Africa: rising at four speeds

Outlook for the region's economic growth, private investment and development finance

Research Briefing

commons consultants

March 2013

Executive Summary

Top African growth generators

- The top-10 growth generating countries will account for 75 % of aggregate income growth in Africa between now and 2017
- For the first time there will be more countries from Sub-Saharan Africa than from North Africa on the continent's list of top-10 growth generators
- Nigeria will become the continent's top growth generator, ahead of South Africa and Egypt
- Kenya will join Angola, Ghana and Ethiopia among the other Sub-Saharan African countries in the top-10 list

Outlook for growth in per capita incomes

- Close to half of Africa's 54 countries are middle income countries by the World Bank's definitions. Another eight countries are likely to break out of the low income category and become lower middle income countries by 2025 (Burkina Faso, Guinea, Kenya, Mauritania, Mozambique, Rwanda, Tanzania and Zimbabwe)
- A group of ~20 countries makes up the core of "Africa's moment" of growth and economic transformation. The highest growth rates are projected for the next middle income countries, and for the current lower middle income countries.
- ~20 African low income countries, representing 35 % of Africa's total population, have no prospect of reaching middle income status for at least another 20 years. They will continue to require significant international support to sustain human development.

Foreign direct investment trends

- From 2000 to 2010 the inward FDI stock into Africa increased more than threefold to USD ~500 billion
- 85 % of FDI stocks are in Africa's middle income countries where G7 countries are leading investors
- BRIC countries only hold ~5 % of FDI stocks into Africa. IFC, the Nordic countries, the Netherlands and South Africa are all at a comparable level to the BRICs with FDI stocks in the range of 2 to 4 % of the total.
- But BRIC countries have built significant shares of inward FDI stock in African low income countries, far ahead of the G7 countries. IFC and South Africa are also leading investors in low income countries across Africa
- FDI in greenfield projects in the service and manufacturing sectors now exceed investment in extractive industries.

ODA flows and poverty reduction strategies

- From 2000 to 2010 ODA commitments to low income countries in Africa more than doubled to USD ~30 billion per year
- The low income countries that will graduate to middle income status by 2025 have experienced fast improvements in human development in the past two decades and receive the highest ODA per capita.
- One-third of Africans living in extreme poverty, about 150 million people, are now in middle income countries where ODA plays a diminished role. Future efforts to fight poverty there will depend on how the benefits of private investment and improved public finances are translated into improved standards of living for the wider population.

1 Introduction

Economic growth in Africa has recently become a mainstay of the global agenda. In a period of sluggish growth in developed economies and uncertainty about the prospects of emerging markets, Africa's economic prospects receive an unprecedented level of consideration in the growth strategies of companies and investors and are subject to intense scrutiny in relation to the implications for global development finance.

Vacillation between gloom and hype

"Africa's moment" is being declared after more than a decade of strong, and quite widely distributed, economic growth across the African continent. In the context of the recent setbacks to the global economy, Africa has stayed on a solid growth path. Africa has experienced steady expansion of real GDP in the past decade with annual growth rates of 4.6 % in the period 2001-2011 - even maintaining growth at 4.4 % in the period 2006 and 2011 despite the global financial crisis.

The outlook for the coming years is also positive, with projected growth rates well above 5 %. A handful of African countries could even feature among the global growth leaders with annual rates above 8 %.

The recent optimism about Africa's economic prospects marks a remarkable shift from the downbeat global image of the continent that dominated until recently. Only five years ago, the global image of Africa was captured in labels such as the "lost continent", "hopeless", "bottom billion", and "dead aid".

It is beyond doubt that the hopeful projections for Africa are based on well-documented economic data. It is also clear all but the most hard-headed contrarians expect a continued surge in private investment and public financial flows to Africa in coming years. Yet, there is reason to be cautious of some of the hype that accompanies the African growth story. A significant share of the continent's economic growth is driven by population growth and close to half of Africa's population lives in countries that will remain very poor for many years to come. Even in countries where economic growth has the potential to be truly transformative the fortunes are precarious.

Purpose of the research briefing

This note aims to help decisions-makers make sense of the most recent data on African economic growth, investment and development finance, facilitating good strategy that stays reasonably clear of both gloom and hype.

The note relies on the most recent data published by the IMF, OECD, the World Bank, and UN statistical agencies. The note focuses on the current situation and the 5-year outlook but also discusses projections towards 2050 for different groups of Africa countries.

The note is divided into four sections:

- Top African growth generators
- Outlook for growth in per capita incomes
- Foreign direct investment trends
- ODA trends and poverty reduction strategies

