Part Three

Country Notes

Algeria

Despite an outstanding performance in 2009 of non-gas/oil activity, overall economic growth was limited to 2.2%, down 0.2 percentage points from 2008.

The oil and gas sector constitutes the main source of wealth in Algeria: it generates 97.6% of export revenue, 62% of budget revenue and 55% of GDP.

Overall tax revenue has been increasing in recent years thanks to improved revenue collection from ordinary taxes and oil taxes.

Despite strong growth of nearly 9% in the non-oil/gas sectors, owing mainly to the excellent performance in the agricultural sector, which grew 17%, overall economic growth in 2009 was 2.2%, down 0.2 percentage points from 2008. This moderate growth, which was not sufficient to ease unemployment and poverty in the country, was due to the drastic decline in government revenue from oil and gas exports, which are the country's main export products. The expected upturn in global demand in 2010 and the consolidation of the public investment programme (PIP) through the 2010-14 plan is projected to increase growth to 3.9% in 2010 and 4.3% in 2011. Inflation, which was contained at 3.9% in 2008, increased markedly in 2009 to 5.7% as a result of the spiralling costs of fresh food products, which rose by 20% during the same period.

The real sector had mixed success in 2009. While both oil production and oil exports fell, agriculture was one of the drivers of growth outside the oil and gas sector, notably thanks to unprecedented cereal production. The industrial sector remained stagnant, while growth was good in the services, infrastructure and construction sectors, pulled by strong public demand.

Despite the constraint of reduced tax revenue, especially from oil, fiscal policy remained expansionary, resulting in a relatively high budget deficit, the first deficit in a decade. Based on a reference price of 37 US dollars (USD) a barrel, the annual budget benefited in particular from the significant resources that had accumulated in the revenue-regulation fund, FRR (*Fonds de régulation des recettes*), which by the end of 2009 had reached more than 4 800 billion Algerian dinars (DZD) , the equivalent of about 50% of GDP. Algeria adopted a relatively conservative monetary policy, with prudent management of bank liquidity and official foreign-exchange reserves. Algeria's external position has markedly deteriorated since 2008, with a sharp decline in the current-account surplus due to imports that remain too high and a drastic fall in export revenue. The external financial position remains good however, with a stock of foreign-exchange reserves equivalent to more than three years of imports and low foreign debt. The exchange rate of the national currency remains close to its equilibrium value.

With regards to structural reforms, those already made are being consolidated and further efforts are ongoing. The business environment has improved because the public sector has been boosted to generate a favourable macroeconomic environment. In the private sector, reforms are in progress with a goal of promoting private initiative, development and the modernisation of the banking and financial sectors as support to the development of the private sector. Remarkable progress has been made in infrastructure, and reforms are continuing to strengthen capacities for the evaluation of major projects, in particular through the CNED, the national equipment fund (*Caisse nationale d'équipement pour le développement*), so as to improve expenditure efficiency. Reform of the agricultural sector, the second most important production sector in Algeria after the gas/oil sector, seems to have progressed significantly. This sector needs a real recovery in order to support the national food-security strategy. Institutional reforms are also being consolidated, and the country is now enjoying an overall state of security.

Social reforms are moving along swiftly. Substantial progress is observed in the areas of human development (health and education) and in the fight against unemployment and poverty, which is encouraging with respect to Algeria's reaching the Millennium Development Goals. Generally speaking, access to basic education is performing well: the gross enrolment rate for mandatory schooling (6-12 years old) reached 111% in 2008. The health system is clearly improving despite the persistence of chronic and/or communicable diseases. Life expectancy at birth increased from 67.3 years in 1995 to 75.7 years in 2008, one of the highest levels in the region.

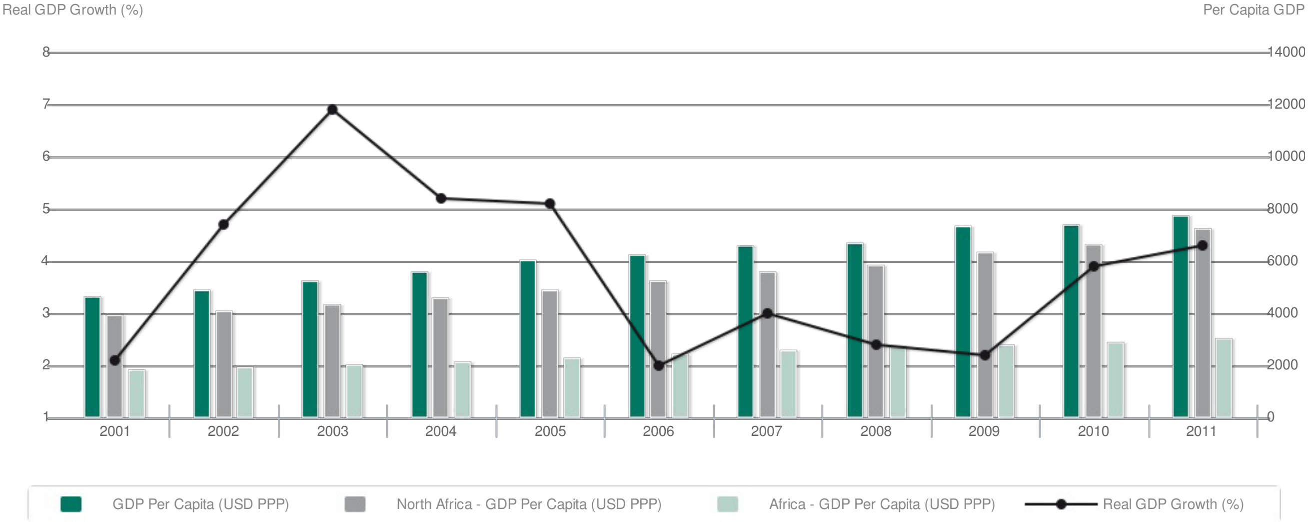
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.4	2.2	3.9	4.3
CPI inflation	3.9	5.7	3.4	4.5
Budget balance % GDP	6.0	-8.3	-6.3	-4.6
Current account % GDP	17.6	-3.1	4.9	5.2

Sources: Data from the Bank of Algeria and the National Office of Statistics, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/855612715106

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Angola

Massive swings in GDP growth during 2008, 2009 and 2010 show that Angola's economy, despite encouraging non-oil sector growth, remains entirely beholden to global oil markets.

The new constitution, approved by the National Assembly in January 2010, abolishes direct presidential elections and concentrates even greater power in the hands of the presidency.

Comprehensive taxation reform, planned for 2010, is long overdue since the current tax system is over 30 years old, and pre-dates Angola's civil war.

Angola was hit hard by the collapse in oil prices in 2009. As one of the world's fastest growing economies prior to the global crisis, economic growth came to a standstill. The country suffered negative GDP growth of -0.6% in 2009. However, the economy is expected to pick up substantially in 2010, with growth rising to 7.4%, owing to projected high oil prices. Inflation remained high in 2009, at 14%, and is expected to edge up further in 2010 to 15%.

Angola's economy is, and will remain, extremely dependent on oil revenue. Nevertheless, the non-oil sector, expected to grow by 10% in 2010, has been growing faster than the oil sector for the third year running. This trend is encouraging for the country's most pressing issues: employment (especially for youth) and diversification of the economy. Non-oil economic growth is supported by the efforts made in infrastructure and by a resurgence of economic activity throughout the country. Nevertheless, Luanda still remains the economic and political hub of the country, accounting for 70-75% of economic activity and consumption.

The abrupt drop in oil prices, which started in late 2008, led to a considerable deterioration of the macroeconomic situation during the first half of 2009. The government, faced with plummeting revenues and an unfavourable imbalance in external accounts, implemented far-reaching fiscal tightening measures to cut spending and control the fiscal deficit.

Furthermore, monetary policy measures taken in reaction to the crisis – and the insistence on using foreign currency reserves to stabilise the kwanza against the dollar – led the country to an unprecedented liquidity crisis. The recovery in oil prices since mid-2009 has established conditions for a gradual normalisation in 2010. Nevertheless, monetary and fiscal tightening is expected to continue. The diversification of revenue sources continues to be the cornerstone to macroeconomic stability.

At the end of 2009, as a result of the crisis, the government sought the intervention of the IMF, which provided a 1.4 billion US dollar (USD) stand-by arrangement (SBA) to support Angola's balance of payments. The IMF later agreed to help raise a further USD 1 billion. The World Bank, Brazil and Portugal have all made commitments. But the Angolan government's attempt to issue USD 9 billion worth of sovereign debt in the international markets has run into some difficulty. To boost confidence from capital markets, Angola may acquire an investment rating from the main international ratings agencies.

It is hoped that the revenue crisis of 2009 will focus attention on the management of the country's resources. Reconstruction of Angola's infrastructure has proceeded at an impressive pace since the end of the decades-long civil war in 2002, but many projects have been of poor quality, with massive resources siphoned off through corrupt and inefficient procurement. Better management of Angola's public resources is necessary if the country is to avoid a replay of the liquidity crisis of early 2009.

The reform of Angola's constitution was approved by the National Assembly in January 2010. The new constitution removes presidential elections (the president instead being nominated as head of the ruling party) and replaces the prime minister with a vice-president directly under the president's authority. This will concentrate even greater power in the hands of the Presidency. The Presidency is now fixed to two five-year terms, opening the possibility for the current President to remain in power for another ten years should he choose to run for the seat.

In 2009, a new Ministry of Economy was established to manage Angola's economic planning headed by the respected Economy Minister Manuel Nunes Junior. The much-anticipated Angolan Sovereign Wealth Fund (*Fundo soberano angolano*), was also created at the end of 2009, under the same ministry.

President Eduardo dos Santos has announced a national campaign against graft and a few high-level officials have been indicted, but whether real steps are being taken to reduce corruption and opacity is unclear. Angola's economy remains highly concentrated in the hands of a small, extremely well connected political elite, and improvements will require huge efforts to strengthen institutions and increase transparency.

Preparation for the African Cup of Nations in January 2010 mobilised investment and may have contributed to overstretching the country's finances during an already difficult time. However, as the first important international event organised by Angola, the African Cup has been viewed as an important signal of the country's "coming out" on to the African and international stage. Unfortunately, the event was marred by the tragic attack on the Togolese team in Cabinda province, highlighting insecurity in the region.

Angola's main challenges are to manage its non-renewable national wealth more efficiently, and create jobs. Better management will require strengthening institutions and relaxing the tight grip of power, both political and economic, by the country's leadership. Angola's economy remains largely driven by public investment, which is marred by political patronage and corruption. Over the medium term, Angola's economy will need to rely less on public investment and more on private sector activity.

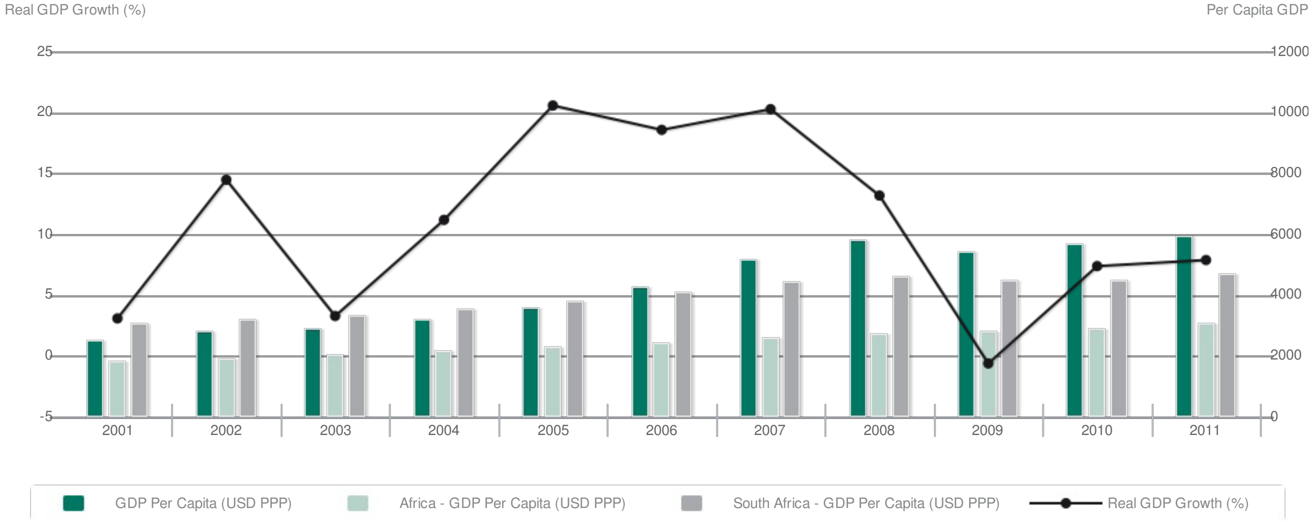
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	13.2	-0.6	7.4	7.9
CPI inflation	13.2	14.0	15.0	9.9
Budget balance % GDP	8.8	-7.7	-3.9	-1.7
Current account % GDP	7.5	-3.8	2.6	3.0

Sources: National authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/855655888061

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Benin

After three years of a relatively upbeat economic and social situation thanks to an accelerating growth rate, Benin returned in 2009 to weak growth owing to the world financial crisis and the country's vulnerability to external shocks.

In the past several years, the government has initiated structural reforms in key sectors of the economy in an attempt to diversify sources of growth, but these reforms have not yet produced any significant results due to their slow implementation.

Mobilisation of resources, both internal and external, has improved since 2006, but the government is aware that work still needs to be done if the Beninese tax system is to be compatible with development policy, based on the private sector.

Benin is one of the few sub-Saharan African countries to have achieved a peaceful political transition at the beginning of the 1990s. The country adopted a new constitution in December 1990, thereby ending the Marxist-Leninist system that had prevailed since 1974 and replacing it with a democratic system. The country has experienced a relatively stable socio-political situation since then. The last presidential elections, which brought President Boni Yayi to power in April 2006, laid the foundations for an economic revival that continued into 2008. Growth slowed in 2009 as a result of the world economic crisis, however, and remained at 3% compared to the 4.5% average over the three preceding years.

Public finances were in a difficult situation in 2009 owing to the impact of the growth slowdown on fiscal revenue. The government pursued a counter cyclical policy, the implementation of which was accompanied by some lapses in budgetary procedures, mainly due to excessive usage of extraordinary expenditure procedures via payment orders. In addition, heavy social pressure drove the authorities to grant civil servants bonuses and other benefits in 2008 and the first half of 2009. The wage bill rose heavily in 2009, increasing the budget deficit. The government had to resort to various loans and other sources of finance, both internal and external, in order to cover its financial needs.

The government introduced a number of measures to limit the 2009 budget deficit starting in August 2009, pressed to do so as a condition for support it received from the International Monetary Fund (IMF). These measures, which are continued in 2010, concern both expenditure and revenue. They restrict the social benefits granted to civil servants, reduce expenditure on major public works, limit the use of payment orders to a strict minimum and accelerate the implementation of the emergency plans drawn up by the Directorate-General of Customs and the Directorate-General of Taxes to reduce fraud and tax evasion.

Encouraging results have been recorded in the social sphere with a reduction in the poverty rate from 37.4% in 2006 to 33.3% in 2008. Health and education services have improved overall, even if work still needs to be done to protect the most vulnerable against major endemic diseases such as malaria.

The medium-term economic and social outlook is relatively good as the effects of the world economic crisis are essentially only circumstantial. There will be an upturn in the situation over the next two years, although at a relatively weak level, with growth rates of 3.5% in 2010 and 3.8% in 2011. Growth should be stronger from 2012 onwards as a result of increased efforts to introduce key reforms, in particular regarding the Port of Cotonou, the business environment and the energy sector.

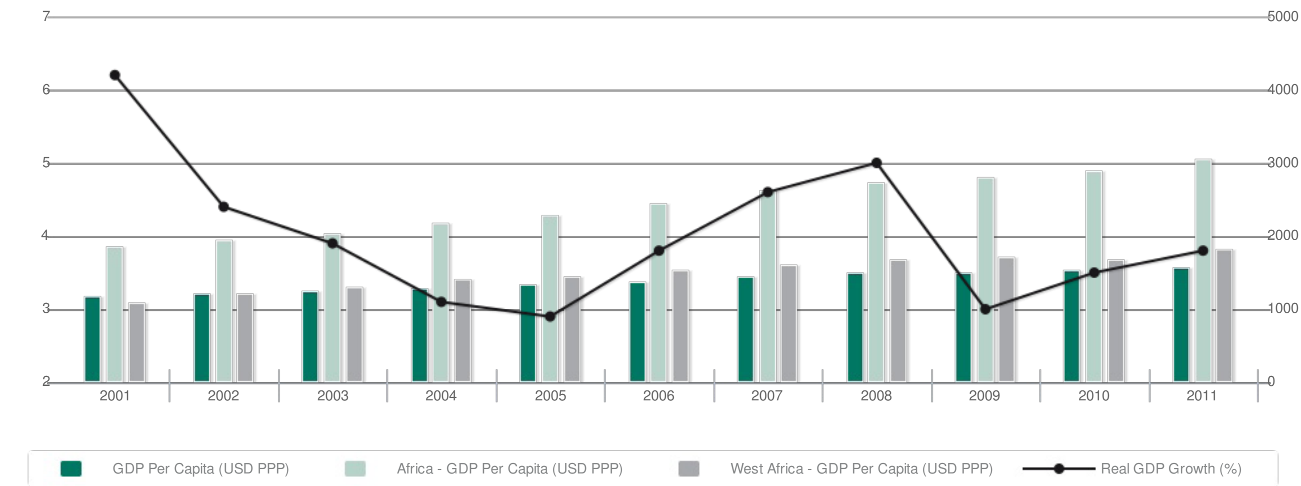
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.0	3.0	3.5	3.8
CPI inflation	7.9	4.1	3.3	3.0
Budget balance % GDP	-1.7	-2.4	-1.6	-1.3
Current account % GDP	-8.3	-10.0	-9.5	-9.6

Sources: National Institute of Statistics and Economic Analysis (INSAE); estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/855740305664

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and National Institute of Statistics and Economic Analysis (INSAE) data; estimates (e) and projections (p) based on authors' calculations
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Botswana

During the global crisis, Botswana's economy was hit hard by the collapse in demand for diamonds.

In the second quarter of 2009, Botswana returned to positive growth as mining production resumed.

The main challenge facing Botswana is diversification of its economy, still heavily reliant on mining.

The global economic crisis has had a devastating impact on Botswana's economy, mainly because of the latter's heavy dependence on the mining sector, which accounts for more than a third of gross domestic product (GDP), and particularly on diamond exports. The collapse in demand for diamonds forced operators to suspend mining activities in late 2008 and early 2009. In contrast, the non-mining sectors of the economy were less affected. Botswana's banking sector has only limited interactions with the international financial system and thus was insulated to some extent from the effects of the crisis, while other private sectors benefited from increased government spending. Nonetheless, the collapse of diamond production caused GDP to fall sharply in the first quarter of 2009. When diamond mining resumed in the second quarter, the economy picked up again, but owing to the sharp first-quarter decline, annual GDP for 2009 fell by an estimated 4% with respect to 2008. In 2010, the mining sector is expected to benefit further from the global recovery. At the same time, the government is starting to tighten spending in order to ensure long-term fiscal sustainability. The economy will thus begin to grow again with rates of 3.4% in 2010 and 3.1% in 2011, driven by mineral exports and services.

To mitigate the impact of the crisis, the government followed moderately anti-cyclical fiscal and monetary policies. On the fiscal side, since about two-thirds of government revenue stems from the diamond sector, the drop in diamond production led to substantial revenue losses. However, the fiscal surpluses recorded in previous years and ample foreign reserves enabled the government to continue the major spending programmes in the 2009/10 budget. Only a few development projects were cut or postponed as a result of the tight fiscal situation. The government thus avoided a pro-cyclical policy, which would have aggravated the recession, but at the cost of Botswana's first fiscal deficit since 2003: the budget balance deteriorated by about 10 percentage points of GDP, from a surplus of 5% of GDP in 2008 to a deficit of 5.4% in 2009. To finance its development projects, the government contracted a general budget support loan of 1.5 billion US dollars (USD) from the African Development Bank (AfDB) in 2009.

Monetary policy was eased by lowering the benchmark interest rate and increasing credit to boost economic activity in the non-mining sector. At the same time the monetary authorities sought to reduce inflation, which had reached the double-digit level. The drop in energy and food prices helped them to achieve this goal, and inflation fell below the 6% mark towards the end of 2009, thus entering the target range of 3-6%.

Recent policy initiatives undertaken by the government include the establishment of the Transport hub (one of six sectoral co-ordinating bodies, or "hubs", created to foster economic diversification and sustainable growth) to promote the construction of the Kazungula Bridge, the dry port at Walvis Bay, the trans-Kalahari railway and other projects. Major progress has also been made towards meeting the Millennium Development Goals (MDGs), particularly in health and education. On the negative side, the privatisation master plan of the Public Enterprise Evaluation and Privatisation Agency (PEEPA) has run into further delays.

Where resource mobilisation is concerned, Botswana's economic development has been financed by domestic resources rather than by capital or aid inflows from abroad. National saving has been relatively high and has steadily increased over the years, thanks to the robust growth in diamond revenue until the recent crisis and to the government's sustained effort to build up reserves by running fiscal and current account surpluses. As a result, national saving has not been a constraint on the financing of domestic investment. In future, however, capital inflows are likely to become more important as Botswana pursues economic diversification away from mining. The government recently announced a 2 percentage point increase in value added tax (VAT) in an effort to boost domestic revenue.

In addition to immediate revenue shortfalls, the Botswana economy is likely to face considerable economic challenges in the coming years. In the short term, policy will need to support the recovery until the world diamond market recovers fully. Structural problems need to be addressed to diversify the economy and foster growth potential. Despite many attempts over the years to upgrade the national skills base, the supply of skilled labour does not match the demand, which is a major hindrance to efforts to diversify the economy and move it into a higher growth path. As a result of the skills gap, vacancies for skilled labour cannot be filled, while at the same time unemployment is high, particularly among the young. According to a 2008 Central Statistics Office report, the unemployment rate in 2005/06 was over 60% among 15- to 19-year-olds and around 45% among 20- to 24-year-olds. The report also noted that these age groups were highly vulnerable to HIV/AIDS.

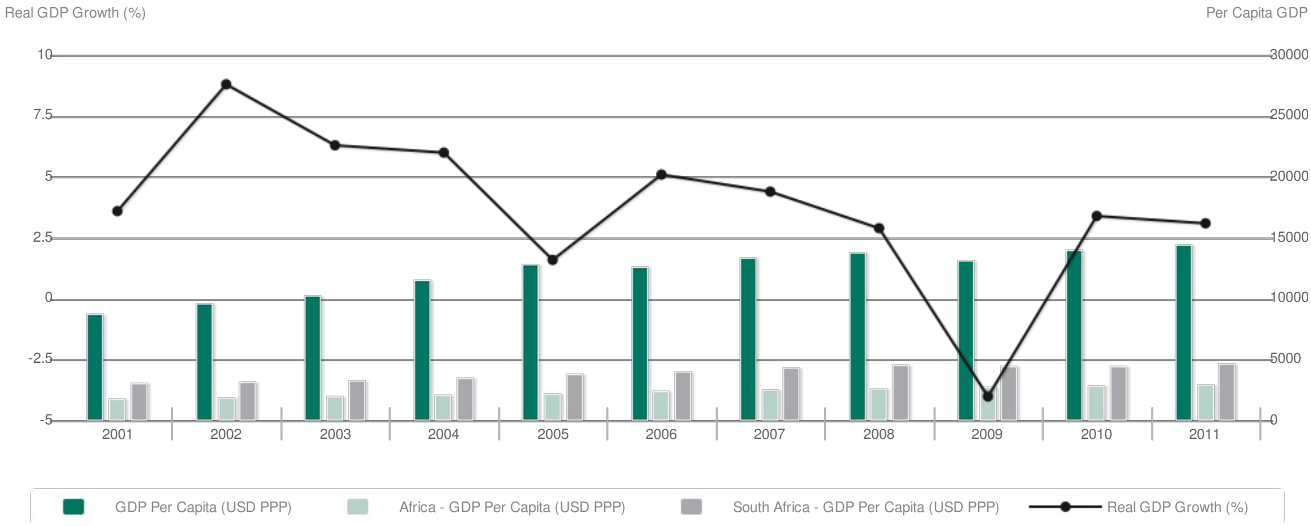
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.9	-4.0	3.4	3.1
CPI inflation	12.6	8.2	6.8	5.1
Budget balance % GDP	5.0	-5.4	-4.9	-4.8
Current account % GDP	6.3	-4.2	-4.4	-3.2

Sources: Data from Central Statistics Office, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/855854874038

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Burkina Faso

Burkina Faso's economy should grow more strongly in 2010 and 2011, with low inflation.

Growth will depend mainly on the food-crop and livestock sectors, as well as mining and transport.

The main challenges are poverty reduction, competitiveness and economic diversification to reduce dependence on cotton and gold.

Burkina Faso remains highly vulnerable to external shocks and adverse weather conditions, which increases the country's risk of debt overload. The economy is insufficiently diversified and heavily dependent on gold and cotton exports.

Despite the effects of the energy, cotton, food and financial crises, the economy registered positive growth in 2009 as real gross domestic product (GDP) expanded by 3%, down from 5.2% in 2008. Growth is projected to pick up again in 2010 and 2011, with rates of 4.4% and 5.2% respectively.

The economy is dominated by the primary sector and services. The primary sector (agriculture, livestock, forestry and fisheries) accounts for no less than 34.5% of GDP. It is followed by trade, transport and communications (17.1%). Manufacturing is not highly developed (12% of GDP), while the mining sector, although it has grown very strongly in the last two years, still accounts for only a small share of GDP (2.8%). Owing to the cotton sector's difficulties, gold has become Burkina Faso's leading export product. Gold accounted for 41% of total exports in 2009, and its share is projected to rise to 45% in 2010 and 55% in 2011.

The easing of political tension in neighbouring Côte d'Ivoire helped to boost the growth of the tertiary sector, which accelerated from 1.5% in 2008 to 2.5% in 2009. Trade and transport expanded respectively by 6.1% and 12.7% during the year. The financial sector, however, suffered from the effects of the global crisis.

Despite the inflationary pressures observed early in the year, inflation was held in check in 2009 thanks to the easing of oil and food prices. This trend should continue in 2010 and 2011. The inflation rate, estimated at 2.8% in 2009, should remain under 3% over the forecast period.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.2	3.0	4.4	5.2
CPI inflation	10.7	2.8	2.6	2.5
Budget balance % GDP	-4.4	-5.6	-4.7	-4.5
Current account % GDP	-11.8	-7.9	-7.4	-6.7

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

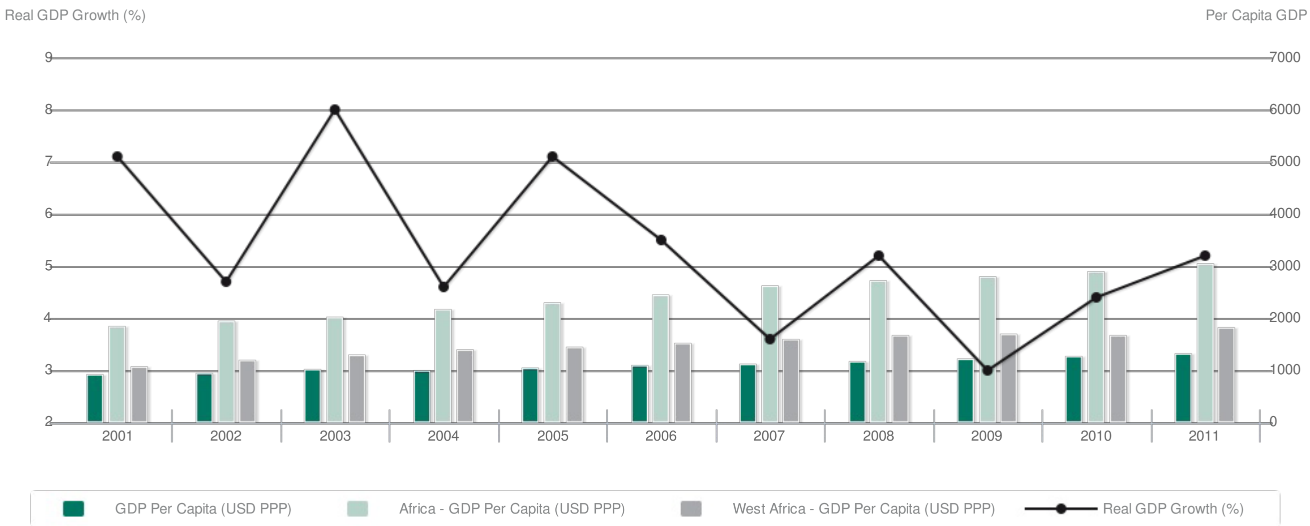
StatLink http://dx.doi.org/10.1787/856120603584

The business environment has improved, but private sector development is still hampered by shortcomings in contract enforcement, investor protection, taxation and access to credit. Burdensome formalities for cross-border trade were another obstacle. The level of tax revenue is low, estimated at only 11.5% of GDP in 2009, as against the West African Economic and Monetary Union (WAEMU) standard of 17%. As a result, it is difficult to implement development programmes.

The economy's lack of competitiveness is due to high production costs. The disadvantages of Burkina Faso's landlocked situation are compounded by the inadequacy of its infrastructure and public services. Improvements are needed in contract enforcement and investor protection, as well as cross-border trade, taxation and access to credit.

Poverty remains endemic, despite the country's good economic performance and the improvement of social indicators. In 2008, 42.8% of the population was still living below the poverty line. The poverty situation is exacerbated by the difficulties of the cotton sector, which are hurting small growers, and by the fact that 80% of the population lives in rural areas.

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
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Burundi

The year in 2009 was marked by a fall in production, ongoing world financial crisis and deteriorating macroeconomic indicators, with the exception of the inflation rate, which was contained to its 2007 level.

In order to achieve sustainable development, the government must introduce structural reform to support the private sector in both real and financial terms, improve public services to attract domestic and foreign investment, protect the environment and natural resources, and combat the informal economy and unemployment.

Finally, irrespective of whether the envisaged policies are economic or structural, vast financial resources will have to be raised via sufficient direct and indirect taxation, so that fiscal revenue is maximised without impeding the development of taxpayers.

The Burundian economy witnessed a contraction in growth in 2009. The rate of real gross domestic product (GDP) growth fell from 4.3% in 2008 to 3.3% in 2009. The main causes were: *(i)* the ongoing effects of the international financial crisis; *(ii)* the drop in coffee and food crop production; and, *(iii)* reduced industrial production, mainly in the sugar sector. Although production in the tertiary sector expanded by almost 12%, this was not sufficient to stem the downward trend in GDP growth. In Burundi, as in many developing economies, the primary sector plays a central role in economic growth.

The demand components all had a positive influence on growth in 2009. The private sector's contribution to gross capital formation increased considerably more than that of the public sector, owing to the increased share of private enterprise in investment and national production. Public investment continued to make the largest contribution to growth, however. Final consumption added 2 percentage points to growth. The growth in public consumption is mainly due to the increase in the civil service wage bill. Foreign trade made a positive contribution to growth of 0.4 percentage points, owing mainly to a proportionally greater rise in exports than imports.

The budget deficit deteriorated in 2009. The overall balance as a share of GDP went from -3.1% in 2008 to -4% in 2009. This rising deficit is due to the government's 2008 commitment to increase the salaries of various sections of the civil service. While overall revenue increased in volume, it decreased as a proportion of GDP from 30.3% in 2008 to 26.8% in 2009.

In terms of monetary policy, with a view to containing inflationary pressures, the authorities committed to maintaining relatively moderate monetary growth and refinancing rates as well as a stable nominal exchange rate. Although the foreign exchange market determines the exchange rate, the central bank retains a certain level of control in terms of fixing the amount of foreign exchange made available to financial institutions.

The external position is improving. Interest payments on public debt were under control in 2009. Burundi has reached the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative, thereby achieving cancellation of an important part of its multilateral debt. The government's policy is to reduce public debt as much as possible by relying more on non-interest bearing grants or highly concessional loans.

Private sector development is hindered by an unfavourable business environment. The *Doing Business* and *Global Competitiveness* reports classify Burundi as one of the countries where it is most difficult to start up a business and where investment, production and commerce are most hindered by the political and institutional environment.

Other recent developments have been noted in the financial sector, in public sector reform, in infrastructure, in the management of natural resources and in reform of the agricultural sector. The financial sector was characterised in 2009 by the liberalisation of the refinancing system of second-tier financial institutions.

Public sector reforms introduced in 2009 were essentially institutional in nature, for example the adoption of a strategy and action plan to improve the management of public finances, the proclamation of a public procurement code, the census of civil servants and those working in the police service and the armed forces, the closure of off-budget accounts, and many others.

As far as infrastructure is concerned, the upgrade of the capital city Bujumbura's motorway network continued and the road linking the provinces of Gitega and Karuzi was finished. Studies were carried out on future routes, mainly the Gitega-Ngozi axis and the nationally important Ruhwa-Cibitoke-Rumonge-Makamba highway.

The main environmental management initiatives carried out in 2009 concerned environmental education and reforestation. A land tenure policy paper was adopted in 2009 that aims to resolve land ownership conflicts and modernise agricultural production.

Mobilising domestic resources is at the heart of all economic and even structural policies in Burundi in that the country has to rely on its own resources in order to finance development. In 2009, this was focused on applying common external tariffs, replacing transactions taxes with value added tax (VAT), creating a one-stop shop for large enterprises to facilitate payments and the establishment of the Burundi Revenue Authority, which should start operating properly in 2010.

The political situation in 2009 was characterised by increased concerns and demonstrations relating to the elections in 2010. The general political instability index increased from 2.0 in 2008 to 3.7 in 2009.

Finally, the situation in terms of social context and human resource development was one of continued poverty in various forms such as low income per capita, a low primary schooling rate and an infant mortality rate that remains very high.

Human development policies were continued in 2009 with measures relating to universal primary education, free health care for children aged less than five years and free maternity delivery services.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	4.3	3.3	3.6	4.0
CPI inflation	24.5	8.3	8.3	7.0
Budget balance % GDP	-3.1	-4.0	-5.1	-7.7
Current account % GDP	-19.1	-12.9	-13.4	-12.5

Sources: Data from Burundi Institute of Statistics and Economic Studies and Bank of the Republic of Burundi; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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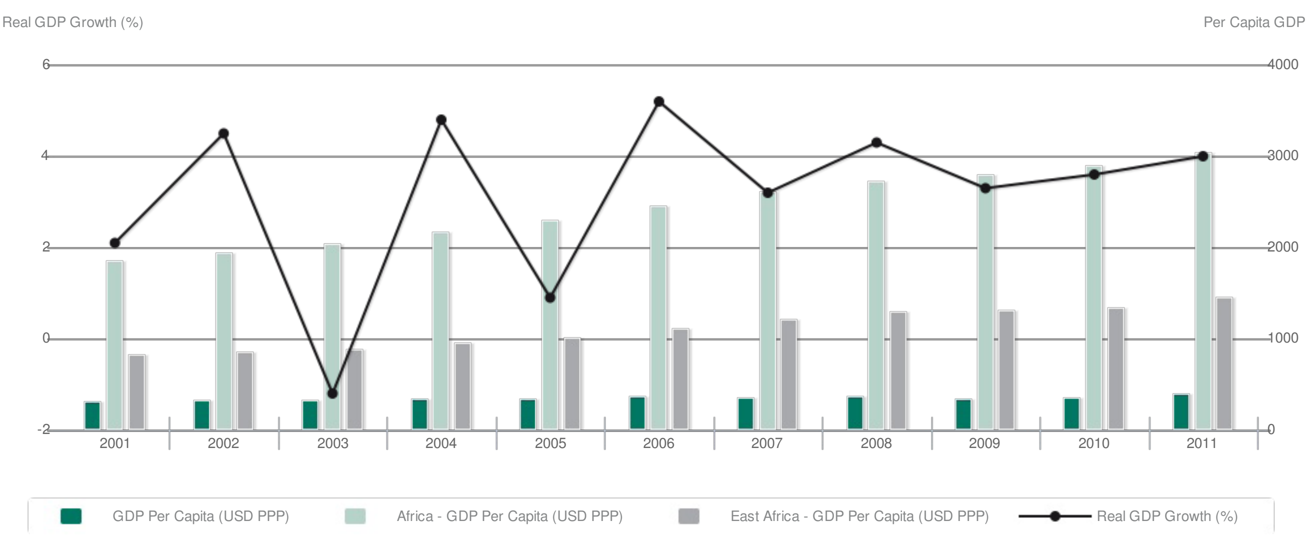
Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Cameroon

The Cameroonian economy is less vulnerable to external shocks.

