2] Excludes HIPC countries.

Figure 10. Fiscal Developments, 2000-04[1]
(In percent of GDP)



[1] Shaded areas indicate projections.
[2] Excludes oil-producing countries.

support for the government's PRGF supported reform agenda. Another ten countries are expected to have received grant assistance for fiscal operations in excess of 5 percent of GDP, including three of the six HIPC Initiative completion point countries (Burkina Faso, Tanzania, and Uganda) and Ethiopia (which received an unusually high level of grant financing to help it defray the costs of food relief in response to the recent drought). About twelve countries saw the level of grant support fall relative to GDP.

Some countries with large fiscal deficits (past and present) relative to the level of available external financing are facing mounting domestic debt problems (see Box 5). This problem is particularly acute in The Gambia, Ghana, Malawi, Mauritius, and Seychelles, where domestic interest payments amounted to 4 percent of GDP or more in 2003. Domestic bank financing of fiscal operations in these countries during the past five years ranged from 3 percent of GDP in Malawi to nearly 7 percent in Seychelles. Ghana and Seychelles began to tackle the problem last year. By increasing external financing under its PRGF-supported program, the government of Ghana was able to bring domestic financing to zero in 2003. Meanwhile, the government of Seychelles reduced it to about 2 percent of GDP by narrowing its deficit. Three other countries (Lesotho, São Tomé and Príncipe, and Zimbabwe) all have histories of large domestic financing of fiscal deficits (averaging 6 percent of GDP or more since 1998) but have avoided, for the time being, a rising domestic interest burden. Lesotho was able to draw on its deposits with the banking system, which it had built up in earlier years, but this source of financing has been exhausted and domestic government debt is beginning to mount. São Tomé and Príncipe has relied on zero interest loans from the central bank. The lack of a competitive market for government securities in Zimbabwe has kept interest rates artificially low and highly negative in real terms, two factors that have allowed the government to reduce the real value of its domestic debt through inflation.[16] In addition, a number of governments in the region continued to accumulate domestic arrears, adding to the domestic debt burden.

External sector developments

Exports of goods and services are estimated to have increased by about 6 percent in real terms in 2003. Real export growth among the oil producers was on the order of 16½ percent, rebounding from last year's contraction (reflecting Nigeria's reduced production). Export growth among the region's other countries was a more subdued 3½ percent, up slightly from 2002. Imports of goods and services are estimated to have increased by 4½ percent, notably faster than real GDP.

External current account deficits in 2003 (excluding official transfers) narrowed for most oil exporters and widened for most other countries. The regional average current account deficit contracted from 4 percent of GDP in 2002 to 3.5 percent of GDP last year. The average current account deficit among

[16] As a result, domestic interest payments in Zimbabwe fell from 16.5 percent of GDP in 2000 to 1.9 percent in 2003.

Box 5. Domestic Debt Markets in Sub-Saharan Africa

In the past decades, the external debt burden and its impact on fiscal sustainability and economic growth in low-income countries have been extensively debated. However, at least until recently, much less attention has been given to the issue of domestic debt in low-income countries, despite its potential significant impact on government budgets, macroeconomic stability, private sector lending, and ultimately growth performance.

Based on a newly collected database for 27 non-CFA sub-Saharan African countries covering the period 1980–2000, Christensen (2003) discusses the long-term developments and identifies key characteristics of African domestic debt markets. The main findings are:

- **Domestic debt service presents a significant burden to government budgets.** Domestic interest payments account for 11 percent of government domestic revenues, the same level as for foreign interest payments.

- **Domestic debt is much more expensive than foreign borrowing**. The average interest rate on domestic debt is 17 percent compared with 1 percent on foreign borrowing.

- **The average ratio of domestic debt to GDP was 15 percent at the end of the 1990s**, compared with 10 percent in the 1980s. However, relative to external indebtedness, the domestic debt stocks are small given the rapid accumulation of external debt in the SSA countries.

- **Domestic debt accounts for a significant part of financial resources**, given the thin and shallow financial markets in the countries. The ratio of domestic debt to broad money is about 40 percent, but approaches 100 percent in some countries.

- **Commercial banks are the main holders of domestic debt**, accounting for about 50 percent of outstanding debt. The non-bank sector plays a limited role given the relatively underdeveloped institutional investment sector in many of the countries.

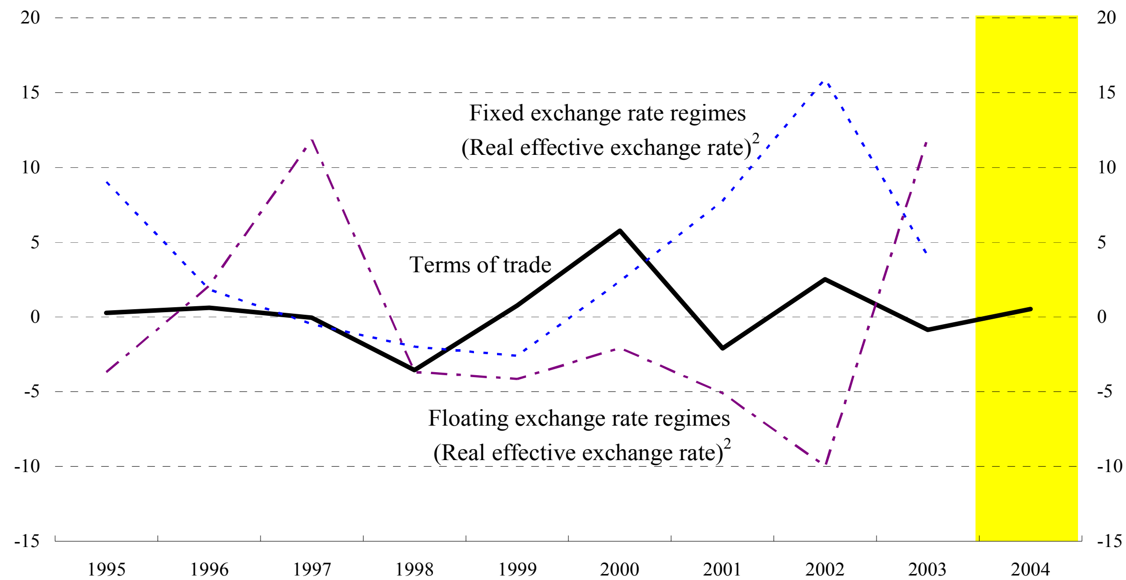
- **Domestic debt markets are of a highly short-term nature**, with the most common instrument being three month bills. The average maturity of domestic debt is 272 days.

- **Some HIPC countries are faced with a significant domestic debt burden** in addition to their large external indebtedness. This, combined with high domestic interest rates, imply that in six of the thirteen HIPC countries for which data were available, domestic interest payments exceed foreign interest payments.

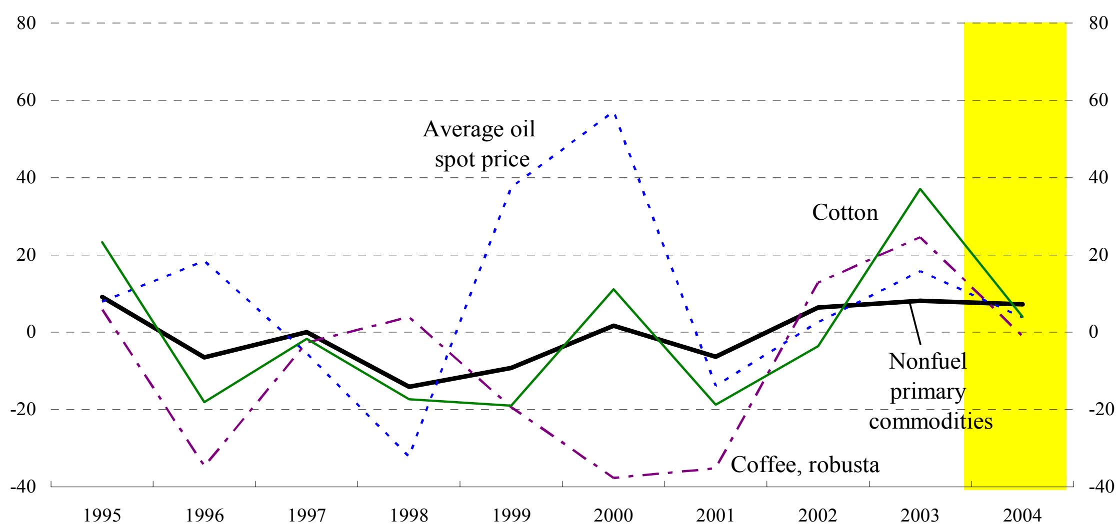
Note: The main author of this box is Jakob Christensen.

Figure 11. Competitiveness and Nonfuel Commodities, 1995-2004[1]
(In annual percent change, unless otherwise specified)

Competitiveness



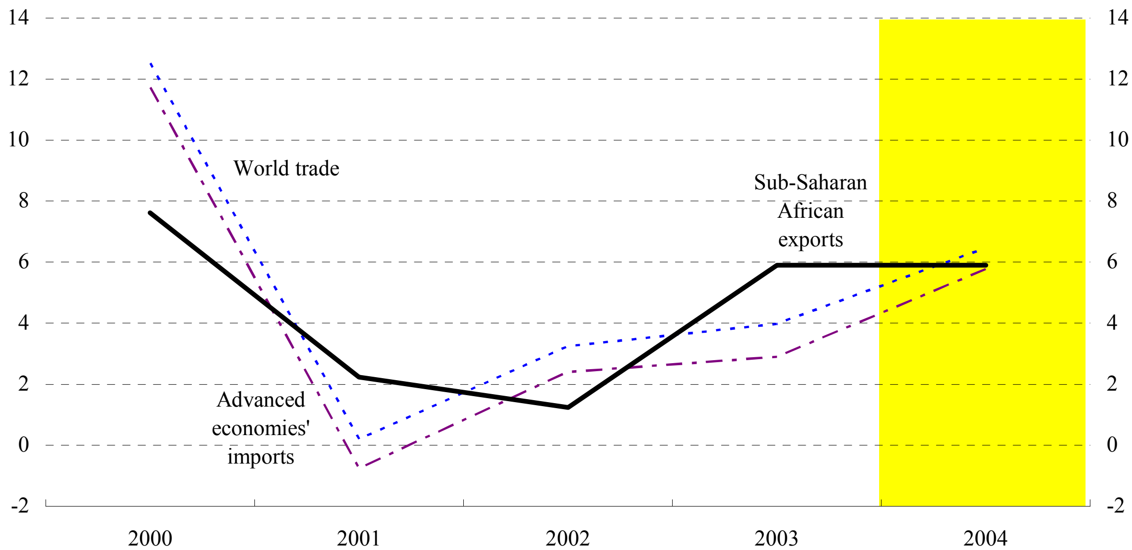
Nonfuel Commodity Prices
(In U.S. dollar terms)



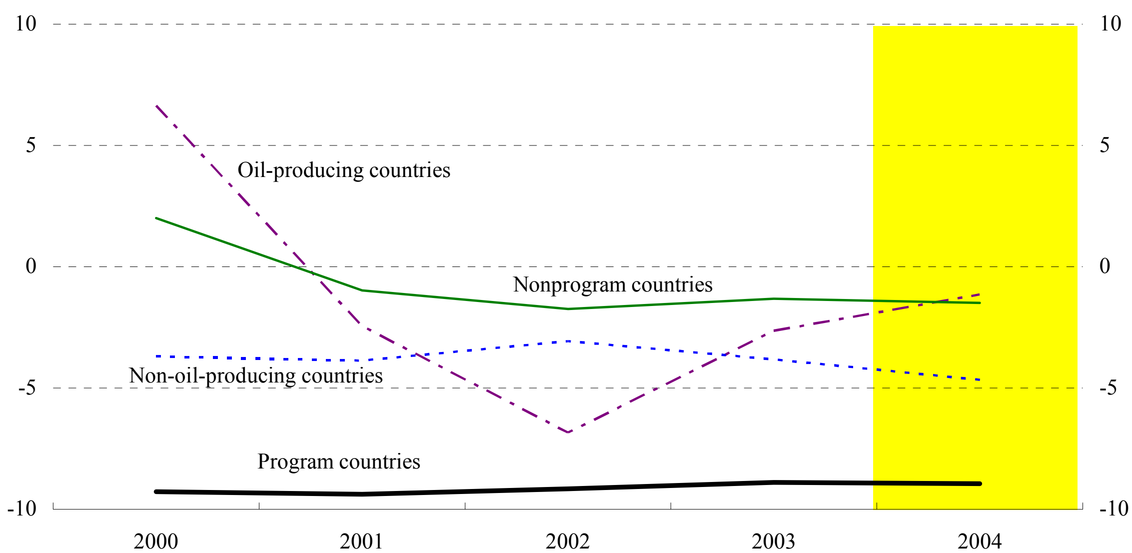
[1] Shaded areas indicate projections.
[2] Data through November used for 2003.

Figure 12. External Developments, 2000-04[1]
(In percent, unless otherwise specified)

Growth in Trade Volume



Current Account Balance Excluding Grants
(In percent of GDP)



[1] Shaded areas indicate projections.