2 Top growth generators

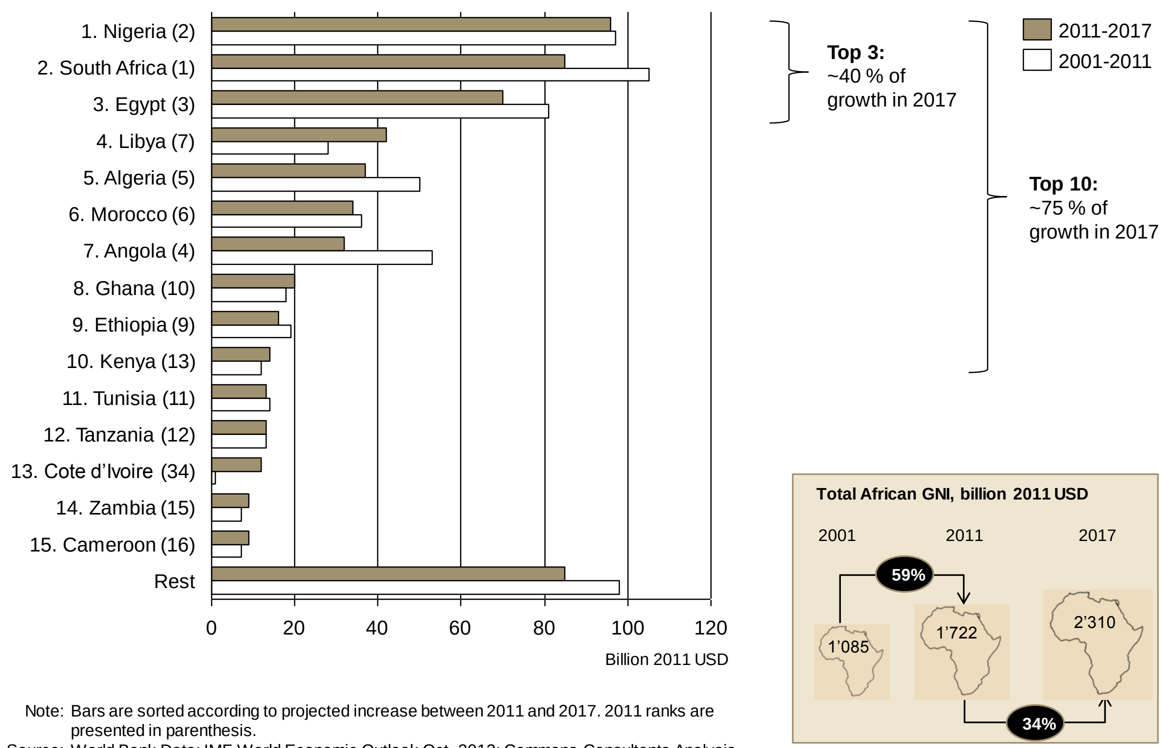
Economic growth in Africa is projected to accelerate further in the coming years. In its most recent economic outlook, the IMF projects that the African economy overall will grow at an annual rate of 5 % from 2011 to 2017. Over this period total African GNI is projected to grow by one-third, corresponding largely to the value added between 2001 and 2011.[1]

The growth across the continent is projected to translate into higher growth rates in African countries at all income levels. The fastest growing countries are expected to accelerate slightly to grow by 7.7 % p.a. or above (Ghana, Zambia, Guinea, Mozambique, Niger, Sierra Leone and Libya), while countries with the slowest annual growth can expect growth rates below 3.5 % p.a. (Mali, Gabon, Sudan, Comoros and Algeria).

75 % of the additional African economic output between 2011 and 2017 is projected to be generated by the top-10 growth-generating economies. Figure 1 presents the projected increase in GNI for the top-15 countries. The top-3 countries alone (Nigeria, South Africa and Egypt) will generate more than 40 % of the additional economic output. The 40-plus countries outside the top-10 are projected to generate only 20 % of the additional economic output in the period.

The list of top growth generators shows the forceful emergence of Sub-Saharan African economies. Nigeria is projected to become the top growth generator on the continent, ahead of South Africa and Egypt. For the first time, a majority of the top African growth generators are Sub-Saharan countries, including Angola, Ghana, Ethiopia and Kenya. Tanzania, Cote d'Ivoire, Zambia and Cameroon are also in the top-15, placing strong growth generators across the continent.

Figure 1. Top 15 growth generators
Increase in GNI over the periods: 2001-2011 and 2011-2017, USD billion



Note: Bars are sorted according to projected increase between 2011 and 2017. 2011 ranks are presented in parenthesis.
Source: World Bank Data; IMF World Economic Outlook Oct. 2012; Commons Consultants Analysis

3 Outlook for growth in per capita incomes

One level below the broad-stroke, continent-wide growth story, different groups of African countries face very different economic prospects. The most developed countries have fairly diversified economies and steady growth paths, while many of the poorest countries are characterized by high population growth and precarious episodes of economic growth, often driven by extraction of natural resources in periods of relative political stability.

A complex growth landscape

There is significant variation in growth rates across African countries. The fastest-growing countries – in the upper 10^{th} percentile – have experienced annual growth of more than 7.5 % over the past 10 years, while countries with the slowest annual growth – in the lower 10^{th} percentile – never experienced more than 2 % annual growth.

In addition, the headline economic growth story glosses over the fact that high population growth seriously limits the benefits of economic growth at a per capita level. Aggregate growth rates also conceal the volatile nature of economic expansion in many of the poorest African countries, which hampers investments and sustained social and economic development.

This all means that aggregate growth is a poor, and sometimes misleading, indicator of economic development. Indeed, per capita income is a much more appropriate measure of economic transformation. On average, African per capita income grew at an annual rate of 2.25 % between 2001 and 2011, which is well below the headline rate of 4.6 % of real GDP. This shows clearly that the impressive growth rates are highly driven by population growth.

Building on this cautionary note, that a snap-shots view of aggregate economic growth constitutes a poor basis for designing sound strategy, we now proceed to provide a near- and medium term outlook for income per capita across Africa. This helps us identify important trends in groups of countries with shared characteristics in terms of their economic outlook.