Efforts to boost agricultural output must be accompanied by a programme to develop transport infrastructure.

Informal sector businesses must be brought into the formal system to increase the tax take.

The growth rate of the Cameroonian economy slowed from 2.9% in 2008 to an estimated 2% in 2009. This slowdown can be attributed to the deterioration of the trade balance, the sluggish international economic climate and the country's increasing fiscal difficulties due to the combined effects of the global economic and financial crisis, the food crisis and the energy deficit. The government has taken emergency measures to stimulate the agricultural sector, assigning priority to products such as maize, rice, manioc, potatoes, palm oil and plantains. Given the signs of recovery observed in developed countries, real gross domestic product (GDP) growth is projected to rise to 3.5% in 2010 and 4.6% in 2011. According to projections, the improving international environment should strongly boost world demand and thus stimulate commodities exports from developing countries.

On the supply side, the main growth drivers in 2009 were agriculture, construction and telecommunications services. On the demand side, growth was led by domestic demand, particularly household consumption, which was spurred by the increases in civil service pay and staffing since 2008.

The government recently prepared a long-term development strategy known as Vision 2035. In late 2009, to cover the first ten years of this strategy, it adopted a Growth and Employment Strategy Paper (GESP), which will serve as a framework for its activities in 2010-20. The GESP focuses on boosting growth, creating formal sector jobs and reducing poverty. Specifically, it sets the following targets: *i)* raising the average annual growth rate to 5.5% over the 2010-20 period; *ii)* cutting the underemployment rate from 75.8% to under 50% in 2020 by creating tens of thousands of formal sector jobs annually for the next ten years; and *iii)* reducing the monetary poverty rate from 39.9% in 2007 to 28.7% in 2020.

Where public finances are concerned, the government is directing its efforts to increasing non-oil revenue in order to reduce the economy's vulnerability to oil price volatility. Its programme for 2009 and 2010 calls for continued mobilisation of non-oil revenue by broadening the tax base, the idea being to increase the tax yield by bringing new taxpayers into the system. The government is also seeking further improvement in the expenditure process and fiscal transparency.

Monetary policy focused on monetary stability and on management of bank liquidity through the refinancing policy (which acts on the supply of central bank money) and the imposition of mandatory reserve requirements (which act on demand for central bank money) to ensure bank discipline.

The inflation rate rose to 3.2% in 2009, fuelled by a surge in food prices on the local market. The latter was due to domestic and subregional demand for food exceeding the supply and to market supply difficulties.

The current account remained in deficit, at -3.7% of GDP, reflecting the impact of the international crisis on the country's trade and the structural deficit in the services and factor income balances.

On the reform front, the government appointed a new management team for the national airline, another step in the process of rendering it operational. Other measures are aimed at improving the business environment, in response to Cameroon's disturbingly low ranking in the World Bank's *Doing Business 2010* report.

In the political sphere, the government continued its crackdown on corruption, as well as its efforts to set up and modernise the authority responsible for organising, managing and supervising the entire electoral and referendum process. A new government was also formed in 2009.

The government continued its efforts to enhance the supply of health care, education and employment. In education, the construction of new schools and universities, including the University of Maroua, has helped to raise the enrolment and literacy rates. In the health sector, new hospitals have been built and more persons living with HIV/AIDS are under treatment, which has reduced the incidence of this disease in Cameroon.

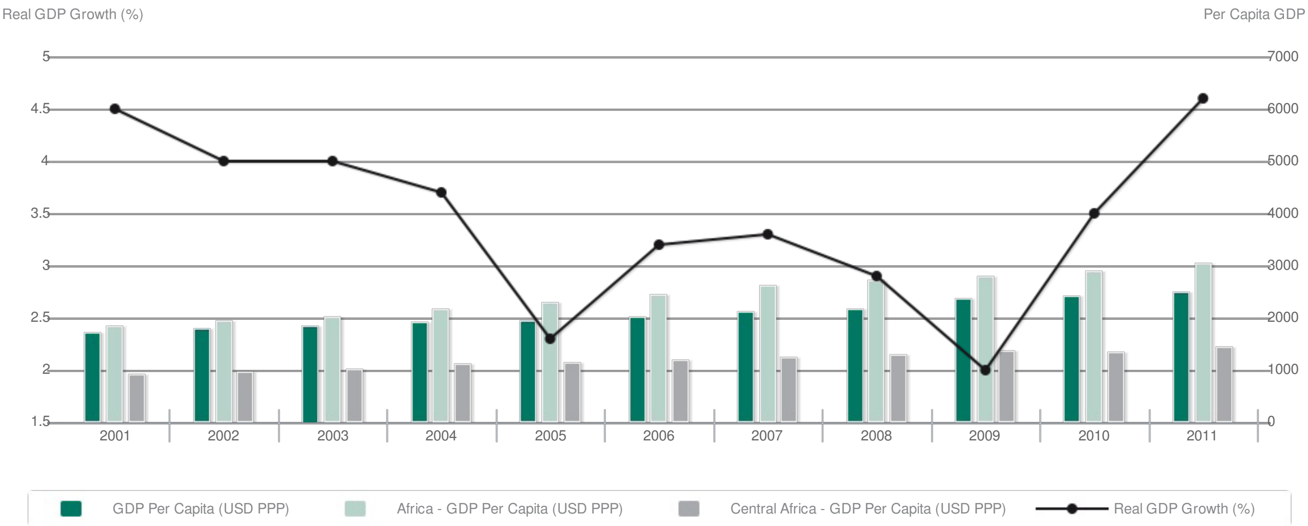
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.9	2.0	3.5	4.6
CPI inflation	5.3	3.2	2.2	1.9
Budget balance % GDP	2.3	1.6	0.7	0.2
Current account % GDP	-2.3	-3.7	-3.8	-5.4

Sources: Data from INS, Ministry of Finance and Economy Data, BEAC; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/856413578465

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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Cape Verde

Cape Verde suffered from a fall in tourism, construction and foreign direct investment in 2009 in the wake of the global financial crisis, but economic growth has resumed thanks to the government's fiscal package and the recovery of tourism.

The 2008 graduation of Cape Verde from the status of Least Developed Country to Middle Income Country challenges a country still dependent on official development assistance flows and concessional loans to make the structural reforms and investments necessary to become a sustainable economy.

Thanks to the 2004 introduction of VAT, indirect tax revenues account for almost half of total tax revenues, while import taxes - still representing one-fifth of total tax revenues - are set to fall to zero by 2018.

Cape Verde's economy was adversely impacted by the global financial crisis with its gross domestic product (GDP) growth rate contracting to 3.9% in 2009 from 5.9% in 2008. Growth decreased owing to the fall in tourism, construction, and foreign direct investment (FDI), but by late 2009 both tourism and construction had started to recover and FDI flows stabilised. Remittances remained fairly constant and even rose by 1.7% in 2009.

To counter the impact of the crisis, the government expanded its public investment programme (PIP) by 45.5%. Private and public investments are expected to increase in 2010-11, with the economy recovering to 2008 GDP growth rates. Inflation decreased substantially in 2009 to 2.2%, down from 6.8% in 2008, but is expected to increase slightly in 2010-11 because of the rise in international prices, and in imports, with the pick-up in tourism.

The overall fiscal balance widened considerably from 1.1% of GDP in 2008 to 6% in 2009, and is expected to remain high in 2010, though within the International Monetary Fund (IMF)'s Policy Support Instrument (PSI) target. International reserves remained above the PSI target, since the deficit was fully financed by external borrowing, mostly concessional. Cape Verde also received a Special Drawing Rights (SDR) allocation. Donor budget support continued to be high – 8.5% of the budget in 2009.

In 2008, Cape Verde graduated from Least Developed Country (LDC) status on the United Nations' (UN) scale to Middle Income Country (MIC). The African Development Bank (AfDB) adopted this decision in 2009 since it uses the same classification. This change in status prompts Cape Verde to transform donor-beneficiary relationships with traditional foreign partners into a framework of economic co-operation and to diversify its partnerships, in particular with other developing economies. The short-term outlook on financing is positive. In December 2009, the IMF completed the 7th PSI review approving the country's policies: an important signal for donors, development banks and markets. It reached an agreement for many concessional loans in 2009, being no longer eligible after 2013.

The transition from LDC to MIC presents challenges because Cape Verde is highly dependent on official development assistance (ODA) and concessional loans. Becoming a sustainable economy will require significant structural reforms and investments. Cape Verde aims at becoming an international hub in different areas. In particular, in transport services given its strategic position between America, Europe and Africa and its air connections between Senegal and Guinea Bissau; in financial services and Information and Communication Technologies (ICT) for off-shoring; maritime services through its ports and fish processing; culture, with its music, theatre festival, traditional dance, and the historical heritage of *Cidade Velha*, which was inscribed in UNESCO's World Heritage List in June 2009. The government is engaged in a medium term aggressive PIP with a budget increase in the 2008–11 Growth and Poverty Reduction Strategy Paper (GPRSP-II) from 16 billion Cape Verde escudos (CVE) in 2008 to CVE 24 billion in 2009 and CVE 31 billion in 2010.

The government of Cape Verde is promoting the private sector by easing the process of starting a business and paying taxes. It has reduced direct tax rates for firms and is implementing a reduction of tax rates on imports starting in 2010. They will gradually decline to zero by 2018 in compliance with World Trade Organization (WTO) guidelines. The country strongly supports an innovative e-government system and is diversifying energy production, turning to renewable sources of energy to reduce its oil dependence.

Poor infrastructure between and within islands remains the major constraint for the development of Cape Verde's economy even though the country has made progress on road and ports expansion, maritime transportation and electricity distribution.

The political and social contexts remain positive in Cape Verde. A large number of the UN Millennium Development Goals (MDGs) have been achieved: the percentage of poor people was almost halved between 1990 and 2007. Efforts to develop coordinated plans for education, employment and professional training seek to match job skills with job vacancies and thus decrease unemployment, which is 17.8%. Among young people, the rate is a worrying 31%.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.9	3.9	5.1	6.4
CPI inflation	6.8	2.2	2.5	2.7
Budget balance % GDP	-1.1	-6.0	-9.5	-9.3
Current account % GDP	-11.7	-12.0	-10.2	-11.0

Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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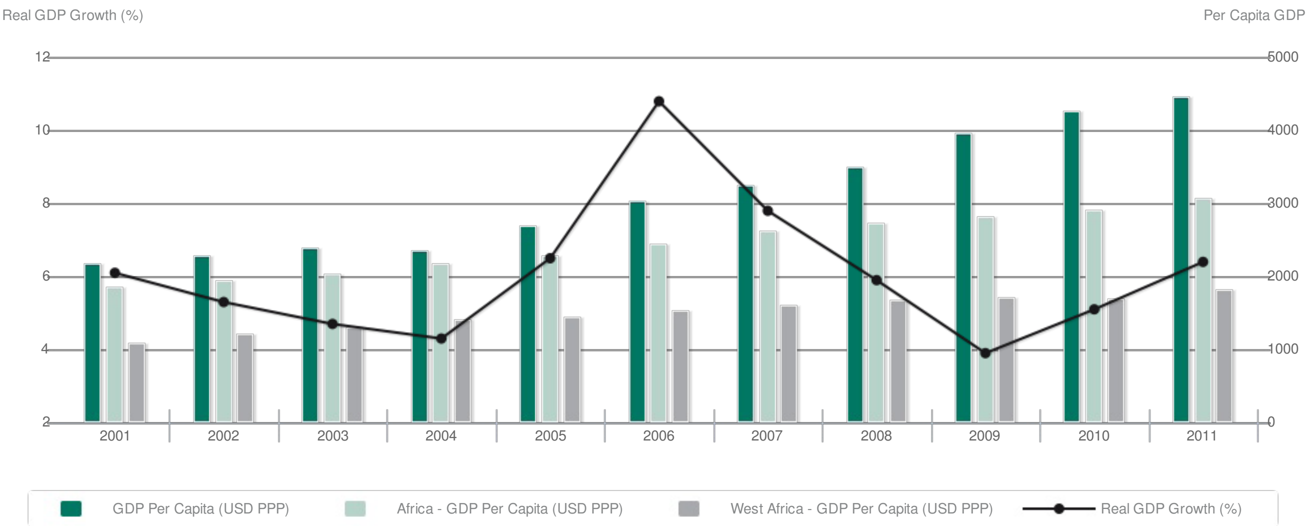
Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851084585500

Central African Republic

The economy is still feeling the effects of the external and internal shocks that slowed growth in 2009, boosted inflation and undermined the current account.

Macroeconomic management remained steady and satisfactory. The country reached completion point in the Heavily Indebted Poor Countries Initiative in 2009 under the IMF-sponsored poverty reduction programme, strengthening the foundation of a gradual economic revival in 2010.

Taxation remained low despite better management of public finances. Increasing revenue should be a priority of the structural reform programme.

After a gradual economic recovery in 2004 once political peace returned, the country experienced internal and external shocks that disrupted prospects for growth. Real gross domestic product (GDP) advanced by an estimated 2% in 2009.

Despite the shocks, which also increased inflation and eroded the current account, the Central African Republic (CAR) maintained steady macroeconomic management. The 2007-09 poverty reduction and growth facility (PRGF) agreed with the International Monetary Fund (IMF) produced satisfactory results and helped lay the basis for gradual medium-term economic recovery, which appeared to be starting in 2010. GDP growth should improve to 3.4% in 2010 and 4% in 2011. Inflation fell to 3.8% in 2009 (from 9.3% in 2008) and should be about 2.6% in 2010 and 2.3% in 2011. The current account deficit began to ease a little in 2009, to 9.2% of GDP (from 10% in 2008), but a return to pre-crisis figures will take time.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.8	2.0	3.4	4.0
CPI inflation	9.3	3.8	2.6	2.3
Budget balance % GDP	-0.4	0.1	0.5	0.0
Current account % GDP	-10.0	-9.2	-9.1	-9.4

Sources: Data from IMF, Central Bank of Central African States (BEAC) and national authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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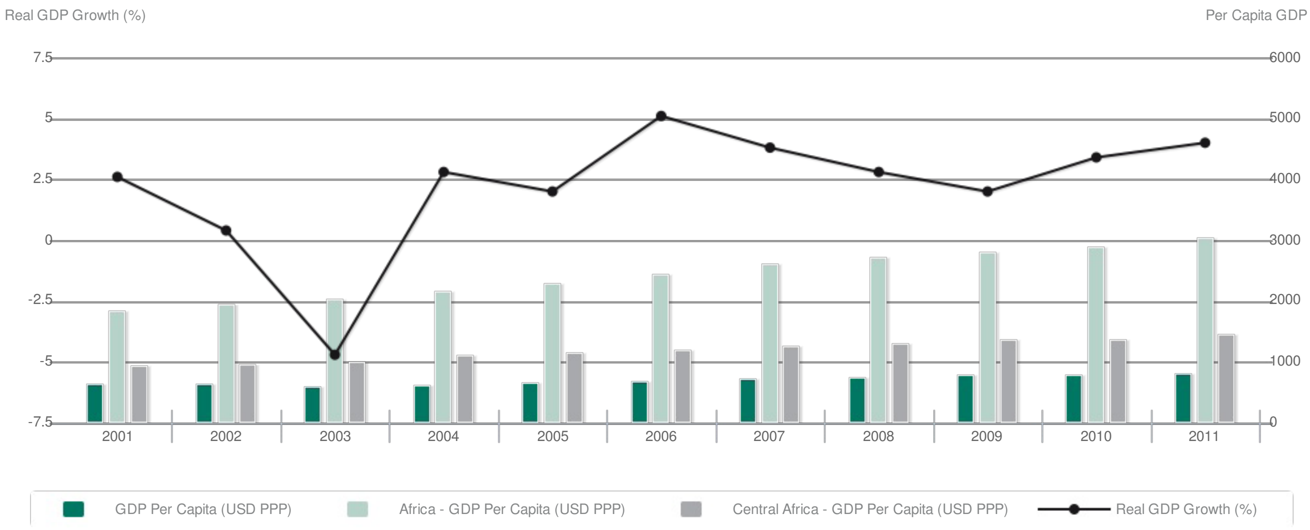
The government made significant public sector reforms, especially in public finance management. It continued its budget policy of raising domestic revenue, curbing expenditure, clearing debt arrears and strengthening confidence in public finance management. The tax burden, 7.7% in 2009, was still well below the 12.9% target set in the government's 2008-10 poverty reduction strategy paper (PRSP). The main obstacles to raising more revenue are the weak and complicated tax system, which is poorly run with inadequate inspections and collection. The government and its development partners drafted an overall public finance reform programme in 2009 with a priority of collecting more revenue. The IMF-backed tax reform will be a key structural aspect of the sixth PRGF review in 2010.

The country's long-term development will depend on how the structural obstacles of poor institutional capacity, infrastructure, public security and business climate are tackled. The government should encourage the private sector and spend more on modernising economic infrastructure, especially concerning energy supply.

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations

Figures for 2009 are estimates; for 2010 and later are projections.

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Chad

The new investment in the oil sector that began in 2009 and the relatively good outlook for the climate, the outlook for growth and agricultural production for 2010 and 2011 is encouraging. Inflation, meanwhile, should be largely kept under control.

The absence and lack of quality of basic infrastructure are an obstacle to the development of trade and growth in the private sector as a driving force of economic and social development.

The lack of compliance with state tax obligations is mainly due to the difficulties with co-ordination between the main financial authorities, in particular the inland revenue, customs and excise, the oil-tax department and the treasury.

The year 2009 was marked by a slight decrease in economic activity owing to poor performance in the agricultural sector and the continuing effects of the international financial crisis on the economy. This resulted in total real gross domestic product (GDP) decreasing by 0.8%. Inflation accelerated and reached a yearly average of 10.5% by end-December 2009 owing to an increase in money supply and a weakening in agricultural yields. For 2010/11, government policy aims to keep average annual inflation within the regional target of 3% set by the Central African Economic and Monetary Community (CEMAC). The international financial crisis led to a depreciation in the country's fiscal and external position in 2009.

The overall fiscal balance (commitment basis, including grants) fell to -10.8% of gross domestic product (GDP), while the current account balance fell to -31.8%. With an economic recovery expected to begin in 2010, the overall fiscal balance could reach -9.6% of GDP in 2010 and -11.6% of GDP in 2011. The current account balance could fall slightly to -26.7% of GDP in 2010 before recovering to -22.8% of GDP in 2011.

Concerning the mobilisation of domestic resources and grants, total government revenue during the 2000-09 decade accounted for the equivalent of 25.7% of non-oil GDP, with tax revenue accounting for 19.8% of non-oil GDP and non-tax revenue (essentially grants, including official development assistance) accounting for 6%. Government revenue has increased, with the ratio of total revenue to non-oil GDP having risen from 12.3% in 2001 to 51.3% in 2008. This development reflects Chad's commencement of oil production in 2003, at which point corporate tax on the oil consortium companies was introduced. Since 2006, this tax has provided more than 50% of tax revenue.

The Chadian government has continued its talks with the opposition. An electoral commission, the *Commission électorale nationale indépendante*, was set up in July 2009. The commission is composed of 15 members of the political parties that form the presidential majority and 15 members of opposition parties. An agreement in principle has been reached for parliamentary elections to be held in 2010 and presidential elections in 2011. This agreement was the direct result of dialogue between the governing parties and the opposition in accordance with the 13 August 2007 agreement to strengthen the democratic process in Chad.

The government has committed to devote a larger portion of public expenditure to promoting the social sectors. The aim is to increase the proportion of resources allocated to health and education for the 2009-11 period. Spending on health could thus rise from 14.6% to 15%, while spending on education could rise from 5.6% to 7%. Nevertheless, these additional resources seem to fall short of the levels necessary to deal with recent socio-political events in the country. On the Human Development Index (HDI), Chad was ranked 175th among 182 countries in 2009, while on the Human Poverty Index (HPI), which was analysed as part of the United Nations Development Programme (UNDP) *Human Development Report*, it was ranked 132nd out of 135 developing countries.

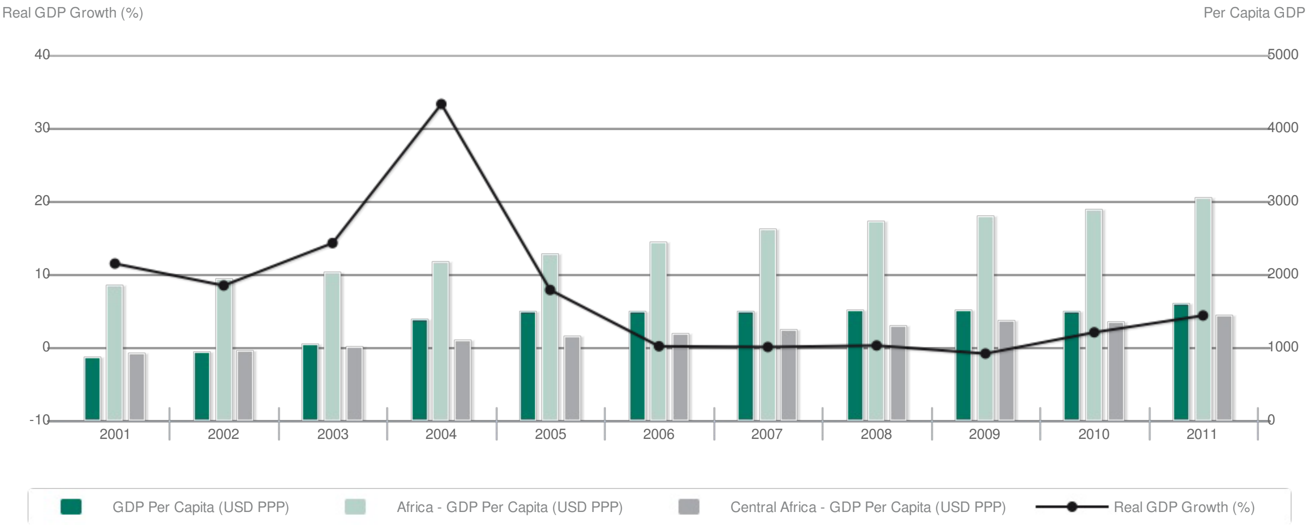
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	0.3	-0.8	2.1	4.4
CPI inflation	8.3	10.5	3.0	3.5
Budget balance % GDP	5.2	-10.8	-9.6	-11.6
Current account % GDP	-10.3	-31.8	-26.7	-22.8

Sources: Data from IMF, BEAC and national authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/856705581215

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and National Institute of Statistics, Economic and Demographic Studies (INSEED) data
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851255687477

Comoros

The economy stagnated in 2009 as the global recession delayed foreign investments in tourism.

Private sector development is hampered by a poor business environment and underdeveloped infrastructure.

Reforms are in progress to revise the tax code, widen the tax base and boost revenue collection.

The Comoros economy continued to stagnate in 2009, with real gross domestic product (GDP) growth estimated at 1.4%. The world recession affected the country mainly by delaying foreign direct investment (FDI) in the tourism sector. Remittances declined slightly, while aid decreased sharply to its 2007 level, after the historical high of 2008.

The secondary sector suffered from frequent power shortages during the first half of the year. Services and retail commerce were affected by the crash of a Yemenia flight in June, which reduced the flow of returning migrants and resulted in the cancellation of some of the immense traditional wedding ceremonies known as *grands mariages*, which are typically associated with a significant boost in local production.

The government managed to increase tax collection slightly, from 10.8% of GDP in 2008 to 11.3% in 2009, and to reduce the public wage bill and other expenditures. A reduction in development aid was accompanied by a contraction in public investment, as the overall fiscal deficit shrank to 1.5% of GDP. The budget was under stress, however, with the accumulation of six months of public sector wage arrears. Reforms are needed to computerise revenue collection and the expenditure process and to boost collection capacity. A reformed tax code is expected to eliminate some of the current distortions within the forecast period.

Monetary policy is constrained by the fixed parity with the euro (EUR). Inflation, which is mostly imported, stood at 4.5%. The effect of lower oil and food prices was partly offset by an increase in transportation costs due to the international crisis.

The current account deficit improved from 11.8% of GDP in 2008 to 8.6% in 2009. The change was driven by lower prices for imported oil and food products and by increased exports of vanilla and cloves.

In 2009, key agreements were signed with the International Monetary Fund (IMF) to activate a Poverty Reduction and Growth Facility (PRGF), and European countries belonging to the Paris Club agreed to reduce the service on their outstanding loans. In addition, a Poverty Reduction Strategy Paper (PRSP) was approved in December. If Comoros respects the conditions associated with these agreements, it may be able to reach the decision point for debt cancellation under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative. At the same time, increased investment and bilateral debt cancellation are expected from Arab countries.

Private sector development is constrained by lack of progress in the business environment and by poor infrastructure development. In 2009 the government established a national agency for investment promotion and a one-stop shop for import and export, but these institutions are not yet fully functional. Some progress was made in financial sector development, with the opening of a third commercial bank and innovations for the direct transfer of migrants' remittances to Comorian bank accounts.

Power supply is unreliable, and prices for electricity and telecommunications are among the highest in Africa. Efficiency gains are expected from the privatisation of power and telephone utilities, but the timeline for these privatisations is still unclear. A second mobile telephony licence has been awarded, and competition is expected to start in 2010. The East Africa Submarine Cable System (EASSy) fibre-optic cable landed on Grande Comore. Intra-island telecommunications backbones and inter-island connections are expected to be operational over the forecast period.

Political stability has improved since the landing of African Union troops ended the latest separatist attempt by Anjouan in 2008. A constitutional reform approved by referendum in 2009 clarifies the separation of roles between the Union and island governments, strengthening the federal president and parliament and eliminating some of the overlapping competencies that have been blocking the decision-making process.

Over the forecast period, the reforms associated with the PRSP, in particular those concerned with government capacity and an enabling business environment, are expected to raise real annual GDP growth from the current 1.4% to 3.3%. This growth will initially be driven by infrastructure investment, which is expected to give new dynamism to agricultural production, fisheries and tourism.

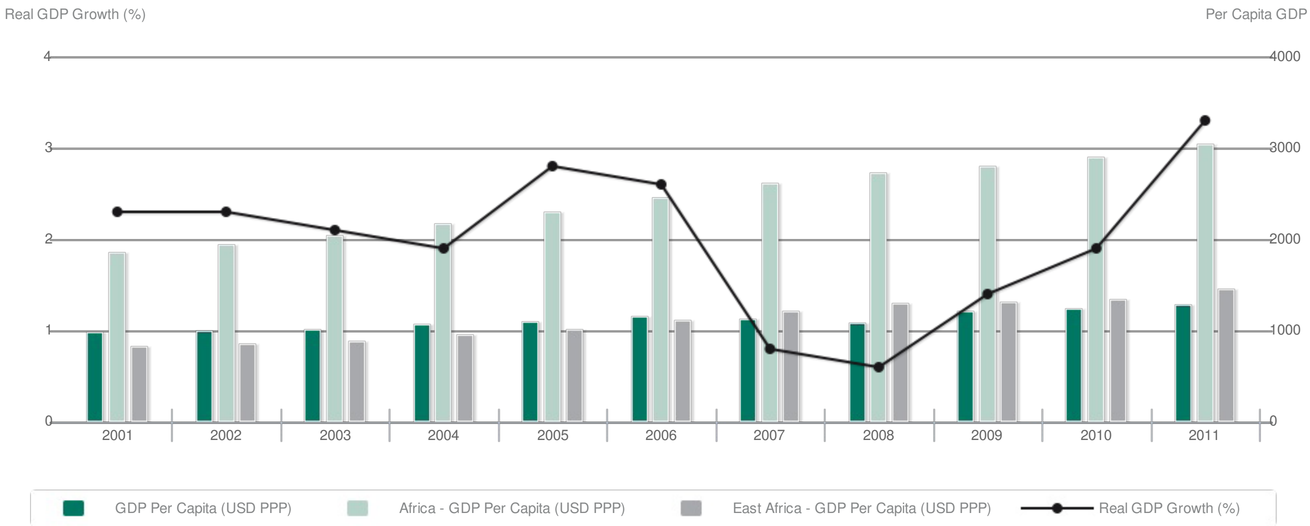
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	0.6	1.4	1.9	3.3
CPI inflation	4.8	4.5	2.3	3.4
Budget balance % GDP	-2.6	-1.5	-1.6	-1.4
Current account % GDP	-11.8	-8.6	-8.9	-9.8

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/856812312244

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851320273821

Congo, Democratic Republic

The economy grew 2.5% in 2009.

The macroeconomic structure came under great strain from the world recession.

The country may reach completion point under the Heavily Indebted Poor Countries Initiative by June 2010 and so qualify for the Multilateral Debt Relief Initiative.

Economic growth in the Democratic Republic of Congo (DRC) slowed to 2.5% in 2009 (from 6.2% in 2008) owing to structural problems and the effects of the world economic and financial crisis. It mainly affected the country through shrinking trade and foreign direct investment (FDI) because of lower world demand and a drop in prices for the DRC's main exports. Growth should recover to 6.5% in 2010 and 8.8% in 2011 as the world economy picks up, debt relief is granted, reforms are made and an agreement with China to build infrastructure in exchange for mining concessions to a Chinese-led consortium goes ahead.

The macroeconomic structure came under great strain in 2009 because of the international recession. The trade deficit grew, government revenue fell, the central bank had to finance the budget deficit, the Congolese franc (CDF) lost 45.2% of its value against the US dollar (USD) and inflation averaged 44% over the year. The government tightened the budget to restore macro-economic stability and, with foreign help and spending cuts, the public deficit was reduced by the end of the year.

The government made various reforms and took steps to improve the business climate, setting up a "Doing Business" steering committee. Great progress was made towards joining the African Business Law Harmonisation Organisation (OHADA).

Mobilising domestic resources remains a big challenge for the government. Public revenue greatly increased between 2001 and 2009 but not enough to meet spending and development needs. Tax collection and management is well below capacity and held back by major structural flaws.

The government signed a new agreement with the International Monetary Fund (IMF) in December 2009 under the Extended Credit Facility (ECF) after amending its agreement with China. The DRC may reach completion point under the Heavily Indebted Poor Countries (HIPC) Initiative by June 2010 and so qualify for the Multilateral Debt Relief Initiative (MDRI).

The political and social situation was calmer in 2009 but remains fragile. Violence continues to plague the east of the country, especially targeting women, despite peace agreements and joint operations by Congolese, Rwandan and Ugandan troops to hunt down remaining rebels. The leadership of the national assembly had to be changed because of disagreements over the military operations.

The DRC strengthened its position internationally and in regional organisations.

The economic crisis made life tougher for the population and the chances of achieving the Millennium Development Goals (MDGs) by 2015 faded. Employment and food supplies shrank.

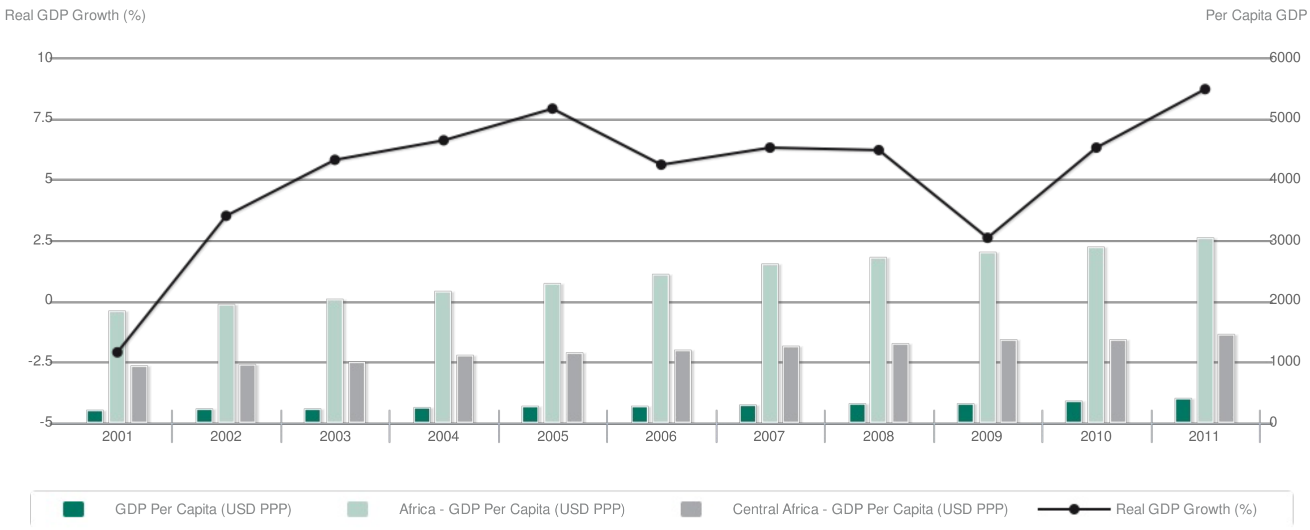
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	6.2	2.6	6.3	8.7
CPI inflation	18.0	44.2	25.0	18.4
Budget balance % GDP	-2.4	-1.6	8.5	-6.5
Current account % GDP	-15.9	-16.4	-4.8	-8.0

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857151263463

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Congo Republic

The Republic of Congo's economy grew strongly in 2009 despite the international crisis, and government debt was greatly reduced. Nonetheless, he external position weakened.

More non-oil rax revenue was collected, and spending was brought under control.

Private-sector growth in still hampered by an increasingly large informal economy, complicated bureaucracy and dilapidated infrastructure.

The Republic of Congo has made significant progress in restoring internal political peace and applying reforms launched under the three-year programme agreed with the International Monetary Fund (IMF) as part of the Poverty Reduction and Growth Facility (PRGF). President Denis Sassou Nguesso was re-elected in 2009 for another seven-year term in a vote disputed by the opposition. Despite the world crisis, the economy grew strongly (7.6%), driven mainly by oil production and the construction sector. Forestry and primary timber-processing was badly hit, though, by a drop in external demand and in export prices. Regardless, gross domestic product (GDP) growth remained largely sustained by exports and investment, and should increase to 11.9% in 2010 thanks to projected higher oil production.

The country's external position deteriorated in 2009, with its trade surplus down from 2008 because of the fall in value of oil and timber exports, and greater imports of consumer and capital goods. The current-account deficit also worsened to 7.1% of GDP (1.6% in 2008). Public debt was however sharply reduced in 2009 to 77% of GDP, after cancellation of a large part of it by the Paris and London clubs of creditors. As a result, debt servicing fell to only 3.5% of GDP, from more than 13.5% in the years before 2005, and allowed more money to be spent on social services. Large-scale construction and upgrading of infrastructure thus continued in 2009 through a government programme for 2008-12 amounting to 1.4 billion US dollars (USD) including backing from several donors, a massive public-investment effort that remains dependent, nonetheless, on oil and timber revenues.