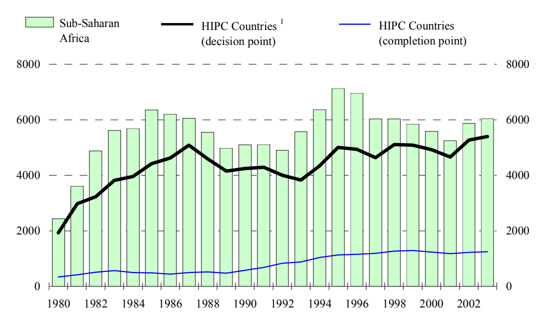
the oil producers fell to an estimated 2.6 percent of GDP, compared with 6.8 percent a year earlier. The average deficit among the non-oil economies increased from 3.1 percent to 3.8 percent of GDP.

As in the past, there was a diversity of experiences within the region in 2003. Current account balances (excluding official transfers) ranged from a deficit of 49 percent of GDP in São Tomé and Príncipe to a surplus of 4.8 percent of GDP in Côte d'Ivoire, where internal conflict and economic contraction contributed to a sharp decline in imports. Oil exporters saw the largest reduction in current account deficits, but a few non-oil exporters experienced sizable adjustments also. In particular, Seychelles's deficit is estimated to have contracted by nearly 14 percentage points of GDP (to 4.5 percent of GDP) on the basis of the similar-sized reduction in the fiscal deficit. Current account deficits in the six completion point countries are estimated to have increased moderately to about 12 percent of GDP in 2003, financed by a higher level of international donor support, as well as an increase in foreign direct investment.

The region's aggregate current account deficit (excluding official grants) is estimated to have increased to about US$14 billion in 2003, up from about US$13 billion in 2002. The deficit was more than covered by net official flows (including official grants and debt relief) amounting to about US$11.8 billion (up from US$10.0 billion in 2002),[17] and net private flows in the range of US$6.6 billion (mostly foreign direct investment), thereby allowing for an increase in net international reserves of some US$4 billion. The magnitude of net official flows in 2003 was equivalent to US$17.85 per capita (i.e., per SSA resident) and was equal to .04 percent of GDP in the advanced economies.

Net official current and capital transfers (excluding debt relief)) are estimated to have increased by about 15 percent to US$6.9 billion in 2003. While some of this increase represents money that was held back in 2002, most of it is enhanced assistance from donors in support of strong poverty reduction strategies.

Figure 13. IMF Credit and Loans Outstanding, 1980-2003
(In millions of U.S. dollars)



[1] Includes HIPC completion point countries.

Net lending (excluding debt relief) from multilateral institutions is estimated to have fallen slightly to US$1.1 billion. The net flow from the IMF fell sharply to US$175 million in 2003, substantial increases in lending to countries like the DRC, Ghana, Kenya, Burundi, and Niger

[17] Net official flows include official transfers, net disbursements from multilateral and bilateral creditors, debt relief (forgiveness and rescheduling), and the net accumulation of external arrears.

were largely offset by net repayments by Zambia, Cote d'Ivoire, Uganda, and Senegal.[18] In addition, the IMF disbursed US$150 million in HIPC Initiative relief during the course of the year.

Net lending by bilateral creditors (excluding debt relief) will continued to be highly negative, on the order of – US$2.5 billion. This reflected a shift toward grant financing on the part of bilateral partners; old loans were amortized while new disbursements were not growing in line with repayments.

Total exceptional financing (change in arrears, debt rescheduling, and debt forgiveness vis-à-vis multilateral and bilateral creditors) increased by about 15 percent to US$6.3 billion. This includes about US$3.7 billion in debt relief from bilateral creditors.

Foreign direct investment (FDI) is estimated to have fallen slightly, to US$8 billion, in 2003. Nearly two-thirds of this is expected to flow to the region's oil producers, with Nigeria and Angola alone accounting for nearly 40 percent of total FDI inflows. Nonetheless, a number of non-oil exporting countries succeeded in attracting significant levels of FDI. Mozambique, Namibia, Côte d'Ivoire, Tanzania, and Uganda account for a combined US$1.2 billion, 15 percent of the regional total. In Mozambique, where some "mega projects" are under way for the construction of an aluminum smelter and natural gas pipeline, FDI is expected to have reached 11 percent of GDP in 2003, the highest level among the non-oil countries.[19]

The international liquidity position of the region weakened moderately, but it was adequate for most countries. While international reserves are expected to have risen to a record US$40 billion in 2003, relative to imports of goods and services, gross international reserves are expected to have fallen for the third consecutive year to about 3.6 months, from a record high of 4.1 months in 2000. Most countries saw their reserves coverage fall. Reserve coverage for the CFA franc zone countries as a group fell from 3.6 months to 3.2 months. It also fell slightly for the other countries in the region, as a group, from 3.8 months to 3.7 months. Botswana continued to have the strongest reserve position, sufficient to cover 26 months of imports of goods and services. At the other end is Zimbabwe, with just over two weeks of coverage. Nonetheless, reserve coverage is generally adequate for most countries. Outside the CFA franc zone, only four countries other than Zimbabwe have reserves equivalent to less than two months of imports (Angola, Malawi, Seychelles, and Swaziland). Among the CFA franc zone oil producers, reserve coverage fell moderately to 1.3 months of imports, but it is unclear if all government foreign exchange earnings from oil sales, are being held with the regional central bank (the BEAC).

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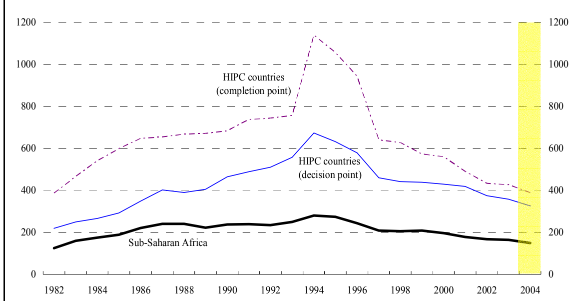
[18] Total Fund credit outstanding increased for 11 countries and declined for 20.

[19] FDI is expected to have amounted to only 1 percent of GDP for all non-oil-exporting countries.

The region's external debt burden continued to fall in 2003. The average debt-to-exports ratio[20] is expected to have declined for the fourth consecutive year to 165 percent in 2003, down from a high of 280 percent in 1994 and its lowest level in nearly 20 years.[21] This reflects the cumulative effects of debt-reduction operations, including under the HIPC Initiative, as well as better debt management by governments. In fact, the declining ratio of nominal debt to exports understates the declining debt burden for the 23 countries that have reached the decision point under the HIPC Initiative. While the impact of debt-reduction operations is reflected in the nominal debt stocks, the impact of HIPC Initiative debt relief provided by the Fund and Bank neither is the impact of debt-rescheduling operations that provide countries with longer repayment periods and lower interest rates. However, the HIPC Initiative in and of itself will not guarantee debt sustainability. Governments need to ensure that future borrowing, even to support much-needed poverty-reduction expenditure programs, does not exceed their capacities to repay creditors. In this regard, export promotion is a vital component of any country's poverty reduction and external debt strategies.

Figure 14. Total External Debt, 1982-2004[1]
(In percent of 3-year average of exports of goods and services)



[1] Shaded area indicates projections.

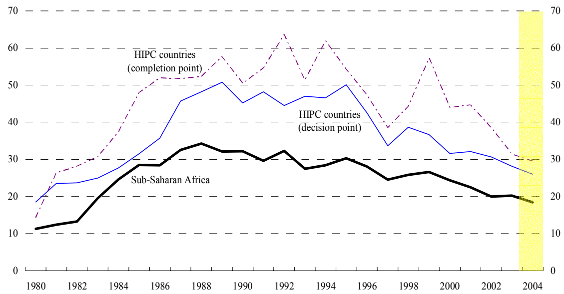
Debt ratios increased in eight countries in each of the last four years. Five of these countries (Burundi, the C.A.R., The Gambia, Malawi, and Zimbabwe) saw debt burdens reach historical highs in 2003. With the exception of The Gambia and Malawi, these countries have not yet reached their decision points under the HIPC Initiative. While debt ratios also increased for Botswana and Namibia, they remain at very low levels. Ethiopia's debt ratio increased for the fifth consecutive year to over 600 percent of exports in 2003, but it is expected to reach the completion point under the HIPC Initiative soon, leading to a reduction in its debt burden.

Despite the easing of debt-to-export ratios in most countries, some are still having difficulties meeting their external payment obligations. Ten countries accumulated external payment arrears last year, including Liberia and Zimbabwe, the only two SSA countries with arrears to the Fund.

[20] Current-year external debt as a ratio to average exports of goods and services during the current and previous two years.

[21] The ratio has fallen in all but one of the last nine years.

Figure 15. Total External Debt Service Due, 1980-2004[1]
(In percent of 3-year agerage of exports of goods and services)



[1] Shaded area indicates projections.

III. Economic Prospects and Outlook for 2004

The outlook for 2004 is relatively upbeat. Economic growth rates will rise, inflation rates is expected to fall, investment and savings rates are projected to increase, external current account balances will be largely unchanged, and net international reserves coverage will stabilize. This improvement will be supported by a general reduction in fiscal deficits and a further tightening of monetary policy.

Sub-Saharan Africa: Real GDP, Consumer Prices, and Fiscal Balance excluding Grants
(In annual percent change, unless otherwise indicated)

	Real GDP		Consumer Prices		Fiscal Balance Excluding Grants[1]	
	2004	1980-2003	2004	1980-2003	2004	1981-2003
Sub-Saharan Africa	4.2	2.4	10.5	23.0	-3.1	-5.9
Oil-producing countries	7.3	3.2	15.0	31.2	2.2	-5.0
Non-oil-producing countries	3.5	2.3	9.5	21.7	-4.8	-6.2

[1] In percent of GDP.

The outlook for 2004 is based on a number of important assumptions. First, it assumes an increase in economic growth in the rest of the world, and in import demand of the advanced economies in particular. Second, the projections are based on the authorities' objectives and policies that emerged during program negotiations, Article IV consultation discussions, and the governments' PRSPs. More specifically, the outlook assumes that all Fund-supported economic programs either remain on track (or get back on track where policy slippages have emerged). Third, it assumes that progress is made in ameliorating, if not fully resolving, the various conflicts in the region that have been inhibiting economic growth. Fourth, it is hoped that the region as a whole will not suffer from drought,

Economic growth

The expectations of the staff and the authorities are that 2004 will be an exceptional year for economic growth in SSA. Real GDP growth is projected to average 4.2 percent, a rate that has not been achieved since 1996. Real GDP growth of 5 percent or higher is anticipated in 21 of the region's countries, which would also be an eight-year high. Two countries, Seychelles and Zimbabwe, are expected to be in recession next year.

Real growth among oil exporting nations will rise to an average of 7.3 percent next year. This increase reflects the surge in output in Chad, where GDP is projected to increase by more than 42 percent and, to a lesser extent, Angola, where growth is projected to increase by about 13 percent. The rate of growth in Nigeria is expected to fall moderately to just under 3 percent on the assumption that no further increases in OPEC quotas are in the offing and that Nigeria adheres to its own.

Economic growth in the non-oil countries is expected to rise to 3.5 percent in 2004. This would be the highest rate of growth since 1996.

Excluding South Africa, real growth among the non-oil exporters is projected to be about 4.4 percent, a rate of growth experienced only four times in the past 24 years.

Four countries are expected to experience real growth of 7 percent or higher. Three are oil producers (Angola, Chad, and Equatorial Guinea). The other is Mozambique, where real GDP growth has average about 8 percent since 1998.

Notable increases in economic growth rates will be realized in a number of countries. To a large extent, this expectation hinges on some of the key assumptions regarding conflict and drought. Chad and Angola were noted above. Growth in Ethiopia is expected to be just shy of 7 percent as its agricultural sector recovers from the recent drought. Growth is also expected to rebound strongly in Burundi, Congo, the C.A.R., and Côte d'Ivoire on the assumption that their conflicts subside or at least are contained. The traditional high performers (Benin, Mozambique, Tanzania, and Uganda) are expected to continue to do well, with growth rates exceeding 5 percent.

Net exports will be the principal source of growth in the oil economies, whereas domestic absorption will drive demand in the others. For the oil producers, demand impulse created by higher levels of public investment will be offset by reductions in public consumption. In the non-oil economies, private consumption and public investment will be the major sources of expenditure growth. From the production side, most of the increase in growth rates among the non-oil economies will come from higher growth rates in agriculture and services.

Overall, investment rates are projected to rise moderately in most countries to a regional average of 18.3 percent of GDP. The overall investment rate in the oil economies is projected to rise only slightly too about 22 percent of GDP, with small increases in both public and private investment rates. Investment in the non-oil economies is forecast to rise by about ½ of 1 percentage point to 17 percent of GDP, with all of the increase coming from the public sector. Gross national savings rates in the oil economies could rise to about 19½ percent on the basis of improved fiscal balances. Savings rates in non-oil economies will be unchanged in the aggregate at about 14 percent of GDP.