Outlines of a continent rising at four speeds

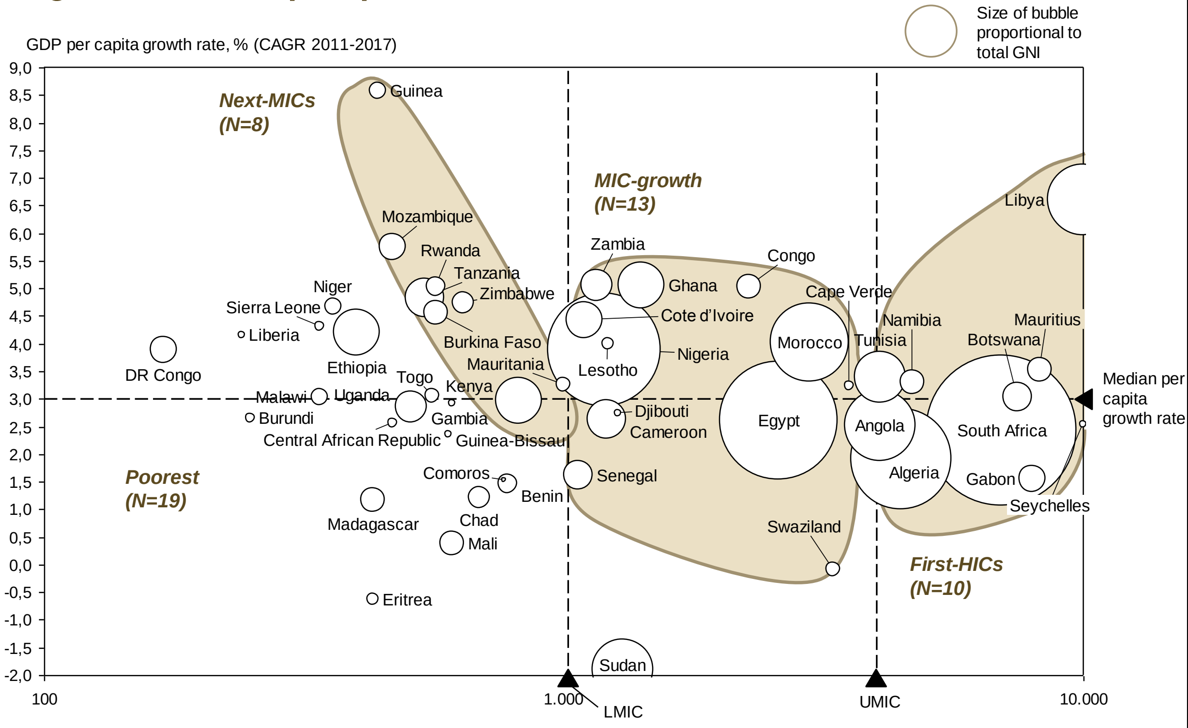
Per capita income levels and economic growth outlooks vary greatly across Africa. Figure 2 shows how some countries enjoy per capita incomes of more than 10 times the poorest countries. For example, Angola has a GNI per capita of more than 4,000 USD while Ethiopia has a GNI per capita of just 400 USD.

Of 54 African countries, 28 are categorized as Low Income Countries while 26 are categorized as Middle Income Countries by the World Bank, dividing economies according to 2011 GNI per capita.[2] Despite the great variation in income levels, per capita growth projections (2011-2017) are quite evenly distributed across income groups. All income groups are represented among the highest growing countries, with annual per capita growth exceeding 5 %.

We have separated African economies into four clusters in order to facilitate a sharper strategic understanding of the diverse nature of economic transition across the continent, taking into account both current economic conditions and medium-term growth prospects. The analysis uses the most recent IMF economic outlook which reflects the country's endowment of natural resources, quality of institutions and historical track record of maintaining steady per capita income growth.

The rationale behind the four-cluster segmentation is illustrated in by Figure 2 and described in detail below:[3]

Figure 2. Growth prospects in four clusters



Note: Horizontal axis is given in a logarithmic scale. Countries not included: Somalia, South Sudan, Equatorial Guinea and São Tomé e Príncipe

Source: World Bank Data; IMF World Economic Outlook Oct. 2012; Commons Consultants Analysis

- ***MIC-growth***: This cluster comprises 13 lower middle income countries (LMIC) that have generally sustained steady growth over the past three decades.[4] The cluster comprises principally countries from the Northern, Southern and Western parts of the continent with income per capita levels ranging from USD 1,000 to 3,500. All countries in this cluster, with the exception of Swaziland, are expected to follow a steady growth path in the coming five years with annual per capita growth rates ranging between 2 and 5 %.

- ***Next-MICs:*** This cluster comprises eight Sub-Saharan low income countries (LIC) that, with Zimbabwe as only exception, have sustained strong per capita income growth since the mid-1990s. Their economic outlook in terms of per capita growth rates is particularly strong and these countries are expected to cross the LMIC threshold around 2025.

- ***First-HICs:*** This cluster comprises 10 upper middle income countries that represent the most advanced and often resource-rich African economies. These countries have to a great extent mirrored the global economy with accelerated growth since the mid-1990s, interrupted recently by the global financial crisis. The countries have a steady growth outlook with projected rates of per capita income growth between 2 and 3.5 %.