Fiscal policy continued to be guided by the IMF-agreed PRGF in 2009. More non-oil tax revenue was raised and spending was brought under control, but non-oil tax revenue averaged only 6.8% of GDP between 1999 and 2000 compared with the 26.3% contribution of oil revenue. Such dependence on oil income is Congo's main problem, and the country will have to diversify its sources of revenue to meet its increased funding needs and reduce its vulnerability to fickle oil and timber prices.

Private-sector growth is hampered by an increasingly large informal economy, complicated bureaucracy and dilapidated infrastructure. Promises by the authorities of better governance were kept in 2009 with rules being set for public procurement and an action plan to fight corruption and improve governance.

The country continues to be held back by food insecurity, unemployment, poor health care access and the consequences of the armed conflicts of the 1990s. Progress towards most of the Millennium Development Goals (MDGs) is very slow and only two – education for all and gender equality – seem likely to be achieved.

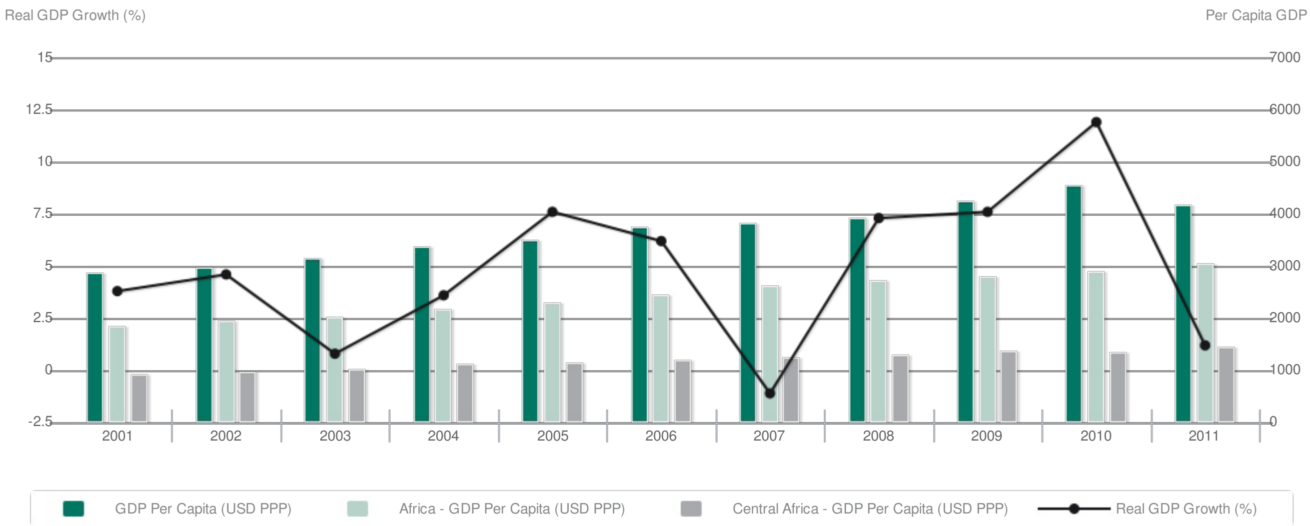
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.3	7.6	11.9	1.2
CPI inflation	6.0	6.0	5.3	4.2
Budget balance % GDP	26.1	17.0	24.1	23.1
Current account % GDP	-2.5	-17.5	-2.9	-8.8

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857031747431

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851423356422

Côte d'Ivoire

Côte d'Ivoire withstood the global economic crisis in 2009, but future growth will depend on the political climate.

Further structural reforms are needed to improve governance and the business environment, boost investment and diversify the economy.

Efforts to broaden the tax base and increase tax yields should improve resource mobilisation.

The recovery of the Ivorian economy continued in 2009, despite the context of international crisis. Growth reached 3.6% in 2009 and inflation fell, thanks to good supply conditions on the local market and a thaw in international prices. The reunification of the country, uniting former rebel areas in the Centre-Northwest zone with the regions controlled by the regular army, helped to soften the shock of the economic crisis. The country has restored relations with its donors and has adopted a prudent budgetary stance. Other positive factors had an effect in 2009, such as ample rainfall and the favourable trend in coffee, cocoa and oil prices. The recovery should continue in 2010 if the often-postponed presidential and legislative elections take place peacefully. If this is the case, growth should continue to rise to 3.9% in 2010 and 4.5% in 2011.

As investment in industry contracted during the crisis, oil extraction and telecommunications became the principal drivers of growth. According to the World Bank's *Doing Business* report, Côte d'Ivoire's ranking improved in 2009, gaining five places over 2008. The country remains in the 20 bottom countries, however, ranking 163rd out of 183 countries. In agriculture, cash crops (coffee, cocoa, palm oil, rubber, mahogany and sugar) benefited from the good weather conditions of 2008-09 and from the securing of borders. The recession left the cocoa market untouched, and prices remained strong, leading to better tax receipts.

The reunification of the country has not been entirely positive, as it complicates public resource mobilisation. The tax administration exerts great pressure, while the available tax base tends to be overstretched. Other reasons for poor tax collection are the size of the informal economy and the lack of tax compliance. Tax evasion results in an annual revenue loss of around 120 billion CFA Franc BCEAO (XOF) for the state. The authorities are therefore pursuing a policy aimed at widening the tax base and improving tax yields. Reforms of business licensing tax, income tax, property tax and value added tax (VAT) have been launched. They aim at simplifying tax declarations, giving greater weight to domestic taxes relative to customs levies, and optimising taxes on the oil and informal sectors. The objective is to increase the tax base before 2011 to the West African Economic and Monetary Union (WAEMU) standard of 17% of GDP.

After several postponements, which the authorities have blamed on technical problems linked to the electoral census, legislative and presidential elections were rescheduled for November 2009. Once again, however, the elections could not be held on this date, despite the fact that the normalisation of the political and security situation depends on these elections going smoothly.

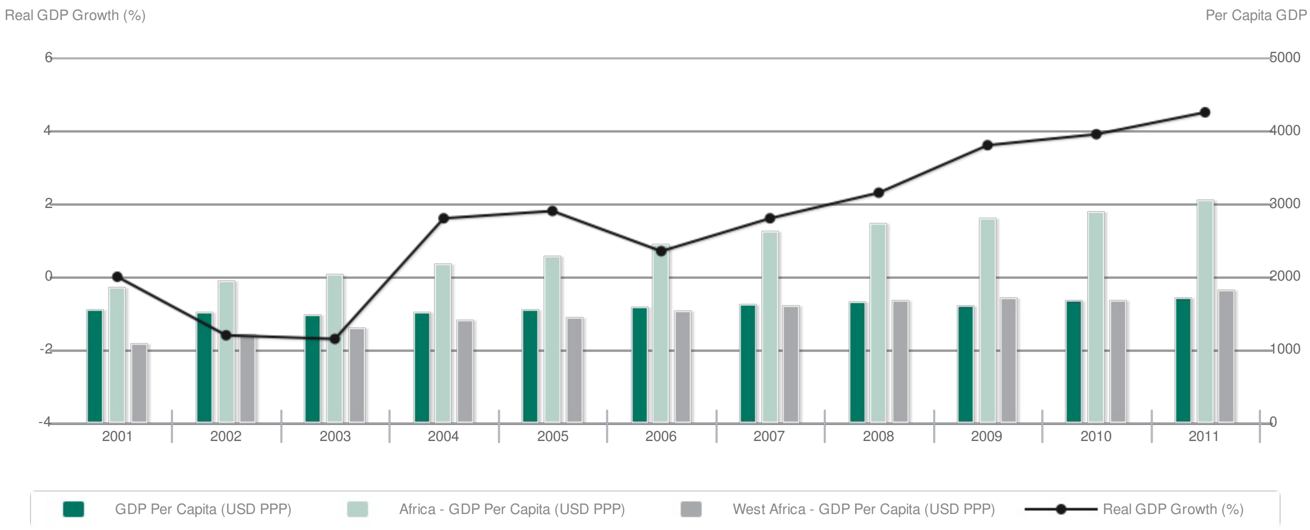
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.3	3.6	3.9	4.5
CPI inflation	6.3	1.4	2.5	2.2
Budget balance % GDP	0.6	1.1	-1.9	-1.6
Current account % GDP	2.1	-3.5	-7.0	0.9

Sources: Data from Direction de la conjoncture et de la prévision économique and Central Bank; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857104561566

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: Data from Direction de la conjoncture et de la prévision économique and Central Bank; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851488738625

Djibouti

Growth will not pick up until 2011, and inflation should return to its historical level the same year.

Economic recovery will depend on private investment and the development of neighbouring countries' trade and port activity.

Medium- and long-term challenges include food security and aid dependence, making improvement in public resource mobilisation even more important.

In 2009, Djibouti's economic growth slowed, but remained strong at 4.8%. The slowdown in growth was mainly due to the reduction in private investment, as a great deal of foreign direct investment (FDI) was postponed.

Unlike the economies of other countries in the region, the Djiboutian economy seems to be withstanding the crisis, notably thanks to major investment projects and the decline in food and fuel prices in 2009.

The level of growth should contract further in 2010 to 3.9%, but a recovery is expected in 2011, with real growth of 5.7%. The sharp drop in investment is set to continue in 2010. This reduced investment is a result of uncertainty regarding when and to what extent the global recovery will take place, firms' high level of overcapacity and the deterioration of their earnings.

Djibouti has always managed to control inflation, but as in other countries that import food products and fuel, the inflation rate reached a record high (12%) in 2008. Inflation fell substantially in 2009 to 1.7%, and is projected to be moderate in 2010 and 2011, at 3.8% and 1.9% respectively.

Despite cuts in government expenditure in 2009, external debt increased to 60.5% of gross domestic product (GDP), owing to the slowdown in growth and the reduction in international aid.

The current account deficit fell from the record level of 39% of GDP in 2008 to 18.2% in 2009, owing to the fall in world prices of Djibouti's imports, especially food and beverages (which accounted for 32.4% of the total value of imports) and oil and petroleum products (33.3% of value imports).

The value of imports fell by 12% in 2009. The current account deficit is projected to fall further in 2010 and 2011 thanks to the decline in imports and increased exports of services.

The opening up of the banking sector to greater competition has increased access to financial services through a policy of increasing the penetration of banking services, facilitating loan provision and improving services to private customers (Islamic banking services, microcredit, consumer credit, etc.).

Djibouti has adopted a policy of long-term economic development based on opening up its market to investment and international trade. This policy resulted in the decision to join the customs union of the Common Market for Eastern and Southern Africa (COMESA).

Djibouti's adhesion to the customs union will not take place, however, until after a transitional period of extensive reform of direct and indirect taxation to avoid double taxation with existing taxes (domestic consumption tax, value added tax [VAT], common external tariff [CET]).

With the aim of compensating possible losses in tax revenue, reforms are planned in the short and medium terms to deal with this long-term constraint. For example, VAT was introduced in Djibouti in early 2009. Despite these efforts, a reform of the tax system and of administrative practices (computerisation, e-government, etc.) is needed to improve tax collection, since the current system is based on taxpayers' declarations and there is almost no auditing.

In 2009, the country started its programme to reduce urban poverty in Djibouti (*Programme de réduction de la pauvreté urbaine à Djibouti* – PREPUD), with the aim of improving access to basic social and economic infrastructure and promoting community development opportunities. The programme focuses mainly on infrastructure and equipment, community development, and technical assistance and project management.

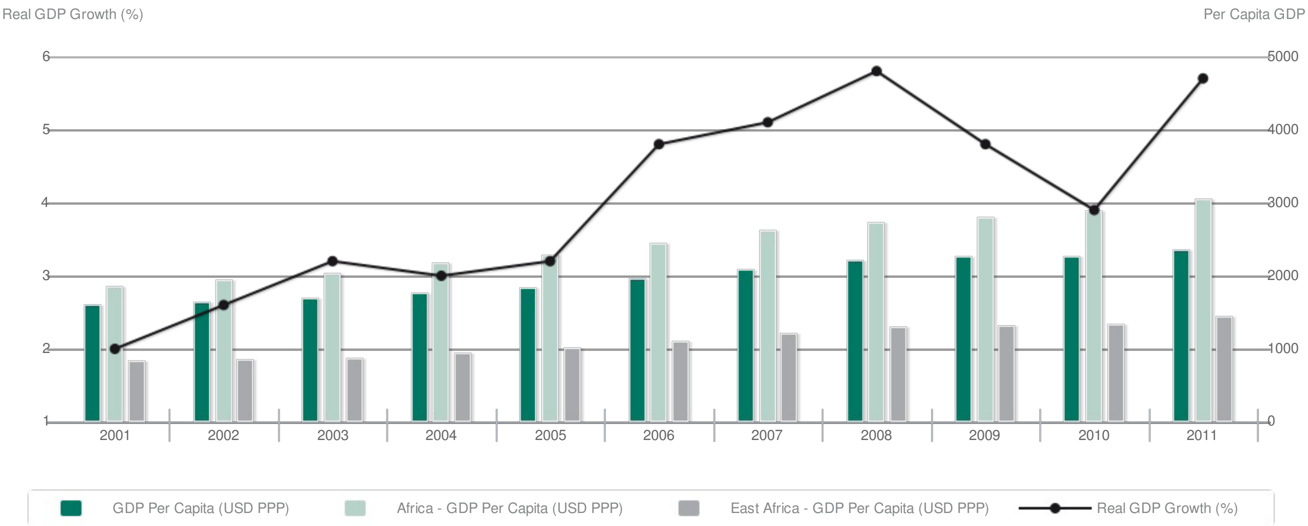
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.8	4.8	3.9	5.7
CPI inflation	12.0	1.7	3.8	1.9
Budget balance % GDP	1.3	-1.8	-0.1	-1.7
Current account % GDP	-39.0	-18.2	-8.4	-7.8

Sources: IMF and local authorities' data, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857268177822

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851682834300

Egypt

Egypt was resilient to the first round effects of the global financial crisis but the second round effects led to slower growth of 4.7% in 2008/09.

Egypt undertook several initiatives to increase tax revenues but more effort is needed to reduce the regulatory burden of tax compliance and to formalise the informal sector.

Unemployment, reducing poverty and improving the quality of healthcare and education are all major challenges.

Egypt's economy slowed down in 2008/09. The gross domestic product (GDP) growth rate reached 4.7% (Figure 1). The deceleration of growth was a result of the global crisis. Domestic final consumption proved resilient and increased public investments offset the decline in private investments to some extent. The key driving sectors in the economy were extractive industries, information and communications technology (ICT), construction and wholesale and retail trade. However, all sectors with international linkages were negatively affected by the global crisis especially tourism, the Suez Canal, and workers' remittances. Foreign direct investment (FDI) dropped by around 38.7% in 2008/09.

Egypt held up well during the first round of the global financial crisis thanks to its reformed banking sector and low integration into global financial markets as a whole. As a result, Moody's raised Egypt's sovereign rating from negative to stable in September 2009. Egypt advanced by 10 ranks - to 106 out of 183 grades - in the World Bank's Doing Business 2010 report. Its ranking also improved by 10 positions in the World Economic Forum's *Global Competitiveness Report* 2009-10, to 70th out of 133 countries.

The overall budget deficit stabilised at 6.9% of GDP in 2008/09, close to its previous year's level. As the Egyptian government continues its counter cyclical policy, the overall budget deficit is expected to widen to 7.5% of GDP in 2009/10. Average annual CPI inflation increased to 16.2% in 2008/09, up from 11.7% in 2007/08. As international prices continue to stay at a lower level, we expect inflation to decline to 13.2% in 2009/10.

To counter the adverse effects of the global financial crisis on the Egyptian economy, the government took several measures to prevent a sharp decline in economic activity. Fiscal and monetary policy boosted economic activity while targeted programmes cushioned the effects of the crisis on the most exposed sectors such as manufacturing, tourism and foreign trade.

The balance of payments is in deficit for the first time in five years because of declining current account receipts, falling remittances and receding foreign investment. As the impact of global economic crisis starts to subside and the world economic outlook brightens, the Egyptian economy is expected to grow at higher rates, 5.4% in 2009/10 and 6.1% in 2010/11. The balance of payments deficit is expected to decline. The biggest challenges are rising unemployment, especially with investment slowing-down, and unequal income distribution: more than two fifths of the population are close to the poverty line. Illnesses such as hepatitis B and C represent major challenges to improving health and labour productivity as do, potentially, an H1N1 swine flu or bird flu epidemic.

Egypt's key goal for tax reforms is to increase tax revenues. Throughout the last decade, there have been several legislative and administrative reforms that have led to increased tax revenues. Yet more effort is needed to reduce the regulatory burden of tax compliance and to formalise the informal sector. On the other hand, the impact on income distribution and social welfare of new tax measures such as the property tax or a new fully fledged value added tax (VAT) should be carefully studied.

Egypt faces many challenges: lower savings and investments, lower FDI, rising unemployment, reducing poverty and improving health and education. All that in the context of an unpredictable political environment in the face of upcoming parliamentary and presidential elections.

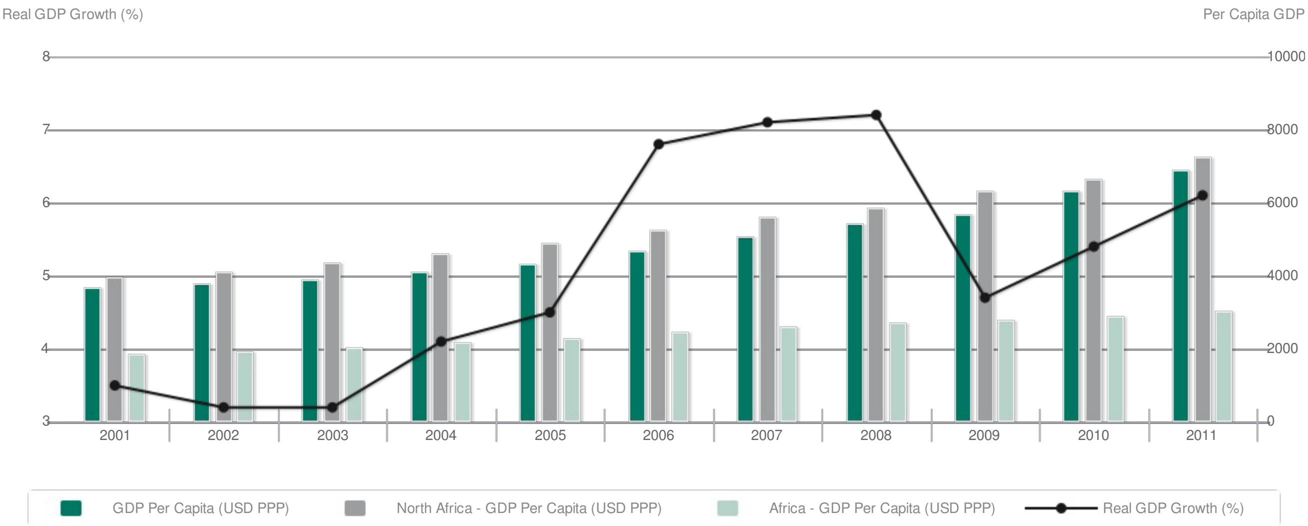
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.2	4.7	5.4	6.1
CPI inflation	11.7	16.2	13.2	11.0
Budget balance % GDP	-6.8	-6.9	-7.5	-6.6
Current account % GDP	0.8	-2.6	-2.2	-1.8

Sources: Data from Central Bank of Egypt (CBE) and CAPMAS; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857443133168

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851688861883

Equatorial Guinea

Equatorial Guinea has been one of Africa's fastest growing economies and main destinations of foreign investment, thanks to its natural resources; however, it experienced a sharp economic slowdown in 2009 with a GDP growth rate declining to less than 2% from more than 11% in 2008.

With over 70% of the population living below the poverty line, a major challenge is to use the oil revenues to reduce widespread poverty.

The key concern for public resource mobilisation is to manage the government's large and diversified portfolio of assets generated by the oil boom effectively.

Equatorial Guinea has been one of the fastest growing economies in the world since large-scale commercial exploitation of oil began in the 1990s. It remains one of Africa's fastest growing economies and also one of the main destinations of foreign investment. However, the country experienced an economic slowdown in 2009, posting a gross domestic product (GDP) growth rate of 1.9%, compared with 11.3% in 2008. The decline was due to a fall in oil prices and oil production in the wake of the global recession. This also caused the share of the hydrocarbons sector to fall from 77% of GDP in 2008 to around 61% in 2009, although it remains the main sector of the economy. After a recession in 2010, the economy is expected to recover gradually and return to positive growth of 2.7% in 2011. The fall in oil revenues has had a major adverse effect on the government budget with the budget surplus falling by 16 percentage points to 6.9% of GDP in 2009. It is projected to rise to 14.4% of GDP in 2010 and further to 17.7% in 2011. In contrast, the current account surplus rose to 8.3% of GDP in 2009, compared with 3.7% in 2008. It is projected to rise to 17.3% in 2010 and further to 19.7% in 2011. Inflation was 5.5% in 2009 and is forecast to fall to 2.4% in 2010. Equatorial Guinea faces no debt problems thanks to its large budget surpluses and external reserves. External debt at the end 2009 was only 1% of GDP and is forecast to fall to 0.7% in 2011.

Equatorial Guinea continues to face major governance challenges, notably a high perceived level of corruption. The country ranked among the bottom 13 countries in the world on the *Corruption Perception Index* of Transparency International, a global civil society organisation working to expose and combat corruption. Furthermore, the environment for private sector activity remains difficult. Equatorial Guinea also ranked among the bottom 13 countries in the world on the World Bank *Doing Business Index*. Key constraints include poor infrastructure in the area of electricity and Internet connectivity, the perceived high level of corruption, elaborate procedures and a perceived inauspicious judicial environment.

Widespread poverty and the persistence of poor health and low levels of other human development indicators raise questions about the extent to which the country's oil wealth benefits the majority of the population. The most recent statistics indicate that about 77% of the population fell below the poverty line in 2006. Maternity and infant mortality rates are among the highest in the world. The country is not on course to achieve several of the Millennium Development Goals (MDG).

On the political front, President Nguema Mbasogo won a landslide victory for another seven-year term in presidential elections in November 2009. The opposition disputed the results, but the results have stood. In February 2009, an attack was launched on the presidential palace in Malabo, the national capital. The attack was repulsed by the presidential guard and army.

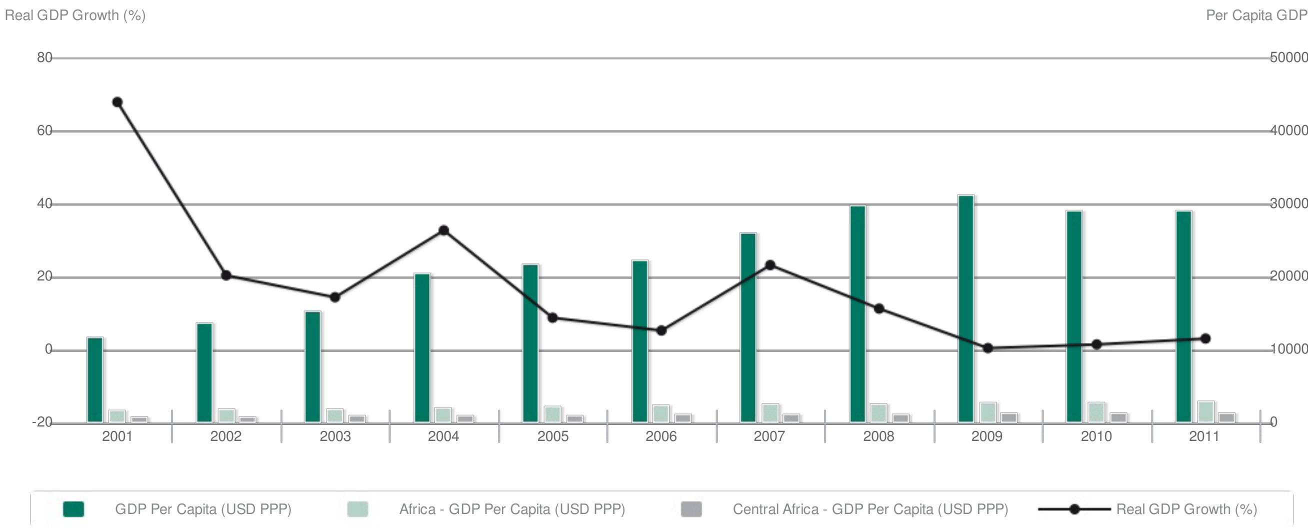
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	11.3	0.5	1.5	3.1
CPI inflation	6.0	5.5	2.9	2.5
Budget balance % GDP	22.9	6.4	8.3	8.1
Current account % GDP	3.7	7.3	14.9	15.8

Sources: Data from national authorities, IMF and BEAC; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857635548146

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851778684062

Ethiopia

Ethiopia has grown at or near double-digits since 2003/04 but faces inflation and low international reserves.

Giving greater priority to education, health, agriculture and roads for a decade has achieved impressive results.

Despite tax reform and other measures government revenue has actually declined in recent years.

Ethiopia is a fast growing non-oil economy that achieved double-digit growth in the period 2003/04-2007/08. However, the country has been struggling with the twin macroeconomic challenges of high inflation and very low international reserves since 2007/2008. Economic growth remains robust, with real gross domestic product (GDP) growth of 9.9% in 2008/09, down from 11.6% in 2007/08 – the lowest since 2003/04. This high growth rate has been driven mainly by a boom in services and healthy growth in agriculture, supported by strong service exports and increasing official development assistance (ODA). Growth is expected to slow marginally to 9.7% in 2009/10, owing to the expected weak global recovery. The tight fiscal and monetary policies that seek to contain inflation are expected to slow down domestic demand.

The Ethiopian economy experienced structural change in 2008/09 as services surpassed agriculture to become the dominant sector of the economy. Annual growth in services, the fastest expanding sector since 2005/06, hit 15% over 2005/06–2008/09. Despite the strong overall performance of agriculture, the country continues to face food insecurity because of consecutive seasons of failed rains in some parts of the country. Private consumption is the main driver of domestic demand, growing strongly since 2002/03. Private investment, however, was not only less than public investment but has also been falling since 2004/05.

The fiscal health of the Ethiopian economy has been improving substantially since 2005/06 with the fiscal deficit including grants amounting to only 1% of GDP in 2008/09. The substantial improvement in the fiscal position of Ethiopia in 2008/09 was mainly the result of tight fiscal policy – leading to a decline in government spending – coupled with a marginal increase in domestic revenue and external grants.

In recent years, monetary policy has been geared to achieving low inflation and a stable exchange rate. But inflation has hit double-digits with a rising trend since 2005/06. Overall average annual inflation spiked to 36.4% in 2008/09, up from 25.3% in 2007/08, 15.8% in 2006/2007 and 12.3% in 2005/06. The leap in food prices was the major factor behind the unprecedented inflation in Ethiopia, in both 2007/08 and 2008/09. But in the second half of 2008/09, food price inflation registered only 2.3%.

The government's target of single-digit inflation in 2009/10 – through tight fiscal and monetary policies – is likely to be achieved thanks to a good harvest and a swift decline in food prices in response. But this goal may be challenged by the fast depreciation of the Ethiopian Birr (ETB). The ETB's rapid depreciation in recent years is due to increasing pressure on foreign exchange reserves. The adverse impact of the global economic slowdown on merchandise exports, workers' remittances and foreign direct investment (FDI) diminished foreign exchange reserves. But increased aid inflows have helped to offset it.

Ethiopia experienced a marginal decline of 1.2% in merchandise exports in 2008/09 after registering high average annual growth of 25.5% during 2003/04-2007/08. Net service exports expanded at the remarkable rate of 145% in 2008/09, compared with the 31% contraction recorded in 2007/08. Merchandise imports continued to grow at 27% in 2008/09 thanks to donors' assistance supported by the expansion in export earnings from the service sector. In line with the improving trade deficit, the expansion in net service exports offset the decline in factor income and current transfers – leading to a slight improvement in the current account deficit in 2008/09. In 2008/09, external debt registered an increase contrary to the decline in domestic public debt.

The private sector of Ethiopia is predominantly small scale, informal and service-oriented. Although the privatisation process started in the mid-1990s, it gained new momentum in 2004. Despite the fast privatisation process in recent years, private investment as a percentage of GDP not only remains low but has actually declined since 2003/04. Because of the international economic crisis and a severe shortage of foreign reserves, the government adopted a stronger stance towards the private sector. The country performs poorly in a number of the World Bank's Ease of Doing Business indicators with only slight improvements in recent years. The banking system, which is not yet open to foreign competition, dominates the financial sector of the country. Private banks generally performed better than state-owned banks in terms of resource mobilisation.

Political tensions are expected to rise owing to the upcoming federal and regional elections in May 2010. Civil tensions also increased in 2009 though the hardening of the regime remained pretty stable in 2009. Relations with Eritrea will dominate the foreign policy of Ethiopia, as the long-standing border dispute has not yet been settled. Tensions in the region also remain high because of insecurity in Somalia. Moreover, human rights activists fear Ethiopia's new law on local non-governmental organisations (NGO) and civil society organisations (CSO) will criminalise their work and lead to a crackdown on political debate. Members of opposition parties and many media groups have also expressed their deep concern and frustration over the new Mass Media and Freedom of Information Proclamation that allows state prosecutors to invoke national security as grounds for impounding materials prior to publication and distribution.

In the last decade, Ethiopia demonstrated impressive achievements in social and human development as government spending targeted education, health, agriculture and roads.

Ethiopia has been undertaking a number of tax reform measures since 1992/93 as well as structural and institutional reforms. But domestic government revenue relative to GDP has actually been falling in recent years, particularly since 2003/04, *i.e.*, from around 16% of GDP in 2003/04 to 12% in 2008/09. Tax evasion and commercial fraud are the critical problems of the tax administration in Ethiopia. The large informal economy is not paying taxes and the tax administration lacks the institutional capacity to deal with problems of enforcement.

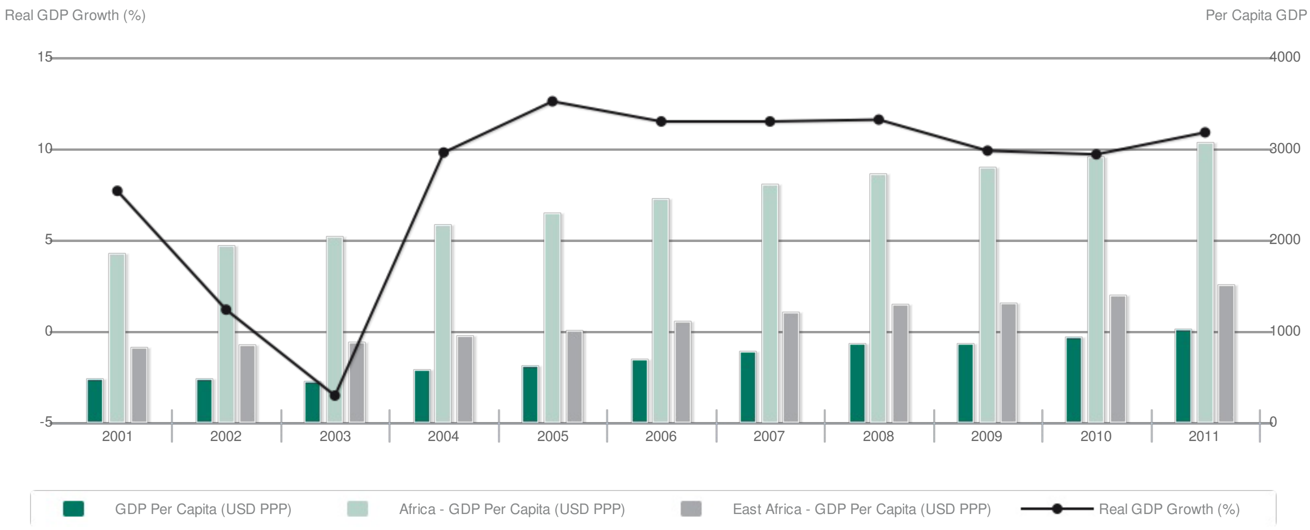
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	11.6	9.9	9.7	10.9
CPI inflation	25.3	36.4	7.7	10.9
Budget balance % GDP	-3.0	-1.0	-3.5	-3.1
Current account % GDP	-5.5	-5.3	-9.6	-7.4

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857826430431

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852012736751

Gabon

Investment and the recovery of exports should pull the Gabonese economy out of recession in 2010 and 2011.

The international crisis highlighted the need for economic diversification to reduce oil dependence and for structural reforms.

More efficient mobilisation of public resources is needed to offset the steady decline in the oil rent.

Gabon's macroeconomic situation in 2009 was marked by gloom and uncertainty. President Omar Bongo died in June, and an early presidential election in August was won by his son, Ali Bongo. The climate of uncertainty was due to the international crisis, which compromised the economic recovery.

The crisis pushed the economy into recession, with a negative growth rate of -1% in 2009, against 2.3% growth in 2008. It also resulted in budget tightening, with strong negative impacts on the real economy, public finances and foreign trade. In 2009, the budget contracted sharply and the current account deteriorated, despite a slight easing of inflationary pressures. The money supply should rise slightly.

The principal macroeconomic and social indicators weakened in 2009, despite the country's wealth and potential. Gabon's real problem remains the insufficient diversification of its economy.

The priorities are still private sector development and improved governance. In order to achieve higher growth rates, the government should speed up its infrastructure programme and promote agriculture, forestry, tourism and the environment.

The non-stop work day, an adjustment in working hours introduced in 2009, should stimulate market gardening by the Gabonese after office hours, thus reducing Gabon's food dependence.

The recent elections demonstrated the urgent need to revise the constitution, as well as legislation and regulations, to help the country progress towards the rule of law.

On the social front, education policies and the implementation of the National Health Development Plan (PNDS) will bring improvements in the quality of education, particularly primary and vocational education, and in access to health care.

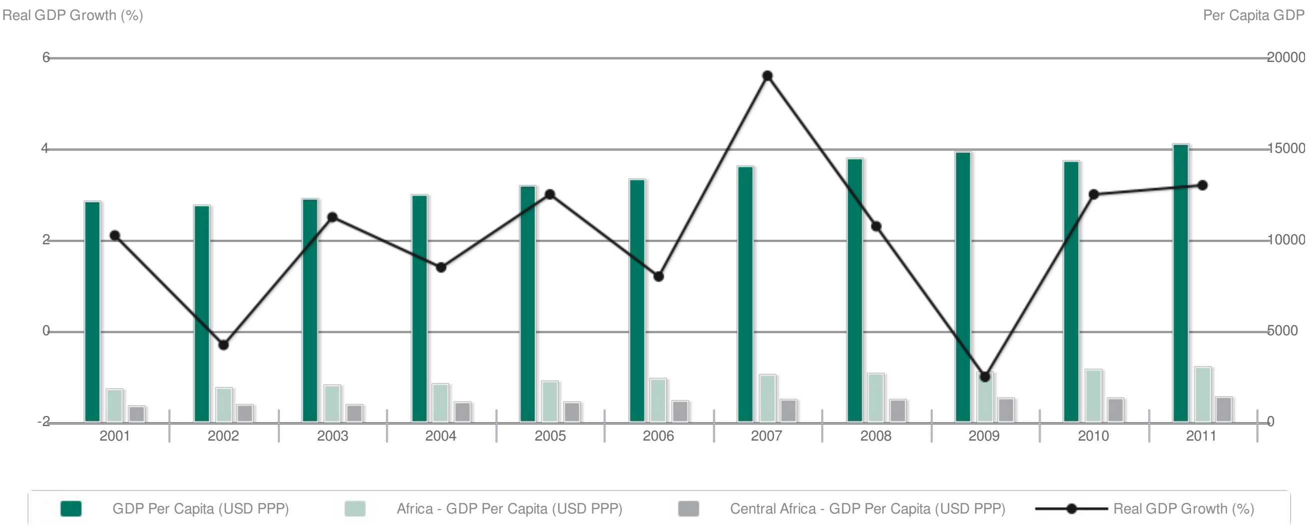
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.3	-1.0	3.0	3.2
CPI inflation	5.3	2.5	3.3	2.6
Budget balance % GDP	12.1	6.9	8.5	9.2
Current account % GDP	21.4	7.4	11.4	14.8

Sources: Data from BEAC and national administrations (DGE); estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/858125418330

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852034340668

Gambia

The Gambia's economic growth should rebound in 2010-11, depending on rains and on global economic recovery.