Monetary policy and inflation

Inflationary pressures are expected to ease further in 2004, with inflation rates falling in most countries to an average of about 10 percent, which would be a 24-year low. Only seven countries would have inflation rates above 10 percent and, for four of these (Angola, The Gambia, Mozambique, and Zambia), inflation rates, while still high, are projected to decline. For the other three (Nigeria, São Tomé and Principe, and Zimbabwe) the intensification of inflationary pressures are arising from the recent loosening of monetary policy, linked to domestic bank financing of fiscal operations. Inflation in the CFA zone is projected to remain below 3 percent, while it should ease in countries with floating exchange rates to about 7 percent, assuming monetary restraint and no unfavorable supply shocks.

The improved inflationary outlook reflects declining world inflation rates, the presumed return of more seasonable weather in most countries, and continued monetary restraint. For those economies with exchange rates pegged to the euro, nonfuel import prices will fall by nearly 4 percent, on the basis of the current outlook for the euro/dollar exchange rate and prices of non-oil exports from advanced economies and world oil prices. Monetary conditions are expected to tighten in over half of the countries in the region, and would, on average, be tighter than any time since 1980.[22] Broad money growth rates will generally decline throughout the region, reflecting both slower growth in credit to the private sector, as well as less domestic bank financing of fiscal deficits.

Fiscal policy

Fiscal policy will be mildly contractionary overall, with fiscal deficits (excluding grants) shrinking in most of the oil economies and expanding in most of the non-oil countries. The average deficit is forecast to shrink from 3.8 percent of GDP in 2003 to 3.1 percent this year, reflecting large improvements in some oil producing countries fiscal deficit in the non-oil exporting nations will rise moderately from 4.6 percent to 4.8 percent of GDP. Among the oil producers, fiscal balances will increase or remain the same in Angola, Cameroon, Chad, Equatorial Guinea and Nigeria. They will deteriorate in the Republic of Congo and Gabon as oil production levels decline. Revenues are expected to rise very moderately to about 22½ percent of GDP. Total expenditures should fall slightly relative to GDP, but will still rise when adjusted for inflation. Official grants are expected to rise very slightly to 1.4 percent of GDP, which would be a 20-year high. Against this background, the average fiscal deficit, including grants, would shrink to 1.7 percent of GDP in 2004 from 2.4 percent last year.

While fiscal adjustments will generally be small, eight countries are expected to see positive fiscal adjustments of 3 percent of GDP or more. For Angola, Nigeria, Equatorial Guinea, and São Tomé and Príncipe, the causes are either higher oil production levels or other oil related revenue sources. In Botswana, Seychelles, and Zambia, the adjustment will come primarily from expenditure cuts, though revenues are expected to improve as well. For Lesotho, new revenues are planned that would cut the deficit in half. In the seven countries where fiscal deficits are projected to increase by more than one percent of GDP, the reasons are mainly falling oil production (the Republic of Congo and Gabon), reconstruction (the DRC), a large increase in capital expenditures (Kenya, Guinea-Bissau, and Malawi), and increased nonwage priority recurrent outlays (Tanzania).

Generally smaller fiscal deficits (including grants) will enable governments to reduce domestic borrowing, thereby easing domestic debt burdens. The 2004 PRGF-supported economic programs for Ghana, Lesotho, and Malawi call for substantial reductions in the absolute level of government net domestic financial liabilities. This will be made possible by a combination of smaller

[22] Monetary conditions are projected to be tighter than at any time since 1980.

fiscal deficits and additional donor support. In Seychelles, the government's economic reform program envisages a reduction in net domestic indebtedness amounting to more than 7 percent of GDP. These policies will be important first steps in tackling the spiraling domestic debt burdens of these countries. The governments of Mauritius, São Tomé and Príncipe, and Zimbabwe are expected to continue relying heavily on domestic financing of fiscal deficits in 2004, and their domestic debt burdens are likely to increase further.

External outlook

External current account deficits (excluding official transfers) are projected to widen for just over half the countries in the region in 2004. The oil producers will likely see further consolidation, with the average deficit shrinking to just over 1 percent of GDP, in line with the expected fiscal consolidation. Deficits in the non-oil economies are expected to increase to an average of 4.7 percent of GDP, financed by a higher level of donor assistance, as well as by an increase in private investment that is not expected to be accompanied by increases in private sector savings rates. The deficits among the HIPC Initiative completion point countries are forecast to remain constant at just under 12 percent of GDP. Real exports are forecast to increase by 5.9 percent overall, and by 4.3 percent for the non-oil economies, which would be moderately higher than the average during the previous five years. Real import growth is forecast to rise to 5.2 percent overall and to 5.4 percent for the non-oil economies. The overall external current account deficit, for the region as a whole, is projected to rise to about US$16 billion.

Net official flows are projected to fall to about US$10.9 billion.[23] With net private capital flows on the order of US$6.6 billion, net international reserves are projected to rise by another US$4.8 billion, keeping international reserve coverage broadly unchanged at an average of 3.7 months of imports of goods and services. Most countries are projected to see the level of international reserves rise relative to imports, and most of those that will see them fall have reserves to spare. The external debt burden is projected to continue to ease, with the debt- to-exports ratio falling to 150 percent (the lowest level since 1982). Debt ratios are expected to fall for all but nine countries.

IV. Lessons and the Challenges Ahead

The world economy in 2003 provided little support for economic growth in SSA countries. World economic growth increased, but it still remained sluggish in the advanced economies and declined in the euro area. The terms of trade were broadly unchanged, and key commodity prices remained depressed by historical standards, despite some rebound during the year. However, the external environment is projected to improve this year.

Thirteen countries saw their economies expand by 5 percent or more in 2003, compared with 11 countries in 2002.. As some countries in the region have now maintained this growth (on average) for five or more years, they appear to have

[23] Including official transfers and debt relief, but excluding potential debt reschedulings.

established the foundation for reducing income-based poverty and advancing toward the MDGs. However, conflict, economic mismanagement, weak governance, low investment rates, and a slow pace of economic reform continue to hamper growth in most countries. The economies of seven countries contracted, compared with six the year before. The overall slowdown in 2003 stemmed from declining growth rates in industry and services, reflecting in part continued weaknesses in private-sector activity.

Most SSA countries continued pursuing sound macroeconomic policies. Inflation generally remained low throughout the region. Single-digit inflation was achieved in nearly three-quarters of SSA countries in 2003, as has been the case for the past five years, and inflation rates fell in most countries with histories of higher inflation rates. Fiscal deficits were generally kept to sustainable levels that were covered by concessional donor inflows or noninflationary levels of domestic financing. In addition, most countries either had balance of payments surpluses or levels of international reserves sufficient to accommodate temporary deficits. Debt burdens fell for most countries, supported by interim and permanent debt relief under the HIPC Initiative. These achievements notwithstanding, and they are substantial, macroeconomic stability remains fragile or unattained in a significant number of countries: large fiscal deficits have led to rising domestic debt burdens; very few countries have reached the completion point under the HIPC Initiative; external debt burdens are still large; and international reserves remain inadequate in some cases.

The main challenge facing most countries in the region remains one of substantially and sustainably raising economic growth rates. This will require an energized private sector and large increases in corresponding investment. If private consumption is to continue increasing, as it is expected to, then a significant amount of additional investment will need to be financed from external sources. This points to the crucial importance of improving the business climate, which entails steadfast commitment not only to sound macroeconomic policies, but to more rapid and comprehensive structural and legislative reforms as well. It also requires enhanced governance and participatory processes, as well as the prevention of conflict, all of which are essential for poverty reduction.

In the near term, the principal source of economic growth in the oil economies will be rising oil production. An important challenge for these countries is to ensure that oil revenues are used prudently to increase public savings and finance poverty-reducing and growth-enhancing programs. Enhancing fiscal transparency and accountability and ensuring the environmental sustainability of economic growth are especially important for these countries.

Growth in the non-oil economies will be driven by rising domestic demand; the contribution of net exports to economic growth is projected to remain negative in the near term. This is not necessarily a problem. In line with the global effort to reduce poverty, external current account deficits would be expected to increase as official concessional debt flows rise. Deficits may also expand as foreign direct investment increases. A major challenge for these countries is to design and implement macroeconomic frameworks and fiscal policies aimed at achieving the MDGs, and to accommodate larger aid flows without undermining debt sustainability or export competitiveness. The latter is crucial in the medium to long term, in order to enhance the external viability of these economies.

The experiences of Benin, Burkina Faso, Cape Verde, Mozambique, Tanzania and Uganda demonstrate that high rates of economic growth can be sustained even in the absence of significant amounts of natural resources. These countries have generally implemented, on a sustained basis, sound macroeconomic policies and structural and institutional reforms that have promoted private investment (including foreign direct investment), attracted the support of international donors, and promoted the growth of exports. The latter success has been aided by liberalized trade and competitive exchange rates.

The external environment facing SSA in 2004 is generally favorable. World economic growth is forecast to rise; aid flows should increase; debt burdens are expected to ease, especially as more countries reach the completion point under the HIPC Initiative; and a concerted effort to achieve the goals of the Doha round of WTO negotiations could greatly enhance the export prospects for the region.

The countries of the region and their international development partners should capitalize on these opportunities so that the countries can break out of the low-growth path of the last five years. Improved domestic policies, including prudent fiscal and monetary policies, trade liberalization, regional integration and competitive exchange rates are indispensable. However, they must be supported by concrete actions of development partners if the region is to achieve and sustain the higher rates of economic growth that will be necessary for poverty reduction.

Annex Table: 1. Selected Indicators for the Fastest and Slowest Growing Economies, 2003
(In percent of GDP, unless otherwise indicated)

	Real GDP (In percent)	CPI (In percent)	Broad money (In percent)	Government expenditures	Government balance	Investment	Net exports	Real effective exchange rate (in percent)
Fastest-growing economies								
Equatorial Guinea	14.7	7.6	17.8	10.5	23.3	26.0	26.3	11.4
Chad	10.0	-1.0	4.7	19.7	-6.2	46.1	-46.1	14.6
Madagascar	9.6	-1.1	11.3	18.3	-3.9	20.5	-7.9	-4.1
Gambia, The	8.7	18.0	43.4	23.1	-5.9	20.3	-8.0	-27.9
Mozambique	7.0	13.5	13.5	28.1	-3.2	43.5	-23.2	-1.8
Sierra Leone	6.5	6.6	18.2	39.8	-9.4	21.8	-36.7	-14.9
Burkina Faso	6.5	3.0	9.1	21.6	-3.7	18.9	-8.2	3.3
Senegal	6.3	0.1	6.1	23.6	-1.9	20.2	-7.5	2.8
Nigeria	5.9	14.2	52.2	22.7	-2.7	21.0	22.2	-4.7
Tanzania	5.5	5.0	16.9	19.8	-1.5	17.7	0.3	-15.3
Median	6.8	5.8	15.2	22.1	-3.4	20.7	-8.0	-2.9
Mean	8.1	6.6	19.3	22.7	-1.5	25.6	-8.9	-3.7
Slowest-growing economies								
Kenya	1.5	9.7	13.2	27.0	-3.7	14.0	-15.7	-0.5
Rwanda	0.9	7.4	11.0	24.2	-3.3	17.8	-9.1	-15.7
Congo, Rep. of	0.8	2.0	-5.7	29.9	0.1	23.1	-12.8	2.3
Burundi	-0.5	10.7	22.0	29.9	-5.1	11.0	-80.6	-18.4
Guinea-Bissau	-1.2	3.0	-2.4	35.2	-12.3	14.8	-27.8	-18.4
Côte d'Ivoire	-3.8	3.8	-2.5	19.0	-2.2	10.0	22.5	7.7
Ethiopia	-3.8	15.1	10.4	36.0	-8.4	21.2	-6.0	2.7
Seychelles	-5.1	7.0	-9.4	47.5	-3.5	19.0	1.8	-8.3
Central African Republic	-5.8	4.0	-4.8	13.0	-3.7	6.4	-3.6	5.7
Zimbabwe	-13.2	431.7	518.9	34.1	-6.8	3.0	-8.3	-42.3
Median	-2.5	7.2	4.0	29.9	-3.7	14.4	-8.7	-4.4
Mean	-3.0	49.4	55.1	29.6	-4.9	14.0	-14.0	-8.5
Sub-Saharan Africa								
Median	**4.0**	**6.3**	**12.0**	**25.4**	**-3.6**	**19.6**	**-8.1**	**1.1**
Mean	**3.2**	**19.0**	**25.7**	**27.9**	**-3.3**	**19.7**	**-11.2**	**-0.8**

[1] Data through November used for 2003

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Annex Table 2. Selected Indicators for the Fastest and Slowest Growing Economies, 1998-2003

(In percent of GDP, unless otherwise indicated)