- ***Poorest countries:*** This cluster comprises 19 countries categorized by low income levels, poor growth outlooks and weak institutions. All these countries are classified as "Least Developed" (LDC) by the United Nations and have only experienced very moderate growth in real per capita incomes over the past 50 years. These countries were impoverished already at their independence and many have been plagued by conflicts and instability. Growth prospects are moderate and vary greatly from Mali and Sudan, close to or below zero, to Ethiopia with projected annual per capita income growth well above 4 %.

Figure 3 illustrates how per capita incomes in the four clusters are likely to diverge over the coming decades. This longer term outlook is based on an extrapolation of the most recent IMF near term (2011-2017) projection and weighs individual countries according to size.[5] The analysis shows how the four clusters of African economies grow at very different speeds; and particularly, how large groups of the poorest countries are unlikely to see transformative increases in per capita incomes for another 30 years. Given the uncertainties associated with this type of long-term projections, the following interpretations are all subject to the caveat "if the current trend continues..."

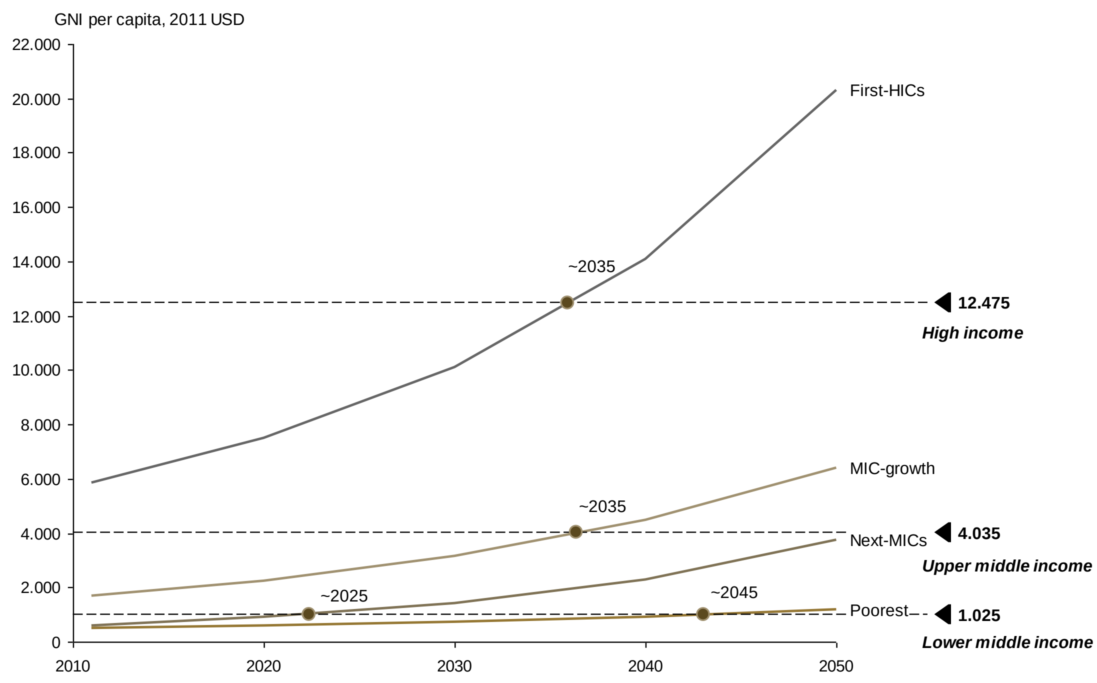
"MIC-growth" countries to achieve upper middle income status before 2035

MIC-growth cluster countries have an average per capita income level of close to USD 1,700 and follow a strong per capita growth rate of about 3.5 % that will carry the majority of countries into the upper middle income group towards the year 2035. The cluster is dominated by Nigeria and Egypt, which represent 65 % of its total GNI; Nigeria with a lower income per capita base and high growth rates and Egypt with a higher base and a more modest growth outlook.

Next-MICs to break middle income barrier before 2025

Next-MICs countries are expected to follow a particularly aggressive path of close to 5 % annual per capita income growth. These countries are projected to reach the middle income threshold around 2025 and if their trajectory is sustained long-term they will reach per capita incomes of three times the *Poorest* countries cluster by 2050. Among them, Guinea exhibits a per capita growth outlook of more than 8.5 % while growth per capita growth rates in Kenya, for instance, are projected to be more modest.

Figure 3. The four speed continent
GNI per capita paths for the four clusters, 2010-2050



Note: Growth rates past 2017 are based on the average growth projection in the IMF World Economic Outlook for the period 2011-2017 and are subject to great uncertainty
Source: World Bank World Development Indicators; IMF World Economic Outlook; UN World Population Prospect; Commons Consultants Analysis

First-HICs to achieve high income status before 2045

First-HICs are expected to follow a trajectory quite similar to the *MIC-growth* countries but with slightly lower per capita growth rates of just above 3 %. Carried into the longer term, this will elevate the majority of the countries in this group to high income status within the next two to three decades. Libya is projected to stand out with a strong growth rate of 6.5 %, while the cluster is dominated by South Africa, Algeria and Angola (77 % of total GNI) which will sustain more modest per capita growth rates of 2 to 2.5 % .