The Gambia's successful launch of the Gambia Revenue Authority has improved the effectiveness of tax collection.

Long-term challenges hinge on factors such as poverty in rural areas, requiring investments to improve agricultural productivity.

The Gambia is a small, open economy surrounded by Senegal and the sea. The majority of the population lives on subsistence farming. Nevertheless, a dominantly larger share of value added in the country comes from service industries such as trade, transport and tourism rather than from agriculture. With growth in the past three years averaging 6.3%, The Gambia ranks as one of the high-growth economies in western Africa.

In 2009, the economy recorded weaker growth at 4.8%, down from 6.1% in 2008, due to the global financial crisis and the subsequent global economic recession (Table 1). The main drivers of growth were good harvests and expansion of the financial sector and communication services. In particular, a rising rice-cultivation trend has contributed to improving the productivity of agriculture. Gains from these activities have more than offset the substantial setbacks in the tourism industry and in remittances, as well as sluggish domestic business activities. Economic growth is expected to bounce back to 5.4% in 2010 and 5.7% in 2011, depending on global economic recovery. To the extent that the main growth driver, agriculture, is dependent on rain-fed farming, the growth prospect is also susceptible to climate change, especially to timing of the rain.

The government of The Gambia has maintained macroeconomic stability amidst the global financial crisis with an expansionary tax policy, a flexible monetary policy, and financial and technical support from development partners. Prices have stabilised to a low level since the second half of 2008 after having undergone relatively high inflation. The main threat to price stability is the expected spending increase connected to the presidential election scheduled for 2011.

The Gambia has benefited from successful public-sector reforms including the institution of the Integrated Financial Management Information System (IFMIS) for improving the transparency of public finance, and the Gambia Revenue Authority (GRA) for improving the tax-collection system. The compliance rate of tax payers has been increasing since the introduction of the GRA. Improved effectiveness of tax collection led to a substantial increase in tax revenue, especially internationa trade tax revenue, despite decreasing domestic taxes in the wake of the global financial crisis. Besides, budget support from the World Bank and the African Development Bank (AfDB) has helped the country finance budget deficits and will be continued by the European Union (EU) in 2010. Nevertheless, because of increased spending the fiscal balance excluding grants worsened beyond the West African Monetary Zone (WAMZ) convergence criterion, which is less than 4% of gross domestic product (GDP).

The Gambia has recently run substantial trade and current-account deficits financed largely by official grants and public debts. One of the macroeconomic challenges facing the government is to contain debts to a sustainable level. In particular, managing the high-cost domestic public debts, amounting to 24.4% of GDP in 2009, will be the key to keeping debts from becoming unsustainable.

The banking sector continued to expand as a whole, driven mainly by foreign direct investments (FDI) and intensified competition amongst banks as new banks have entered the industry. Despite fully liberalised capital-account transactions, the banking sector was relatively isolated from the direct impacts of the financial crisis, chiefly because there was no stock market and the banks were highly capitalised.

Buoyed by the president's call for 'Back to Agriculture" agricultural development has taken a priority in the policy agenda. Given the high poverty rate and the prevalence of undernourishment in the rural areas, increasing agricultural productivity is an urgent issue to be addressed. As agriculture requires relatively smaller initial investments than services and manufacturing, increasing agricultural productivity seems feasible to some extent, provided that infrastructure, such as irrigation and roads, is provided with support from the government and donors. In fact, introduction of new-variety seeds and new ways of cultivating rice contributed to the growth of high-value-added rice production in 2009. Application of these agricultural innovations on a wider scale is expected to help the country achieve food self-sufficiency in the years to come.

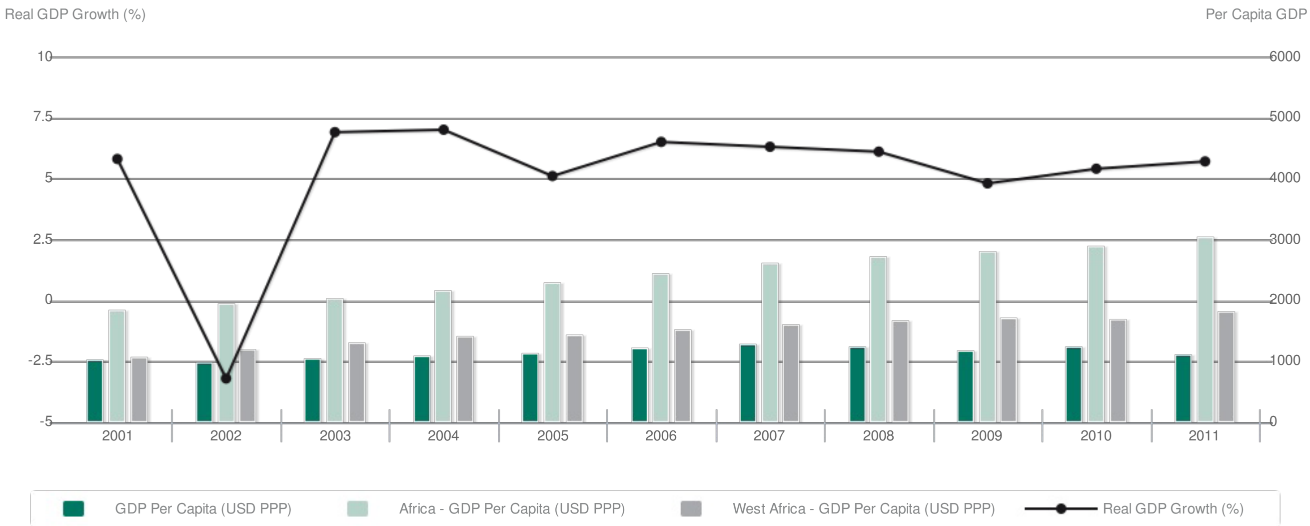
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	6.1	4.8	5.4	5.7
CPI inflation	4.5	4.2	5.1	5.5
Budget balance % GDP	-3.2	-4.4	-2.6	-4.2
Current account % GDP	-18.0	-13.6	-12.2	-20.9

Sources: Data from The Gambia Bureau of Statistics; estimates (e) and projections (p) based on authors' calculations. http://dx.doi.org/10.1787/868837424047
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/858406783064

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852075313775

Ghana

The initial belief that Ghana's economy was not going to be affected by the global financial crisis has turned out to be an illusion: growth slowed in 2009 to a mere 4.7% - the lowest since 2002 - after rising to a two-decade high of 7.3% in 2008, but is expected to recover on the back of a global economic recovery and revenues from oil exports.

In spite of recent progress and many attempts at reform, the business climate faces the fundamental challenges of poor infrastructure and a weak institutional and administrative framework.

The government continues to make efforts at improving the tax system but the effective tax base is still low because a large number of economic activities take place in the informal sector outside the tax net.

After about a decade of relatively strong economic performance with real gross domestic product (GDP) growing at an average of about 6% annually over the last five years, there was greater uncertainty about Ghana's economic growth prospects at the beginning of 2009. Unsurprisingly, economic growth slowed in 2009, to a mere 4.7% – the lowest since 2002 – after rising to a two-decade high of 7.3% in 2008. Economic growth is expected to recover modestly to 6.4% in 2010 and accelerate to 8.3% in 2011 on the back of global recovery, exceptional public investment in the rising oil sector, and revenues from anticipated new oil discoveries.

Inflationary pressures were high in the first half of 2009 because of an excessive expansion of the money supply in the run-up to general elections in December 2008, and the food and energy crises of 2008. But increases in the general price level slowed down in the third quarter of the year. By December 2009 inflation had reached 16% after hitting a peak of 20.7% in June 2009. This puts the average inflation rate for 2009 at 19.3% – the highest in five years. Looking ahead, inflation is projected to decline to the 10-12% range by end-2010.

Despite years of impressive performance, Ghana's economy remains bedeviled by huge structural challenges. Agriculture still accounts for about a third of GDP, while the industrial sector contributes 28%. Growth in the agricultural sector was very strong, relative to previous years, and to other sectors. Growth in services dropped from 9.3% in 2008 to 4.6%. Growth in industry was also about 4.3 percentage points lower than in 2008.

Although the global financial crisis has been relatively favourable to Ghana's terms of trade so far, the country remains vulnerable because of its over-dependence on a few primary commodities. Exports constitute a significant part of Ghana's GDP but are not diversified in terms of products and destinations. Gold and cocoa dominate, accounting for over 70% of exports in 2009 with respective shares of 42% and 30%. Manufacturing accounts for a mere 9% of output, despite the rhetoric of successive governments about encouraging industrialisation.

Ghanaians went to the polls in December 2008 to elect a successor to former president John Agyekum Kufuor and 230 parliamentarians. After two rounds of voting, Professor John Evans Atta Mills from the opposition National Democratic Congress (NDC) party won the presidential elections by just 40 000 votes. The smooth and peaceful transfer of power in January 2009, from an incumbent party to an opposition party, despite the narrow margin, has been hailed as a model for Africa. This enviable achievement, it has been suggested, was one of the reasons for American President Barack Obama's choice of Ghana for his first African visit in July 2009.

President Atta Mills has vowed to make fighting corruption a priority. The passage of the freedom of information Act demonstrated a commitment to the party manifesto to fight corruption. Allegations of corruption have been levelled against former public officials. But many people, mainly from the opposition parties, doubt the government's commitment to expose and punish its own senior government officials who are suspected of corruption. Many government officials failed to declare their assets upon assuming public office as required under the constitution; it remains to be seen if the president is willing to discipline the guilty ones.

Ghana continues to make frantic preparations to commence the production of oil and gas in the last quarter of 2010. Economic performance in 2010 is expected to be primarily shaped by investments in oil-related infrastructure while 2011 growth is expected to be influenced strongly by revenues from oil exports. The government continues to seek more non-oil revenue by reforming tax administration and improving the efficiency of the tax system. This effort entails broadening the operations of the large taxpayer unit to ensure that very large companies receive one-stop tax service. Tax revenue as a percentage of GDP has increased from less than 17% to about 23% over the period 2000-09. But the effective tax base in Ghana remains low. This is because many people operate in the informal sector outside the tax net.

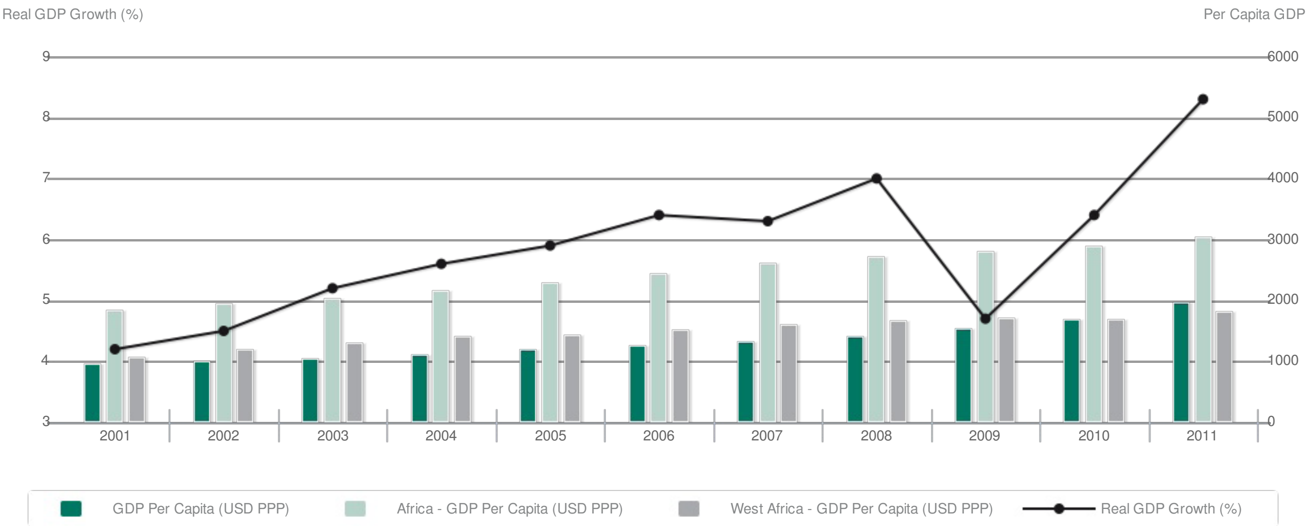
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.0	4.7	6.4	8.3
CPI inflation	18.1	18.8	12.2	10.1
Budget balance % GDP	-14.0	-10.0	-6.4	-3.1
Current account % GDP	-15.8	-23.4	-19.7	-9.4

Sources: Data from Ghana Statistical Service (GSS) and Bank of Ghana; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/858537270276

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852201208883

Guinea

The potential return to a new constitutional order following free, fair and transparent elections in 2010 could open up better prospects for social calm and macroeconomic stability, necessary for the launch of profound reforms aimed at combating unemployment, poverty and exclusion.

Economic diversification must be speeded up to develop the considerable unexploited potential in all sectors and in all regions.

The key challenges relate to the promotion of good governance, the raising and effective use of public resources and the strengthening of social dialogue and management capacity.

Guinea enjoys considerable, varied and unexploited economic potential, but is having difficulty making an economic breakthrough. Growth is structurally weak and slow, with inflationary episodes. It has also been hard hit by the oil crisis (2007/08), food crisis (2008) and the financial crisis (2009).

From 1985 to 2002, the country was committed to a process of liberalisation and economic change, which created average real growth in gross Ddmestic product (GDP) of 4% a year (representing a growth in income of 0.8% per head), while also stabilising prices and the exchange rate.

After the implementation of the reforms of 2003-06 veered off course, with a resultant drop in income of 0.6% per head, the economic slump was aggravated by the world crisis in 2007. Inflation rose to more than 22%, along with a depreciation of the currency of 18%.

This was followed by a deterioration in living standards, reflected in a rise in the poverty rate from 49.1% in 2002/03 to 53% in 2007/08. In the face of these difficulties, Guinea launched reforms in 2007 under its second Poverty Reduction Strategy Paper (PRSP 2), supported by the Poverty Reduction and Growth Facility (PRGF) of the International Monetary Fund (IMF) and the intervention of other technical and financial partners.

The reforms bore fruit in 2008, despite a difficult international context: public and private investment rose by 14%. Growth accelerated from 1.8% in 2007 to 4.9% in 2008, driven by the improvement in the terms of trade resulting from the surge in mineral raw material prices and the fall in the price of oil.

Reorganisation of the macroeconomic framework and public finances and improvements to key production and transport infrastructure have encouraged new operators to enter the promising sectors of agriculture, mining and construction. Real GDP per head rose from 375 US dollars (USD) in 2007 to USD 382 in 2008 while inflation fell by four points.

Reaching the completion point of the Highly Indebted Poor Countries (HIPC) Initiative, a huge task almost achieved at the end of 2008, was delayed until 2010 with the advent of the National Council for Democracy and Development (NCDD), the military junta that took power after the death of President Lansana Conté, on 23 December 2008.

The economic situation in 2009 was marked by a socio-political crisis caused by the massacre by the regime of protesters in September 2009 and an assassination attempt on its leader Moussa Dadis Camara in December, which led to a new political transition from January 2010.

These crises, reflecting bad governance, were the consequences of the break in dialogue internally between political actors, around a consensus on the strategy for concluding a national pact to deal with the challenges and major issues of the country; and externally with technical and financial partners. Overall, the political instability has not helped the implementation of the two cycles of the Poverty Reduction Strategy (PRS) in 2001/02 and 2007-10, and has impeded appreciable progress in the achievement of the Millennium Development Goals (MDGs).

It was in this context of political and economic uncertainty that the Ouagadougou accords were concluded. These provide the basis for a resumption of internal talks on a smooth political transition to free, fair and transparent elections in 2010.

The overall objective of the economic and political road-map of the 2009/10 transition is to strengthen internal social and political dialogue, which should lead to a new constitutional order, to the return to barracks of the defence and security forces (DSF) and to their conversion into a national force in the service of peace, democracy and development.

This objective breaks down into three specific sub-aims: to organise free, fair, open and credible elections; to implement the basic programme of reform of the DSF; and to build on the results of the measures taken in 2007-09 under the implementation of the PRS, the PRGF and the HIPC Initiative, as part of an Emergency Economic Recovery Programme (EERP).

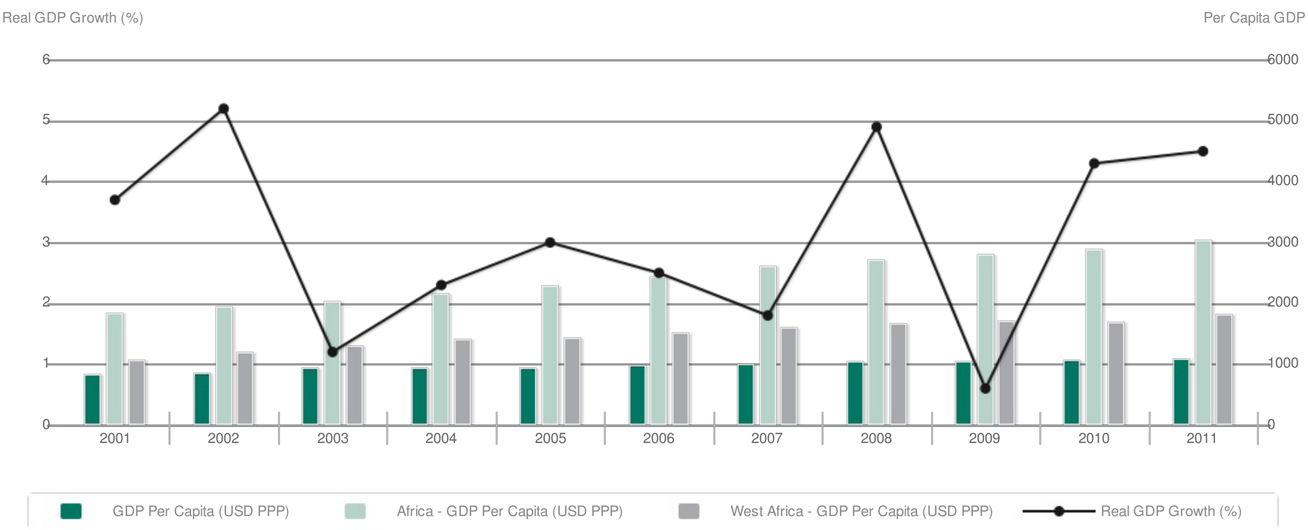
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	4.9	0.6	4.3	4.5
CPI inflation	18.4	4.8	8.9	4.7
Budget balance % GDP	-1.2	-1.5	-6.1	-6.6
Current account % GDP	-6.9	-9.3	-8.3	-10.2

Sources: National authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860006561015

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852442851146

Guinea-Bissau

Economic growth in Guinea-Bissau declined to 2.9% in 2009 from 3.3% in 2008, owing to domestic political instability and the consequent late disbursement of development assistance. Growth is expected to increase in the mid term, although the major downside risk to the outlook is the resumption of political instability.

To catalyse growth, the country should implement drastic structural reforms in the public administration (in the security and defence sector in particular), invest in agriculture, infrastructure and energy provision, improve the business environment and start exploiting its mineral potential. However, all this will not be possible without the normalisation of the political situation and strong donor support.

Guinea Bissau's capacity to mobilise resources is severely hampered by political instability and a low capacity in tax administration. Small gains made during peacetime are practically undone during times of conflict. As a result, over the past decade, Guinea-Bissau's revenues have been falling.

Economic growth in Guinea-Bissau declined to 2.9% in 2009 from 3.3% in 2008, as a result of political instability and the late arrival of development assistance. However, economic activity was sustained by an exceptional cashew nut harvest. Because of its isolation from the world economy, the global economic and financial crisis did not have a significant direct impact on the economy, although it did on government export revenues and remittances. Growth is expected to increase to 3.4% and 4% respectively in 2010 and 2011, as a result of increased agricultural production and donor support. The major downside risk is new political instability. For the mid term, inflation is expected to remain within the Central Bank of West African States (BCEAO) boundary of 3%, up from a negative rate in 2009.

Still one of the world's poorest countries, Guinea-Bissau was a focus of the liberation struggle by Portuguese colonies in Africa between 1961 and 1973. At independence, it inherited a legacy of an unstructured and unskilled public administration, disrupted infrastructure and highly unstable politics. As a result, economic performance has been extremely weak. The country is highly dependent on agriculture and erratic donor support. Because domestic resources are limited to export revenues, the country is not economically viable.

The normalisation of relations with the International Monetary Fund (IMF) in January 2008 resulted in the signing of an Emergency Post Conflict Assistance (EPCA) to support the government's 2008 and 2009 economic programme, and of an Extended Credit Facility at the beginning of 2010. Tax and management reforms contributed to increased tax revenues and limited spending to within the boundaries of available resources. This boosted the fiscal balance which should further improve in the mid term. Exceptional exports could not, however, compensate for increased imports and lower remittances and official development assistance (ODA), and the current account deficit rose.

To spur growth, the country needs major reforms in public administration (particularly security and defence), to invest in agriculture, infrastructure and energy, improve the business environment and start exploiting its mineral potential. However, this will not be possible without political stability and strong donor support.

Encouraging signs of political normalisation and security emerged with the peaceful transition and elections organised after the assassination of President Joao Bernardo Vieira in March 2009. Maintaining stability, implementing reforms and fighting the narcotics trade will be the new government's main challenges and strongly influence economic success.

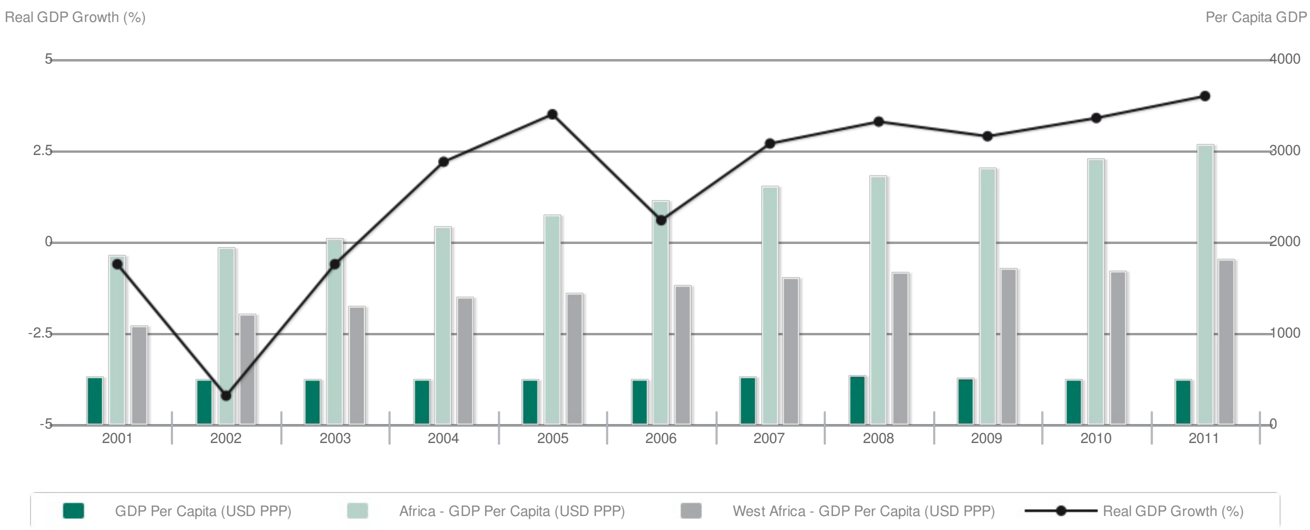
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.3	2.9	3.4	4.0
CPI inflation	10.4	-1.5	2.5	2.3
Budget balance % GDP	-7.0	1.7	-0.7	-0.4
Current account % GDP	1.8	-2.2	-2.4	-3.1

Sources: Data from local authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/858787440043

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852223351178

Kenya

The Kenyan economy grew at only 2.5% in 2009 because of the global slowdown, poor rainfall and post-election violence.

The 2010 outlook is better, provided there is sustained global recovery, sufficient rainfall and governance challenges are resolved.

Kenya could benefit from increased integration and expansion of the economies of the East African Community.

The performance of the Kenyan economy in 2009 was severely affected by three adverse shocks. First, the second-round effects of the global economic downturn depressed Kenya's main export markets. Second, the erratic, delayed and shorter rainfall had a negative impact on the agricultural and power sectors. Third, the prolonged effects of the 2008 post-election violence depressed investor confidence and had adverse effects on the whole Kenyan economy and population. As a result, the Kenyan economy is expected to have grown by 2.5% in 2009. In spite of the slump of international capital markets, Kenya demonstrated the depth and liquidity of its domestic capital market by successfully floating two infrastructure bonds in 2009.

The 2010 outlook for the Kenyan economy is more positive. First, Kenya's exports are likely to benefit from the expected recovery in world economic growth and the increase in prices for some of Kenya's main exports recorded in early 2010. Second, the impact of the 2009 fiscal stimulus, implemented by the government in late 2009, will be felt throughout 2010. Public and private investments are also expected to increase in 2010. As a result, the Kenyan economy is expected to grow by 3.6% in 2010.

Risks to a robust recovery in 2010 remain significant, however. Given the importance of agriculture to gross domestic product (GDP) and employment, any delay in the long or short rainy season will have severe economic and social consequences. Progress on improving institutional transparency is also critical for all Kenyan stakeholders to be confidently engaged. Particular attention needs to be paid to issues arising from the evictions and relocations of those who had settled in the Mau Forest, Kenya's main water catchment area. Similarly, the International Criminal Court's progress in investigating Kenya's post-election violence, as well as efforts to have the constitution put to a referendum in 2010, will be closely watched.

More positively, Kenya, which is already a hub for East African countries, stands to benefit from further integration of the East African Community (EAC). The plan for the EAC to have a common central bank and common currency has the potential to further enhance trade within the region. The common-market protocol that was signed at the end of 2009 and should be ratified by mid-2010 ought to have a significant impact on Kenya's integration with the rest of East Africa in the immediate term. Kenyan businesses are well-positioned to take advantage of the free movement of labour and capital. An important characteristic of the Kenyan economy when compared with the rest of Africa is the large share of its exports which are for other East African countries. As such, Kenya's external performance in 2010 will depend on the growth rate of East African countries, especially Uganda and Tanzania.

Kenya will also benefit from its strategic location, its communication with the rest of the world through the port of Mombasa and Nairobi airport, and its well-developed financial and services sectors. In addition, Kenyan businesses, especially those operating in the burgeoning information and computer technology sector are likely to reap strong benefits from the two fibre-optic cables (TEAMS and SEACOM) that came into operation in 2009. Bearing all these factors in mind and barring any major external shock, Kenya's economy is likely to recover in 2010 and 2011.

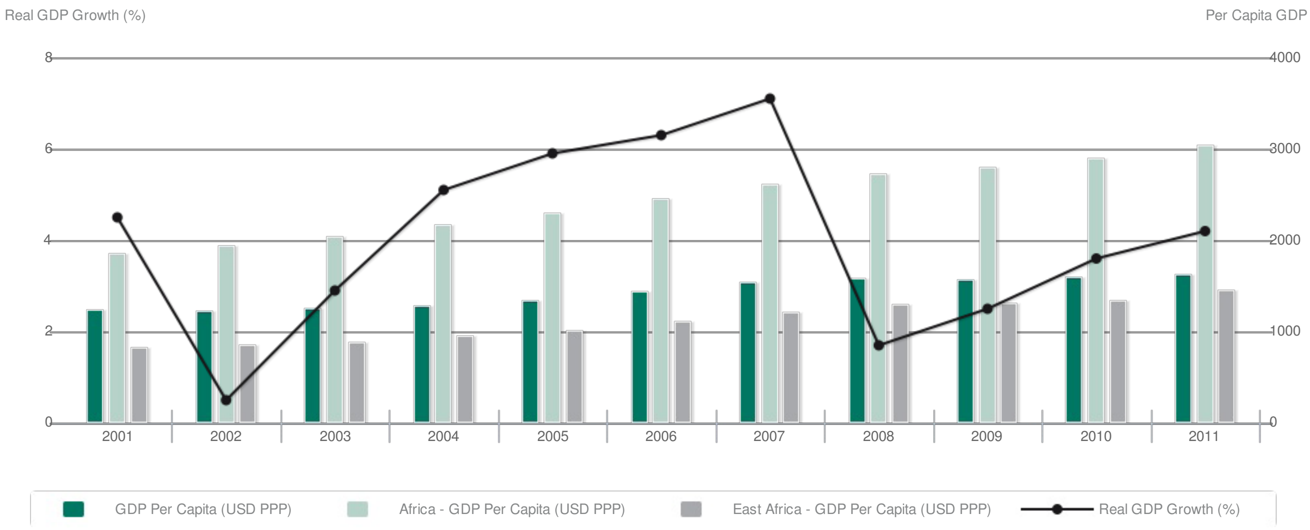
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	1.7	2.5	3.6	4.2
CPI inflation	18.5	9.3	7.3	6.4
Budget balance % GDP	-5.9	-5.8	-6.1	-6.8
Current account % GDP	-6.5	-4.9	-6.7	-7.2

Sources: Kenya Central Bureau of Statistics (KNBS) and Ministry of Finance data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860088687260

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852536451566

Lesotho

Lesotho's growth outlook for 2010 and 2011 remains weak and depends on demand for textile products.

Rising unemployment, declining remittances and weak social safety nets all mean deteriorating living standards are expected.

Major investment to improve power and water supply is needed but declining revenue from the South African Custom Union poses a serious challenge.

The global crisis badly affected Lesotho's economy in 2009 and its outlook for 2010 and beyond. Gross domestic product (GDP) growth fell from 4.4% in 2008 to 1.1% in 2009 as the manufacturing and the mining sectors both shrank. The government estimates that employment in the manufacturing sector declined by 4.1% in 2009. Unemployment also increased because of layoffs in the textile industry and the mining sector in South Africa. The number of migrant mine workers in South Africa declined by 10% in the third quarter of 2009.

The government budget remained in surplus in 2009 for the sixth year running but is expected to be in a deficit of 4.6% of GDP in 2010. This is mainly due to a sharp decline in the South African Customs Union (SACU) revenue pool – made up of South Africa, Lesotho, Botswana, Namibia and Swaziland – which is a major revenue source for Lesotho. The crisis led to lower demand for imported capital and consumer goods, reducing SACU revenues.

The current account balance declined from a surplus of 3.2% of GDP in 2008 to a 2% deficit in 2009. The crisis also badly hit remittances which fell by 9.6% in 2009. Budget and current account deficits in 2010 raise the risk of debt distress unless fiscal restructuring is pursued. Inflation eased in the last quarter of 2009 thanks to better agricultural production, a stronger currency and generally lower demand for goods and services.

Shrinking incomes, rising unemployment and a weak overall resource balance threaten to reverse gains from the accelerated growth and macroeconomic stability of recent years. In 2009 *per capita* GDP declined in absolute terms for the first time in six years, by 1.6%.

Increased growth and lower income inequality helped Lesotho reduce the proportion of the population living below one US dollar (USD) a day from 45.4% in 1999 to 33.1% in 2008. Sustaining this performance would allow Lesotho to meet the UN Millennium Development Goal (MDG) of reducing extreme hunger and poverty by half by 2015. But extreme poverty is estimated to have increased by about 2% in 2009. Rising unemployment and falling household incomes could also affect school attendance rates, according to a recent government survey.

The government initiated reforms in 2009 to spur short- to medium-term growth and improve the prospect of reaching the MDG and its own Vision 2020 development goals. These include a support strategy for the textile and clothing industry, a private sector development strategy and a domestic resource mobilisation strategy.

Measures for the textile industry range from direct financial support to technical assistance to improve competitiveness. There are plans to create institutional and financial facilities to support export-import businesses for existing and new foreign and local firms. Studies are underway to explore new markets and new products to facilitate exports to southern Africa, the European Union (EU), United States and other regions of the world. The government has sought co-operation with China to increase skills, by working with Chinese textile firms to help increase productivity. The government set aside 600 million Lesotho loti (LSL), equivalent to 79 million US dollars (USD), to provide water supply, roads, factory shells and communications for firms that locate on a new industrial estate set up for manufacturing.

Efforts will also be made to improve Lesotho's weakness in attracting investment. Domestic resource mobilisation is also an increasing priority for the government. Reforms are under way to improve tax collection, expand the tax base and increase the tax compliance rate. A large public investment programme should boost economic activity in 2010-11. In the short term, real GDP growth is expected to rise to 2.3% in 2010 and 3.3% in 2011. However a poor export performance could adversely affect the current account balance in 2010 and 2011.

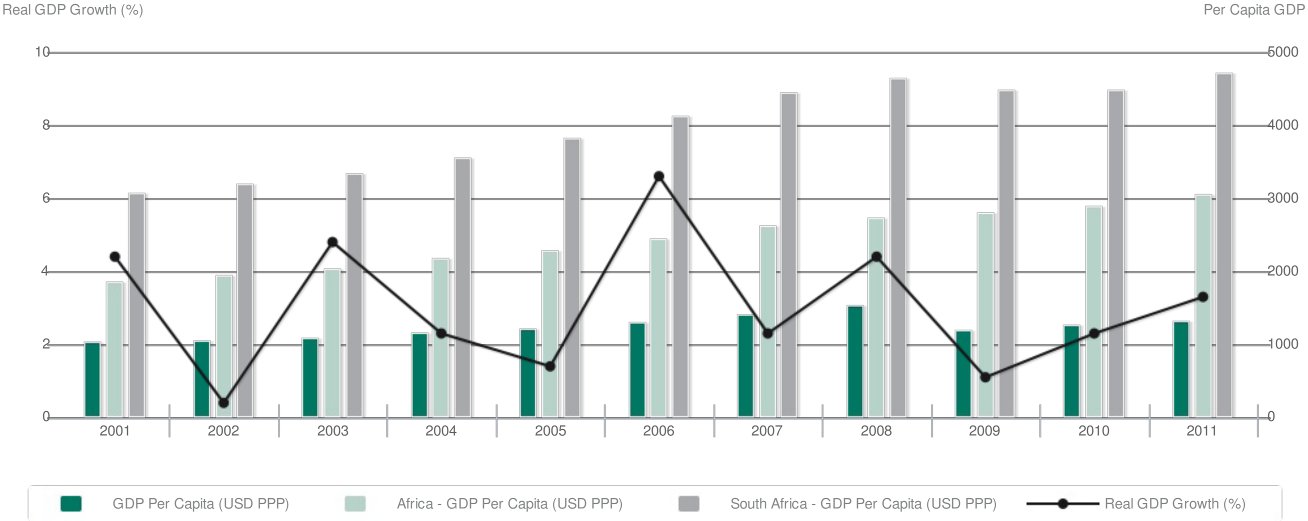
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	4.4	1.1	2.3	3.3
CPI inflation	10.7	4.8	5.5	5.4
Budget balance % GDP	19.5	8.2	-4.6	-12.3
Current account % GDP	3.2	-0.2	3.3	-0.1

Sources: Data from Lesotho Bureau of Statistics and Central Bank of Lesotho; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860170644870

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and Bureau of Statistics data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852574872635

Liberia

Liberia's growth has been boosted by post-civil war reconstruction and donor assistance. However because of delays getting the mining and timber industries up to full operation, real GDP initially estimated to have grown 10.8% in 2009 was revised down to 4.1%.