	Real GDP (In percent)	CPI (In percent)	Broad money (In percent)	Government expenditures	Government balance	Investment	Net exports	Real effective exchange rate (in percent)
Fastest growing economies								
Equatorial Guinea	23.0	6.4	43.2	16.0	9.6	55.4	-1.1	2.1
Mozambique	8.2	9.2	26.4	28.4	-4.5	37.9	-21.4	-3.4
Cape Verde	7.0	2.1	10.5	36.5	-7.7	19.5	-39.2	0.5
Chad	6.7	2.7	10.1	18.7	-5.3	33.6	-32.5	3.5
Rwanda	6.6	3.5	8.1	20.6	-2.1	17.1	-12.6	-6.5
Angola	6.0	173.4	244.6	54.0	-10.6	19.5	-5.6	2.1
Uganda	5.8	3.4	19.7	21.7	-4.0	20.0	-7.1	-7.3
Benin	5.3	3.0	10.0	19.3	-0.6	18.1	-12.3	2.1
Tanzania	5.2	7.2	13.2	16.8	-1.4	16.8	-2.7	-3.1
Botswana	5.1	6.6	18.3	43.0	2.0	27.9	12.6	3.2
Median	6.3	5.0	15.7	21.1	-3.0	19.8	-9.7	1.3
Mean	7.9	21.8	40.4	27.5	-2.5	26.6	-12.2	-0.7
Slowest growing economies								
Burundi	1.5	9.8	19.3	26.0	-4.3	9.1	-52.0	-10.2
Togo	1.2	1.3	4.5	16.8	-2.8	14.6	-5.0	0.5
Kenya	1.1	6.5	4.0	26.3	-1.7	15.2	-19.4	1.0
C.A.R.	0.6	1.7	-2.2	15.6	-1.3	9.4	-2.8	0.4
Seychelles	0.4	4.7	9.8	54.7	-10.6	29.3	-10.1	1.6
Cote d'Ivoire	-0.2	3.2	7.7	19.0	-1.5	11.4	19.8	2.2
Gabon	-0.4	1.1	6.0	29.9	2.4	26.6	15.0	-0.2
Congo, D.R.	-1.0	220.9	234.1	11.0	-4.3	10.6	-32.1	12.8
Guinea-Bissau	-3.4	4.0	17.4	35.3	-12.1	15.6	-26.7	-1.8
Zimbabwe	-7.5	132.4	148.4	37.5	-9.0	9.5	-4.3	24.1
Median	0.1	4.4	8.8	26.2	-3.6	13.0	-7.6	0.8
Mean	-0.8	38.6	44.9	27.2	-4.5	15.1	-11.8	3.0
Sub-Saharan Africa								
Median	**3.1**	**6.2**	**12.8**	**25.3**	**-3.8**	**19.5**	**-7.0**	**0.4**
Mean	**3.5**	**18.8**	**28.9**	**27.9**	**-4.3**	**20.6**	**-10.5**	**-0.2**

[1] Data through November used for 2003

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 1. Real GDP Growth, 1997-2004
(In percent)

	1997-2001	2001	2002	2003	2004
Angola	4.9	3.2	15.3	4.5	12.8
Benin	5.1	5.0	6.0	5.5	6.0
Botswana	5.9	2.3	5.5	3.9	3.8
Burkina Faso	5.3	5.9	4.4	6.5	5.2
Burundi	1.0	2.2	4.5	-0.5	5.4
Cameroon	4.8	5.3	6.5	4.2	4.7
Cape Verde	8.1	5.1	4.3	5.0	5.0
Central African Republic	3.6	1.0	-0.8	-5.8	4.9
Chad	4.9	9.5	9.9	10.0	42.7
Comoros	1.6	1.9	2.5	2.5	3.0
Congo, Rep. of	2.4	3.6	3.5	0.8	5.8
Congo, Dem. Rep. of	-4.0	-2.1	3.5	5.0	6.0
Côte d'Ivoire	2.0	0.1	-1.6	-3.8	1.8
Equatorial Guinea	37.5	36.3	18.0	14.7	11.8
Ethiopia	4.5	7.7	1.2	-3.8	6.7
Gabon	0.1	2.0	0.0	2.8	1.1
Gambia, The	5.8	5.8	-3.2	8.7	5.6
Ghana	4.2	4.2	4.5	4.7	5.0
Guinea	4.0	3.8	4.2	2.1	4.6
Guinea-Bissau	-1.1	0.2	-7.2	-1.2	3.0
Kenya	1.2	1.2	1.0	1.5	2.6
Lesotho	1.4	3.3	3.8	3.9	4.2
Madagascar	4.6	6.0	-12.7	9.6	6.0
Malawi	1.6	-4.2	1.8	4.4	2.1
Mali	5.6	13.3	4.4	3.2	4.9
Mauritius	5.4	7.2	4.0	3.3	5.5
Mozambique	9.2	13.0	7.7	7.0	8.4
Namibia	3.3	2.3	3.3	3.7	4.7
Niger	3.7	7.1	3.0	4.0	4.1
Nigeria	2.7	2.7	1.6	5.9	2.7
Rwanda	8.6	6.7	9.4	0.9	6.1
São Tomé and Príncipe	2.6	4.0	4.1	4.5	6.5
Senegal	5.4	5.6	1.1	6.3	6.0
Seychelles	3.9	-2.2	0.3	-5.1	-2.0
Sierra Leone	-3.5	5.4	6.3	6.5	6.8
South Africa	2.3	2.7	3.6	1.9	2.6
Swaziland	2.9	1.7	3.6	2.2	1.7
Tanzania	4.5	6.1	6.3	5.5	6.3
Togo	0.5	-0.2	4.6	3.1	4.4
Uganda	5.7	5.3	6.7	4.9	5.5
Zambia	2.4	4.9	3.3	4.2	3.5
Zimbabwe	-3.5	-8.8	-12.8	-13.2	-9.2
Sub-Saharan Africa	**3.0**	**3.5**	**3.4**	**2.8**	**4.2**
Oil producing countries	**4.4**	**5.2**	**5.5**	**6.0**	**7.3**
Non-oil producing countries	**2.7**	**3.1**	**2.9**	**2.1**	**3.5**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 2. Real Per Capita GDP, 1997-2004
(In U.S. dollars, at 1990 prices, using 1990 exchange rates)

	1997-2001	2001	2002	2003	2004
Angola	839	849	951	966	1,058
Benin	457	477	492	492	507
Botswana	3,812	4,121	4,327	4,488	4,664
Burkina Faso	465	483	491	511	524
Burundi	150	148	151	148	153
Cameroon	824	855	874	885	902
Cape Verde	1,273	1,407	1,441	1,485	1,531
Central African Republic	435	437	425	392	404
Chad	312	323	346	370	515
Comoros	517	499	498	497	499
Congo, Rep. of	1,105	1,120	1,126	1,103	1,134
Congo, Dem. Rep. of	112	97	98	99	102
Côte d'Ivoire	860	822	783	730	719
Equatorial Guinea	739	1,108	1,281	1,440	1,578
Ethiopia	179	188	186	174	180
Gabon	6,266	5,795	5,656	5,673	5,598
Gambia, The	326	342	322	342	352
Ghana	551	568	579	591	605
Guinea	478	486	492	488	496
Guinea-Bissau	244	235	210	203	204
Kenya	345	336	333	332	335
Lesotho	411	408	416	424	434
Madagascar	234	244	207	220	226
Malawi	231	220	220	225	225
Mali	366	389	398	401	411
Mauritius	3,368	3,659	3,765	3,847	4,020
Mozambique	261	291	306	320	338
Namibia	2,362	2,362	2,368	2,383	2,423
Niger	285	285	285	287	290
Nigeria	311	313	310	319	319
Rwanda	300	323	343	337	348
São Tomé and Príncipe	466	473	480	490	509
Senegal	799	844	831	859	885
Seychelles	6,955	6,945	7,001	6,565	6,358
Sierra Leone	89	87	90	94	98
South Africa	3,027	3,070	3,116	3,110	3,131
Swaziland	1,207	1,215	1,244	1,259	1,269
Tanzania	188	198	206	213	222
Togo	395	370	376	376	381
Uganda	384	402	414	420	429
Zambia	354	364	367	374	378
Zimbabwe	809	724	638	560	515
Sub-Saharan Africa	**580**	**583**	**586**	**587**	**595**
Oil producing countries	**458**	**462**	**471**	**482**	**498**
Non-oil producing countries	**626**	**629**	**631**	**627**	**633**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 3. Real Per Capita GDP Growth, 1997-2004
(In percent)

	1997-2001	2001	2002	2003	2004
Angola	1.9	0.2	12.1	1.5	9.6
Benin	2.2	2.1	3.1	-0.1	3.2
Botswana	4.5	1.5	5.0	3.7	3.9
Burkina Faso	2.8	3.3	1.8	3.9	2.6
Burundi	-0.5	0.2	2.4	-2.5	3.3
Cameroon	1.9	2.4	2.2	1.4	1.8
Cape Verde	5.7	3.2	2.4	3.1	3.1
Central African Republic	1.6	-1.0	-2.8	-7.7	2.8
Chad	1.6	6.7	7.1	7.1	39.1
Comoros	-1.0	-0.7	-0.2	-0.2	0.3
Congo, Rep. of	-0.5	0.6	0.6	-2.1	2.8
Congo, Dem. Rep. of	-6.6	-7.2	0.5	1.9	2.9
Côte d'Ivoire	-0.8	-3.1	-4.7	-6.8	-1.5
Equatorial Guinea	34.7	33.5	15.7	12.4	9.6
Ethiopia	1.4	4.6	-1.5	-6.4	3.8
Gabon	-2.4	-0.5	-2.4	0.3	-1.3
Gambia, The	2.2	2.9	-5.7	6.0	3.0
Ghana	1.6	1.6	1.9	2.1	2.4
Guinea	1.5	0.9	1.3	-0.8	1.6
Guinea-Bissau	-3.0	-1.8	-10.7	-3.6	0.4
Kenya	-1.0	-0.9	-0.8	-0.3	0.9
Lesotho	-0.6	1.3	1.9	2.0	2.2
Madagascar	1.5	2.9	-15.2	6.5	2.8
Malawi	-0.6	-6.2	-0.2	2.3	0.1
Mali	3.1	10.8	2.1	0.8	2.5
Mauritius	4.4	6.1	2.9	2.2	4.5
Mozambique	7.0	10.1	5.2	4.4	5.7
Namibia	0.3	-0.6	0.2	0.6	1.7
Niger	0.4	3.9	-0.1	0.9	1.0
Nigeria	-0.1	0.0	-1.1	3.1	0.0
Rwanda	1.7	3.6	6.2	-2.0	3.3
São Tomé and Príncipe	0.2	1.5	1.6	2.0	3.9
Senegal	2.8	2.7	-1.6	3.4	3.1
Seychelles	2.6	-2.3	0.8	-6.2	-3.2
Sierra Leone	-6.0	2.7	3.6	3.8	4.1
South Africa	0.3	0.7	1.5	-0.2	0.7
Swaziland	0.5	0.4	2.4	1.2	0.8
Tanzania	2.0	3.4	4.2	3.5	4.0
Togo	-2.5	-3.2	1.5	0.0	1.3
Uganda	2.2	1.8	3.1	1.4	2.0
Zambia	0.2	2.4	0.8	1.7	1.1
Zimbabwe	-3.3	-7.8	-11.9	-12.2	-8.2
Sub-Saharan Africa	**0.2**	**0.4**	**0.6**	**0.1**	**1.5**
Oil producing countries	**0.5**	**1.0**	**1.9**	**2.4**	**3.3**
Non-oil producing countries	**0.2**	**0.2**	**0.2**	**-0.5**	**0.9**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 4. Consumer Prices, 1997-2004
(Annual average percent change)