Poorest left behind?

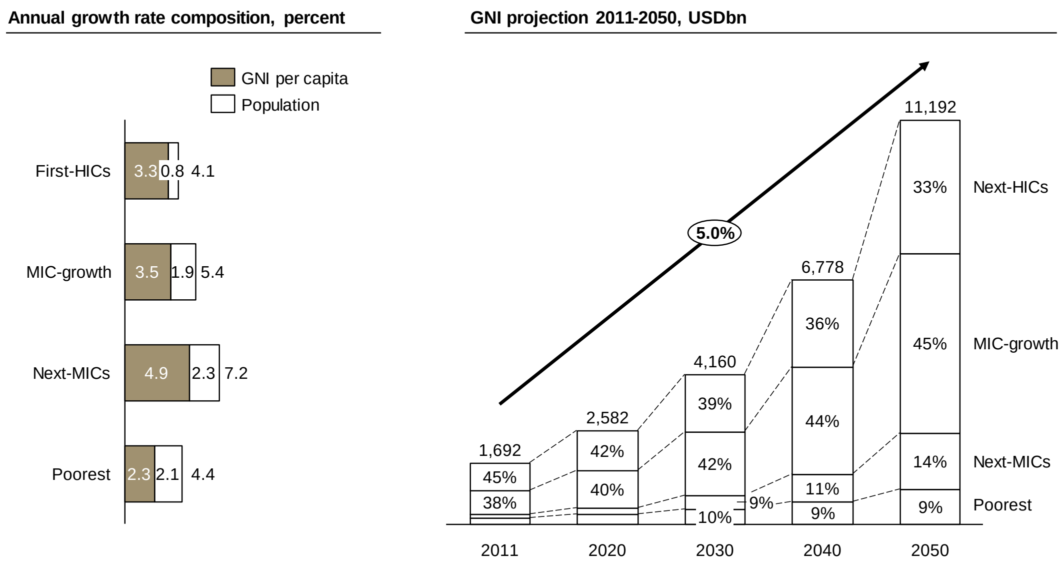
The *Poorest* countries are projected to realize only slow per capita growth rates of about 2 %. At these rates, the cluster would barely graduate to lower middle income status by 2050. A handful of countries within the cluster (Sierra Leone, Ethiopia, Liberia, Niger and DR Congo) are projected to have more solid per capita income growth rates around 4 % but currently have very low per capita income bases of USD 200-400. Sudan stands out as the only middle income country in the cluster; due to civil strife and continued territorial conflict the current outlook for the Sudan is an annual rate of contraction close to 2 %.

Population will double by 2050

Population growth is at once a great opportunity and a difficult dilemma for Africa. Population growth is a significant driver of economic growth, projected to contribute roughly 2 % per year through 2050. Growing populations have the potential to drive demand and feed the active work force but it also makes it more difficult to secure social development and poverty reduction.

Figure 4 presents the composition of aggregate growth rates for the four clusters in terms of per capita income growth and population growth. It also shows the aggregate economic growth of the four clusters of African economies.

Figure 4. Income and population paths across clusters, 2011-2050



Note: GNI per capita past 2017 is based on the average growth projection in the IMF World Economic Outlook for the period 2011-2017 and is subject to great uncertainty
Source: World Bank World Development Indicators; IMF World Economic Outlook; UN World Population Prospect; Commons Consultants Analysis

Africa is expected to double its population to more than two billion by 2050 and over the same period increase its economy from USD 1,700 billion, roughly the size of Brazil today, to USD 11,200 billion by 2050, which corresponds fairly to the current size of the four BRIC nations combined. The *MIC-growth* and *Next-MICs* clusters are projected to make up a significantly growing share of the total African economy towards 2050.

Emerging African middle class

The African Development Bank (AfDB) expects the African middle class to reach 1 billion by 2060. AfDB defines the middle class as individuals with expenditures between 2 USD and 20 USD.[6]

Put in a global context, however, , Africa will just barely keep up its current proportion of the global middle class. OECD projects that the global middle class, which it defines as households with daily expenditures between 10 USD and 100 USD, will increase from 1.8 billion people to 3.2 billion by 2020 and to 4.9 billion by 2030. In this period, Africa is expected to maintain a fairly constant share around 2-3 %, while Asia will increase its share from 28 % today to 66 % by 2030.[7]

The African middle class is growing but it is also safe to conclude that that an appraisal of Africa as the next source of global demand is, in many ways, premature. The most dramatic economic transformations in Africa, for the foreseeable future, will be around increasing per capita incomes below the USD 10 per day level.

4 Foreign direct investment trends

Foreign direct investments[8] (FDIs) into Africa have grown dramatically over the past decade. The stock of inward FDIs increased more than threefold from USD 150 to 540 billion from 2000 to 2010, according to UNCTAD.[9] Alongside this massive increase, investments into the African private sector have been accompanied by a shift in the relative importance of sectors. Greenfield projects in the service sector have been gaining ground, relative to extractive industries.

This section focuses on FDIs which are relatively well-documented source of financing for private sector projects and companies.[10] The full picture of investment in the private sector in the region certainly must also take account of other sources of capital for the private sector such as investment in public equities and credit lines for local financial institutions.