Political stability will be influenced by the report of the Truth and Reconciliation Commission and presidential and legislative elections in October 2011 in which President Ellen Johnson-Sirleaf has announced she will run again.

The Extractive Industries Transparency Initiative board named Liberia the "Best EITI Implementing Country" in 2009 for the early completion of its report and being the only country to include forestry in the report.

Liberia's economic growth has been helped by reconstruction and impressive donor assistance since the end of the country's second recent civil war from 1999 to 2003. Real gross domestic product (GDP) was initially estimated to have grown 10.8% in 2009, but this was adjusted down to 4.1% because of delays in getting the key mining and timber industries up to full speed. Growth is expected to be driven by the agriculture (including forestry) and service sectors. The outlook in 2010 and 2011 is positive as the global credit crunch and recession ease. GDP growth is projected to rise about 6.9% in 2010 and 7.7% in 2011.

Liberia's slow growth in 2009 was largely due to the global economic and financial crisis. Foreign exchange inflow fell in 2009 against 2008 because of a drop in remittances from 959 million US Dollars (USD) in 2008 to USD 782 million in 2009, lower export proceeds and reduced or delayed investment in mining and other key sectors. The value of the Liberian dollar (LRD) against the US dollar (USD) depreciated by 7.1% to 67.81 LRD to the US dollar at the end of 2009 from LRD 63.29 at the end of 2008. The crisis caused salary cuts and layoffs especially on rubber plantations and at mining companies. The Liberian government proposed a number of measures including tax cuts and a USD 2 million guarantee fund for Liberian entrepreneurs.

Although the food crisis eased in 2009, the government and institutions such as the World Bank and the African Development Bank (AfDB) pursued a food security programme initiated in 2008 to cushion the impact of the crisis. The tariff on imported rice was reduced and the Central Bank of Liberia (CBL) set up a USD 1 million fund to purchase local rice to ensure adequate food supplies and increase a food programme for schools. The annual rate of inflation measured by the Harmonized Consumer Price Index (HCPI) fell to 7.4% in 2009 from 17.5% in 2008 as food and oil prices eased.

The Liberia Extractive Industries Transparency Initiative (LEITI) Act was signed into law in 2009. LEITI is the first and only extractive industries transparency initiative (EITI) in the world to include forestry and agriculture in its reporting. Liberia is also the first country in Africa and the second (after Azerbaijan) in the world to have completed validation. The EITI Board named Liberia "Best EITI Implementing Country" in 2009. Total tax revenue excluding grants increased significantly from USD 72.7 million in 2000 to USD 187.8 million in 2008. Between 2000 and 2008, tax revenue accounted for over 81% of total revenue including grants.

Much care is needed not to upset political progress made since the end of Liberia's civil war. Stability is likely to be influenced by implementation of the report of the Truth and Reconciliation Commission (TRC) presented to the legislature in June 2009 and the conduct of the October 2011 presidential and legislative elections in which President Ellen Johnson-Sirleaf has announced her intention to run for a second term. The TRC report recommends that perpetrators of human rights abuses during the civil war be tried and others including the president be banned from political office for 30 years.

Other issues threatening socio-political and economic stability include corruption, high unemployment, poverty, land disputes, ethnic and religious tensions, violent crime, especially armed robbery and sexual and gender-based violence.

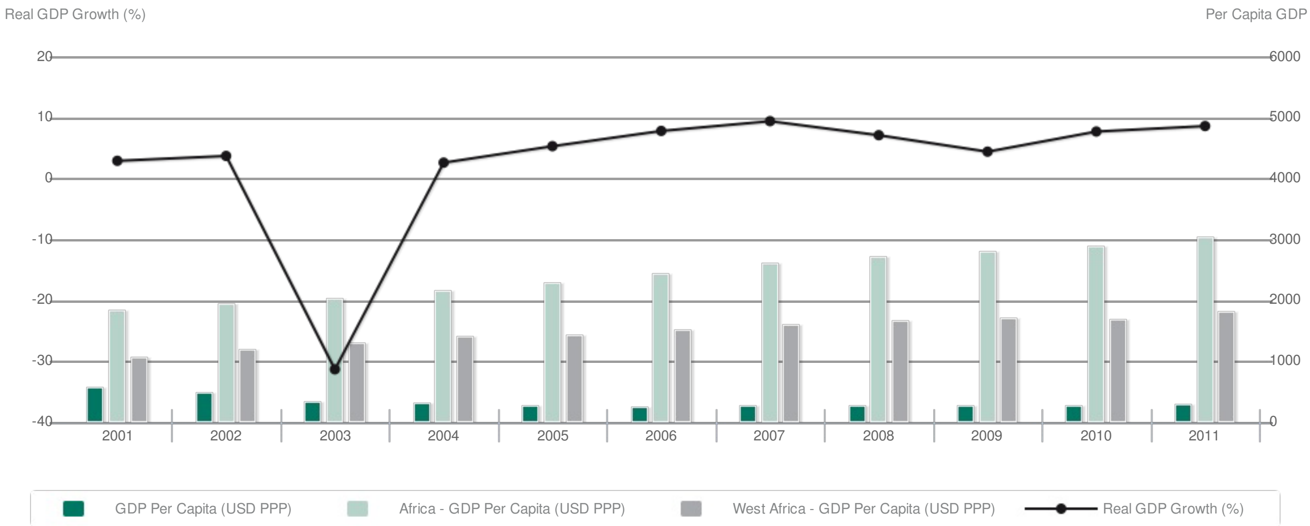
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.1	4.4	7.7	8.6
CPI inflation	17.5	7.8	5.0	5.3
Budget balance % GDP	1.6	-1.6	-0.7	-1.8
Current account % GDP	-53.9	-52.8	-63.0	-56.4

Sources: Data from ECOWAS and IMF; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860401738000

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and Liberia Institute of Statistics and Geo-Information Services data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852605851070

Libya

Libya has been moderately affected by the effects of the global economic and financial crises and growth is expected to exceed pre-crisis levels by the end of 2010.

Libya continues its ambitious diversification and privatisation agenda, as well as a massive Public Investment Plan, mostly focused on transport, housing, utilities and power.

Despite most recent efforts to diversify sources of income, hydrocarbons account for over 90 % of government revenues.

Libya is one of Africa's wealthier countries. It has the continent's largest proven oil reserves and is the third biggest producer behind Angola and Nigeria. Libya was only moderately hit by the global economic and financial crisis. Preliminary data indicate that real gross domestic product (GDP) growth slowed to 2 % in 2009, due to the fall in international oil prices and the Organization of the Petroleum Exporting Countries (OPEC) lower production quotas.

Lower commodity prices also eased inflation to approximately 2.5 % for the first nine months of 2009, compared to 10.4 % year-on-year. It is expected to stabilise over the medium term at about 5.5 %. The fiscal and external current account surpluses shrank in 2009 to 10.6 % and 16.8 % of GDP respectively, from 26.9 % and 40.7 % over the previous year. Growth forecasts for 2010 and 2011 are around pre-crisis levels of 5.2 % and 6.1 % respectively as global demand for oil helps prices recover.

Despite significant efforts over the past two decades to diversify its economy, Libya remains highly dependent on hydrocarbons, which account for close to 70 % of GDP, and generate more than 90 % of government revenues and 95 % of export earnings. According to the 2006 census, Libya is struggling with an unemployment rate of 20.7 % due to its poor ability to generate jobs.

To lessen its dependence on oil and the resulting vulnerability to shocks from volatile commodity prices, as well as counter the high unemployment rate (especially among young graduates), Libya has embarked on reforms aimed at rationalising its oversized, low performing public sector; and promoting trade, the private sector and foreign investment. The opening up of Libya's economy has triggered the interest of foreign investors attracted by opportunities in energy and construction, and to a lesser extent by the new and promising tourism sector. According to the UN Conference on Trade and Development *2009 World Investment Report*, foreign direct investment (FDI) in Libya quadrupled between 2005 and 2008.

Still, the country suffers from a business environment that many call unpredictable and cumbersome, with weak coordination, a complex decision-making process and inadequate human skills and manpower for the new private sector demands. Coupled with opaque legal and institutional frameworks, these structural constraints significantly hinder Libya's efforts to diversify its economy.

While extreme poverty is now largely eradicated and per capita income has been increasing, Libya still has weak healthcare and education systems in dire need of reform to lay the groundwork for a more private sector-led economy.

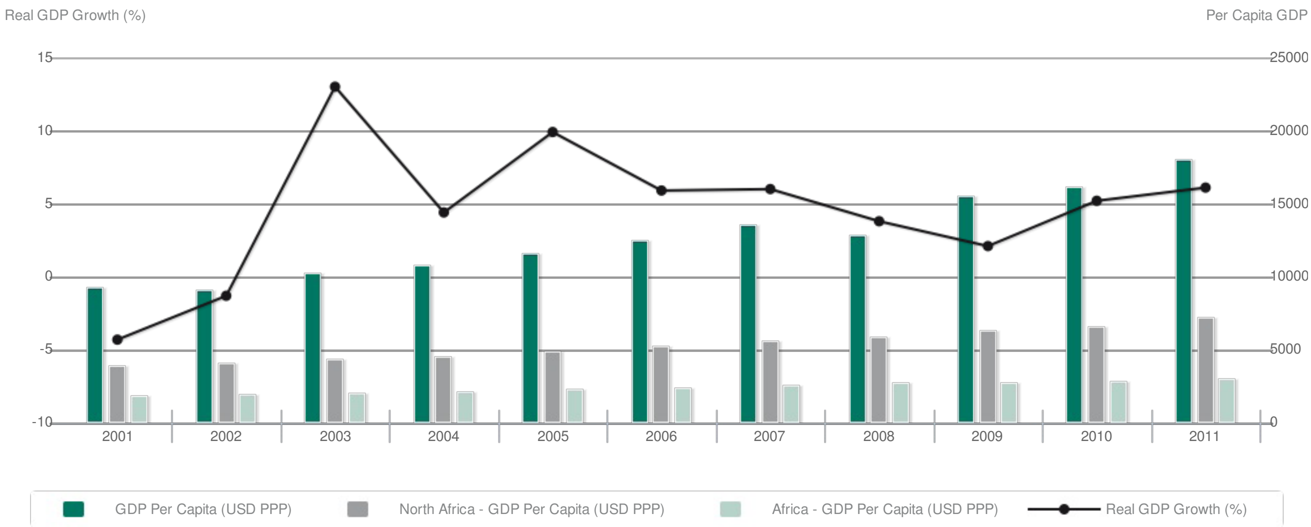
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.8	2.1	5.2	6.1
CPI inflation	10.4	2.5	5.3	5.6
Budget balance % GDP	26.9	10.6	14.8	21.6
Current account % GDP	40.7	16.8	32.6	37.3

Sources: Data from Central Bank of Libya (CBL); estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860556222260

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852707883245

Madagascar

Madagascar's political crisis had a heavy impact on the economy in 2009.

The 2010-11 outlook depends on whether the political crisis ends and aid flows resume.

The crisis hit social sectors hard: poverty is up, basic education and health services down.

A grave new political crisis hit Madagascar in 2009 and the impact combined with the global financial crisis to send the 2009 gross domestic product (GDP) growth rate plummeting to -4.5%. The international community condemned the change of government as undemocratic, and some external aid, on which Madagascar is dependent, was frozen. Its growth is led by public investment, which in turn is financed by external resources. The outlook for 2010 and 2011 therefore depends on whether the country emerges from the crisis. Even if political events return to normal, GDP should contract again in 2010, because growth drivers, such as tourism and construction, are particularly sensitive to the political crisis. In addition, funding for a "green revolution" has dried up, which could detract from agricultural output.

Capacity for domestic resource mobilisation is low, making it impossible to take up the slack left by the loss of external aid, and the government was obliged to adopt a restrictive fiscal policy to contain the deficit and inflationary pressures. As a result, financing for development projects, particularly in the social sectors, was sharply curbed. The country nonetheless continued to meet its external debt service obligations, thus avoiding international sanctions. The central bank's monetary policy focused on fighting inflation, notably by intervention in the foreign exchange market to avoid excessive depreciation of the national currency, while at the same time supporting the troubled economy. The trade deficit narrowed, as imports fell more than exports, but the overall balance fell into deficit owing to the drop in foreign direct investment (FDI) and aid flows.

The political crisis has had a strong impact on the private sector. Firms suffered heavy losses in looting at the start of the crisis, and business activity has been greatly hampered by the ensuing insecurity. The fall in external financing and condemnation of the forced government change by trade partners reduced market outlets. For example, the suspension of the agreement with the United States under the US Africa Growth and Opportunity Act (AGOA) should cut textile sector output by 20%. Among the social consequences of the troubles, unemployment is rising fast, particularly in urban centres.

Madagascar's dependence on external resources to finance its development is partly due to the country's low capacity for resource mobilisation. Its tax rate is one of the lowest in Africa. To address this problem, the country embarked in 2007 on extensive fiscal reforms aimed at making the tax system simpler and more transparent, the tax administration more efficient, and stepping up the fight against fraud and corruption. It is essential for Madagascar to increase its resource mobilisation capacity since more than half of tax revenue is currently levied on foreign trade, and this revenue will decline because the country is in the process of liberalising trade with its partners through the Southern African Development Community (SADC) and through economic partnership agreements with the European Union.

Efforts to achieve the UN Millennium Development Goals (MDGs) have also been undermined by the crisis. Although data was not yet available, some of the progress made in recent years has probably been wiped out, particularly in poverty reduction, school enrolment and health. Moreover, the country's poverty reduction strategy, known as the Madagascar Action Plan (MAP), has been abandoned since the government change and has not been replaced by a new strategy.

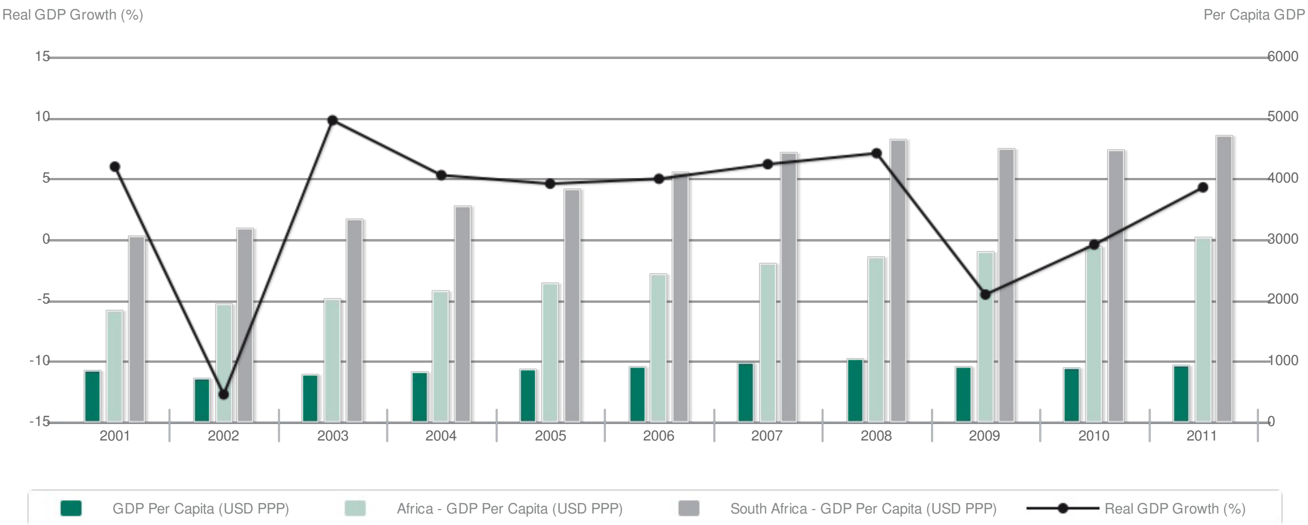
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.1	-4.5	-0.4	4.3
CPI inflation	9.2	8.9	9.1	8.0
Budget balance % GDP	-1.9	-1.3	-0.6	-1.0
Current account % GDP	-20.5	-16.2	-17.4	-17.7

Sources: Data from National Institute of Statistics of Madagascar (INSTAT); stimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860672317284

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852816442816

Malawi

Malawi's largely undiversified economy has been relatively resilient with 2009 growth at 7.0%.

Export earnings were up thanks to a strong tobacco harvest (though prices fell) and uranium exports.

Projected growth rates for 2010 and 2011 are 6.0 and 6.2% respectively but are threatened by local dry spells.

Macroeconomic policy performance has been generally consistent and strong although government commitment weakened as the country approached and held 2009 presidential and parliamentary elections. Domestic revenue performance was robust at an estimated 29.8% of gross domestic product (GDP) in 2009/10, buoyed by recent institutional and administrative tax reforms. The creation of the Large Tax Payers Unit and the expansion of the auditing function under the Malawi Revenue Authority have helped improve the efficiency of tax mobilisation. However, an escalation in domestic debt which increased domestic interest payments and expansion of the fertiliser subsidy well beyond initial budget plans offset the benefits of the strong revenue performance, widening the fiscal deficit to 5.4% of GDP in 2009.

Malawi's pursuit of a de facto fixed (pegged) exchange rate policy from 2006 to late 2009 made it difficult for the Reserve Bank of Malawi (RBM) to clear the foreign exchange market at the official exchange rate, causing import demand backlogs and serious forex shortages. Foreign reserves became precariously low in 2009 falling to 0.6 months of imports. The authorities have renewed their commitment to policy reform, announcing measures for exchange rate liberalisation and fiscal consolidation to help build foreign reserves.

The May 2009 presidential and parliamentary elections were declared free and peaceful giving President Bingu wa Mutharika and the Democratic Progressive Party (DPP) a mandate for a second term of office. Women won 21% of the seats, increasing their representation by 50% from the 2004 to 2009 Parliament. Following the elections, President Mutharika replaced his core economic management team with new appointments for Minister of Finance, Reserve Bank Governor and Secretary to the Treasury.

The DPP has a working majority in parliament that facilitated smooth approval of the 2009/10 national budget and a number of financial bills carried over from the politically tenuous 2004-09 Parliament. Using its majority in parliament, the DPP passed a number of bills in the November 2009 sitting that raised concern among the civil society groups, including the bill that gives the president the power to decide when to hold local elections and the bill that gives him the power to fire the vice-president.

As one of the Least Developed Countries in the world, poverty remains a key challenge in Malawi. Real per capita GDP at 2000 prices stood at 189 US dollars (USD) in 2009. Progress has been made in tackling poverty and other social challenges, however, in line with the Millennium Development Goals (MDGs), and within the framework of the Malawi Growth and Development Strategy (MGDS). Increased household food security and falling poverty have complimented strong macroeconomic performance. The government of Malawi estimates that the poverty headcount has fallen from 52.4% in 2005 to 40% in 2009. Overall well-being remains low, but is improving, as measured by the United Nations (UN) Human Development Index (HDI) score of 0.493 that ranks Malawi at 160 out of 182 countries in 2009, up from 164 out of 177 countries in 2007/08. The authorities acknowledge that, while progress has been made, MDGs on achieving universal primary education, gender equality and women's empowerment, and improving maternal health remain elusive.

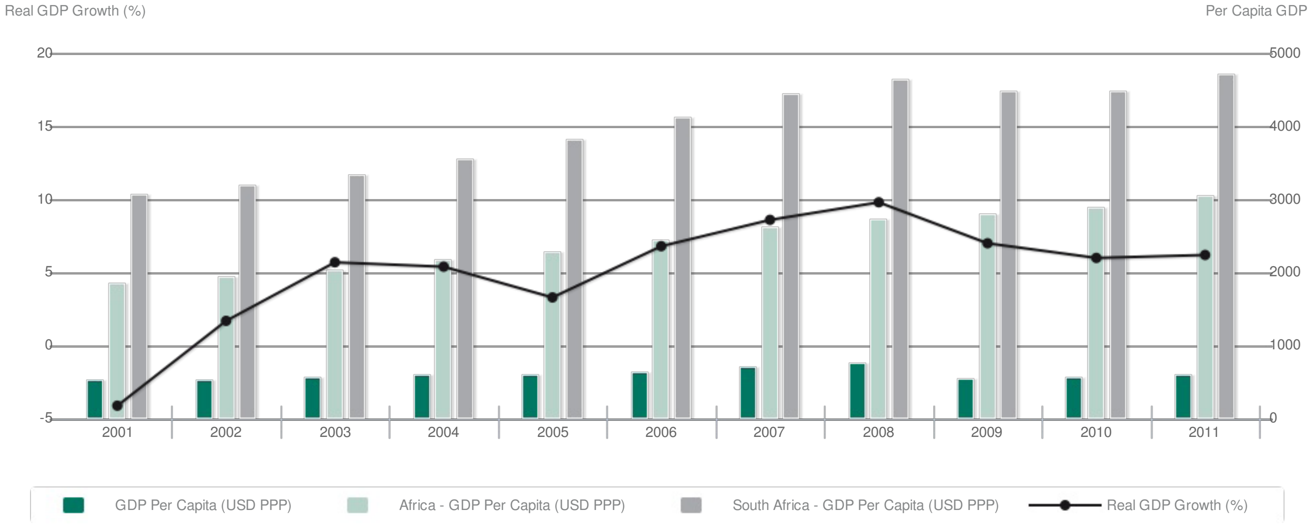
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	9.8	7.0	6.0	6.2
CPI inflation	8.7	8.5	8.8	7.9
Budget balance % GDP	-2.7	-5.4	-1.8	-2.5
Current account % GDP	-6.8	-8.1	-5.9	-7.7

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860788633514

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and National Statistical Office (NSO).

Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853005115813

Mali

The economy grew 4.3% in 2009 after a satisfactory harvest due to good rainfall.

The chances of achieving the Millennium Development Goals by 2015 are slim.

Generation of domestic revenue improved with modernisation of the tax department, enlargement of the tax-base and ongoing computerisation of regional tax offices.

The government continued to implement its 2007-11 Strategic Framework for Growth and Poverty Reduction (SFGPR) in 2009 amid world financial and economic crisis. With a 7% annual average growth target, it aims to speed up progress towards the Millennium Development Goals (MDGs). Despite the international crisis, which complicated economic management, the economy performed satisfactorily. Real gross domestic product (GDP) grew 4.3%, mainly due to satisfactory agricultural results and good rainfall. Continued cautious budget and monetary policies, as part of formalising public finance management, curbed inflation and growing budget and current account deficits.

In spite of overall growth and limited deterioration of macroeconomic aggregates, due to ongoing budget reforms and support for agriculture, budget cuts and arbitrage imposed by reduced funding prevented further structural reform. As the world economy recovers in 2010, and based on 5% real GDP growth, the government plans to continue budget reform and speed up structural changes. It will also, with help from development partners, support the productive sector so as not to hinder investment with the kind of systematic government investment cuts made in 2008 and 2009. Inflation was brought down to 2.2% in 2009 (from 9.2% in 2008) as world food prices eased, helped by the government's cautious monetary policy.

The government continued its conservative management of public finances, bringing the basic budget deficit down to 1.5% of GDP in 2009 (from 2.6% in 2008). Total revenue increased to 14.4% of GDP due to better monitoring of collection and the taxation department. Tax revenue averages more than 85% of the total and was about 603 billion CFA Franc BCEAO (XOF), up 16% on 2008, after better results from VAT (+ 17%), which accounts for 40% of tax revenue.

The current account showed a 9.2% of GDP deficit in 2009, a slight improvement over 2008 (9.7%) because of a smaller trade deficit in spite of difficult world conditions. The trade deficit itself shrank to 3.2% (from 5.5% in 2008) mainly because of higher gold exports (more than 70% of total exports by value), which offset a 24% fall in exports of cotton.

Increasing domestic revenue is part of the government's action programme to improve and modernise public finance management (Pagam/GFP), which also aims to control spending.

Despite government efforts, obtaining budgetary support was slightly affected by tighter world economic conditions and only XOF 146.6 billion (90%) of a projected XOF 163.4 billion was raised. General and sectoral budget support (together 65% of the total) produced 82% and 95% of the targeted amounts.

Progress has been made in budget drafting, connecting up the spending chain, reforming public procurement procedure, decentralising budget credits, internal monitoring and overall revenue generation.

Peace and security were consolidated in 2009 with northern Tuareg tribes, including supporters of the *Alliance du 23 mai pour la démocratie et le changement* grouping. Civil peace is a government priority as President Amadou Toumani is constitutionally barred from re-election in 2011, so the political climate could be difficult then.

Mali has made progress towards meeting the MDG by 2015 but most of them will not be achieved. Healthcare is a national priority and the government is implementing a 10-year social and healthcare programme that will end in 2011. Substantial progress has been made in education, especially gross enrolment, which was an estimated 84% in 2009. Monetary poverty, measured by the cost of basic necessities, fell by 8 percentage points between 2001 (55.6%) and 2006 (47.4%), though with notable regional disparities and rising urban poverty due to unemployment and rural exodus. Inequality was a still-high 36% (down from 38% in 2001).

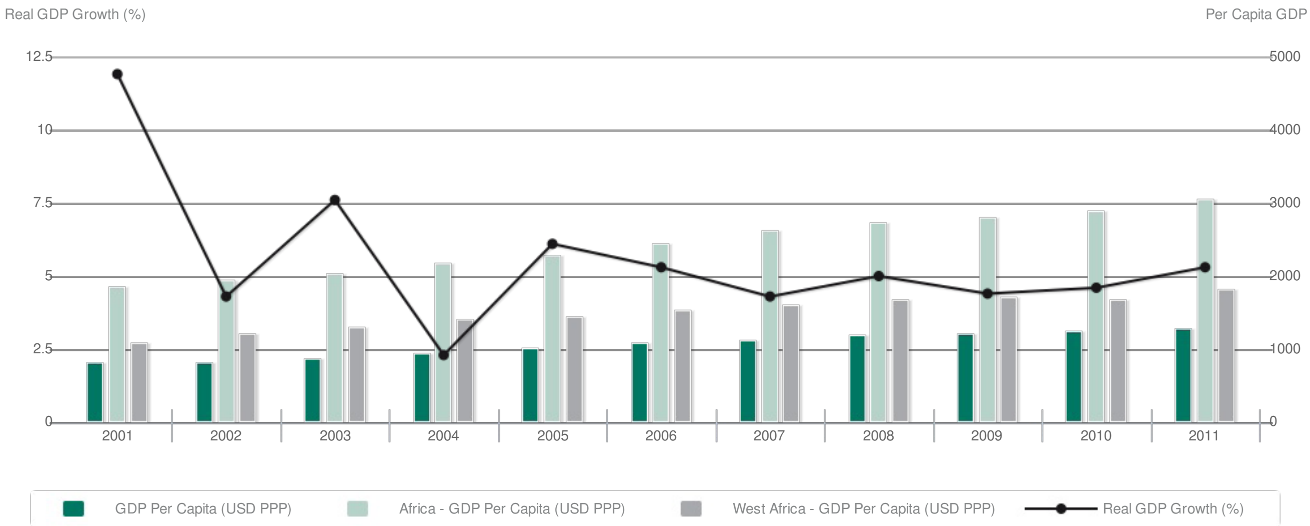
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.0	4.4	4.6	5.3
CPI inflation	9.2	2.2	1.9	1.8
Budget balance % GDP	-2.2	-0.9	-1.9	-1.9
Current account % GDP	-9.7	-9.1	-11.1	-12.5

Sources: Data from Ministry of Economy and Finance; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861206243380

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853076643212

Mauritania

The budget balance will continue to worsen in 2009 and 2010 in the absence of stricter fiscal procedures and a curb on imports.

The country's complex and costly tax system penalises the formal sector while informal economic activity continues to escape taxation.

Mauritania ranked 154th out of 182 countries in the 2009 UN Human Development Index and is unlikely to achieve all the Millennium Development Goals (MDGs) by the 2015 target date.

Mauritania had a tough time in 2009 after several years of growth. Gross domestic product (GDP) shrank 1.2% (compared with a 3.7% rise in 2008) due to a national political crisis and the world economic recession, which hit demand for the country's raw materials, chiefly minerals, which generate most of its income. The world price of iron fell 36% and that of copper by 28% between 2008 and 2009. Food shortages in 2008 left deep economic scars and the government set up a 42 billion Mauritanian ougiya (MRO) special intervention programme (SIP) to help the poor cope with high food prices.

The government expects 3.7% growth in 2010 and 5.5% in 2011 if iron and copper prices hold up, tax collection improves and foreign aid increases. This optimistic forecast is also strenghtened by the gradual return to constitutional rule after the July 2009 presidential election and on good performances by the construction, fisheries and the tertiary sectors.

Mining (iron, gold and copper) showed satisfactory results in 2009 despite fluctuating world prices and accounted for 36.5% of GDP. Expansion prospects are very good but offset by volatile world prices.

The state-owned mining firm SNIM, which dominates the sector, achieved some of its iron production targets in 2009, with an output of 10 million tonnes. Substantial investment by the MCM (*Mines de cuivre de Mauritanie*) consortium, mainly in Akjoujt, led to annual targets of 120 000 tonnes of 25% copper concentrate and gold at 12 grammes/tonne. An 80 million US dollar (USD) investment in gold mining is expected to produce 120 000 ounces a year, and another USD 50 million plus will be invested in gold output around El Ghaicha.

Fisheries have a bright future despite poor infrastructure, old boats, the industry's informal nature and a non-transparent system of licence-issuing. The sector contributes nearly 6% of GDP but this could be greater as Mauritania has some of the world's richest fishing grounds. The aim is to modernise the fleet and improve sector organisation by 2012.

The current account deficit remains stubborn and worsened to 14.9% of GDP in 2009 due to increased imports, a worse performance by the service sector and a bigger trade deficit. The current account deficit is expected to increase over the next few years, to 16.7% of GDP in 2010 and 17.4% in 2011. The budget deficit is 6.9% of GDP due to shrinking foreign aid and higher government spending. The deficit will persist without stricter budget procedures and reduced imports and is expected to be 6.5% of GDP in 2010 and 5.5% in 2011. A conservative monetary policy and better control of public spending would help to halt the worsening of the current account and balance of payments deficits.

The legal and regulatory framework of the development of the financial sector was changed in 2009 to modernise and stabilise it, with a new deposit guarantee fund to protect customers better, boost public confidence in the banking system, attract more users and encourage savings.

Inflation was brought under control in 2009 at 2.2% (according to the central bank), down from 7.4% in 2008, thanks to lower world food prices and the bank's cautious monetary policy. But it is expected to rise once more, to 4.8% in 2010 and 5.3% in 2011, if food prices go up again with the gradual ending of subsidies for staple items.

The government began improving the tax system through identifying taxpayers, streamlining VAT collection and reforming income tax. This involved setting up a database of single-identity taxpayers in Nouakchott and Nouadhibou; establishing a system to refund Value Addded Tax (VAT); lowering the minimum corporate tax rate to 3%; reducing VAT exemptions; and harmonising taxation of goods by using West African Economic and Monetary Union (WAEMU) classifications.

Constitutional rule was restored in August 2009 after the leader of the 2008 military coup, Mohamed Ould Abdelaziz, was elected president in July. Extremist threats to foreign nationals made the government a strategic partner in the fight against terrorism and boosted Western support for it, especially after attacks in the summer of 2009.

Mauritania ranks only 154th out of 182 countries in the UN Human Development Index. Out of the 11 targets associated with the MDGs analysed by the UNDP in 2008, only six seem to be achievable by 2015, i.e. those related to poverty, hunger, universal primary education, gender equality, access to safe drinking water and living conditions. The other five (concerning child mortality, maternal health, HIV/AIDS, malaria and other diseases and sustainable development), seem to be out of the running for the time being because of the dire state of the country's public health, clean water supply and sanitation.

Poverty affects 46.7% of the population who cannot meet their basic daily needs. This is worsened by increasing inequality, shown by the Gini coefficient as rising from 0.338 in 1996 to 0.396 in 2008.

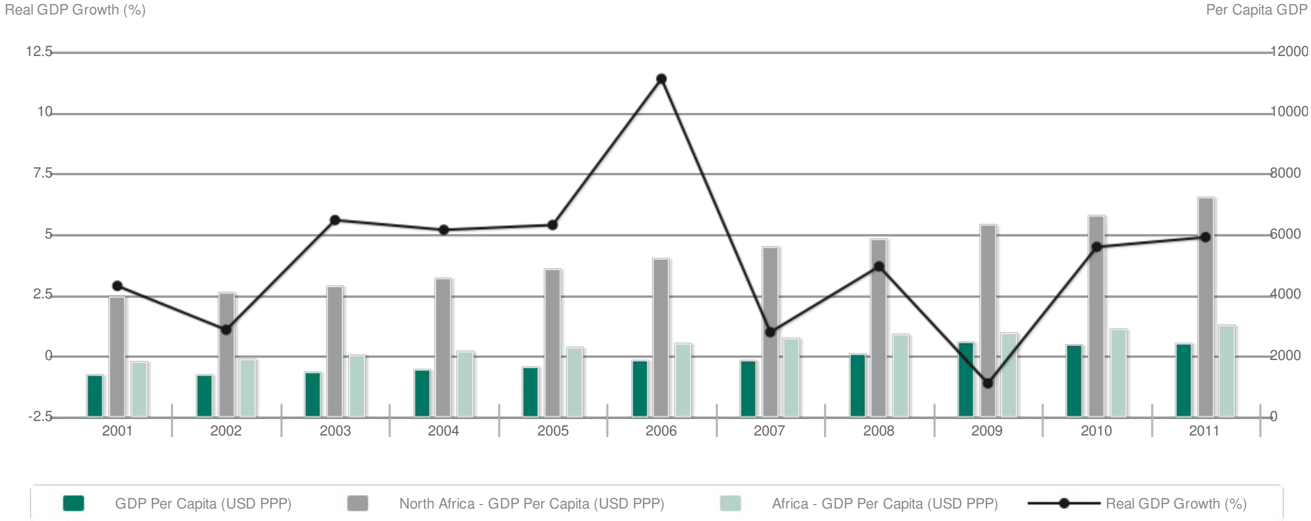
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.7	-1.1	4.5	4.9
CPI inflation	7.4	2.2	4.8	4.7
Budget balance % GDP	-7.4	-5.5	-5.1	-6.3
Current account % GDP	-15.9	-17.3	-22.8	-24.1

Sources: Data from the Central Bank of Mauritania (BCM) and the National Office of Statistics (ONS); estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861274785421

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853130842777

Mauritius

Economic growth fell sharply to 2.8% in 2009 from 5.1% in 2008 as the global financial crisis undercut external demand, reduced private capital flows and increased uncertainty about the island's economic prospects.

Mauritius should pick up to post growth of 4.2% in 2010 and 4.7% in 2011 as the world economy generally, and that of Europe in particular, recover from the recession.

The economy is traditionally dependent on sugar, textiles, tourism and financial services and while these can be further developed, a key objective is reform and to upgrade technology levels to make the island an attractive investment location.

Since the outbreak of the global financial crisis, government policy has been to press ahead with reform and diversification while preparing the economy for an eventual global recovery. The aim is to make the country more resilient to external shocks and to increase its competitiveness in global markets. A key element is a focus on higher value-added services such as information and communications technology.

Gross domestic product (GDP) growth in 2009 of 2.8 % was well below the previous year's 5.1 % despite substantial government stimulus measures, reflecting a sharp fall in external demand for textiles and tourism services following the global economic crisis, especially in European countries, Mauritius' main trading partners. Tourist arrivals in 2009 were down 6.4 % to around 870 000 but earnings fell more: 13.4 % to 1.2 billion US dollars (USD).