	1997-2001	2001	2002	2003	2004
Angola	211.0	152.6	108.9	98.3	40.2
Benin	3.6	4.0	2.4	1.5	2.6
Botswana	7.8	7.2	5.5	4.7	4.5
Burkina Faso	2.2	4.9	2.7	3.0	2.0
Burundi	16.1	9.3	-1.3	10.7	7.7
Cameroon	2.3	2.8	6.3	1.2	2.0
Cape Verde	3.6	3.8	1.8	1.2	2.0
Central African Republic	1.1	3.8	2.3	4.0	1.5
Chad	3.5	12.4	5.2	-1.0	3.0
Comoros	2.2	-3.5	3.3	2.5	2.0
Congo, Rep. of	3.8	0.8	3.1	2.0	2.0
Congo, Dem. Rep. of	297.5	357.9	27.7	9.1	6.0
Côte d'Ivoire	3.3	4.4	3.1	3.8	3.2
Equatorial Guinea	5.3	6.0	8.8	7.6	8.0
Ethiopia	0.5	-2.6	-7.2	15.1	5.5
Gabon	1.6	2.1	0.2	2.0	2.0
Gambia, The	2.7	4.5	8.6	18.0	14.9
Ghana	22.6	32.9	14.8	26.4	8.6
Guinea	4.7	5.4	3.0	12.9	8.8
Guinea-Bissau	13.4	3.3	3.3	3.0	3.0
Kenya	7.8	4.9	2.0	9.7	-0.2
Lesotho	7.6	6.9	12.3	7.1	6.3
Madagascar	7.3	6.9	16.2	-1.1	5.0
Malawi	28.1	27.2	14.9	9.6	9.9
Mali	1.3	5.2	2.4	0.5	2.5
Mauritius	6.2	4.4	6.4	5.0	5.0
Mozambique	6.3	9.0	16.8	13.5	11.5
Namibia	8.4	9.3	11.3	7.2	6.5
Niger	2.4	4.0	2.7	-0.7	0.9
Nigeria	10.0	18.0	13.7	14.2	15.5
Rwanda	4.7	3.4	2.0	7.4	6.9
São Tomé and Príncipe	29.6	9.5	9.2	9.6	13.3
Senegal	1.5	3.1	2.3	0.1	1.2
Seychelles	4.4	6.0	0.2	7.0	5.0
Sierra Leone	17.3	2.6	-3.7	6.6	4.8
South Africa	6.2	4.9	8.9	6.0	3.2
Swaziland	7.7	7.5	11.9	8.1	6.9
Tanzania	9.8	5.2	4.6	5.0	4.7
Togo	2.4	3.9	3.1	-0.8	0.9
Uganda	2.9	-2.0	5.7	5.9	3.5
Zambia	24.7	21.7	22.2	21.5	18.5
Zimbabwe	48.3	76.7	140.0	431.7	640.0
Sub-Saharan Africa	**14.9**	**15.4**	**12.3**	**13.3**	**10.5**
Oil producing countries	**23.5**	**26.0**	**21.5**	**19.7**	**15.0**
Non-oil producing countries	**13.1**	**13.1**	**10.3**	**11.9**	**9.5**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 5. Total Investment, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	23.2	12.6	12.8	13.6	12.1
Benin	18.2	19.2	17.8	18.1	19.3
Botswana	28.6	25.7	24.4	24.7	25.0
Burkina Faso	20.2	18.8	18.4	18.9	20.5
Burundi	8.6	8.6	8.6	11.0	11.6
Cameroon	17.3	17.8	19.6	17.3	18.2
Cape Verde	20.0	17.7	20.2	19.8	19.5
Central African Republic	9.6	8.4	8.9	6.4	7.8
Chad	23.1	43.0	59.3	46.1	19.9
Comoros	12.7	13.2	12.9	13.0	13.5
Congo, Rep. of	24.9	26.4	23.3	23.1	26.2
Congo, Dem. Rep. of	15.8	5.2	9.0	12.1	18.7
Côte d'Ivoire	12.5	11.0	10.4	10.0	11.3
Equatorial Guinea	72.7	55.6	28.8	26.0	17.0
Ethiopia	16.7	17.8	20.5	21.2	23.3
Gabon	28.4	25.8	24.4	24.6	25.7
Gambia, The	19.0	20.2	21.6	20.3	20.0
Ghana	24.0	26.6	19.7	22.3	23.0
Guinea	22.1	21.9	16.8	14.6	15.6
Guinea-Bissau	17.1	19.7	14.7	14.8	19.0
Kenya	16.4	14.7	13.6	14.0	18.6
Lesotho	46.7	45.4	38.6	34.4	33.2
Madagascar	20.5	29.1	16.0	20.5	21.3
Malawi	10.2	1.0	16.0	6.9	12.3
Mali	21.9	26.9	20.4	23.9	21.2
Mauritius	26.1	23.3	21.8	22.7	21.3
Mozambique	31.9	41.5	44.7	43.5	36.9
Namibia	22.5	23.5	21.2	19.9	20.3
Niger	11.4	12.1	14.2	15.4	16.3
Nigeria	18.8	18.6	22.3	21.0	24.7
Rwanda	16.4	18.4	16.9	17.8	19.2
São Tomé and Príncipe	39.6	29.8	26.6	30.4	45.9
Senegal	17.9	18.1	19.7	20.2	20.9
Seychelles	32.1	34.3	28.3	19.0	18.3
Sierra Leone	3.4	6.1	10.0	21.8	22.6
South Africa	15.8	14.6	15.9	15.3	15.4
Swaziland	21.2	22.8	18.0	19.4	19.0
Tanzania	16.2	17.0	16.6	17.7	18.6
Togo	14.3	15.2	13.2	14.5	13.2
Uganda	18.8	20.1	21.7	22.8	23.3
Zambia	17.4	20.0	23.0	26.2	18.5
Zimbabwe	14.4	0.3	0.9	3.0	3.0
Sub-Saharan Africa	**17.9**	**17.0**	**17.3**	**17.5**	**18.3**
Oil producing countries	**20.8**	**19.9**	**21.9**	**20.7**	**21.7**
Non-oil producing countries	**17.1**	**16.1**	**15.7**	**16.5**	**17.2**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 6. Domestic Saving, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	8.2	-2.5	7.0	7.4	7.7
Benin	11.1	12.5	8.9	10.1	11.9
Botswana	40.7	39.6	41.8	41.0	38.9
Burkina Faso	10.1	8.4	8.6	10.8	11.2
Burundi	0.3	0.7	2.5	3.9	0.5
Cameroon	14.7	16.1	12.4	14.2	15.0
Cape Verde	9.7	7.0	8.4	9.4	9.1
Central African Republic	6.1	3.5	6.1	2.9	5.0
Chad	5.2	7.9	7.1	4.9	7.0
Comoros	7.4	12.5	12.1	10.1	10.4
Congo, Rep. of	15.6	23.3	23.0	22.4	24.8
Congo, Dem. Rep. of	11.0	0.4	6.3	10.1	12.7
Côte d'Ivoire	10.8	10.1	16.6	14.9	13.7
Equatorial Guinea	29.5	23.5	22.1	25.8	33.0
Ethiopia	12.4	14.2	14.8	16.6	15.4
Gabon	25.4	26.0	25.1	23.4	19.9
Gambia, The	15.9	16.7	19.5	15.1	19.3
Ghana	15.1	21.3	20.2	21.9	22.0
Guinea	15.6	19.6	10.3	9.9	10.1
Guinea-Bissau	2.7	-5.2	2.4	5.1	1.5
Kenya	12.8	10.6	13.5	11.7	10.5
Lesotho	24.6	32.0	21.9	22.6	18.3
Madagascar	15.4	27.8	10.1	15.5	15.9
Malawi	3.6	-5.4	3.7	-4.2	3.5
Mali	13.6	16.7	16.2	17.1	15.1
Mauritius	25.7	26.7	27.0	27.3	24.8
Mozambique	14.0	19.5	26.9	24.5	23.5
Namibia	26.0	25.4	22.6	22.3	22.7
Niger	5.1	7.4	7.0	6.7	8.6
Nigeria	19.8	20.9	16.1	18.7	23.5
Rwanda	8.8	12.5	10.3	8.2	11.9
São Tomé and Príncipe	20.8	6.9	6.1	10.1	-1.3
Senegal	12.8	13.3	14.0	13.6	15.2
Seychelles	16.1	10.7	6.8	14.1	15.8
Sierra Leone	-3.1	-6.6	-5.8	1.4	1.5
South Africa	14.9	14.3	16.2	14.1	13.6
Swaziland	17.4	18.5	14.1	14.7	14.1
Tanzania	7.3	11.8	12.4	15.0	12.5
Togo	2.6	2.1	2.4	6.2	5.0
Uganda	13.0	14.7	15.3	16.8	19.4
Zambia	3.8	9.2	16.5	20.0	12.4
Zimbabwe	9.3	-3.0	-1.3	-1.5	-5.8
Sub-Saharan Africa	**14.6**	**14.4**	**15.1**	**15.0**	**15.2**
Oil producing countries	**17.5**	**17.1**	**14.7**	**16.6**	**19.6**
Non-oil producing countries	**14.0**	**13.8**	**15.2**	**14.6**	**14.2**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 7. Overall Fiscal Balance, Including Grants, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	-14.2	-1.5	-9.0	-6.2	-3.4
Benin	0.2	-1.5	-2.4	-1.9	-2.6
Botswana	4.5	-0.3	1.1	-2.7	0.7
Burkina Faso	-3.2	-3.9	-4.9	-3.7	-4.9
Burundi	-4.9	-5.2	-1.4	-5.1	-7.6
Cameroon	-0.4	2.4	1.8	2.6	2.3
Cape Verde	-10.6	-4.6	-1.8	-4.1	-5.5
Central African Republic	-0.9	-0.9	-1.2	-3.7	-3.1
Chad	-4.8	-4.9	-5.2	-6.2	-3.6
Comoros	-2.5	-4.0	-6.5	-1.2	-0.9
Congo, Rep. of	-6.9	-0.7	-8.1	0.1	-1.3
Congo, Dem. Rep. of	-5.0	-1.7	-2.7	-3.8	-5.0
Côte d'Ivoire	-1.5	0.9	-1.2	-2.2	-0.7
Equatorial Guinea	4.8	15.0	12.4	23.3	27.8
Ethiopia	-6.6	-5.5	-9.3	-8.4	-7.1
Gabon	0.7	3.2	3.5	8.7	4.0
Gambia, The	-5.5	-13.9	-4.6	-5.9	-2.2
Ghana	-8.4	-7.7	-5.0	-3.1	-1.4
Guinea	-2.8	-4.1	-5.9	-3.3	-2.1
Guinea-Bissau	-12.4	-11.7	-12.0	-12.3	-16.6
Kenya	-1.1	-2.3	-3.3	-3.7	-4.1
Lesotho	-3.8	0.6	-4.2	-2.9	0.9
Madagascar	-3.6	-4.3	-5.5	-3.9	-2.8
Malawi	-5.8	-7.6	-8.2	-5.5	-4.5
Mali	-2.7	-3.2	-3.6	-3.9	-5.1
Mauritius	-4.8	-5.7	-5.9	-5.9	-4.9
Mozambique	-3.8	-6.5	-8.2	-3.2	-3.9
Namibia	-3.1	-3.7	-3.1	-1.2	0.2
Niger	-3.6	-3.2	-2.8	-2.9	-4.4
Nigeria	-2.4	-2.7	-5.1	-2.7	2.7
Rwanda	-2.0	-1.3	-1.9	-3.3	-2.0
São Tomé and Príncipe	-24.4	-22.6	-13.8	-18.3	-23.4
Senegal	-0.6	-2.0	0.4	-1.9	-2.5
Seychelles	-10.4	-6.9	-18.7	-3.5	6.8
Sierra Leone	-9.1	-9.4	-9.9	-9.4	-9.3
South Africa	-2.4	-1.6	-1.2	-2.2	-3.0
Swaziland	-0.5	-2.7	-4.3	-6.2	-6.5
Tanzania	-1.0	-1.2	-1.0	-1.5	-3.8
Togo	-3.6	-3.6	-0.6	-0.2	1.2
Uganda	-3.0	-2.2	-5.7	-4.4	-0.9
Zambia	-4.4	-7.2	-5.6	-6.5	-3.8
Zimbabwe	-9.9	-9.9	-4.8	-6.8	-6.9
Sub-Saharan Africa	**-2.9**	**-2.3**	**-3.0**	**-2.4**	**-1.7**
Oil producing countries	**-3.3**	**-1.1**	**-3.9**	**-1.0**	**2.3**
Non-oil producing countries	**-2.9**	**-2.6**	**-2.7**	**-2.9**	**-3.1**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 8. Overall Fiscal Balance, Excluding Grants, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	-16.9	-3.7	-9.0	-7.5	-3.5
Benin	-2.9	-4.2	-3.5	-4.2	-5.0
Botswana	4.0	-0.5	0.7	-3.2	0.2
Burkina Faso	-10.0	-11.1	-10.2	-9.2	-9.6
Burundi	-7.2	-7.2	-5.7	-9.8	-9.8
Cameroon	-0.6	2.0	1.5	1.7	1.7
Cape Verde	-19.2	-10.4	-10.2	-11.0	-11.0
Central African Republic	-7.0	-4.3	-5.0	-4.8	-5.0
Chad	-5.6	-6.2	-6.0	-6.2	-3.6
Comoros	-8.5	-7.5	-9.9	-3.1	-2.7
Congo, Rep. of	-7.1	-0.9	-8.3	-0.4	-2.0
Congo, Dem. Rep. of	-5.0	-1.7	-3.0	-5.7	-9.2
Côte d'Ivoire	-2.0	0.4	-1.7	-2.5	-1.1
Equatorial Guinea	4.4	15.0	12.4	23.3	27.8
Ethiopia	-10.2	-10.3	-14.0	-16.4	-14.1
Gabon	0.7	3.2	3.4	8.6	3.8
Gambia, The	-7.3	-16.0	-9.1	-7.9	-6.2
Ghana	-11.3	-14.6	-8.1	-8.0	-5.2
Guinea	-5.6	-7.5	-8.2	-7.2	-5.8
Guinea-Bissau	-22.2	-26.2	-18.1	-18.6	-21.4
Kenya	-2.2	-4.1	-4.5	-6.1	-8.2
Lesotho	-6.4	-2.2	-8.1	-6.1	-3.0
Madagascar	-7.6	-8.2	-7.7	-7.9	-7.8
Malawi	-12.3	-14.6	-14.1	-13.6	-18.8
Mali	-7.4	-7.0	-7.2	-8.2	-7.9
Mauritius	-5.0	-5.9	-6.2	-6.2	-5.1
Mozambique	-14.1	-21.2	-19.9	-13.6	-12.7
Namibia	-3.2	-3.9	-3.3	-1.5	-0.1
Niger	-8.3	-7.9	-7.7	-8.1	-8.2
Nigeria	-2.4	-2.7	-5.1	-2.7	2.7
Rwanda	-9.1	-9.5	-9.1	-11.0	-11.6
São Tomé and Príncipe	-50.0	-60.4	-40.9	-44.7	-40.3
Senegal	-2.9	-3.9	-1.6	-4.4	-4.6
Seychelles	-10.9	-7.3	-18.7	-3.7	6.8
Sierra Leone	-13.7	-15.8	-19.7	-25.2	-24.2
South Africa	-2.5	-1.6	-1.2	-2.2	-3.0
Swaziland	-1.3	-3.8	-5.5	-8.0	-8.4
Tanzania	-4.5	-4.7	-5.3	-7.7	-9.9
Togo	-4.5	-4.1	-0.9	-0.8	0.5
Uganda	-8.5	-8.9	-12.8	-11.4	-10.7
Zambia	-10.7	-13.0	-13.9	-13.3	-9.8
Zimbabwe	-11.0	-10.5	-4.8	-6.8	-6.9
Sub-Saharan Africa	**-4.0**	**-3.6**	**-4.1**	**-3.8**	**-3.1**
Oil producing countries	**-3.6**	**-1.5**	**-4.0**	**-1.3**	**2.2**
Non-oil producing countries	**-4.3**	**-4.3**	**-4.2**	**-4.6**	**-4.8**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 9. Government Revenue, Excluding Grants, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	42.6	42.5	39.0	36.2	31.2
Benin	15.7	16.2	16.9	16.8	17.0
Botswana	43.8	42.6	46.7	44.4	46.0
Burkina Faso	11.8	11.1	11.6	12.4	13.2
Burundi	17.2	20.0	20.3	20.1	19.6
Cameroon	17.1	20.6	18.9	18.9	18.8
Cape Verde	20.2	20.6	22.5	21.0	20.6
Central African Republic	8.9	8.9	10.8	8.2	9.1
Chad	12.4	11.9	14.0	13.5	14.3
Comoros	11.6	11.1	12.6	13.0	13.1
Congo, Rep. of	26.9	30.7	27.2	29.5	27.2
Congo, Dem. Rep. of	5.4	6.5	7.9	8.1	9.0
Côte d'Ivoire	17.5	17.0	17.5	16.5	18.0
Equatorial Guinea	21.7	27.1	27.4	33.8	37.5
Ethiopia	18.3	18.8	20.1	19.6	19.5
Gabon	32.7	34.0	31.5	31.8	28.7
Gambia, The	17.8	15.1	16.3	15.2	16.2
Ghana	17.6	18.1	18.0	21.4	22.4
Guinea	11.1	11.3	12.0	11.6	12.1
Guinea-Bissau	14.8	16.8	15.3	16.7	20.4
Kenya	24.7	22.1	21.1	20.9	22.2
Lesotho	42.8	40.8	39.3	39.4	42.2
Madagascar	10.8	10.1	8.0	10.3	11.9
Malawi	17.2	18.4	17.9	22.0	20.4
Mali	13.2	13.2	15.1	15.6	16.6
Mauritius	19.6	18.0	18.2	20.5	21.4
Mozambique	12.3	13.3	14.2	14.6	14.4
Namibia	32.5	31.9	33.5	34.5	34.7
Niger	8.9	9.3	10.6	10.6	11.1
Nigeria	20.0	26.9	20.7	20.1	22.4
Rwanda	10.4	11.4	12.3	13.2	13.3
São Tomé and Príncipe	19.4	21.1	23.1	23.7	30.1
Senegal	17.4	17.8	18.9	19.2	19.3
Seychelles	44.7	41.4	39.9	43.9	47.4
Sierra Leone	9.1	14.0	14.5	14.6	15.3
South Africa	23.9	24.3	24.3	24.4	24.5
Swaziland	28.5	26.9	25.7	25.8	25.9
Tanzania	11.2	11.4	11.5	12.1	12.5
Togo	13.1	13.1	12.1	14.7	14.7
Uganda	11.2	10.9	12.3	12.3	13.1
Zambia	19.0	19.1	17.9	18.0	19.0
Zimbabwe	27.6	27.1	28.6	27.3	27.8
Sub-Saharan Africa	**21.9**	**23.0**	**22.1**	**22.2**	**22.5**
Oil producing countries	**23.4**	**28.4**	**23.9**	**23.4**	**23.8**
Non-oil producing countries	**21.3**	**21.2**	**21.6**	**21.8**	**22.1**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 10. Government Expenditure, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	59.5	46.3	47.9	43.8	34.7
Benin	18.6	20.3	20.4	21.0	22.0
Botswana	39.8	43.1	46.0	47.6	45.9
Burkina Faso	21.7	22.2	21.8	21.6	22.8
Burundi	24.4	27.2	25.9	29.9	29.4
Cameroon	17.8	18.6	17.4	17.2	17.1
Cape Verde	39.4	31.1	32.7	32.0	31.7
Central African Republic	15.9	13.2	15.7	13.0	14.1
Chad	18.0	18.0	20.0	19.7	17.8
Comoros	20.2	18.6	22.6	16.1	15.8
Congo, Rep. of	34.0	31.6	35.5	29.9	29.2
Congo, Dem. Rep. of	10.5	8.2	11.0	13.8	18.2
Côte d'Ivoire	19.6	16.6	19.3	19.0	19.1
Equatorial Guinea	17.3	12.1	15.0	10.5	9.8
Ethiopia	28.5	29.1	34.1	36.0	33.6
Gabon	31.9	30.8	28.1	23.2	24.9
Gambia, The	25.2	31.1	25.4	23.1	22.4
Ghana	28.8	32.7	26.1	29.3	27.6
Guinea	16.7	18.8	20.2	18.8	17.8
Guinea-Bissau	37.0	43.0	33.4	35.2	41.7
Kenya	26.9	26.1	25.5	27.0	30.4
Lesotho	49.2	43.0	47.3	45.5	45.2
Madagascar	18.3	18.4	15.7	18.3	19.7
Malawi	29.5	33.1	32.0	35.6	39.2
Mali	20.6	20.2	22.4	23.9	24.5
Mauritius	24.5	23.9	24.4	26.7	26.5
Mozambique	26.4	34.6	34.1	28.1	27.2
Namibia	35.7	35.8	36.8	36.0	34.7
Niger	17.2	17.2	18.4	18.7	19.3
Nigeria	22.4	29.5	25.7	22.7	19.6
Rwanda	19.6	21.0	21.3	24.2	24.8
São Tomé and Príncipe	69.4	81.5	64.1	68.4	70.4
Senegal	20.3	21.7	20.5	23.6	23.9
Seychelles	55.6	48.7	58.7	47.5	40.6
Sierra Leone	22.7	29.8	34.2	39.8	39.5
South Africa	26.4	25.9	25.5	26.7	27.5
Swaziland	29.8	30.7	31.2	33.8	34.3
Tanzania	15.7	16.1	16.8	19.8	22.5
Togo	17.7	17.2	13.1	15.5	14.2
Uganda	19.6	19.8	25.1	23.7	23.7
Zambia	29.6	32.1	31.8	31.2	28.7
Zimbabwe	38.6	37.6	33.4	34.1	34.7
Sub-Saharan Africa	**25.9**	**26.6**	**26.3**	**26.0**	**25.6**
Oil producing countries	**27.0**	**29.9**	**27.8**	**24.7**	**21.6**
Non-oil producing countries	**25.6**	**25.5**	**25.7**	**26.4**	**26.9**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 11. Broad Money Growth, 1997-2004
(In percent)