Figure 5 lays out the distribution of the inward FDI stock across the four clusters of African countries that we defined above. The focus is on the stocks held by G7 countries, BRICs, the Nordic countries, the Netherlands and South Africa. This focus allows the illustration of a number of important trends. These 17 countries all provide detailed reporting on their FDIs; in aggregate they make up about half of the total inward FDI stock into Africa and a dominant share of the increase in FDIs over the past decade.

G7 countries have much higher FDIs in Africa than BRICs

The G7 countries (Canada, France, Germany, Italy, Japan, United Kingdom and United States) collectively hold USD 180 billion worth of inward FDI stock into Africa at the end of 2010. This represents 34 % of the total. In comparison, the total FDI stock held by BRIC countries (Brazil, Russia, India and China) is about one-sixth of this, at USD 26 billion and 5 % of the total FDI stock.[11]

BRIC countries hold more than half of investments in the Poorest countries

The BRIC countries dominate the cluster of *Poorest* countries, as defined above, now holding 50 % of the FDI stock in these countries.

Next-MICs targeted by emerging investors

South African FDIs in the fast-growing *Next-MICs* cluster have increased significantly over the past 10 years, particularly in the Southern Africa region. BRICs also almost match the level of G7 countries in the *Next-MICs* cluster. It's worth noting that investments by the IFC, as also illustrated in Figure 5, correspond to a significant share of the FDIs by the emerging investors in African low income countries. This signals a strategic commitment to sustaining the growth in Africa's high potential countries which is also pursued by a number of other DFIs.

Middle income clusters receive 85 % of investments

The vast majority of FDIs (85 %) is directed at the two middle income clusters, *MIC-growth* and *First-HICs*. G7 countries dominate in these clusters with more than two-thirds of FDIs.

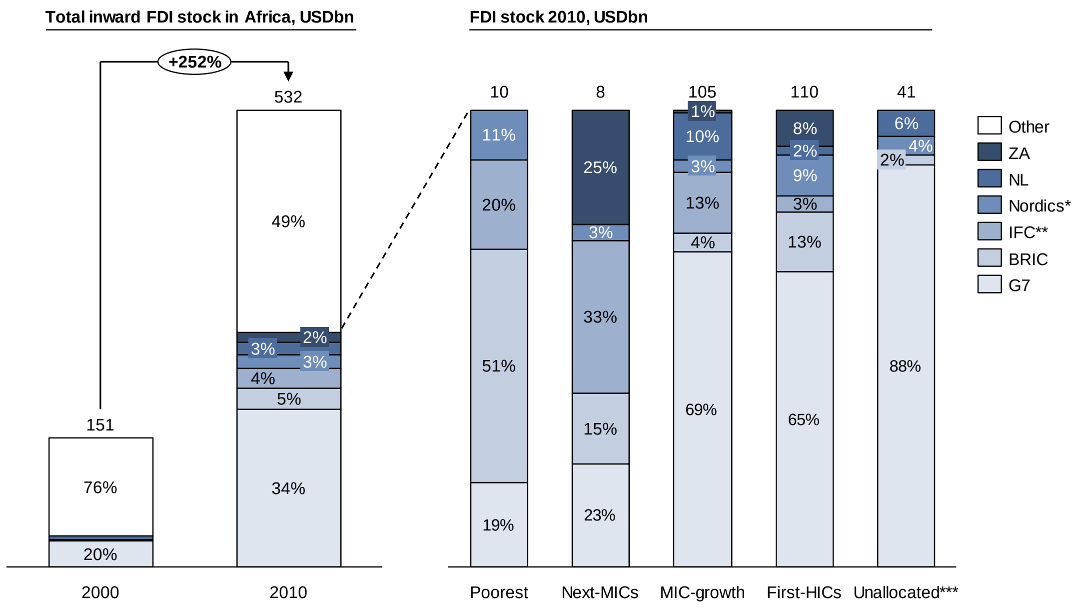
Historical ties and geographic proximity important drivers of FDIs

France is still the largest investor in Africa with almost USD 60 billion of FDI stock concentrated in its former North and West African colonies. A similar trend is seen with the UK being a leading investor in East Africa and Germany holding large FDI stock in Namibia.

There is a tendency for FDIs from emerging investors to follow a regional pattern. South Africa is a leading source of FDIs in the neighbouring economies (including Mozambique, Zimbabwe, Botswana, and Zambia); Indian FDIs are focused primarily in East Africa, while the Middle Eastern FDIs is largely engaged in North and East Africa.

The United States holds USD ~50 billion in FDI stock in Africa, mainly in the larger economies of Egypt, South Africa, Algeria and Nigeria.

Figure 5. Surge in foreign direct investments dominated by G7 countries
Inward FDI stock in Africa from BRICS, Nordics, NL, ZA and G7



* Denmark, Norway, Sweden and Finland **IFC total investment stock is included for reference ***FDI stock where destination country is not specified
Source: UNCTAD Data portal; OECD international direct investment database; ITC Investment Map; Vale Columbia Center; Commons Consultants Analysis

Other emerging investor trends

BRIC countries hold just ~5 % of FDIs and are yet to emerge as a dominant investor in Africa. However, increasing FDI flows in recent years indicate that particularly China and India will be claiming a growing share of the continents FDI stock.[12]

China holds the largest FDI stock among the BRICs, at USD 13 billion, but is only the leading investor in the private sector in a few countries such as DR Congo and the Sudan. The preferred Chinese strategy for engagement of African economies is still through the provision of public finance with associated trade-related agreements. Typically, Chinese development banks will offer loans as public sector project finance to African governments on attractive terms while Chinese companies receive associated construction contracts, long-term leases or trade access.