Growth is expected to pick up to 4.2 % in 2010 and 4.7 % in 2011 with the anticipated global economic recovery and the government's fiscal and monetary stimulus package.

The overall fiscal balance as a percentage of GDP showed a deficit of 3.3 % in 2008 and 3.6 % in 2009, with the shortfall projected to rise to 4 % in 2010 before falling back to 3.3 % in 2011. The Bank of Mauritius cut the repurchase (repo) rate – the central bank's main policy interest rate – to 5.75 % by the end of 2009 while headline inflation tumbled to 2.5 %, its lowest rate for more than 20 years, from 9.7 % for 2008. Last year, the current account deficit was 8.6 % of GDP and this is projected to widen to 9.5 % in 2010 before narrowing again to 9.1 % in 2011.

Gross foreign direct investment (FDI) in Mauritius, mainly from France and Britain, the former colonial powers, mainly goes to tourism, real estate and the financial services sector. Mauritius remains one of the few African countries whose international reserves still remain strong, despite some outflows in late 2009. Its domestic banks are profitable, well-capitalised and liquid. Government measures helped limit job losses in 2009, with unemployment increasing only marginally to 7.4 % from 7.2 % in 2008.

Major investments in infrastructure and education are necessary to support the shift towards a more services-oriented economy, especially the country's development as a regional centre for information and communications technology. Such measures will complement a reputation for good governance, a business-friendly environment and solid social indicators, helping to support growth over the medium- to long-term.

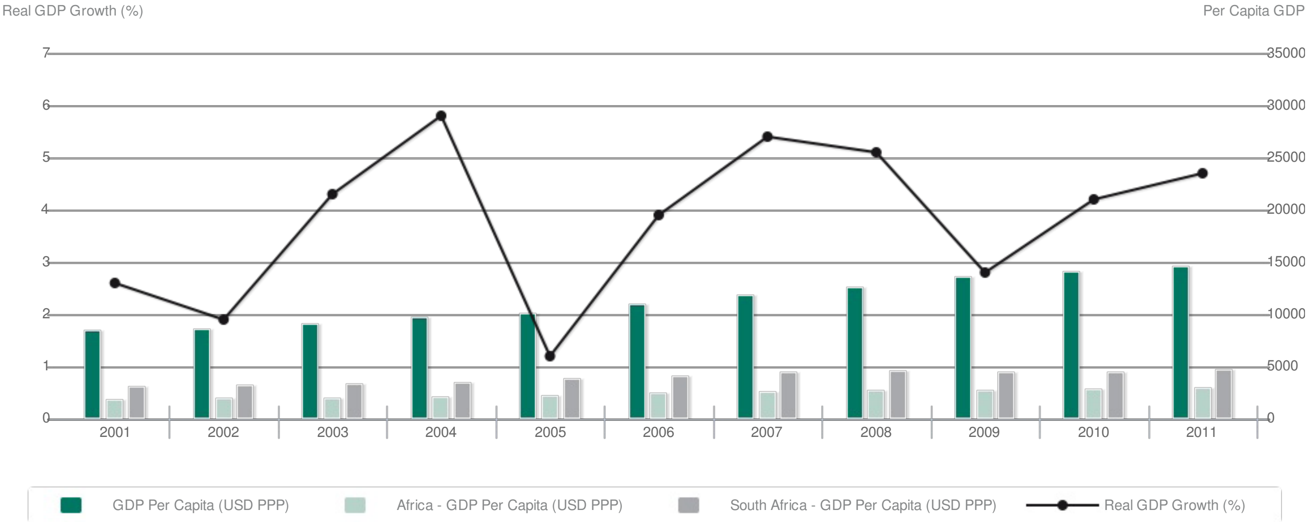
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.1	2.8	4.2	4.7
CPI inflation	9.7	2.5	4.5	4.1
Budget balance % GDP	-3.3	-3.6	-4.0	-3.3
Current account % GDP	-10.4	-8.6	-9.5	-9.1

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink Table 1 - Macroeconomic Indicators

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources:
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853183123664

Morocco

Despite having achieved good performances since the start of the decade, the Moroccan economy remains afflicted by weaknesses that the economic crisis risks exacerbating in the short term.

Thanks to the prudent fiscal management of recent years, more incentives have been introduced into the tax system and public expenditure is better controlled.

Progress has been made in promoting the private sector, but serious challenges remain to improving the business environment.

Morocco's economic performance remained strong in 2009, despite poor international conditions. Initially, the instability of financial markets, soaring oil prices, and the loss of impetus of the country's major trading partners led to fears of the worst. However, the fundamentals have remained stable, attesting to greater ability to withstand external shocks. Gross domestic product (GDP) growth reached 5% in 2009, buoyed by an exceptional agricultural campaign, vigorous domestic demand and economic support measures. These latter were introduced to counteract the effects of the crisis, perceived since the second quarter of 2008.

The Moroccan economy, however, continues to suffer from certain weaknesses that the international crisis risks exacerbating in the short term. There are persistent worries about the health of the balance of trade, and the competitiveness of exports as well as their strong concentration on European markets.

In addition, the crisis had a negative impact on tourist revenues and transfers from Moroccan residents abroad. These two principal sources of foreign currency have thus far offset the deficit in the balance of trade and have enabled the current account to remain positive. Growth should thus remain unchanged in 2010, and not exceed 4.3%.

Table 1: Macroeconomic indicators

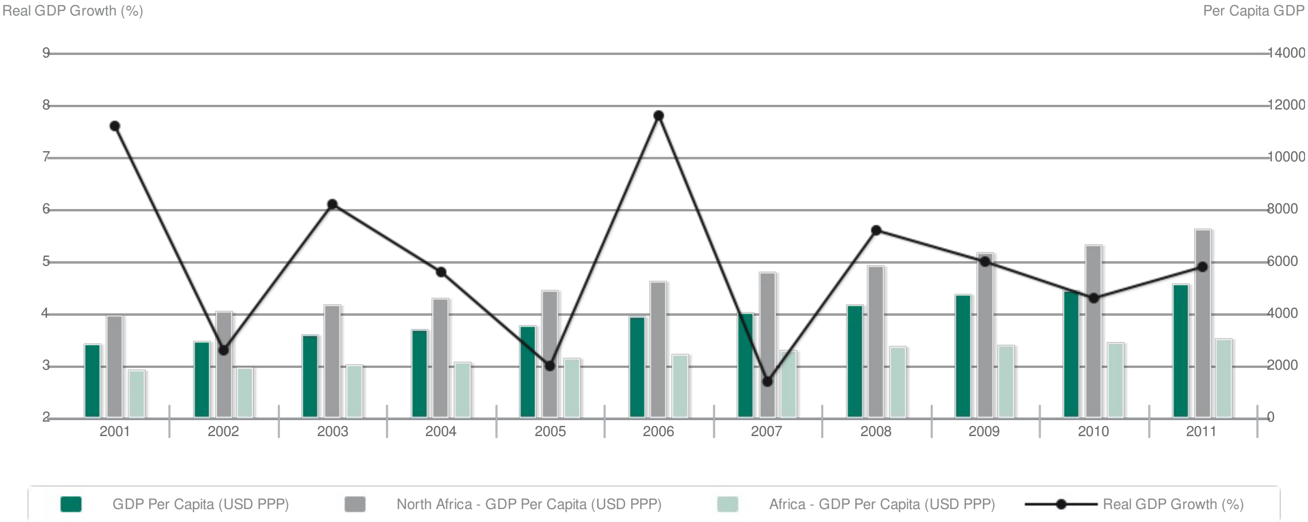
	2008	2009	2010	2011
Real GDP growth	5.6	5.0	4.3	4.9
CPI inflation	3.9	1.0	2.9	2.5
Budget balance % GDP	0.4	-2.9	-4.0	-3.4
Current account % GDP	-4.9	-6.3	-4.0	-3.7

Sources: Data from Bank Al Maghreb, Directorate of Statistics and the Ministry of Economy and Finance; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861387224638

Structural and sector reforms in recent years have contributed to establishing the foundations of a modern and open economy. The crisis prompted the authorities to redouble their efforts to modernise the public sector, launch large infrastructure projects, develop the private sector and protect the environment.

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853268058432

Mozambique

Mozambique weathered the global financial crisis relatively well, posting solid if lower economic growth in 2009 thanks to supportive government policy that helped offset weaker export commodity prices and a fall in FDI and in remittances.

Poverty rates remain high as there is little trickle down or tax benefit from the massive mining projects which largely account for economic growth.

The government budget depends heavily on donor support but ending or modifying the current favourable tax regime for the large extractive projects could bolster state finances.

Mozambique weathered the global financial crisis relatively well, maintaining strong, if lower growth than in 2008 while inflation was subdued. The limited exposure of the country's banking system to international financial markets minimised the direct impact of the global crisis. Supportive government measures, such as fuel subsidies, helped sustain growth together with an increase in agricultural output.

Gross domestic product (GDP) growth fell to 5.4% in 2009 from 6.8% in 2008, which was better than IMF estimates for around 4.5% but below the government's target of 6.7%. Growth continued to be driven mainly by large foreign investment in mineral resources and services while the agro-industry, energy and construction sectors benefited from strong donor support. Growth is expected to pick up to 5.8% in 2010 and 6.1% in 2011, strong but still below trend because of the impact of the global financial crisis on exports and commodity prices; a fall in remittances, especially from mining workers in South Africa; and weaker FDI.

The economy's structure has changed dramatically in recent years, reflecting the impact of the foreign-owned "mega-projects" in the mining sector. This has been positive for overall growth in Mozambique but raises the risk of a two-tier economy. Moreover, such foreign-owned projects have increased Mozambique's dependency on external resources and consequently increased its vulnerability while failing to deliver sufficient linkages for the rest of the private sector and poverty reduction. In addition, such foreign-owned projects still do not contribute significantly to government revenue, limiting the public finances and shifting the burden to domestic businesses. Despite these limitations, Mozambique has moved up five places in the 2010 World Bank's Doing Business report thanks to significant reforms put in place in recent years. Rigid labour laws and the land use code remain major constraints.

One of the key challenges for the government is to strengthen its fiscal position which continues to be constrained by weak revenue-raising capacity, high spending pressures and heavy reliance on foreign grants. The government has undertaken reforms to expand the fiscal base and improve the collection of customs duties. In the medium term expenditure plans will continue to be scaled up, targeting key priority sectors (namely education, health, infrastructures, agriculture and rural development; and good governance) which account for 65.% of total spending. Further improvements through the successful roll-out of the State Financial Management System (SISTAFE) and improved efficiency at the recently established revenue administration authority may increase Mozambique's revenue generating capacity.

Mozambique remains among the poorest countries on the African continent despite rapid GDP growth rates in the past five years. The poverty rate has declined from 69.4% of the population in 1997 to 54.1% in 2003 and this is expected to decline further to 45% in 2009. Overall, development indicators have improved during recent years but basic challenges remain daunting, such as improving the quality of education and health services and the fight against HIV/AIDS.

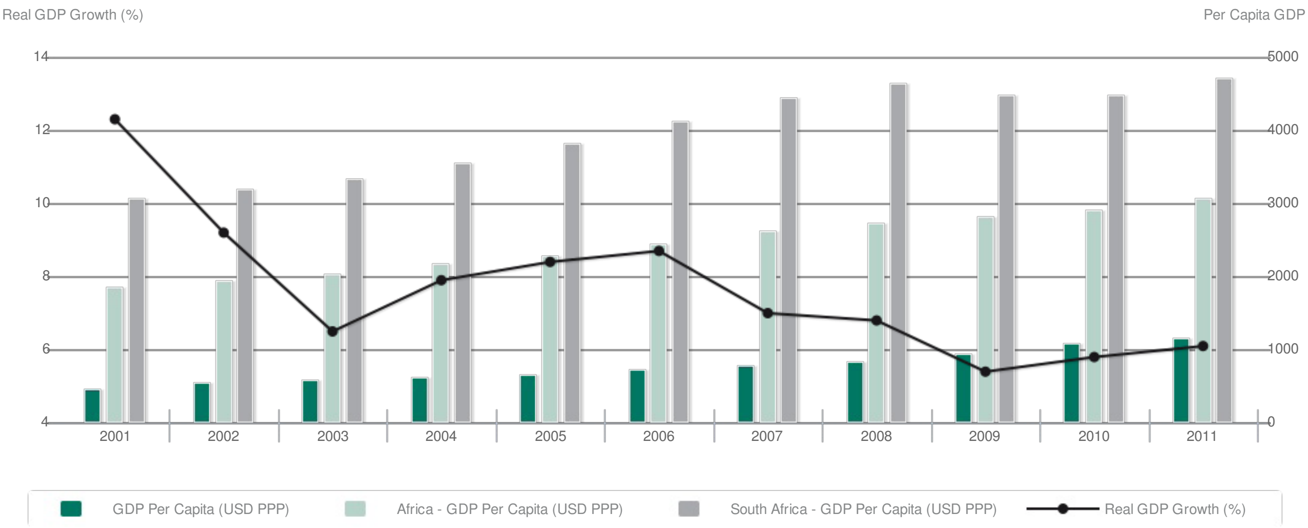
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	6.8	5.4	5.8	6.1
CPI inflation	10.3	3.4	9.2	4.4
Budget balance % GDP	-2.5	-5.7	-3.3	-2.2
Current account % GDP	-12.2	-14.2	-12.3	-9.5

Sources: Data based on estimations using National Institute of Statistics data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861567712706

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853333340276

Namibia

Namibia's economy, heavily dependent on mining exports, shrank in 2009 as the global economic crisis hit overseas demand.

The economy does not create enough jobs and unemployment increased significantly.

Namibia continued to try to improve tax collection

Namibia's economy, heavily dependent on mining exports, contracted 1.5% in 2009, only the second negative growth rate recorded since independence in 1990 as the global crisis undercut overseas demand. Diamond output and prices fell sharply and tourism was badly hit, forcing job losses in many areas.

Increased uranium production, a recovery in diamond prices, additional investment in infrastructure and a rebound in tourism, especially as a result of the 2010 FIFA World Cup in neighbouring South Africa, should help the economy return to growth of 2.2% in 2010 and 2.6% in 2011. Namibia's emergence as a major uranium exporter will be a key driver for the economy, providing much needed employment. Increased government infrastructure investment will also contribute to growth over the next three years.

In recent years, Namibia has continued to broaden its tax base. Total tax revenue as a percentage of gross domestic product (GDP) stands at around 30 percent and Namibia has one of the highest tax rates in the Southern African Development Community (SADC) region. The tax system faces considerable challenges in terms of human resources, technical capacity and institutional arrangements.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.3	-1.8	3.0	3.9
CPI inflation	10.3	8.8	6.2	6.1
Budget balance % GDP	0.9	-2.2	-3.6	-3.9
Current account % GDP	22.4	5.7	2.9	0.6

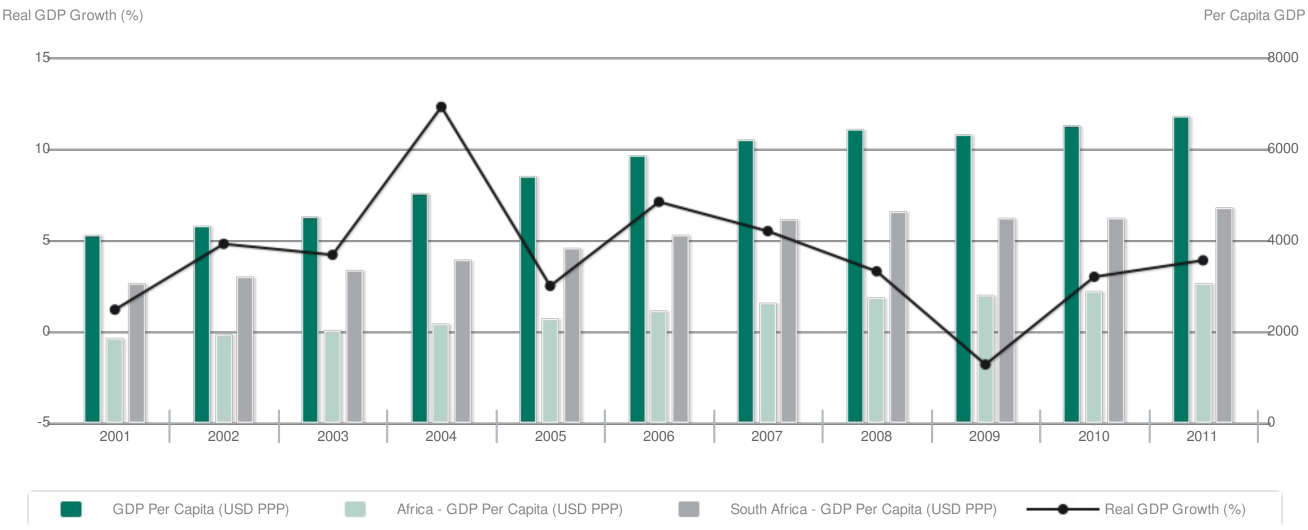
Sources: Central Statistics Office data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861672335381

Unemployment soared to an all time high of 51% in 2009 from 37% in 2003/04. This high rate of unemployment reflects a general lack of job creation in recent years and job losses in the mining and other sectors as a result of the global financial crisis. Additionally, the recent influx of imported labour, especially from Asia, in the construction industry has not helped. Namibia has the world's highest income inequality rating.

Namibia held its fifth presidential and national assembly elections in November 2009 when the ruling South West Africa People's Organisation (SWAPO) maintained its strong hold on power. The recently formed Rally for Democracy and Progress came second. Opposition parties have disputed the results and taken legal steps against the electoral commission. The new government, inaugurated on 21 March 2010, will continue to face the major challenges of reducing unemployment, poverty and HIV/AIDS.

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853418561213

Niger

GDP growth fell to -0.9% in 2009 but should recover depending on harvests and a chaotic political situation.

Tax revenue increased in 2009 due to an improved tax base, fiscal reform, and a reduction in tax evasion.

Niger is last in the 2009 Human Development Index and unlikely to achieve any of the Millennium Development Goals by 2015.

Niger's economy, totally dominated by an agricultural sector suffering from severe drought, shows real signs of weakness. As a result, economic growth in 2009 fell by 0.9%, after rising by 9.5% in 2008. The 2009/10 harvests look poor compared with 2008, particularly for millet and sorghum. Agricultural production plummeted in 2009 by 13.6%, after rising by 23.8% in 2008.

Growth in the mining sector, on the other hand, should experience moderate growth in 2009/10. Uranium and oil production should end the year in an upward trend due to the development of new sites by French and Chinese companies, in particular at Imouraren and Azelik. Extractive industries' production could grow by 2.2% in 2009, against 3.7% in 2008. Infrastructure projects launched in 2008, such as the building of a second bridge over the Niger River and the construction of the Kandadji dam, will continue in 2010. The public works and construction sector should grow at an exceptional 5.6% in 2009 against 4.8% in 2008.

The preparation of the national budget for 2010, within a macroeconomic framework based on three scenarios, fixed its main objectives: the control and improvement of public expenditure and the fight against corruption. The plan is to target in the budget the priority sectors in the strategy of accelerated development and poverty reduction (SDRP). In this context, education, health, the rural sector and infrastructure will benefit from significant budget allocations. Emphasis has been placed on the medium-term purging of all arrears of domestic payments, consistent with the plan to clear domestic arrears developed in late 2006 and finalised in 2007. The goal is to strengthen the administration's human resources while keeping wage costs below 35% of fiscal resources – a limit fixed by the West African Economic and Monetary Union (WAEMU).

The country expects to achieve gross domestic product (GDP) growth of 3.2% in 2010 and reach 5.1% in 2011. That is conditional on a good harvest and a return to political stability that will bring back aid donors. A general upward trend in prices, measured by the Harmonised Index of Consumer Prices (HICP), continued in 2009 despite the price stability experienced at the beginning of the year following 2008's successful harvest. This trend can be attributed to the increase in food prices, notably cereals and of condiments, whose prices increased 1.1% and 5.5% respectively, in 2009.

The inflation rate averaged 4.3% in 2009, a significant decline compared to the previous year. Nevertheless, this rate is still above the community norm, fixed at 3% by the WAEMU Commission, under its convergence criteria.

Politically, Niger has been in deep crisis since 4 August 2009 when, following the contested adoption of a new constitution, President Mamadou Tandja obtained a minimum three-year extension of his mandate that was due to expire on 22 December. Legislative elections took place October 20 following the dissolution of parliament by the head of state. They were won, to nobody's surprise, by the presidential party, the National Movement for Society of Development (MNSD). This led to the suspension of co-operation by the Economic Community of West African States (ECOWAS). The European Union (EU) and other countries and development partners then suspended development aid, except for emergency food aid, pending a return to constitutional order. The MNSD also won the municipal elections at the end of December 2009. The elections were contested by the opposition, united as the Co-ordinated Democratic Forces for the Republic (CFDR), which claimed that the elections were "another step taken by the illegitimate and illegal regime of Mamadou Tandja".

In the face of crisis, the MNSD and the opposition began direct negotiations mediated by ECOWAS. But this dialogue was suspended on 18 February 2010, the day of the military coup d'état led by Major Salou Djibou, commander of the Niamey garrison, who overthrew Mamadou Tandja. The military junta announced the creation of the Supreme Council for the Restoration of Democracy (CSRD and the suspension of the Constitution of the VIth Republic and dissolved all state institutions.

Salou Djibo has become head of state and government by military decree. According to the declarations of the junta, a body under the authority of the CSRD is expected to draft a new penal code as well as a new constitution that will be submitted to a referendum. The constitutional court and the Supreme Court will be replaced by a constitutional committee and State Court, and a National observatory of communication will be created. On February 23, Mahamadou Danda, a former minister, took over as prime minister.

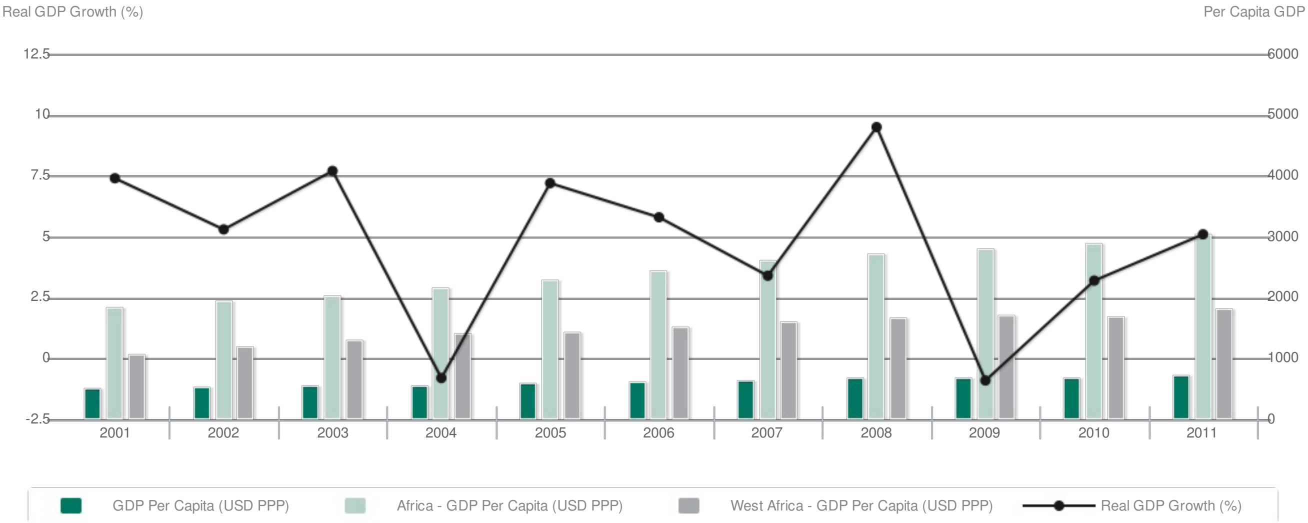
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	9.5	-0.9	3.2	5.1
CPI inflation	11.3	4.3	3.3	3.1
Budget balance % GDP	6.0	-1.2	-0.4	-0.6
Current account % GDP	-13.6	-15.2	-18.3	-18.5

Sources: National authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861873428144

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and National Statistics Institute data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853535148072

Nigeria

Economic growth will rise from 3% in 2009 to 4.4% in 2010, driven by a recovery in oil prices.

Growth prospects hinge on peace in the Niger Delta where a ceasefire has led to a halt in the conflict.

Diversifying revenue sources away from oil will enhance revenue mobilisation and help protect the economy.

Nigeria, the eighth largest oil exporter in the world and Africa's second largest economy, continued to be buffered by the global recession in 2009. Reforms initiated earlier in the decade have strengthened the country's capacity to manage the crisis and avert the boom-bust pattern characteristic of past oil cycles. Gross domestic product (GDP) growth fell to 3% in 2009, compared with 6% in 2008. It is projected to rise to 4.4% in 2010 and 5.5% in 2011, driven by a recovery in oil prices. Oil accounts for about 80% of fiscal revenues and 95% of exports. Oil revenues fell by 7.8 percentage points of GDP in 2009, moving the fiscal accounts from a surplus of 3.8% of GDP in 2008 to a deficit of 5.2% in 2009. A planned sovereign bond issue of 500 million US dollars (USD) (0.5% of GDP) has been shelved because of adverse market conditions. The external debt at the end of 2009 is estimated at only 2.2% of GDP. This suggests that debt sustainability is not likely to pose a major problem in the coming years. The current account surplus declined to 11% of GDP in 2009, compared to 21% in 2008.

Oil production has been affected by the conflict in the oil-rich Niger Delta region. Prospects for a lasting resolution in the conflict improved when the militant groups declared an indefinite ceasefire in October 2009, following talks with the government which, for its part, granted an amnesty to the militants. More than 12 000 militants have registered for reintegration into civil society. President Umaru Yar'Adua has asked the National Assembly to approve legislation that will give 10% of Nigeria's equity in oil joint ventures in the Niger Delta region to local communities.

The Central Bank of Nigeria injected funds into the banking system in August 2009 when five banks – accounting for about a third of banking sector assets – became financially distressed as a result of excessive lending to the energy sector and the decline of the stock market. The foreign exchange market was hit by speculative activity triggered by a fall in external reserves in the wake of the global recession. Flows of foreign exchange into the economy shrank as a result of the drop in crude oil earnings. Consequently, the exchange rate depreciated from 119 Nigerian naira (NGN) to the US dollar (USD) in 2008, to NGN 150 in 2009. The inflation rate for 2009 was 12.1%, reflecting several sources of inflationary pressure, including a loosening of monetary policy. The Nigerian stock market fell in 2009 because of the global economic meltdown and the all-share value index stood at 26 860 in June 2009, compared with 55 949 in June 2008.

Agriculture was the leading contributor to GDP in 2009, accounting for 36.5% of GDP, thanks to a good harvest. Second was the oil and gas sector with 32.3%. Other major contributors included wholesale and retail trade with 15.9% and services with 8.2%.

Public resource mobilisation faces several challenges. These include, specifically: a seemingly excessive number of institutions involved in the process; overlap of functions among the three tiers of the federation; multiplicity of taxes; obsolete tax laws; and laborious tax filing procedures. Nevertheless, the scope for public resource mobilisation is considerable, in particular by increasing oil output and assessing the relative merits of the institutional arrangements for oil production. It is important to diversify revenue sources away from oil to enhance revenue mobilisation and help protect the economy against oil price shocks.

Infrastructure, especially electricity, remains in poor shape, while problems in the distribution of petroleum products persist, leading to queues. Finally, Nigeria has relatively poor human development indicators, despite its rich natural-resource endowment. Some 50% of the population lived below the poverty line of USD 1.25 a day in 2007. Nigeria is not on course to meet several of the Millennium Development Goals (MDGs), including halving poverty by 2015.

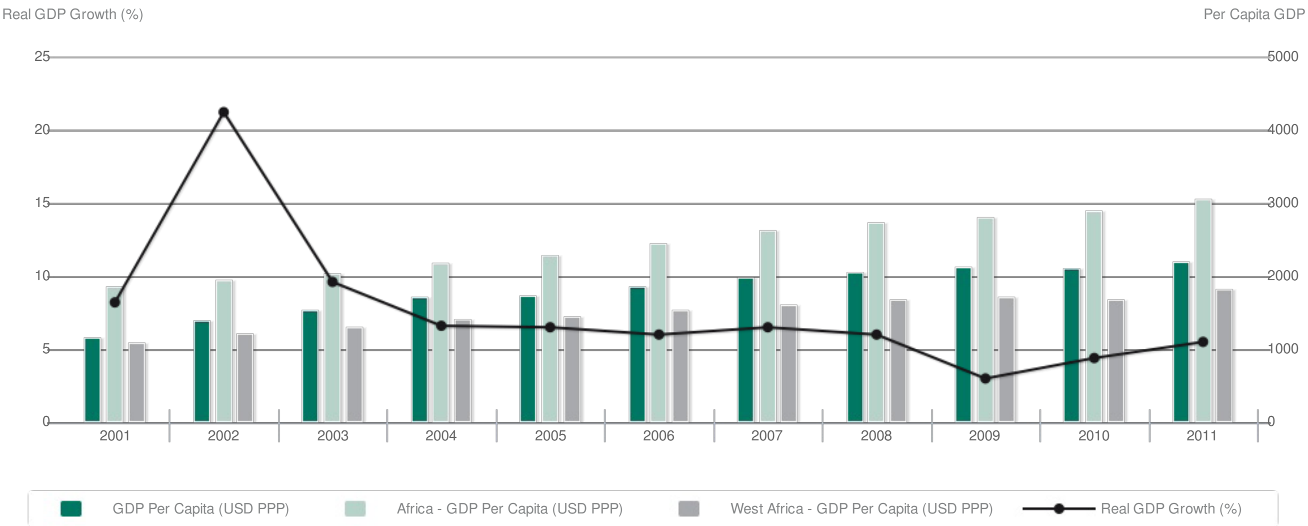
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	6.0	3.0	4.4	5.5
CPI inflation	11.6	12.0	9.3	8.5
Budget balance % GDP	3.8	-5.2	-2.8	0.2
Current account % GDP	18.5	6.8	13.6	14.6

Sources: Data from National Bureau of Statistics, domestic authorities and IMF; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/862213840586

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853640823811

Rwanda

Growth over the last six years has largely been driven by the good performance in the agricultural sector.

Rwanda is continuing to improve its business environment.

The Rwanda Revenue Authority is taking a long-term view in developing a culture of tax compliance.

In 2009 Rwanda's gross domestic product (GDP) grew by 4.5% and is projected to recover moderately in 2010 to 5.1% (Figure 1). The impressive growth that the country has experienced over the last six years has largely been driven by the good performance of the agricultural sector. However, the government is making efforts to diversify the economy as a long-term strategy for sustaining long-term growth. In particular, Rwanda is the second most densely populated country in sub-Saharan Africa after Mauritius with a population density of 384 inhabitants per square kilometer in 2008. While practical steps have been taken to address environmental challenges stemming from population pressures, which threatened agricultural productivity, further productivity growth in agriculture is likely to require higher investment levels than has been the case before. In addition, 28% of Rwandans are food-insecure in spite of improvements in this field. The country also remains highly dependent on foreign aid, which accounted for more than 45% of the government budget in 2009.

In view of the country's land-locked location and its limited natural resources, the services sector is considered a strategic one, with a potential to spur long-term growth and transform the economy. This process should be driven by technology and knowledge-based activities, yet currently the country has a shortage of skilled labour.

Rwanda is taking steps to address the developmental challenges. In this context, its medium-term development strategy, the Economic Development and Poverty Reduction Strategy (EDPRS) and the long-term strategy Vision 2020 Umurenge provide the policy framework and government priorities for economic and social development. Vision 2020 prioritises expansion of non-farm activities that increase efficiency in service delivery and better targeting of social safety nets.

Building on its previous policies, Rwanda has scored major successes. The country has been identified as the top reforming economy in Africa. The business environment and governance indicators have also improved and Rwanda has a lean and efficient public administration structure. Policy reforms are expected to continue following the success of the coalition under the ruling Rwandan Patriotic Front (FPR) in the parliamentary elections in 2008. Furthermore, the current government has pursued macroeconomic stability as one of its major objectives. The spike in year-on-year inflation above 22% at the end of 2008, caused by fuel and food price increases, had fallen to below 6% by the end of 2009. This sharp drop in inflation in 2009 was a result of many factors, including, among others, falling international fuel and food prices, the domestic credit crunch and prudent monetary policy.

The policy reforms, however, have not yet brought about the structural changes that are necessary to achieve significant poverty reduction and lower levels of unemployment, with agriculture still dominating the overall growth outcomes. In addition, the slow pace in job creation in the formal sector has resulted in a large informal sector estimated to have contributed 48% to GDP in 2008. This large informal sector has posed serious challenges to tax revenue mobilisation in spite of the increase in tax collection and tax efficiency over the past three years. As a result, Rwanda still faces a challenge in widening its tax base. Continuing efforts to improve the business environment and intensification of tax education should help increase tax compliance and a widening of the tax base. More importantly, economic diversification supported by a vibrant private sector, attracting formal business investors in labour-intensive activities, should be part of the strategy aimed at reducing poverty and unemployment.

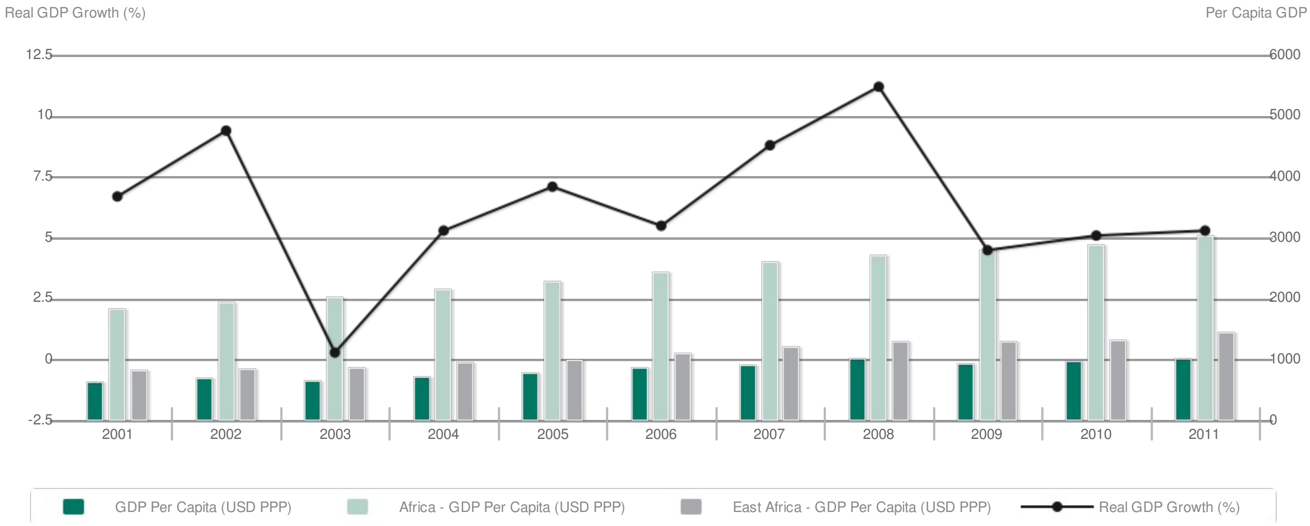
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	11.2	4.5	5.1	5.3
CPI inflation	15.5	10.3	6.3	5.6
Budget balance % GDP	0.5	-1.9	-1.7	-1.2
Current account % GDP	-6.4	-6.7	-6.2	-5.3

Sources: Data from National Bank of Rwanda (NBR) ; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/862427680841

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: National Statistics Institute data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853804642104

São Tomé & Príncipe

In 2009 the pace of the growth of the economy slackened, with real GDP growth estimated at 4.1%.