	1997-2001	2001	2002	2003	2004
Angola	270.9	163.2	158.1	57.4	50.1
Benin	16.7	12.7	-3.8	-2.5	10.0
Botswana	25.4	31.2	-1.1	12.6	9.0
Burkina Faso	5.7	10.7	2.9	9.1	7.9
Burundi	14.4	16.3	30.3	22.0	12.1
Cameroon	13.6	17.9	29.5	4.4	11.0
Cape Verde	10.2	9.8	14.3	7.8	9.0
Central African Republic	-2.3	-1.1	-4.3	-4.8	8.4
Chad	4.2	22.9	24.2	4.7	0.0
Comoros	13.1	47.4	10.7	-3.0	10.0
Congo, Rep. of	10.5	-22.8	13.1	-5.7	11.2
Congo, Dem. Rep. of	325.8	493.1	298.2	0.0	31.2
Côte d'Ivoire	6.0	11.8	30.8	-2.5	-0.2
Equatorial Guinea	43.2	57.6	34.8	17.8	11.8
Ethiopia	9.1	9.5	12.3	10.4	13.4
Gabon	7.7	11.6	9.0	0.7	10.5
Gambia, The	19.8	19.4	35.3	43.4	16.7
Ghana	35.3	41.4	49.6	28.3	18.9
Guinea	14.1	14.8	19.2	36.3	13.9
Guinea-Bissau	36.9	9.9	24.1	-2.4	17.8
Kenya	2.8	2.5	8.8	13.2	9.8
Lesotho	10.3	17.0	2.7	10.6	7.6
Madagascar	17.8	29.8	6.3	11.3	13.5
Malawi	27.8	8.9	23.4	26.4	3.0
Mali	9.1	19.2	28.4	15.4	11.9
Mauritius	12.3	9.9	13.0	11.0	10.5
Mozambique	29.9	29.7	20.1	13.5	14.5
Namibia	10.7	4.5	8.0	15.7	13.2
Niger	7.2	32.8	-0.4	13.7	12.0
Nigeria	33.5	27.2	21.6	52.2	7.6
Rwanda	14.6	8.8	12.4	11.0	5.7
São Tomé and Príncipe	31.5	12.6	7.0	7.0	7.0
Senegal	10.9	14.5	8.3	6.1	8.7
Seychelles	16.9	11.4	13.1	-9.4	-12.0
Sierra Leone	28.5	33.7	15.2	18.2	5.8
South Africa	13.2	16.7	12.8	8.4	9.0
Swaziland	10.4	10.7	13.1	14.0	9.2
Tanzania	10.7	14.9	21.3	16.9	21.4
Togo	3.9	-3.6	-2.0	20.9	-1.6
Uganda	18.4	17.5	21.6	23.3	12.3
Zambia	32.1	10.8	26.5	28.2	18.2
Zimbabwe	48.3	102.7	164.8	518.9	484.4
Sub-Saharan Africa	**21.7**	**25.8**	**28.2**	**19.8**	**12.4**
Oil producing countries	**40.2**	**35.1**	**34.8**	**37.1**	**13.3**
Non-oil producing countries	**17.2**	**22.9**	**26.0**	**14.8**	**12.1**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 12. Exports of Goods and Services, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	74.9	71.1	76.7	76.8	75.6
Benin	15.9	15.0	13.8	14.0	14.4
Botswana	54.7	52.2	51.6	47.8	47.6
Burkina Faso	9.9	9.2	8.5	9.3	9.5
Burundi	8.0	7.0	6.2	8.7	5.8
Cameroon	27.8	31.8	25.6	24.6	21.6
Cape Verde	25.5	29.2	30.1	29.1	29.2
Central African Republic	19.9	16.2	15.3	11.4	12.3
Chad	17.0	15.2	12.3	21.2	41.1
Comoros	21.1	15.9	15.8	12.9	12.1
Congo, Rep. of	76.9	80.1	80.7	78.4	74.8
Congo, Dem. Rep. of	22.2	18.7	21.3	24.8	24.9
Côte d'Ivoire	40.4	40.6	47.8	46.9	42.1
Equatorial Guinea	103.7	107.1	105.4	101.3	99.7
Ethiopia	15.3	15.1	16.2	17.2	15.9
Gabon	59.0	59.0	58.0	57.2	55.9
Gambia, The	44.7	36.6	44.7	44.2	57.9
Ghana	38.5	45.2	42.5	38.0	34.5
Guinea	22.5	27.1	24.3	24.4	26.8
Guinea-Bissau	23.8	26.7	28.8	24.6	26.5
Kenya	26.3	26.4	26.6	26.8	27.1
Lesotho	30.8	46.0	55.7	50.1	50.2
Madagascar	25.5	29.1	16.0	20.5	21.3
Malawi	27.5	28.5	25.1	27.2	28.8
Mali	24.3	29.0	32.2	26.6	28.4
Mauritius	60.5	61.1	60.7	56.2	52.3
Mozambique	18.5	29.2	33.0	27.8	31.8
Namibia	46.2	44.6	51.8	56.4	57.3
Niger	17.0	16.9	16.5	16.9	17.9
Nigeria	43.3	44.0	39.3	47.5	45.5
Rwanda	7.4	9.2	7.7	7.5	8.3
São Tomé and Príncipe	32.4	36.0	36.2	38.3	39.0
Senegal	30.1	30.4	30.1	28.4	27.2
Seychelles	70.9	80.7	77.7	77.8	77.7
Sierra Leone	14.8	15.4	18.2	22.7	25.9
South Africa	27.1	30.8	34.4	24.8	25.7
Swaziland	79.6	92.1	90.8	83.5	83.1
Tanzania	14.6	15.3	15.9	17.8	17.9
Togo	29.0	30.6	33.8	40.1	38.2
Uganda	11.8	12.0	12.0	12.7	13.8
Zambia	29.0	29.0	28.6	31.0	33.3
Zimbabwe	35.2	20.3	8.6	20.6	35.4
Sub-Saharan Africa	**32.1**	**34.6**	**34.5**	**32.9**	**33.1**
Oil producing countries	**47.5**	**49.1**	**46.4**	**51.2**	**49.6**
Non-oil producing countries	**27.9**	**29.9**	**30.3**	**27.0**	**27.6**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 13. Imports of Goods and Services, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	74.0	70.7	69.6	70.8	70.1
Benin	28.2	27.7	26.9	26.0	25.5
Botswana	46.0	43.2	42.0	41.9	41.8
Burkina Faso	24.5	23.1	21.6	21.7	21.7
Burundi	18.6	22.1	23.4	31.2	32.4
Cameroon	25.6	29.2	30.5	25.4	23.4
Cape Verde	59.8	62.0	66.0	64.4	63.0
Central African Republic	25.0	21.7	18.8	15.2	16.7
Chad	36.8	51.4	64.6	53.8	29.0
Comoros	35.0	29.2	28.1	25.3	25.1
Congo, Rep. of	57.8	53.4	54.0	54.4	53.2
Congo, Dem. Rep. of	20.7	20.7	26.1	31.7	36.3
Côte d'Ivoire	32.8	32.9	31.8	32.5	31.3
Equatorial Guinea	132.1	123.0	74.5	65.3	43.7
Ethiopia	28.0	29.8	34.2	36.6	35.4
Gabon	37.9	35.7	34.7	33.3	33.7
Gambia, The	52.6	42.6	51.3	52.2	62.2
Ghana	56.3	64.8	54.9	51.9	47.6
Guinea	26.7	29.0	29.8	27.9	30.1
Guinea-Bissau	48.2	64.0	58.6	52.3	59.5
Kenya	34.3	35.6	30.3	32.3	36.3
Lesotho	96.8	98.9	114.3	99.2	101.6
Madagascar	32.3	32.3	22.6	28.4	29.8
Malawi	38.9	39.8	43.2	42.6	43.5
Mali	33.9	38.3	33.7	33.3	32.1
Mauritius	62.7	59.4	56.7	53.0	49.9
Mozambique	36.6	48.5	51.0	48.5	40.3
Namibia	56.0	53.2	60.7	67.0	67.5
Niger	24.9	24.6	26.7	27.6	28.3
Nigeria	36.6	36.8	40.4	40.6	38.3
Rwanda	24.4	25.1	24.5	28.4	29.8
São Tomé and Príncipe	84.0	89.3	76.9	82.9	105.2
Senegal	38.1	39.9	40.7	40.0	37.6
Seychelles	84.3	102.0	84.1	76.1	70.9
Sierra Leone	24.5	32.6	40.8	50.4	55.8
South Africa	24.8	27.2	31.0	23.6	25.2
Swaziland	96.4	103.5	99.7	93.7	93.4
Tanzania	25.4	23.9	23.5	25.1	29.0
Togo	43.2	47.3	49.4	53.7	52.0
Uganda	22.6	24.4	27.4	27.2	28.9
Zambia	40.0	44.6	42.0	42.3	43.9
Zimbabwe	35.7	23.6	11.7	27.7	50.0
Sub-Saharan Africa	**32.6**	**34.6**	**35.4**	**33.2**	**33.5**
Oil producing countries	**41.5**	**43.1**	**44.8**	**43.9**	**40.7**
Non-oil producing countries	**30.2**	**31.9**	**32.1**	**29.7**	**31.1**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 14. Trade Balance, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	35.6	35.4	41.5	39.5	35.8
Benin	-10.5	-10.7	-11.6	-10.5	-9.3
Botswana	12.8	13.0	13.6	10.1	10.2
Burkina Faso	-10.7	-10.2	-9.7	-9.0	-8.8
Burundi	-6.3	-10.4	-11.6	-13.7	-18.0
Cameroon	4.8	6.0	0.9	1.0	-0.1
Cape Verde	-35.2	-34.7	-37.5	-36.7	-35.6
Central African Republic	2.1	2.7	2.9	1.2	0.9
Chad	-6.5	-19.5	-32.0	-16.1	20.1
Comoros	-15.0	-10.5	-10.3	-11.0	-11.7
Congo, Rep. of	47.2	49.3	51.1	48.5	44.5
Congo, Dem. Rep. of	6.9	1.4	-0.3	-2.3	-5.9
Côte d'Ivoire	14.0	13.7	22.8	23.0	19.0
Equatorial Guinea	16.4	15.8	54.3	55.2	71.6
Ethiopia	-14.8	-16.8	-20.5	-22.0	-21.8
Gabon	35.8	36.5	34.7	33.9	30.6
Gambia, The	-15.3	-10.3	-13.3	-14.1	-15.1
Ghana	-15.9	-18.2	-10.7	-12.1	-11.5
Guinea	2.9	5.3	1.6	2.9	2.9
Guinea-Bissau	-12.4	-23.0	-15.6	-15.8	-19.8
Kenya	-9.9	-11.5	-7.4	-8.6	-12.0
Lesotho	-65.0	-51.3	-55.8	-45.9	-48.5
Madagascar	-3.1	0.3	-2.6	-4.0	-5.3
Malawi	-3.7	-4.2	-10.3	-7.4	-6.3
Mali	-0.5	-0.3	5.7	1.9	4.2
Mauritius	-8.3	-5.6	-4.8	-5.2	-5.0
Mozambique	-16.9	-10.5	-16.1	-15.8	-5.0
Namibia	-6.3	-5.7	-5.8	-7.8	-7.6
Niger	-2.4	-3.0	-5.5	-5.9	-5.6
Nigeria	15.3	15.3	8.5	16.2	15.6
Rwanda	-9.3	-8.5	-9.6	-11.8	-12.2
São Tomé and Príncipe	-35.9	-38.2	-31.4	-36.6	-49.0
Senegal	-7.6	-9.2	-10.2	-11.0	-10.0
Seychelles	-31.5	-32.1	-20.0	-12.8	-9.0
Sierra Leone	-4.9	-11.5	-15.8	-19.2	-20.5
South Africa	2.7	4.3	4.2	1.7	1.1
Swaziland	-8.1	-6.1	-6.7	-8.0	-8.0
Tanzania	-8.2	-8.4	-7.4	-6.7	-9.7
Togo	-10.2	-12.4	-12.0	-10.4	-10.9
Uganda	-7.3	-8.8	-10.2	-10.8	-11.7
Zambia	-5.0	-9.4	-6.9	-5.7	-4.9
Zimbabwe	0.7	-1.9	-2.1	-4.6	-10.3
Sub-Saharan Africa	**3.4**	**4.2**	**3.7**	**3.9**	**3.6**
Oil producing countries	**18.5**	**18.6**	**15.4**	**20.0**	**20.1**
Non-oil producing countries	**-0.8**	**-0.5**	**-0.3**	**-1.3**	**-2.0**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 15. Terms of Trade
(Index, 1990=100)