In some cases, major investments by single companies are important to establish the positions of emerging investor countries. For instance, Heineken, Unilever and Shell contribute to making the Netherland a leading investor in Nigeria; and Statoil contributes to making Norway a leading investor in Algeria, Angola, and Liberia. It's worth noting that, even without these investments, the Netherlands and Norway have been growing their FDI stocks in Africa in the past 10 years.

A number of countries, in addition to the 17 highlighted above, also have considerable investments in Africa, including Singapore, Malaysia, and some Middle Eastern countries.[13,14]

Strong outlook for continued FDI growth

FDIs in Africa are expected to continue to grow at a rate above the global average. The key drivers of FDIs into Africa include the economic growth prospects, on-going economic reforms and high commodity prices, combined with relatively high profitability of investments in the region.

The primary sectors of agriculture and extractive industries have been declining in relative importance. FDI flows in these sectors have been fairly constant at USD 20-30 billion p.a. in the period 2003-2011, corresponding to 25 % of total greenfield investments in the period. Meanwhile investments in the service and manufacturing sectors have grown steadily to reach levels above USD ~30 billion p.a. at the end of the period, with the service sector experiencing the most rapid growth over the period. Many of the projects in manufacturing and services are premised on the availability of natural resources or play a supporting role for the extractive industry. The shift is more about diversification of natural resource related activities than a decline of the extractive industry, which will maintain its importance in the decades to come.[15] Increasing per capita incomes and the growth of the business activity are driving increases in FDIs in service sectors like banking, retail and telecommunications. FDIs in the food, beverages and tobacco sector doubled in 2011, as the fastest growing sector in terms of capital investment.[16] The scope of future FDI inflows to these services is, however, depending on investor confidence returning to North Africa.

5 ODA flows and poverty reduction strategies

The evolution of net official development assistance (ODA) has played an important role in Africa's economic development over the past decades. But the flow of this assistance has fluctuated significantly both in individual recipient countries and in aggregate terms.

Figure 6 shows how ODA flows in constant dollar terms increased fourfold from USD 9 to 38 billion between 1970 and 1990, only to contract by almost half in the 1990s. Renewed commitments to global development helped drive back to the previous peak levels, above USD 40 billion between 2000 and today.[17]

ODA focus on Poorest and Next MICs countries

ODA flows to the four clusters defined above has shifted between 1990 and today. The *Poorest* countries have received a very significant share of the increase since 2000 and they currently receive almost half of ODA to Africa. *Next-MICs* countries have received a fairly steady share of ODA at ~25 % since 1980 and on average these countries are receiving the highest allocation of ODA per capita in Africa. *MIC-growth* countries have given up most- they received 45 % of total ODA in 1990, compared to 25 % in 2010. *First-HICs* have, throughout the period, accounted for the smallest share of ODA, with less than 10 % of total ODA.

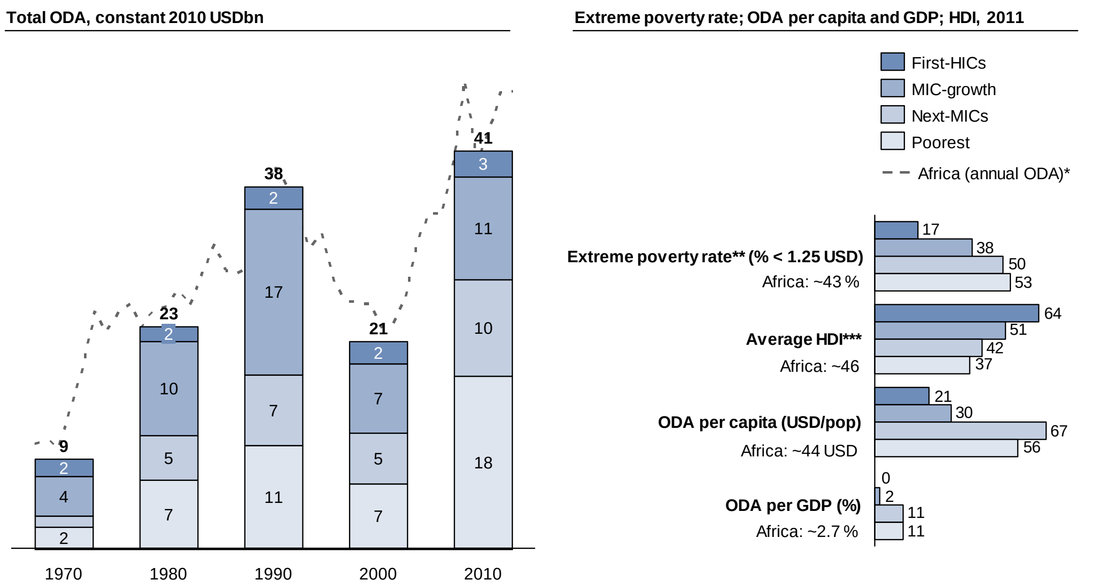
Divergence in poverty reduction strategies