A strategic development plan will rely on ecotourism and the transport sector and oil exploration and extraction.

Throughout the past decade fiscal revenue has increased steadily thanks to slow fiscal reforms.

The Democratic Republic of São Tomé and Príncipe (STP) is Africa's smallest economy. Its gross domestic product (GDP) for 2009 is estimated at around 190 million US dollars (USD), with a GDP per capita of USD 1 160. GDP growth slowed to an estimated 4.1% in 2009, from 5.8% in 2008. For 2010 and 2011 GDP growth is forecast to increase by 4.6% and 5.1%. Construction and commerce drove economic activity in 2009, compensating for the drop in foreign direct investment (FDI) and tourism caused by the international crisis. Inflation is largely determined by imported food and oil prices, coupled with the strong inflow of foreign currency related to aid and oil-exploration activities. The inflation rate declined to around 17.3% in 2009, down from 26.1% in 2008, and the aim is to reduce it further in the mid term.

The global financial crisis affected the archipelago indirectly, since links with the international financial sector are few. Yet the impact was felt through the slackening of tourism, the decrease in FDI inflows (an important driver of growth in the recent past) and the slowing down of grants disbursements. The latter, in turn, contributed to the drop in total government revenue, already weakened by the lowering of tax rates. As a consequence the execution of government investment projects was limited.

Lower global oil prices and a steep decline in FDI resulted in a stronger drop in imports than in exports, improving the trade balance and consequently the external position of the country in 2009.

In 2010 fiscal consolidation efforts will have to be pursued to enhance the capacity of revenue and tax administration, while monetary policy will hinge on the necessity of maintaining the currency peg with the euro (EUR) from 1 January 2010. Excessive liquidity entering the country through oil royalties and financial support for national elections in 2010 combined with a renewed influx of FDI will put strong pressure on maintaining the peg and containing inflation.

In May 2009, Prime Minister Rafael Branco launched a "New Strategic Plan for National Development". It foresees an evolution towards a service-based economy depending on two pillars of growth: the promotion of high-end ecotourism; and the servicing of the transport sector and oil exploration and extraction activities in the Gulf of Guinea. This vision includes the future establishment of a free-trade zone, port transhipment activities, promotion of fisheries and the building of a new deepwater port facility in Fernão Dias in the district of Lobata.

Strong political commitment and stability will be needed if this complex and ambitious set of objectives, whose achievement is still hampered by pervasive institutional and human limitations and by deteriorating infrastructure, is to be carried out successfully. The new three-year arrangement with the International Monetary Fund (IMF) under the Poverty Reduction and Growth Facility (PRGF) for the period March 2009 to December 2011 could contribute to this end.

The medium-term programme of action will focus on improving basic infrastructure and utilities, promoting tourism as the engine of growth and stimulating domestic food production to lower import dependency, while the continuing efforts to widen the productive base and diversify revenue sources should trigger non-oil sector growth. Moreover, it may be necessary to continue the macroeconomic stabilisation efforts for the country to secure future support from the international community.

According to the government's Poverty Profile Survey from 2001, approximately 54% of the 150 000 São Tomeans are poor and 15% live in extreme poverty. Social indicators are weak and improving only slowly, especially in rural areas. Incomes are low and the country ranks 131st out of 177 countries on the United Nations Human Development Index.

The government remained stable throughout 2009, marking an end to a period of major political instability. Regional elections set for 2009 suffered from insufficient funding and are expected to be held at the same time as legislative elections, on 25 July 2010.

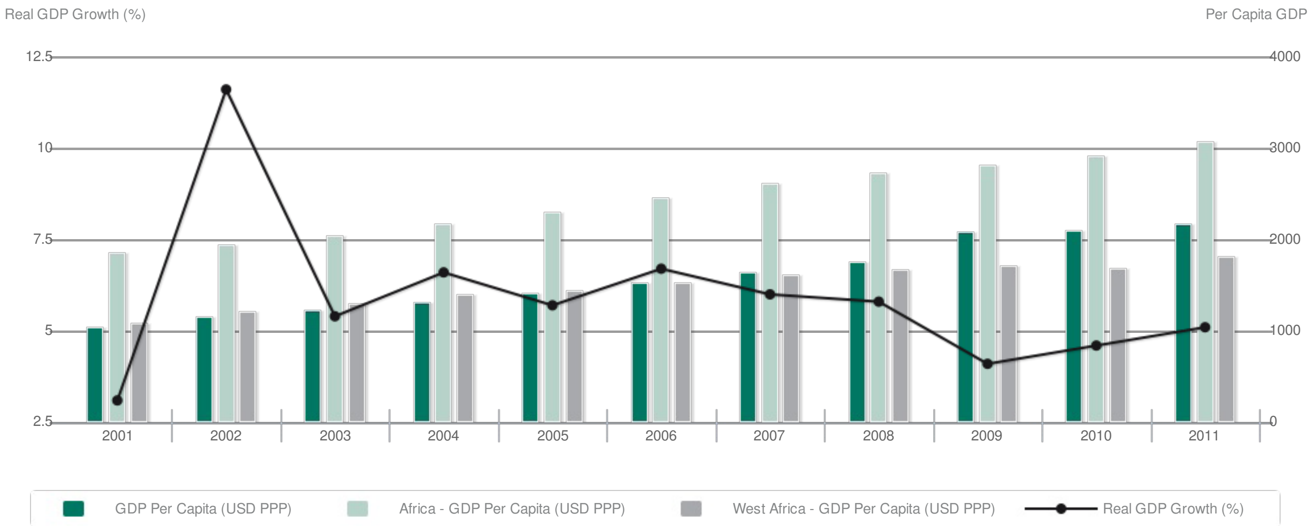
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.8	4.1	4.6	5.1
CPI inflation	26.1	17.3	10.3	9.4
Budget balance % GDP	17.5	36.2	5.5	1.6
Current account % GDP	-29.0	-24.4	-26.0	-26.6

Sources: Data from IMF, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/862730432172

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853856723200

Senegal

The international financial crisis has put Senegal to the test.

The country faces two main challenges: improving tax collection and maintaining economic competitiveness.

Clouds are gathering on the horizon of the political landscape.

As with its main trading partners, Senegal was strongly affected by the global financial crisis in 2009 and this was compounded by domestic shocks. The chief consequences of the crisis on the Senegalese economy were a fall in private investment, a slowdown in tourism and a decline in remittances, leading to reduced economic activity. Tax revenues remained stable however.

In spite of efforts to reduce internal debt, the economic machinery was slow in starting up again. As a result, real gross domestic product (GDP) growth was estimated at 1.5% in 2009, compared with 2% in 2008.

Like in 2008, growth in 2009 was essentially driven by the primary sector – agriculture in particular – and the construction sector. Real GDP is projected to grow by 3.4% in 2010, provided that the global economy recovers and the Senegalese government implements economic policies to reorganise public finances and fight inflation.

Senegal's external position is characterised by a lower current-account deficit, down from 11.7% of GDP in 2008 to 10% in 2009. This is explained by imports having declined more than exports, as well as by the good performance of capital-account and financial operations.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.5	1.5	3.4	4.3
CPI inflation	5.4	-1.1	2.2	2.6
Budget balance % GDP	-4.8	-4.6	-5.4	-5.5
Current account % GDP	-11.7	-10.0	-10.9	-11.7

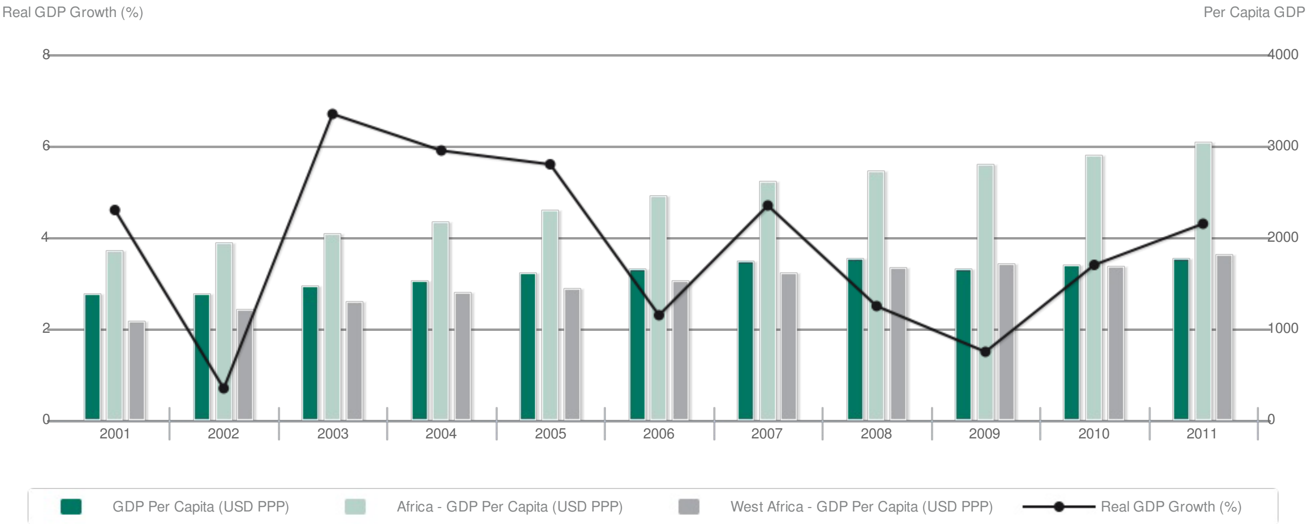
Sources: National data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/862845763637

Fiscal policy was marked by the consolidation of government resources, tax revenues in particular, enabling better management of expenditure. The ratio of tax revenues to GDP has remained relatively stable: 18.2% in 2009 and 18.3% in 2008. This satisfactory level is explained by the effectiveness the tax reforms implemented in the past several years.

On the whole, the political and social context has calmed down. The Political Troubles indicator fell from 4.5 in 1997 to 0.6 in 2008, and that related to repressive measures from 1 in 1997 to 0.8 in 2007. Nonetheless, insufficient dialogue between government and opposition, high youth unemployment, the absence of a solution to the Casamance regional crisis and difficulties in achieving the United Nations Millennium Development Goals (MDGs) could slow growth if they persist.

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854010564638

Seychelles

After three years of positive growth averaging 8.4%, the economy contracted.

Facing the near-depletion of official foreign exchange reserves, Seychelles defaulted on interest payments.

In 2010 the government started implementing far-reaching reforms aimed at delivering a simple tax system.

The Seychelles economy is driven by tourism and fish exports. In 2009 it experienced an estimated negative growth rate of 6.8% as a result of a decline in tourism and tuna export earnings, which fell by about 12% and 8% respectively. Furthermore, recent changes in the climate and piracy activities in and around its territorial waters have affected the tuna industry, with the total fish catch declining by about 50% in 2009. Seychelles also imports over 90% of its total primary and secondary production inputs. As a result, any negative impact on tourism and fishing translates into a fall in gross domestic product (GDP), a decline in foreign exchange receipts and budgetary difficulties. The economy is thus extremely vulnerable to external shocks.

The country's economy regained a level of stability during 2009, after the economic shocks of 2008, following the implementation of economic reforms in November 2008. The economy is projected to attain a growth rate of 3.9% in 2010 and 4.2% in 2011. Inflation, which was estimated at 31.7% in 2009, is projected to decline to around 3 percent in 2010 and 2011.

These projections are a result of the economy's positive response to the reforms enacted since November 2008 under the International Monetary Fund (IMF) Stand-By Arrangement. In addition, tourism and related services began a gradual recovery in the second half of 2009. Employment, foreign earnings, construction, banking and commerce are all largely dependent on the tourism and fishing industries.

However, the country's mounting debt burden will remain one of the biggest challenges to macroeconomic stability in the medium term if it is not successfully addressed. In 2009 Seychelles undertook a comprehensive restructuring of its public external debt. It successfully negotiated with Paris Club creditors and other bilateral and commercial creditors (Barclays Bank, Exim Bank) for the rescheduling of debts with new repayment conditions. It proposed to creditors the provision of a partial guarantee on interest payments from the African Development Bank (AfDB), the first time a guarantee from a multilateral organisation has been offered in a sovereign restructuring.

In 2009 the government continued with reforms that should help the country to avoid the sharp negative growth that it witnessed in 2009. In December 2009 Seychelles negotiated a 3-Year Extended Fund Facility (EFF) with the IMF after cancelling the 2-year Stand-By Arrangement of November 2008. The EFF is the country's medium term strategy to assist it to undertake further reforms, which focus mainly on taxation, public administration and the public sector. In 2010 it will continue building on these reforms by further improving the efficiency of government and its service delivery; reducing and better managing government spending; and giving the private sector a bigger role in contributing to the country's economic growth and better tools to do so.

Over the last 10 years Seychelles' tax revenues increased at an average rate of 13% annually , with slight decreases of 1.8% and 2.3% in 2005 and 2006 respectively. The largest increases were realised in 2008 and 2009 and the increase is expected to average 8.5% annually during the period from 2008 to 2011. Beginning in 2010 the government started implementing far-reaching tax reforms aimed at delivering a fair and simple tax system. These reforms will be backed by a number of legislative measures that will come into effect in 2010. The reforms include reductions in tax concessions plus the broadening of the tax base and should lead to a much more level playing-field, reducing the tax burden and increasing tax revenue.

The county's commitment to the provision of free access to education and to health care to all has cushioned the population from the impact that the reforms could have had on them. The 2010 budgetary allocation to the health and education sectors represents 5% of GDP, and is also the biggest share of the budget, amounting to 43%.

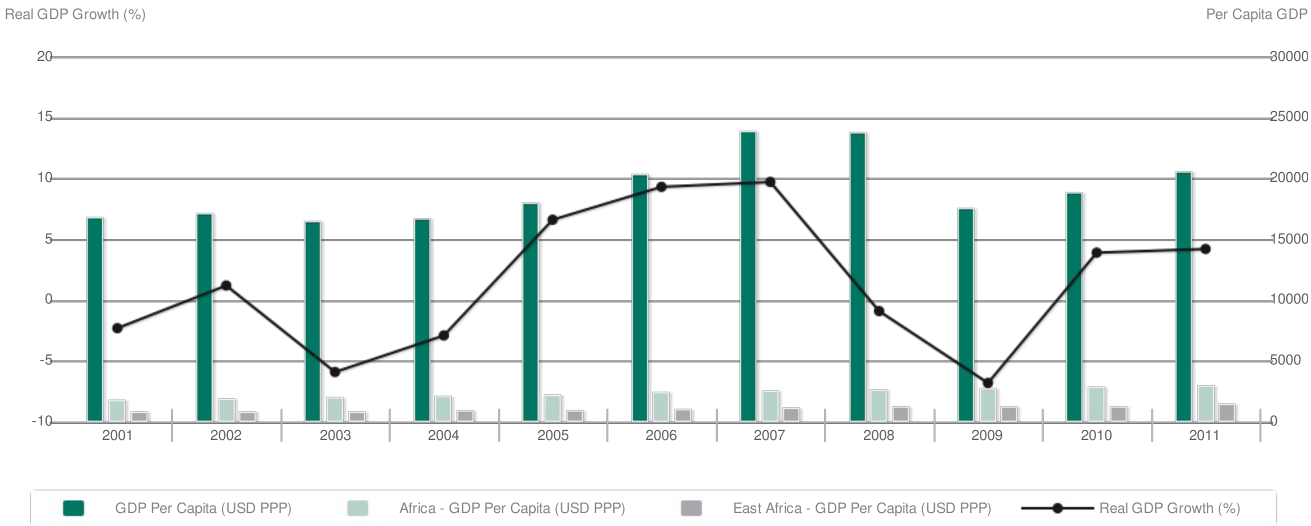
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	-0.9	-6.8	3.9	4.2
CPI inflation	37.0	31.7	3.0	3.1
Budget balance % GDP	-3.3	2.6	3.1	1.8
Current account % GDP	-44.4	-28.5	-35.2	-32.6

Sources: Data from CSO; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863203332171

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854036542667

Sierra Leone

In 2010 growth is projected to be subdued before rebounding to 5% in 2011.

The inflation rate is expected to return to high single digits in 2010.

Longer-term socio-economic challenges remain enormous; food insecurity and high child and maternal mortality rates are the priorities.

The gradual projected recovery in 2010 mostly reflects continued buoyant agricultural production and services, and exports that are slowly turning around. Nevertheless, exports of minerals, driven by the global return to growth, remain subdued because of compressed prices, reduced investment and continued production difficulties in the rutile sub-sector. Although growth is projected to increase to 5% in 2011 thanks to stronger global recovery and rising exports, returns on infrastructure investments and an improved business climate, it will remain below the pre-crisis rates. Even small differences in growth are potentially very damaging for a vulnerable country such as Sierra Leone, given the widespread poverty and the risk of policy reversal and social instability. For the future the key policy priority is thus to bring the economy quickly back on a high and broad-based growth path, as the current slowdown raises already high unemployment, hampers progress with poverty reduction and heightens risks of resurgence of fragility. In this context, stable and predictable foreign aid delivery remains crucial.

Prudent macroeconomic policies prior to the crisis increased Sierra Leone's capacity to absorb shocks resulting from the global crisis and in particular prevented large pro-cyclical fiscal cuts. At the same time, in the absence of automatic stabilisers, the country's room for discretionary fiscal manoeuvre has been hampered by one of the lowest revenue collections in sub-Saharan Africa (SSA). While both fiscal and current account deficits deteriorated markedly in 2008 and 2009, the country has maintained a comfortable level of foreign reserves as an insurance against further external shocks. With falling foreign exchange receipts and the exchange rate of the Sierra Leonean leone (SLL) depreciating throughout 2009, inflation returned to double digits at the end of the year; keeping it in single digits in 2010 and beyond will be important for maintaining macroeconomic stability and raising investors' confidence.

In spite of the impressive growth rates, with 2008 GDP per capita of about only 700 US dollars (USD) (PPP, current prices), Sierra Leone remains one of the poorest countries in the world. Continued efforts to implement structural reforms are thus crucial for a swift return to a high growth trajectory, with modernised infrastructure (upgraded roads and electricity networks, improved access to water and sanitation) and private sector development as key priorities. Enhancing transparency and maintaining efforts to rein in corruption will be also important. Achieving these objectives hinges critically on the availability of adequate resources and – especially at times of uncertain foreign aid flows – underscores the importance of strengthening domestic revenue mobilisation. Substantial progress with social indicators such as mortality and literacy rates is needed to reduce the non-income dimensions of widespread poverty and achieve sustained improvements in the living standards of all Sierra Leonean people.

Sierra Leone has come a long way since the end of its protracted civil strife in early 2002: it has re-established security and democratic governance, implemented decentralisation and launched the second poverty reduction strategy paper (PRSP II: Agenda for Change). At an average of about 7%, the country recorded impressive real GDP growth rates during 2005-07 which was among the highest not only in West Africa but also on the continent. With the post-war recovery wearing off, growth was fuelled by foreign aid and remittances as well as by private investment. Sierra Leone has also weathered the global financial and economic crisis remarkably well relative to emerging and other resource-rich countries in Africa and other regions, but it has not emerged unscathed. It was hit particularly hard through falling remittances, declining export proceeds from the mineral sector and lower foreign direct investment (FDI). In these circumstances, growth in 2008 and 2009 was driven largely by expansion in agriculture and services. While at 3.5% it remained subdued in 2009, it is projected to rise to 4% in 2010 and recover further to 5% in 2011. Agriculture and services are expected to drive growth in 2010, while the mining sector is projected to experience only subdued growth in 2010, because of continuing technical difficulties, but a stronger recovery in 2011. Annual headline inflation is projected to decline to 9.1% in 2010, as the impact of food and energy price increases fades and domestic demand remains relatively low, but pressures from depreciation of the national currency the leone (SLL) constitute an upside risk to this outlook.

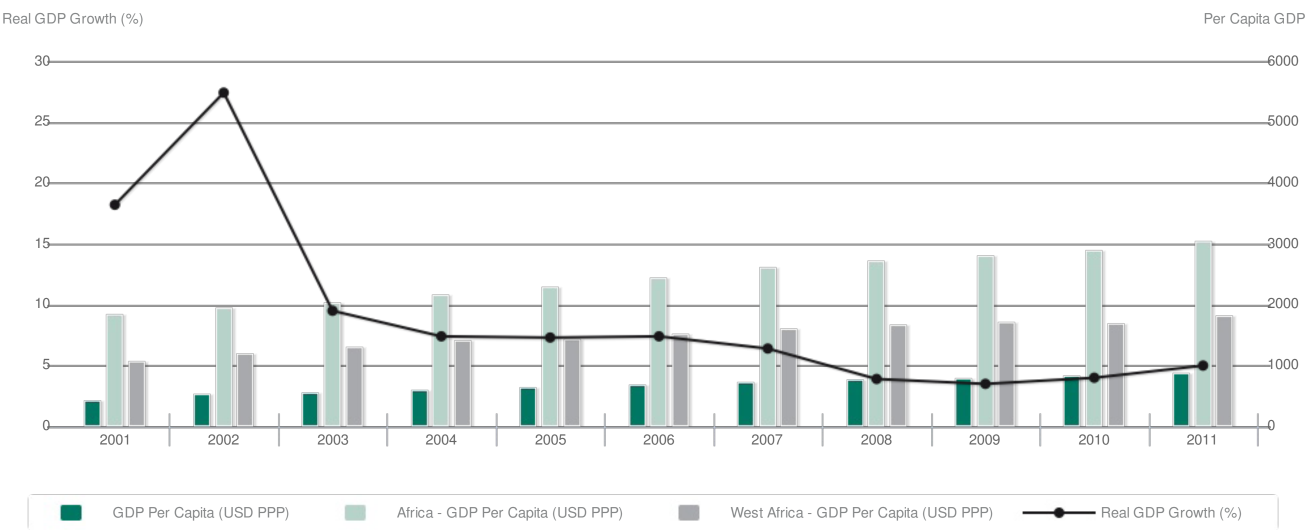
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.9	3.5	4.0	5.0
CPI inflation	10.5	10.7	9.1	7.5
Budget balance % GDP	-5.1	-4.9	-4.8	-4.3
Current account % GDP	-9.0	-9.0	-8.8	-8.7

Sources: Data from IMF, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863381183653

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854152376771

South Africa

After several years of sustained growth, South Africa's real gross domestic product (GDP) contracted by 1.8% in 2009, due to the slowdown of domestic and external demand. In the coming years, the main policy challenge will be to strike a good balance between fostering growth, while preserving fiscal sustainability and low inflation.

South Africa's economic and social outlook is shaded by huge structural challenges, notably deficiencies in transport and energy infrastructure and management, which raise production costs and limit growth potential.

Tax administration in South Africa is outstanding on the continent. However, voter satisfaction with public service delivery must be improved if the base of direct taxes is to be broadened and stabilised in order to enable it to make a larger contribution to public financing.

After several years of sustained growth, for the first time since 1992 South Africa's economy fell into recession with GDP contracting by 1.8% in 2009. The economic slowdown had started already in 2008 with the weakening of domestic demand and was exacerbated when the global crisis led to a sharp fall in exports. Growth is expected to recover gradually to 2.4% in 2010, helped by the recovery of global demand and boosted by the FIFA World Cup, and to accelerate further in 2011 to 3.3%.

Output in manufacturing and mining declined in 2009 as a result of lower exports and agriculture contracted because of adverse climatic conditions. The only sector that showed sustained growth was construction, boosted by a public investment programme and by the forthcoming football World Cup.

Thanks to its prudent macroeconomic policies, South Africa was one of the few countries on the continent able to implement strong and coordinated countercyclical fiscal and monetary policies. Fiscal stimulus measures together with cyclical revenue shortfalls resulted in a sharp deterioration of the fiscal position by 6.2 percentage points of GDP, culminating in a deficit 7.3% of GDP in 2009/10. The Central Bank responded to the recession by cutting the repo rate by 500 base points. Weak demand and the appreciation of the currency helped reduce inflation from its peak of 11.5% in 2008 to 7.1% in 2009. A sharp increase in electricity prices and wage cost pressures prevented a further decline of inflation into the target range of 3-6%. This made the trade-off between fighting the recession and achieving low inflation more delicate, causing public debate over the mandate of the Bank. Inflation is expected to decrease in 2010, falling back into the target range.

In the coming years, the main policy challenge will be to strike a good balance between fostering growth, while preserving fiscal sustainability and low inflation.

South Africa's economic and social outlook remains shadowed by huge structural challenges, notably deficiencies in transport and energy infrastructure, which raise production costs and limit growth potential. Public service delivery, also a severe bottleneck to growth, has proven inadequate in a period of severe economic distress and has led to significant social discontent. Demonstrations took place throughout 2009 and if the government fails to improve basic service delivery social instability could continue.

President Zuma, elected in April 2009, must achieve a delicate balancing act: reassuring the international and domestic business community by upholding market friendly policies, while delivering on his promises to alleviate poverty, against a backdrop of sharply increased unemployment.

Public resource mobilisation has improved, as shown by the rising number of registered taxpayers, both individuals and corporations. However, the recession resulted in significant revenue shortfalls in 2009. Further simplification of the tax code and of filing procedures will meet business expectations and free staff within the tax administration to strengthen auditing in sectors where evasion is still widespread. Here again, voter satisfaction with public service delivery must be improved in order to broaden and strengthen the direct tax base and to increase its contribution to public financing.

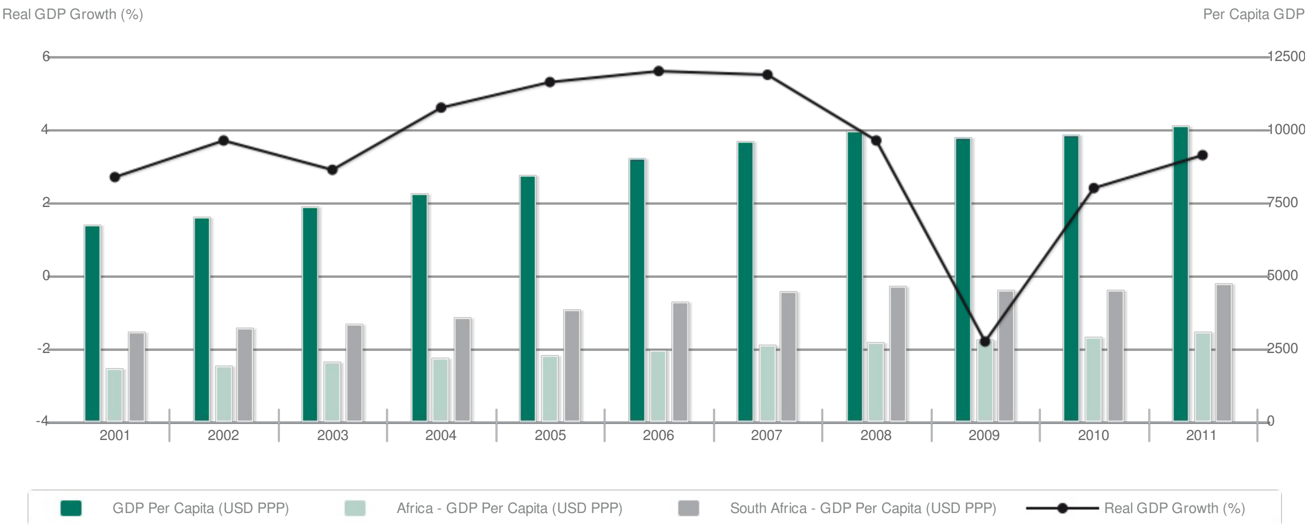
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.7	-1.8	2.4	3.3
CPI inflation	11.5	7.1	5.8	6.1
Budget balance % GDP	-1.2	-7.3	-6.4	-4.0
Current account % GDP	-6.6	-4.5	-5.6	-6.3

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863612827624

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854267010632

Sudan

Sudan is expected to sustain relatively strong growth in 2010 and 2011 while high inflation should ease.

Higher oil production and prices will drive growth, along with expected increases in domestic demand, especially private consumption and investment, and FDI flows.

Progress towards achieving social development goals remains mixed and slow, partly because of continued political tensions and armed conflict, coupled with very unequal income distribution.

Sudan is the third largest oil producer in sub-Saharan Africa after Nigeria and Angola. Oil remains the main driver of growth although agriculture still accounts for more than one third of GDP and nearly two-thirds of employment. Oil accounted for 22% of GDP in 2008 and oil revenue has contributed greatly to the reconstruction of the economy in the aftermath of the civil war, especially in enabling the government to develop the road and energy infrastructure. Apart from this spending, there is no other programme of large scale distribution of oil revenues across the states nor focus on the poor. Sudan has been adversely affected by the global economic slowdown and the decline in international oil prices since the last quarter of 2008. Oil revenue dropped by about 21% in 2009 from USD 11.1 billion in 2008 but it is expected to increase to USD 12.4 billion in 2010 as prices recover.

GDP growth declined to 4.9% in 2009 from 7% in 2008 and is projected to increase to 5.4 percent in 2010. Foreign exchange reserves fell to less than two weeks of import cover in the last quarter of 2009. The sharp drop in oil revenues has put significant pressure on public finance, reducing the government's overall resources. Inflation continued to ease, to 10.5% in 2009 from 14% in 2008 due to the downturn in world commodity prices, fiscal retrenchment and improved agricultural production. The inflation rate in 2009 was, however, higher than anticipated, perhaps due to the larger than expected depreciation of the local currency and its effect on domestic prices given the high import-content of domestic expenditure. The inflation rate is projected at about 9.1% in 2010 thanks mainly to low food prices and tight monetary policy.

According to the Ministry of Energy and Mining, oil reserves increased to 2.35 billion barrels by January 2008. Production in 2009 reached 490 000 barrels per day, slightly higher than the 475 000 bpd in 2008, and it is expected to reach 600 000 bpd in 2011. Sudan's oil exploration prospects are positive based on a high success rate of 58 productive wells out of 400 drilled so far.

In addition to lower oil prices, the global crisis adversely impacted Sudan through lower FDI flows. As oil production increased in 2009 in terms of volume, the non-oil sector slowed owing to the global situation and restrictive domestic demand policies aimed at reducing import demand in the face of the massive decline in foreign exchange reserves. The services and agricultural sectors are the most affected by the decline in FDI inflows. Agricultural policies in 2009 remained focused on achieving food security and self-sufficiency. As part of its demand management policies, the government aims to reduce food imports and encourage demand for local food products. With appropriate support for farmers to overcome supply constraints, this could stimulate domestic investment and production in agriculture.

The depreciation of the Sudan Pound against the US dollar and increased flexibility of the exchange rate since the last quarter of 2009 is expected to enhance the competitiveness of agriculture in domestic and foreign markets. The government continued to implement reforms to improve the investment climate and attract more FDI, especially in agriculture. These include liberalising investment and the labour market, easing structural rigidities, reducing the cost of doing business, reforming the legal system and providing adequate infrastructure. In the World Bank Doing Business 2010 report, Sudan ranked 154 out of 183 economies despite government reform efforts.

Sudan's internal and external balances deteriorated in 2009 as a result of the sharp drop in oil revenue, which was 6 percentage points of GDP lower than in 2005-08. As a result, the budget deficit increased to 3.7% of GDP in 2009 from 1.4% in 2008 but it is projected to narrow to 2.8 % in 2010. Lower oil prices and central bank intervention to defend the exchange rate and reduce import growth contributed to the deterioration in the external balance. The current account deficit increased to 9.2% of GDP in 2009. Sudan needs to ensure sustainability in its internal and external deficits in view of the depletion of its foreign reserves, heavy external debt and declining ODA receipts. Policy options may include widening the tax base and improving tax and public finance management in general, curbing current expenditure and maintaining exchange rate flexibility.

Oil production and to some extent the service sector remain the main drivers of growth in Sudan. Concentration of investment in the oil and the urban-based services sector exacerbated inequality in income distribution across the states and between rural and urban areas. In particular, the conflict and post-conflict regions of Darfur, and the marginalised areas of Southern Kordofan and

Southern Blue Nile states remain disadvantaged in terms of infrastructure and development. This has fuelled discontent and political tensions and despite rapid increases in per capita income, Sudan continues to be one of the least developed and vulnerable states. Increasing investment to directly help the poor, especially in agriculture, and reducing income inequality while maintaining sound internal and external balances are the key economic and social policy challenges facing Sudan in the medium-term. Key current political issues include settlement of the conflict in Darfur, recurrent disputes over the implementation of the Comprehensive Peace Agreement (CPA) between North and South Sudan, and the run up to general elections in April 2010.

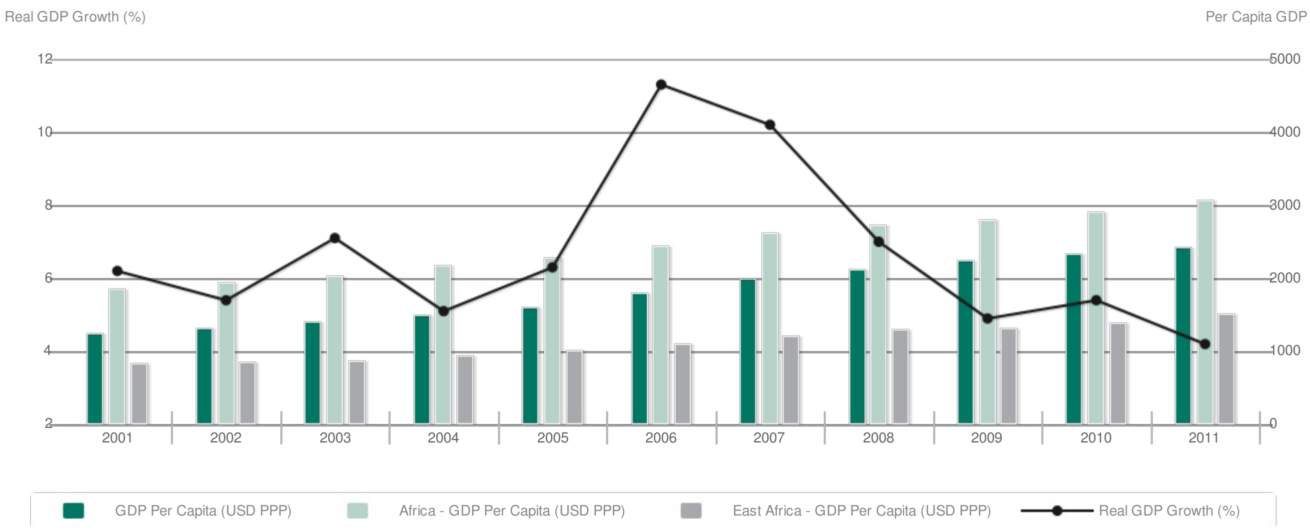
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.0	4.9	5.4	4.2
CPI inflation	14.0	10.5	9.1	7.8
Budget balance % GDP	-1.4	-3.7	-2.8	-2.6
Current account % GDP	-9.1	-9.2	-8.5	-7.5

Sources: Local authorities' data ; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863460367501

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854184850733

Swaziland

Swaziland's real economic growth declined to an estimated 0.2% in 2009 down from 2.4% in 2008, and growth is projected to remain sluggish in 2010 and 2011 at 2.2% and 2.4%, respectively. Inflation meanwhile, remains largely in check.

The nature and speed of the economy's recovery depends on developments in the regional powerhouse, South Africa, to which Swaziland has numerous direct and indirect links.

Long-term socioeconomic challenges remain, including a high incidence of poverty and of HIV/AIDS coupled with dwindling government resources and a strained public sector.