	1997-2001	2001	2002	2003	2004
Angola	102.9	117.0	117.0	115.1	120.9
Benin	84.0	87.3	73.3	78.8	88.8
Botswana	99.6	98.9	99.8	96.1	99.3
Burkina Faso	97.6	98.4	84.0	90.3	94.2
Burundi	100.6	73.2	73.2	70.5	68.2
Cameroon	99.0	115.5	110.6	105.6	101.9
Cape Verde	37.5	36.9	37.0	36.8	36.9
Central African Republic	83.1	75.8	73.9	88.9	97.0
Chad	157.5	184.7	172.4	228.1	254.0
Comoros	73.5	167.6	182.8	110.0	94.7
Congo, Rep. of	111.3	123.5	161.9	170.6	150.3
Congo, Dem. Rep. of	137.1	143.9	162.6	135.7	126.1
Cote d'Ivoire	115.6	100.1	133.3	141.1	138.5
Equatorial Guinea	95.9	69.6	94.5	95.5	123.8
Ethiopia	70.9	50.3	44.6	40.4	39.3
Gabon	87.1	86.3	93.3	92.5	102.8
Gambia, The	69.8	41.6	42.0	31.3	39.1
Ghana	106.8	90.6	99.1	103.2	103.0
Guinea	87.3	86.6	88.4	85.8	84.5
Guinea-Bissau	86.3	72.1	80.6	73.8	74.5
Kenya	132.1	126.2	120.4	119.0	121.8
Lesotho	120.1	128.9	130.3	132.8	132.0
Madagascar	102.0	99.8	89.5	93.3	100.6
Malawi	122.4	116.5	116.4	104.8	99.3
Mali	101.7	99.2	107.0	108.9	117.1
Mauritius	111.8	116.1	116.0	112.7	113.5
Mozambique	79.3	71.9	78.1	81.6	82.1
Namibia	89.2	92.1	109.9	100.2	94.3
Niger	74.5	78.8	90.0	87.8	94.2
Nigeria	97.5	119.8	119.1	122.2	117.7
Rwanda	126.0	122.9	104.4	80.0	83.0
São Tomé and Príncipe	99.4	93.4	95.7	82.0	76.4
Senegal	92.4	92.3	91.2	92.4	92.9
Seychelles	47.4	46.1	46.8	55.6	59.7
Sierra Leone	124.6	113.7	113.7	113.5	114.1
South Africa	93.7	92.0	92.2	91.5	91.4
Swaziland	98.4	95.2	94.5	93.5	95.2
Tanzania	99.0	95.5	98.5	110.8	100.3
Togo	57.0	49.9	52.7	63.0	73.3
Uganda	59.4	39.0	35.4	32.7	33.9
Zambia	63.2	58.6	54.5	58.0	61.6
Zimbabwe	113.7	108.1	106.8	99.1	99.5
Sub-Saharan Africa	**98.0**	**99.2**	**101.7**	**100.8**	**101.3**
Oil producing countries	**99.8**	**117.2**	**118.5**	**121.1**	**121.8**
Non-oil producing countries	**96.8**	**93.3**	**95.9**	**94.3**	**94.5**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 16. External Current Account, Including Grants, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	-14.9	-15.1	-5.8	-6.2	-4.4
Benin	-7.1	-6.7	-9.0	-8.0	-7.5
Botswana	9.6	7.6	7.3	3.6	3.6
Burkina Faso	-10.3	-10.3	-9.8	-8.1	-9.3
Burundi	-6.6	-6.8	-6.5	-6.1	-11.1
Cameroon	-2.6	-1.7	-7.2	-3.1	-3.2
Cape Verde	-10.3	-10.7	-11.8	-10.3	-10.5
Central African Republic	-3.5	-4.8	-2.9	-3.6	-2.8
Chad	-17.5	-35.2	-51.8	-40.1	-16.6
Comoros	-8.9	1.8	1.1	-1.1	-1.4
Congo, Rep. of	-9.2	-3.2	-0.3	-0.7	-1.4
Congo, Dem. Rep. of	-4.8	-4.8	-2.7	-2.0	-6.0
Côte d'Ivoire	-1.6	-0.9	6.2	4.9	2.4
Equatorial Guinea	-43.2	-32.1	-6.7	0.3	16.0
Ethiopia	-4.3	-3.6	-5.7	-4.7	-7.9
Gabon	-3.0	0.3	0.7	-1.2	-5.8
Gambia, The	-3.1	-3.5	-2.2	-5.1	-0.7
Ghana	-8.9	-5.3	0.5	-0.4	-1.0
Guinea	-6.5	-2.4	-6.5	-4.8	-5.6
Guinea-Bissau	-14.4	-24.9	-12.3	-9.8	-17.5
Kenya	-3.6	-4.1	0.0	-2.3	-8.1
Lesotho	-22.1	-13.4	-17.5	-11.8	-15.0
Madagascar	-5.1	-1.3	-5.9	-4.9	-5.4
Malawi	-6.6	-6.9	-6.9	-10.2	-7.9
Mali	-8.5	-10.4	-4.3	-7.0	-6.2
Mauritius	-0.4	3.4	5.2	4.6	3.5
Mozambique	-17.9	-21.9	-17.8	-18.9	-13.1
Namibia	3.8	2.6	2.2	4.0	4.2
Niger	-6.3	-4.8	-7.2	-8.8	-7.8
Nigeria	1.1	2.3	-6.1	0.1	1.2
Rwanda	-7.6	-5.9	-6.7	-9.6	-7.4
São Tomé and Príncipe	-41.4	-51.6	-43.0	-43.2	-62.4
Senegal	-5.1	-4.9	-5.7	-6.6	-5.7
Seychelles	-15.6	-23.5	-16.3	-2.8	0.7
Sierra Leone	-5.5	-8.9	-10.1	-14.7	-17.0
South Africa	-0.9	-0.3	0.3	-1.2	-1.8
Swaziland	-3.7	-4.3	-3.9	-4.6	-4.8
Tanzania	-7.3	-5.0	-4.0	-2.6	-6.0
Togo	-11.8	-13.1	-10.8	-8.3	-8.3
Uganda	-5.4	-5.4	-6.3	-6.0	-3.9
Zambia	-14.9	-20.0	-15.5	-13.7	-13.0
Zimbabwe	-2.9	-3.3	-2.2	-4.5	-8.8
Sub-Saharan Africa	**-2.8**	**-2.4**	**-2.9**	**-2.3**	**-2.6**
Oil producing countries	**-2.9**	**-2.3**	**-6.7**	**-2.4**	**-0.9**
Non-oil producing countries	**-2.9**	**-2.5**	**-1.6**	**-2.3**	**-3.2**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 17. External Current Account, Excluding Grants, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	-16.1	-16.1	-6.5	-7.0	-5.3
Benin	-9.8	-10.2	-11.1	-10.1	-9.3
Botswana	5.2	3.7	2.8	-2.2	-2.9
Burkina Faso	-13.3	-13.5	-12.3	-12.2	-11.8
Burundi	-11.4	-16.1	-18.6	-23.7	-27.9
Cameroon	-2.8	-2.1	-7.5	-4.0	-3.8
Cape Verde	-17.8	-14.4	-17.3	-17.3	-16.0
Central African Republic	-6.8	-6.2	-4.1	-3.9	-4.6
Chad	-20.3	-37.2	-53.6	-40.9	-17.4
Comoros	-10.5	1.1	-0.5	-3.0	-3.3
Congo, Rep. of	-9.5	-3.4	-0.5	-0.9	-1.7
Congo, Dem. Rep. of	-8.7	-10.6	-11.0	-10.8	-14.9
Côte d'Ivoire	-2.2	-1.4	5.9	4.8	2.0
Equatorial Guinea	-43.3	-32.1	-6.7	0.2	16.0
Ethiopia	-8.6	-9.7	-12.9	-12.8	-14.0
Gabon	-3.0	0.3	0.6	-1.3	-6.0
Gambia, The	-10.5	-10.8	-12.7	-13.7	-11.5
Ghana	-12.2	-10.3	-3.1	-5.5	-5.1
Guinea	-7.8	-5.2	-7.8	-5.8	-6.3
Guinea-Bissau	-26.4	-37.2	-23.8	-22.4	-27.3
Kenya	-3.9	-4.3	0.0	-2.7	-8.1
Lesotho	-38.8	-29.9	-34.6	-27.0	-30.2
Madagascar	-6.1	-2.0	-6.1	-7.5	-7.6
Malawi	-13.7	-12.7	-19.3	-17.0	-16.4
Mali	-10.4	-12.6	-5.9	-9.7	-7.0
Mauritius	-0.6	3.2	5.0	4.5	3.4
Mozambique	-24.3	-28.1	-23.3	-25.1	-17.7
Namibia	-8.0	-8.4	-7.5	-8.9	-8.2
Niger	-8.8	-7.7	-10.1	-10.4	-9.5
Nigeria	1.2	2.4	-6.0	0.1	1.3
Rwanda	-16.8	-15.9	-16.5	-20.9	-21.7
São Tomé and Príncipe	-59.9	-60.4	-47.3	-49.5	-67.3
Senegal	-7.3	-6.4	-7.1	-8.4	-7.3
Seychelles	-17.6	-25.0	-18.2	-4.5	-0.6
Sierra Leone	-11.5	-19.2	-25.6	-30.6	-32.5
South Africa	-0.3	0.4	0.8	-0.8	-1.4
Swaziland	-12.6	-12.8	-6.3	-7.5	-7.7
Tanzania	-12.3	-9.7	-8.5	-7.6	-11.5
Togo	-14.5	-14.7	-12.1	-9.4	-9.4
Uganda	-11.3	-12.3	-13.5	-13.0	-13.7
Zambia	-16.7	-20.8	-18.0	-15.3	-13.9
Zimbabwe	-3.9	-3.7	-2.4	-5.0	-9.8
Sub-Saharan Africa	**-3.8**	**-3.5**	**-4.0**	**-3.5**	**-3.8**
Oil producing countries	**-3.0**	**-2.5**	**-6.8**	**-2.6**	**-1.1**
Non-oil producing countries	**-4.1**	**-3.9**	**-3.1**	**-3.8**	**-4.7**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 18. Official Grants, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	1.2	1.0	0.8	0.9	0.8
Benin	2.7	3.5	2.2	2.1	1.9
Botswana	4.3	3.9	4.5	5.8	6.5
Burkina Faso	3.0	3.2	2.5	4.1	2.5
Burundi	4.8	9.3	12.1	17.6	16.8
Cameroon	0.1	0.4	0.3	0.9	0.6
Cape Verde	7.5	3.7	5.5	7.0	5.5
Central African Republic	3.2	1.4	1.2	0.3	1.7
Chad	2.8	2.0	1.8	0.8	0.8
Comoros	1.7	0.7	1.6	1.9	1.9
Congo, Rep. of	0.3	0.2	0.2	0.2	0.2
Congo, Dem. Rep. of	3.8	5.7	8.4	8.8	8.9
Côte d'Ivoire	0.5	0.5	0.3	0.1	0.4
Equatorial Guinea	0.2	0.1	0.0	0.0	0.0
Ethiopia	4.3	6.1	7.2	8.1	6.1
Gabon	0.0	0.0	0.1	0.1	0.2
Gambia, The	7.4	7.3	10.5	8.6	10.8
Ghana	3.2	5.0	3.6	5.1	4.0
Guinea	1.3	2.8	1.4	1.1	0.8
Guinea-Bissau	11.9	12.3	11.5	12.7	9.8
Kenya	0.2	0.2	0.0	0.4	0.0
Lesotho	16.7	16.6	17.1	15.2	15.2
Madagascar	1.0	0.7	0.2	2.5	2.2
Malawi	7.1	5.8	12.3	6.8	8.5
Mali	1.9	2.2	1.6	2.8	0.8
Mauritius	0.1	0.2	0.2	0.1	0.1
Mozambique	6.5	6.2	5.5	6.1	4.6
Namibia	11.7	11.0	9.7	12.9	12.4
Niger	2.5	3.0	2.9	1.7	1.7
Nigeria	-0.1	-0.1	0.0	0.0	0.0
Rwanda	9.2	10.0	9.8	11.3	14.3
São Tomé and Príncipe	18.4	8.8	4.3	6.3	4.9
Senegal	2.3	1.5	1.4	1.8	1.5
Seychelles	2.0	1.5	1.8	1.6	1.3
Sierra Leone	6.0	10.3	15.5	15.9	15.5
South Africa	-0.6	-0.6	-0.5	-0.4	-0.3
Swaziland	8.9	8.5	2.4	2.8	2.8
Tanzania	5.0	4.7	4.5	5.1	5.5
Togo	2.7	1.5	1.2	1.1	1.2
Uganda	5.9	6.9	7.1	7.0	9.7
Zambia	1.8	0.9	2.6	1.5	0.9
Zimbabwe	1.0	0.4	0.2	0.5	0.9
Sub-Saharan Africa	**1.0**	**1.1**	**1.2**	**1.2**	**1.2**
Oil producing countries	**0.1**	**0.2**	**0.2**	**0.3**	**0.2**
Non-oil producing countries	**1.2**	**1.4**	**1.5**	**1.5**	**1.5**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 19. Total External Debt, 1997-2004
(In billions U.S. dollars)

	1997-2001	2001	2002	2003	2004
Angola	10.1	9.6	9.3	9.6	9.6
Benin	1.7	1.8	1.9	2.0	2.0
Botswana	1.1	1.2	1.3	1.3	1.4
Burkina Faso	1.5	1.4	1.7	1.8	1.8
Burundi	1.1	1.1	1.1	1.2	1.2
Cameroon	7.9	7.0	5.5	6.1	6.2
Cape Verde	0.4	0.5	0.6	0.6	0.7
Central African Republic	0.9	0.9	1.0	1.2	1.5
Chad	1.0	0.9	0.9	0.9	1.0
Comoros	0.2	0.2	0.2	0.2	0.2
Congo, Rep. of	5.3	5.4	6.3	6.7	6.2
Congo, Dem. Rep. of	13.1	13.3	10.7	10.0	10.6
Côte d'Ivoire	11.6	10.6	9.1	11.2	12.7
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3
Ethiopia	5.3	5.6	6.2	6.6	7.0
Gabon	3.5	3.1	3.3	3.8	2.8
Gambia, The	0.5	0.5	0.6	0.6	0.6
Ghana	6.3	6.8	6.5	6.5	6.4
Guinea	3.3	3.2	3.1	2.9	2.8
Guinea-Bissau	0.8	0.8	0.8	0.9	0.9
Kenya	5.4	4.7	5.2	5.3	5.6
Lesotho	0.6	0.5	0.6	0.6	0.6
Madagascar	4.5	4.5	4.5	4.6	4.7
Malawi	2.6	2.8	2.8	2.9	1.8
Mali	2.7	2.2	1.9	2.4	2.9
Mauritius	1.1	1.0	1.0	1.1	1.1
Mozambique	5.4	4.5	5.1	5.5	5.8
Namibia	0.1	0.1	0.1	0.1	0.1
Niger	1.7	1.8	1.8	1.6	1.7
Nigeria	29.2	29.7	29.8	29.3	29.0
Rwanda	1.2	1.3	1.4	1.5	1.5
São Tomé and Príncipe	0.3	0.3	0.3	0.3	0.3
Senegal	3.3	3.0	3.3	4.0	4.5
Seychelles	0.3	0.5	0.6	0.6	0.6
Sierra Leone	1.2	1.2	1.2	1.1	1.0
South Africa	36.6	30.8	32.7	33.3	31.6
Swaziland	0.3	0.3	0.4	0.5	0.5
Tanzania	7.4	7.0	5.5	6.1	6.2
Togo	1.4	1.5	1.7	2.0	2.0
Uganda	3.5	3.4	3.6	4.2	4.2
Zambia	6.2	5.6	5.1	4.7	4.2
Zimbabwe	4.8	5.0	5.4	5.7	6.0
Sub-Saharan Africa	**195.6**	**185.8**	**184.1**	**191.3**	**191.9**
Oil producing countries	**57.2**	**56.0**	**55.4**	**56.6**	**55.1**
Non-oil producing countries	**138.4**	**129.8**	**128.8**	**134.7**	**136.8**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.

Table 20. External Public Debt, 1997-2004
(In percent of GDP)

	1997-2001	2001	2002	2003	2004
Angola	67.8	59.3	45.7	44.0	38.7
Benin	72.5	75.5	69.3	55.8	46.3
Botswana	9.7	9.9	10.1	8.9	8.7
Burkina Faso	51.8	49.6	52.2	42.4	36.2
Burundi	139.6	162.9	181.6	203.2	181.8
Cameroon	72.8	66.8	54.6	48.4	40.9
Cape Verde	52.6	60.1	58.8	48.9	44.2
Central African Republic	82.1	88.2	92.4	95.0	100.5
Chad	58.0	54.1	46.1	35.5	23.1
Comoros	100.6	103.6	92.6	78.1	76.3
Congo, Rep. of	186.3	152.2	165.9	151.8	133.4
Congo, Dem. Rep. of	261.8	252.4	192.4	178.4	173.2
Côte d'Ivoire	72.1	79.7	61.9	64.2	56.9
Equatorial Guinea	35.5	16.4	13.0	9.3	7.7
Ethiopia	82.3	84.9	100.6	97.4	94.0
Gabon	71.2	63.9	65.5	61.0	42.2
Gambia, The	107.8	113.4	138.4	141.3	144.5
Ghana	91.5	116.1	95.6	77.5	67.5
Guinea	97.3	105.8	96.4	81.7	78.6
Guinea-Bissau	382.2	408.4	410.7	360.9	360.3
Kenya	44.6	40.6	37.6	34.0	36.3
Lesotho	62.7	65.1	66.2	46.5	42.4
Madagascar	114.9	98.4	99.1	84.0	80.6
Malawi	138.0	162.1	145.8	163.1	104.3
Mali	95.7	71.3	58.4	55.2	56.6
Mauritius	12.9	10.4	10.7	9.6	8.6
Mozambique	70.1	52.4	53.3	47.6	44.6
Namibia	2.2	2.6	3.2	3.3	3.3
Niger	85.7	91.6	80.7	57.5	51.2
Nigeria	65.2	56.5	55.2	47.8	43.9
Rwanda	67.3	78.4	81.4	87.5	86.6
São Tomé and Príncipe	625.5	546.0	492.4	461.1	418.6
Senegal	72.6	65.9	65.4	61.2	57.5
Seychelles	21.1	27.7	39.7	38.3	39.6
Sierra Leone	153.5	144.7	132.3	123.8	114.0
South Africa	0.0	0.0	0.0	0.0	0.0
Swaziland	17.5	18.3	24.9	20.7	20.8
Tanzania	83.6	68.2	53.6	59.0	55.6
Togo	94.7	109.4	112.2	109.2	90.7
Uganda	57.4	59.7	62.3	68.0	66.0
Zambia	181.6	152.7	135.5	109.9	95.2
Zimbabwe	44.9	36.5	18.7	51.7	108.0
Sub-Saharan Africa	**43.6**	**44.0**	**41.3**	**34.9**	**32.3**
Oil producing countries	**70.7**	**61.0**	**57.2**	**50.4**	**43.6**
Non-oil producing countries	**36.6**	**38.4**	**35.8**	**29.8**	**28.4**

Sources: IMF, African Department database, February 2004; and WEO database, February 2004.