Swaziland is Southern Africa's second-smallest economy after Lesotho and it faces a host of economic challenges in the short and medium term. The combination of low investment, the end of EU preferential treatment for the country's main sugar and textile exports, low productivity, deteriorating trade receipts, low domestic resource mobilisation and the ongoing effects of the global economic crisis mean that sustained growth will remain elusive. Indeed, years of persistently sluggish growth have resulted in an expansion of poverty and unemployment. Moreover, the alarming 32.4% prevalence rate of HIV/AIDS will continue to exert undue pressure on government resources and has restricted Swaziland's annual population growth to about 0.4% since 1997.

Swaziland is a member of the Common Monetary Area (CMA) and its currency, the lilangeni (SZL) is fixed at parity with the South African rand. Swaziland has been adversely affected by the global economic slowdown as its economy is closely linked to that of South Africa. The country's manufacturing sector was hard hit, with virtually all significant manufacturing sub-sectors (cement, agricultural machinery, electronic equipment, refrigerator production, footwear, gloves, office equipment, confectionery, furniture, glass and bricks) affected by the global slowdown in trade. The wood-pulp industry was also further impacted by forest fires that destroyed timber supplies. Equally, the apparel industry was also hit as it is dependent on favourable trade arrangements with the United States through the African Growth and Opportunity Act (AGOA).

Since the European Community began removing subsidies on sugar in 2007, Swaziland's exports of raw and processed sugar have declined steadily in value. As prices are set by the Sugar Protocol with the EU, the almost 60% increase in world sugar prices in 2009 to a 28-year high (driven by the failed sugar crop in Brazil) had little effect on the sector's performance. A stronger lilangeni also offset increased sugar export receipts. More significantly, customs receipts – the government's primary revenue source – were badly affected by a substantial decline in Southern African Customs Union (SACU) trade.

On the positive side, the economy has benefitted from a medium-term decline in inflation and from an associated lower cost of borrowing. Swaziland's agricultural sector was the cornerstone of growth in 2009, largely due to the introduction of the Lower Usuthu Smallholder Irrigation Project (LUSIP) and favourable weather.

Swaziland's economy grew by 2.4% in 2008 before declining to an estimated 0.2% in 2009. Projections for 2010 and 2011 are that growth will rebound to 2.2% and 2.4%, respectively, below the 5% government target to reduce poverty to 30% by 2015. Inflation improved to a single-digit figure as commodity prices fell and the lilangeni remained relatively stable against the US dollar (USD).

Inflation is not expected to cross the 10% mark until 2011 despite increased inflationary pressure emanating from the recovery in oil prices. It is projected to increase from 4.6% in 2009 to 6.9% in 2010 and 10.2% in 2011. As inflation in South African is projected to decline, imported inflation will be low in the medium term.

Growth in 2010 and 2011 will depend upon a continued and gradual recovery in the global economy, modest rises in oil and other commodity prices, as well as an upswing in workers' remittances, foreign direct investment (FDI) inflows and official development assistance (ODA) disbursements, offset by sluggish export performance.

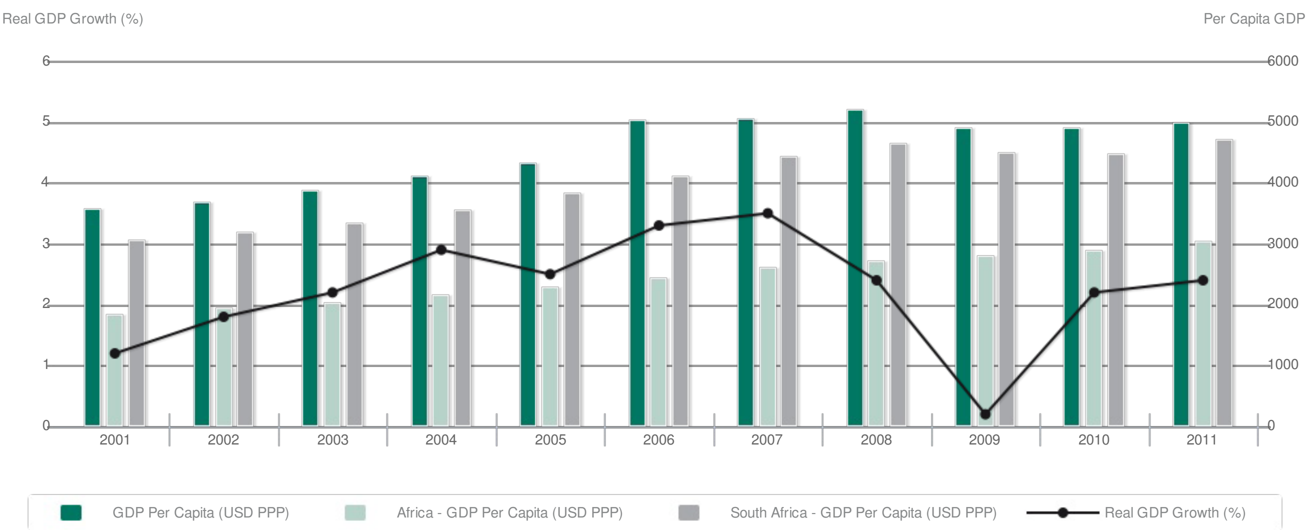
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.4	0.2	2.2	2.4
CPI inflation	12.7	4.1	5.5	7.2
Budget balance % GDP	2.7	-3.3	-8.3	-14.2
Current account % GDP	-4.4	-2.6	-5.4	-7.4

Sources: Data from Central Statistical Office & Ministry of Finance, Swaziland, Jan. 2010; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863683208442

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and National Statistics data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854348305875

Tanzania

After years of strong performance, Tanzania's real economic growth declined to an estimated 5.5% in 2009, down from an average of 7% during the 2001-08 period. Inflation has also climbed from an average of 10.3% in 2008 to an estimated 12.2% in 2009.

The government's primary goal is to achieve economic recovery supported by an economic stimulus plan that also focuses on agricultural development. Although domestic resource mobilisation has improved, it has failed to meet the public revenue gap, which is being filled by foreign aid.

Critical structural reforms have improved the country's economic performance, however, challenges remain in the transport, communications, electricity and water sectors in which demand has substantially outstripped supply.

Despite the persistence of structural shortfalls, Tanzania's annual growth averaged 7% of gross domestic product (GDP) between 2001 and 2008. In 2008, GDP rose by 7.5% making Tanzania one of the fastest growing economies in sub-Saharan Africa. The onset of a series of globally-induced crises including fuel price hikes, and the second and third round effects of the global financial crisis have curtailed this record however. Economic growth in 2009 is estimated at 5.5%. Inflationary pressure has also intensified since 2008 pushing the inflation rate to a double-digit annual average of 10.3% in 2008 and 12.2% in 2009.

The 2007 household budget survey reported that agriculture remains the mainstay of more than two thirds of the country's population although it accounted for only slightly over a quarter of GDP and a little shy of 20% of exports in 2007 and 2008. Economic diversification efforts have brought other sectors to the fore, with particularly strong growth in the services sub-sectors of finance, real estate, business services, communication (in particular mobile telephony) and tourism. Industrial sectors including manufacturing, construction and mining have also grown in importance. Lifting growth to match economic potential is nonetheless hampered by an unacceptably high cost of doing business.

The aim of government policy in 2009/10 is to achieve economic recovery supported by the implementation of a counter-cyclical economic stimulus plan that was endorsed by Parliament in July 2009. The government requested a one-year extension of the IMF's Policy Support Instrument and has received financial support from its Exogenous Shocks Facility (ESF). Similar to 2008/09 one third of the 2009/10 government budget will be financed by foreign aid. Consolidation of domestic fiscal resources is being pursued as part of an exit strategy from aid dependence. Given the expected slow global recovery, however, medium term prospects for closing the growing budget gap using domestic sources alone remain slim.

Progress in reducing poverty continues to be slow despite high GDP growth. Estimates from the national survey show that over one third of Tanzania's population still lives below the poverty line and income is inequitably distributed. Access to social services is improving but at a slow pace and it is mostly skewed in favour of urban settings. Meanwhile, the government is developing its second National Strategy for Growth and Reduction of Poverty (NSGRP), which will begin to be implemented in 2010/11.

Tanzania continues to be politically stable. Local elections were conducted in September 2009 and national elections are scheduled for October 2010. The incumbent President Kikwete is expected to vie for another five-year term, and with a weak opposition, the ruling party has high prospects of winning. In the meantime, efforts to fight corruption continue albeit with limited achievements. A breakthrough has been achieved in resolving the long-standing political impasse in Zanzibar Island involving the ruling Chama Cha Mapinduzi (CCM) and the stronghold opposition Civic United Front (CUF). Consultations regarding the most appropriate form of government in Zanzibar and how to achieve it are also ongoing.

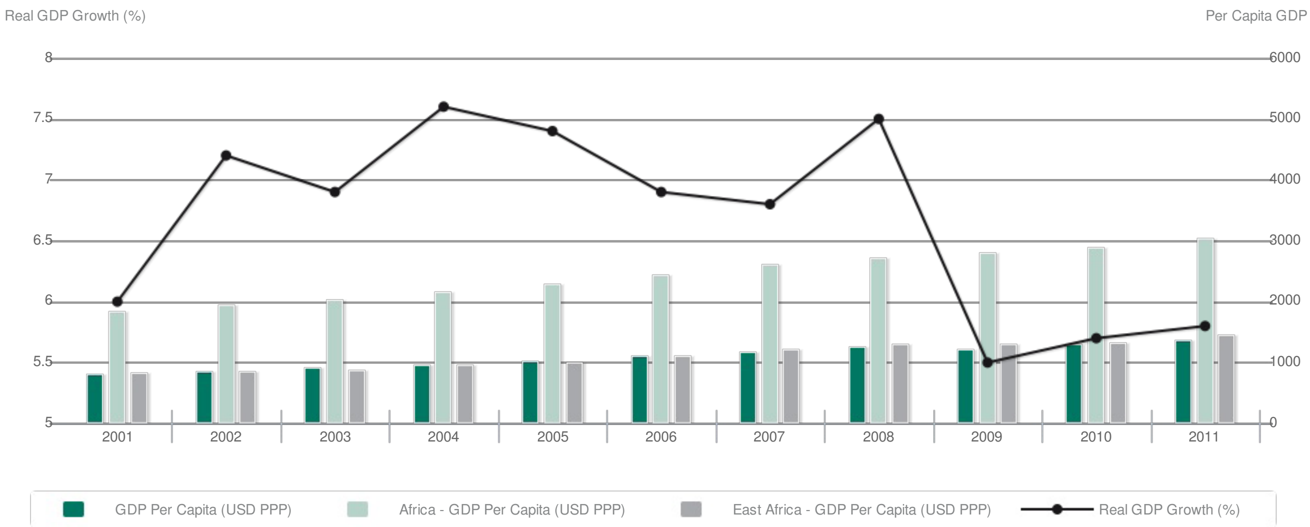
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.5	5.5	5.7	5.8
CPI inflation	10.3	12.1	8.5	6.2
Budget balance % GDP	0.0	-2.7	-3.8	-5.8
Current account % GDP	-12.4	-10.2	-13.6	-15.5

Sources: Data from Ministry of Finance and Economic Affairs; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863725163454

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854410240607

Togo

Despite difficulties in the cotton industry and the phosphate sector, Togo's economic growth began a slight recovery in 2009 thanks to strong performance in the agricultural sector.

The rebuilding of public finances and restructuring of the financial sector continued throughout the year.

Since 2008, fiscal policies have focused on reducing the informal sector by decreasing tax rates and broadening the tax base.

With a growth rate of 2.2%, Togo's real gross domestic product (GDP) began a slight recovery in 2009, which should continue in 2010 and 2011 with growth rates of 2.5% and 3.6% respectively. Inflation slowed considerably during 2009 with a rate of 1.9% for the year, against 8.7% in 2008 primarily due to a fall in oil prices and food, thanks to the country's abundant agricultural output. Because of this decelerated inflation, since November 2009, Togo has met the 3% convergence criterion established by the West African Economic and Monetary Union (WAEMU).

The economy's growth in 2009 reflects strong performance in the agricultural sector, which benefited from good weather and from government aid, mostly in the form of subsidies for fertilisers. While the factors that hindered growth in 2008 – major flooding, increased prices for oil products and food, and electricity supply problems – were absent, growth in 2009 was hampered by persistent problems in the phosphate sector. Output continues to decline due to obsolete production facilities at the national phosphate company SNPT, and by stagnating levels of cotton production following the financial troubles at the Togolese cotton company Sotocom. After Sotocom was dissolved, it was succeeded in January 2009 by the new cotton company of Togo, NSCT. In addition, the planned investments in infrastructure were hampered by the country's low absorptive capacity. Lastly, business and shipping via the port of Lomé were affected by the rerouting of certain imports through neighbouring countries after bridges collapsed in Togo in the July 2008 floods, compounded by the effects of the international economic and financial crisis.

In 2009, the Togolese authorities continued with structural reforms engaged under the three-year financial programme supported with resources from the Poverty Reduction and Growth Facility (PRGF) approved by the International Monetary Fund (IMF) in April 2008. Thus in June 2009, the government defined and approved the complete Poverty Reduction Strategy Paper (PRSP-C). It also formalised a priority action programme and focused on rebuilding public finances and restructuring the financial sector. To boost the economy and restore trust, the authorities adopted and launched a plan to repay some of the arrears on domestic debt. A new public procurement law was also voted on and enacted in June 2009 to improve the country's absorptive capacity and thereby accelerate the implementation of investment programmes. Lastly, the country sought to normalise its relations with the donor community, and is expecting an increase in grants.

The main challenge Togo faces in mobilising public resources lies in broadening the tax base, with agriculture not being taxed and with the informal sector, endemic throughout the economy, developing rapidly. Since 2008, the government has progressively reduced corporate and personal tax rates to encourage economic stakeholders to leave the informal sector. Existing tax exemptions have also been repealed, and measures to improve collection of taxes and customs duties have been introduced. Despite progress, the human resource gap continues to hinder administrative effectiveness.

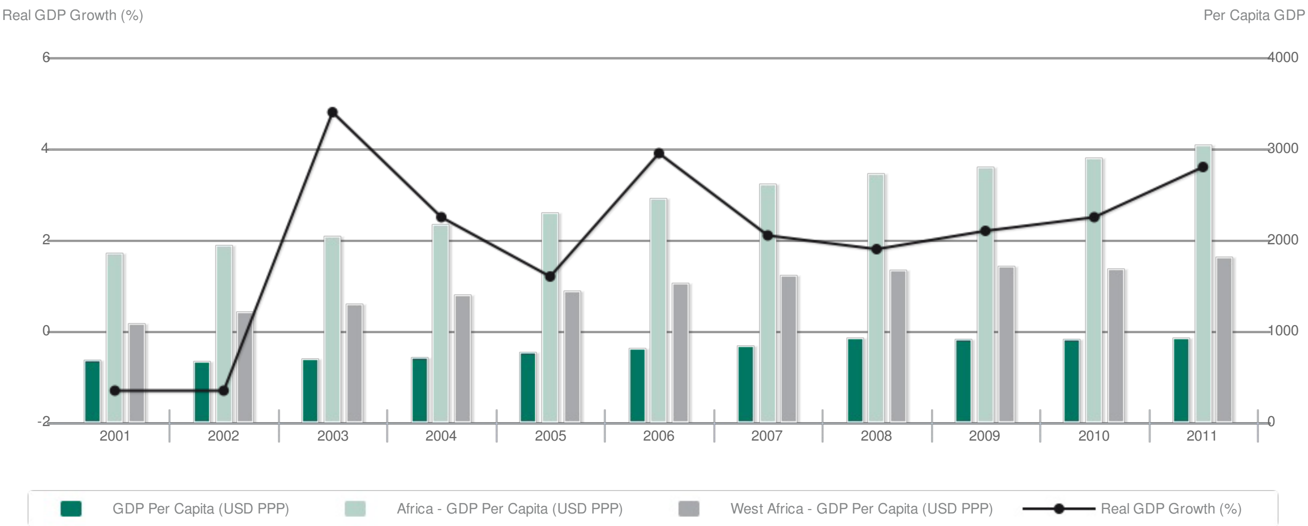
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	1.8	2.2	2.5	3.6
CPI inflation	8.7	1.9	2.4	2.3
Budget balance % GDP	-0.2	-1.4	-1.5	-0.9
Current account % GDP	-8.1	-8.0	-10.3	-9.1

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863786545000

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and Ministry of Finance data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854454606101

Tunisia

In 2009, the Tunisian economy grew at an estimated 3.1% (versus 4.6% in 2008) despite difficult international conditions, and growth is expected to become sustained again at around 4% in 2010 and 4.5% in 2011.

The major challenge to the Tunisian economy is to achieve sufficient growth to reduce unemployment, especially that of young university graduates.

Tunisia will have to develop new high-value-added sectors to move beyond assembly and outsourcing activities.

Thus far, Tunisia has managed the consequences of the recent global crisis relatively well. Although real gross domestic product (GDP) growth fell significantly to 3.1% in 2009 (from 6.3% in 2007 and 4.6% in 2008), this was partly offset by a good cereal harvest and strong activity in the mining-industry and energy sectors.

The 2009 slowdown in growth, essentially due to a decline in the exports of manufactured products to the European market, could have been worse. Moreover, the economy managed to absorb the shocks of the dismantling of the Multifibre Arrangement and of the customs tariffs of countries such as Turkey, Jordan, Egypt and Morocco, vis-à-vis the European Union (EU).

It was also able to resist the shocks of the rise in the world prices of fuel and cereal products. The inflation rate was limited to 3.5% in 2009 (versus 5.1% in 2008) thanks to a policy of price compensation for basic products, the fall in the world prices of the same products and the government's prudent monetary policy. Nonetheless, although the country has been relatively spared by the world crisis at the financial level, it will still have to cope for the next two years with the real effects of the decline in European demand, which may further affect the production and export of motor vehicle components and clothing items. On the other hand, the crisis might also offer foreign-investment opportunities: enterprises in industrialised countries will be looking to reduce their costs by outsourcing more, which should partly benefit Tunisia.

The sum effect could be positive. The economy is suitably diversified and measures aimed at limiting the negative effects of the crisis have been adopted. First, there were interventions in favour of the banking and financial system. These ensured the safety of the sector, preserved regular activity in the money and stock markets, and postponed liberalisation of the capital account from 2010 to 2014. Then, measures were implemented in favour of enterprises. These affected the two levers of growth: exports and domestic demand. The policy adopted in 2009 is founded on: *i)* reviving domestic demand by raising wages and energising public investment; *ii)* promoting small and medium-sized enterprises (SMEs) by acting on their production costs and competitiveness; and *iii)* backing exporters. Despite these measures, however, results in the area of employment, especially of young university graduates, are weak and growing worse. Average unemployment stood at 14.1% in 2008. It reached a high 30% for the 20-24 age segment and was estimated at 19% for university graduates. This high unemployment rate is an obstacle to long-term growth, reduces the incentive to invest in education and leads to a waste of public resources. In fact, the 2009/10 *Global Competitiveness Report* of the Davos World Economic Forum ranked Tunisia 98th out of 133 countries for Labour Market Efficiency and 108th for Rigidity of Employment.

To meet these challenges, Tunisia needs to change its existing production structure, currently dominated by sectors that have a low rate of management staff and are unskilled-labour-intensive, to the benefit of new sectors that are structurally skilled-labour-intensive, and most of all have a high added value and could lift the national growth rate to a higher level.

Otherwise, the World Bank's *Doing Business 2010* report ranked Tunisia among the 10 best-ranked countries in the Arab World thanks to its significant reforms in the tax system, in the welfare system and in trading across borders. The country has introduced electronic payment (including filing and settlement), which has reduced the frequency of payments, tax-payment compliance times, tax evasion and transaction costs. Enterprises can now fill out forms for their social security contributions on line. It also put up a one-stop e-window (Tunisian Trade Net) intended to simplify procedures for trading across borders. Tax-system reforms combined with streamlining of public expenditure have made it possible to improve public-finance indicators.

In 2009 there were also presidential and legislative elections. On 25 October, 89.62% of Tunisians who cast their votes re-elected President Zine El Abidine Ben Ali for a new five-year term.

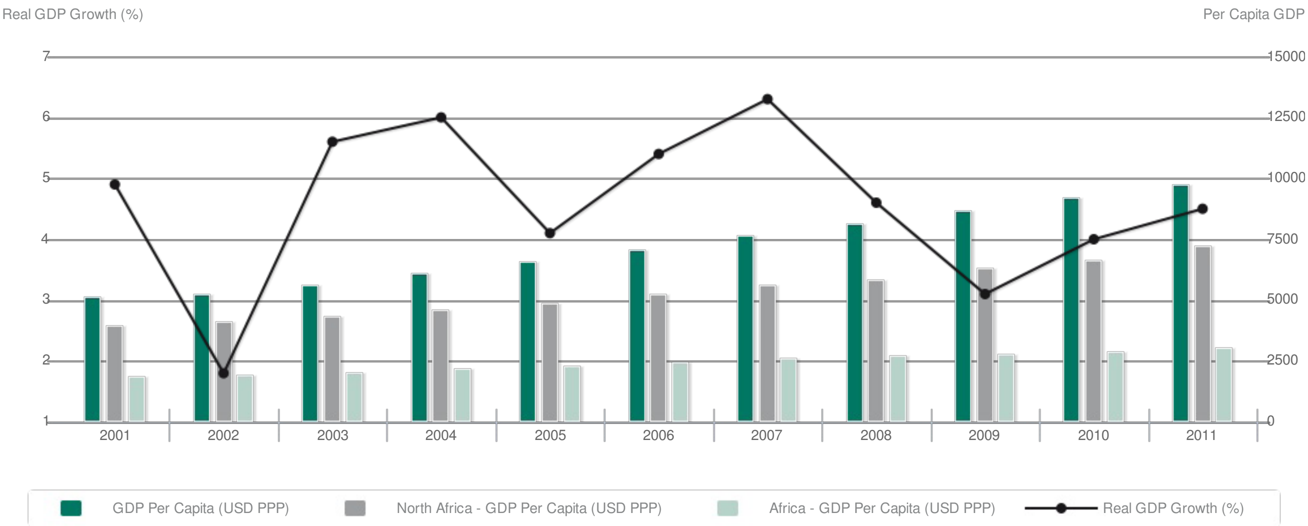
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	4.6	3.1	4.0	4.5
CPI inflation	5.1	3.5	3.1	3.4
Budget balance % GDP	-0.8	-3.9	-3.5	-2.8
Current account % GDP	-4.2	-2.7	-1.1	-1.3

Sources: Data from National Institute of Statistics; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/864031446023

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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Uganda

Uganda's impressive economic growth is helping East Africa to defy the global economic crisis.

Major infrastructure investments will transform Uganda's private sector-led economy.

The Uganda Revenue Authority has spearheaded the country's quest for increased resource mobilisation and fiscal independence.

The Ugandan economy grew at the impressive rate of 7% in 2009, despite the continued weakness of the world economy. The effects of the disruption of the trade link between Uganda and Kenya following the post-election violence in Kenya in early 2008 eased, but domestic fuel prices remain high. Demand for Uganda's exports and remittances from abroad started to pick up as the global recession also eased. As a result, the growth rate is expected to rise to 7.4% in 2010 and further improve to 7.9% in 2011, and it may be even higher if the government lives up to its promises to start oil production in the next two or three years. Growth in 2009 was led by the services and industrial sectors, while agricultural performance remained sluggish. Services account for about half of gross domestic product (GDP), the industrial sector for 26% and the primary sector for 25%. On the demand side, growth was mainly driven by private consumption (up 6.7%), but investment also grew strongly. Investment growth will accelerate over the forecast period, with growth rates for both private and public investment projected at 17% in 2010 and 18% in 2011.

Inflation remained relatively high, at an estimated 11.1% in 2009, due to persistently high fuel and food prices. In 2009, the government continued to emphasise infrastructure development, including roads and energy, while seeking to reduce dependence on donor support and maintain macroeconomic stability. Revenue (including grants) and expenditure are projected to decrease as percentages of GDP over the next two years, and the overall fiscal deficit should increase slightly from 1.3% in 2009/10 to about 1.7% in 2010/11.

The target of monetary policy is to bring inflation down to single digits as pressure from food and fuel prices eases. Growth in base money over the next two years is therefore expected to follow the path consistent with this trend in disinflation, with inflation expected to fall to 9% by the end of 2010.

On the external front, exports as a percentage of GDP are estimated to have decreased from 16.4% in 2008 to 15.7% in 2009, while imports dropped from 24.5% of GDP in 2008 to 23.4%. The overall trade deficit decreased from 8.1% of GDP in 2008 to 7.7% in 2009, while the outlook for 2010 and 2011 is poor, due to the possibility of a surge in non-oil imports as the country speeds up investments in oil production. The stock of international reserves remains healthy, amounting to about five months' imports of goods and services at the end of 2009.

The major constraint to further growth remains the inadequacy of the country's infrastructure, particularly electricity and roads, due to lack of investment. However, the government has finalised a five-year National Development Plan that is emphasising infrastructure and agricultural development in a bid to increase exports and remove the infrastructure bottlenecks that are impeding further growth.

Uganda's tax effort (11.9% of GDP in 2008/09) remains low by the standards of many countries in sub-Saharan Africa, which on average collect about 23% of GDP in revenue. This is primarily due to the lack of a tax mobilisation strategy, which has hindered efforts to tax areas of the economy that have hitherto been hard to reach, such as agriculture and informal trade; other reasons are tax evasion and lingering inefficiencies in tax administration. The country has taken measures to improve tax collection, however, including the use of e-taxation, which has increased compliance rates.

Uganda also continues to be a leader in social progress in Africa. Although much remains to be done, it has advanced on the poverty reduction front and made improvements in health and education, including the introduction of universal primary and secondary education and the construction of health facilities at the local government level.

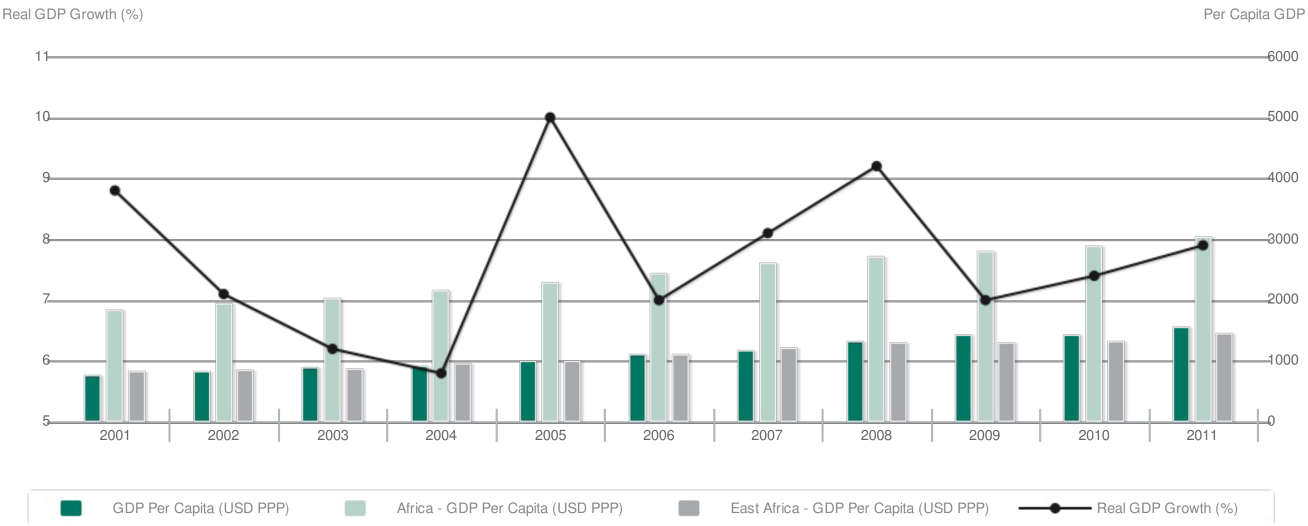
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	9.2	7.0	7.4	7.9
CPI inflation	12.0	11.1	8.9	9.9
Budget balance % GDP	-2.4	-1.7	-1.3	-1.7
Current account % GDP	-6.1	-5.9	-8.8	-10.9

Sources: Data from Uganda Bureau of Statistics and Bank of Uganda; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/864312768065

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and Uganda Bureau of Statistics (UBOS) data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Zambia

In 2009, Zambia's economy performed better than projected and should improve in the short and medium term.

The government is currently implementing an economic-diversification programme aiming to reduce the country's dependence on mining.

Public-resource mobilisation remains optimistic due to higher copper prices, improved fiscal performance and a positive ODA outlook.

After 30 years of relatively dismal economic performance, Zambia's macroeconomic situation has changed in the last 10 years with gross domestic product (GDP) growth at an unprecedented average of 4.8% between 1999 and 2009. Growth continues to be driven by increased output in the construction, mining and agriculture sectors. Nonetheless, the growth process continues to be severely limited by: energy bottlenecks; public-sector constraints, mainly in the civil service; infrastructural problems; and insufficient progress towards key institutional reforms. On a positive note, GDP growth for 2009 was estimated at 6.1%, a relatively small dip from 6.3 in 2008, and the 2010 and 2011 GDP growth forecasts stand at 5.5% and 5.7%, respectively.

economic and public-sector reforms initiated in 1991. Privatisation of the mines in the late 1990s removed a major drain on the government's finances by putting and end to a long history of funding intended to offset the continued losses of the then state-owned mining companies. The liberalisation of the Zambian economy, begun in 1991, has also facilitated substantial foreign investment in mining – boosted by the copper-price boom – and in other sectors of the economy such as tourism and non-traditional agriculture.

In addition, the government has improved its fiscal discipline since 2004. The fiscal deficit (which averaged 12.3% of GDP in the 1970s, 13.8% in the 1980s and 6.0% in the 1990s) was cut from 6.0% in 2003 to 2.9% in 2004 and was kept below this level until the recent pressures of the global crisis pushed it up to 3.0%. Overall fiscal discipline enabled the government to: *i)* bring domestic debt and interest rates down substantially; and *ii)* reach the Heavily Indebted Poor Countries (HIPC) Initiative completion point, resulting in the cancellation of most foreign debt. Multilateral debt stock fell from an average of 103.8% of GDP in 1995-2004 to 16.2% in 2005-08, while bilateral debt fell from an average of 85.8% of GDP to 3.6% respectively.

Improved fiscal discipline (and a prudent monetary policy) also helped bring end-year inflation down to single figures in 2006 and 2007 for the first time in Zambia's history. The sharp appreciation of the Zambian kwacha (ZMK) in 2005/06 – mainly a result of the copper boom – further dampened inflation, at the expense, however, of non-traditional exports such as cotton. With a growing trade surplus, increasing foreign-exchange reserves and an exceptionally low level of public debt, by mid-2008 macroeconomic performance was at its best in nearly 30 years.

In structural terms, Zambia has focused since 1991 on policies aimed at reducing the dominance of the mining sector in the country's economic activity. These have resulted in economic growth being increasingly led by the private sector. More recently, policies have concentrated on implementing a relatively ambitious diversification programme. Key economic reforms in the late 1990s have delivered tangible benefits: a greater focus on fiscal discipline, better governance and the promotion of privately led economic growth. Other notable structural reforms include ongoing public-sector governance reforms implemented through specific action programmes such as the Public Expenditure Management and Financial Accountability (PEMFA) programme, the Decentralisation Implementation Plan (DIP), social-security, pay and pension reform, and rural-development programmes designed to reduce the relatively high level of rural poverty (greater than 65%) and to drive rural economic development.

Infrastructure development, most particularly in the rural areas, is one of the major needs for Zambia's development and is upheld in both the Fifth National Development Plan, about to be completed, and the Sixth National Development Plan, soon to be launched, as well as in the National Vision 2030. Most of the infrastructure is still state-owned. The country continues to suffer a huge power deficit leading to frequent load shedding. Only 28% of rural areas have access to mobile phone services, and although there were plans to extend coverage to 77% of the population by the end of 2009, reforms in this area have remained very slow. The sparse population distribution makes the installation of infrastructure very costly. Teledensity in Zambia is still low, with ratios per 100 inhabitants at 0.77 for fixed-line subscribers, 22.66 for mobile subscribers (98% of which are using prepaid tariffs) and 0.14 for Internet users at the end of 2007.

Regarding public-resource mobilisation, Zambia has introduced key policy and institutional reforms since 1994 that have helped to improve its overall capacity to mobilise domestic resources to support economic development. Since 2000, overall tax revenues have increased by 400% and non-tax revenues by 270%, for an average annual growth of 23% and 6% respectively. The tax share of all revenues has stood at a 75% average, increasing in recent years to 80%. Total revenue covers, on average, 90% of public expenditure. The major challenge to tax administration remains the large size of the informal sector.

Official development assistance (ODA) increased from 300 million US dollars (USD) to USD 553 million. This increase between 2005 and 2007 can be attributed to the cancellation of Zambia's debt by bilateral and multilateral donors after attainment of the Heavily Indebted Poor Countries (HIPC) Initiative completion point. Moreover, ODA flows have not been affected by the global financial crisis so far, and more than 90% of the initially confirmed 2009 budget-support commitments were disbursed. The slight shortfall in disbursed ODA experienced in 2009 was due the country's failure to meet governance requisites, but the situation has improved and the indicative budgetary support for the medium term remains positive.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.7	6.1	5.8	5.9
CPI inflation	12.4	13.4	10.0	7.4
Budget balance % GDP	-2.2	-2.7	-2.7	-1.9
Current account % GDP	-7.1	-4.0	-1.9	-1.5

Sources: Data from CSO; estimates (e) and prediction (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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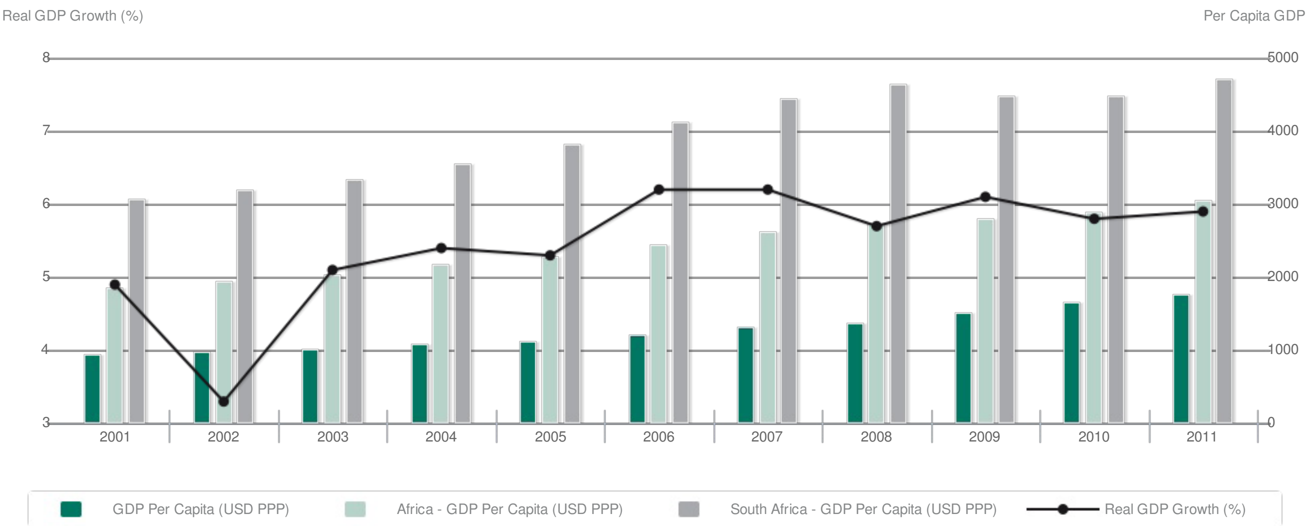
Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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