Extreme poverty will remain a crucial challenge in Africa despite the economic transformation that is under way. The number of people living in extreme poverty (i.e. on less that USD 1.25 per day) will remain fairly constant at around 400 million over the next decade. By 2022 three-in-four people living in extreme poverty are forecast to be Africa.[18]

The difference between the two clusters *Poorest* and *Next-MICs* point to the crucial role of development assistance in tackling extreme poverty and facilitating economic growth. While the per capita income in the two clusters is still roughly the same, the *Next-MICs* are among the African countries that have achieved the most remarkable improvement in human development (as by HDI) in the past decade, particularly through massive investments in education and basic health care. These are also the countries forecast to sustain the highest growth rates.[19]

The *MIC-growth* countries have higher HDI and lower extreme poverty rates, overall, but are still home one-in-three Africans living in extreme

Figure 6. Realignment of ODA from MIC-growth to Next-MICs and Poorest
Development in ODA, 1970 – 2010, and rate of extreme poverty



* Includes all countries, e.g. also Somalia and South Sudan, and regional aid, which totalled 48 USDbn in 2010 **Corrected for differences in purchasing power ***Weighted by population and multiplied by 100
Source: World Bank Data; Human Development Report; OECD DAC; Commons Consultants Analysis

poverty. African middle income countries such as Nigeria, Angola and Zambia all have extreme poverty levels above 50 %, as bad as the average in African low income countries. African middle income countries will increasingly see rich countries shift focus from the donor role to an emphasis on investment and trade. This shift is likely to be accompanied by continued advocacy and attempt to influence policy towards sharing improvements in standards of living more widely.

More than half of Africa's countries are in the midst of a decade-long transition in their approach to development finance. Middle income countries increasingly rely on domestic sources of financing. They will typically be able to more than make up for declining ODA flows with increasing domestic tax receipts and enhanced capacity to access international capital markets. This will help chart a course similar to what has been seen in India and Brazil in recent years, where the role of ODA gradually has been overtaken by local governments.

Endnotes

[2] IMF (2012), *World Economic Outlook Oct. 2012*

[2] The groups are defined by the World Bank thresholds for GNI per capita measured in constant USD using the Atlas conversion method: low income (LIC), 1,025 USD or less; lower middle income (LMIC), 1,026-4,035 USD; upper middle income (UMIC), 4,036-12,475 USD; and high income (HIC), 12,476 USD or more.

[3] *First-HICs:* Algeria; Angola; Botswana; Gabon; Libya; Mauritius; Namibia; Seychelles; South Africa; Tunisia. *MIC-growth:* Cameroon; Cape Verde; Congo; Cote d'Ivoire; Egypt; Ghana; Morocco; Nigeria; Senegal; Swaziland; Zambia; Lesotho; Djibouti. *Next-MICs:* Burkina Faso; Guinea; Kenya; Mauritania; Mozambique; Rwanda; Tanzania; Zimbabwe. *Poorest:* Benin; Burundi; Central African Republic; Chad; Comoros; DR Congo; Eritrea; Ethiopia; Gambia; Guinea-Bissau; Liberia; Madagascar; Malawi; Mali; Niger; Sierra Leone; Sudan; Togo; Uganda. *Countries not included:* South Sudan, Somalia, Equatorial Guinea and São Tomé e Príncipe

[4] Cote d'Ivoire and the Republic of Congo differ from the general picture of sustained growth. In the late 1970's Cote d'Ivoire went from being the region's main exporter with annual growth around 10 %, to experience a steady decline due to droughts and decreasing commodity prices – cutting real per capita income in half by 2000. Congo experienced strong growth in the early 1980's, but saw its economy stagnate the following decades, with per capita growth just starting pick again by the turn of the millennium.

[5] The 2011-2050 GNI outlook is based on the medium-term projections presented by IMF in the World Economic Outlook (WEO) as of October 2012. The 2012-2017 GDP per capita indicator, expressed in constant prices, serves as a measure of expected long-run real growth. The 2011-2050 outlook assumes constancy in the 2011-2017-trend and uses the compound annual growth rate to extend the estimates of income to 2050. This method is subject to great uncertainty and is merely an indication of future economic income levels, given an economic trajectory laid out today.

[6] African Development Bank (2011), *Africa in 50 Years*

[7] OECD (2010), *The emerging middle class in developing countries*

[8] FDIs are defined as equity capital, reinvested earnings and other capital from an entity in one country invested in an enterprise resident in another country. A threshold for equity ownership of 10% is usually applied, but this may differ across countries

[9] UNCTADstat, Inward and outward foreign direct investment stock; OECD International direct investment database

[10] It should be noted that several problems arise when collecting and analysing data on FDIs due to variations in reporting and collection standards and differences in confidentiality concerns across countries. Specific issues include: (1) Data is often collected differently for stocks and flows or revised over time making direct comparison between the two measures difficult. (2) Reporting standards in many developing countries on outward FDIs, especially on FDI stocks, are often poor or lacking. Missing data can in some cases be estimated based on host countries reported inward FDIs, but this may lead to underestimation. (3) Data access and transparency can be limited due to confidentiality concerns, leading to a considerable share of FDIs categorized as unallocated. (4) Existing data on FDIs may not be fully comparable among countries due to differences in reporting on the various FDI components. (5) Data may be skewed when FDIs are directed towards off-shore financial centres, e.g. for tax reasons, Mauritius being the most prominent example

[11] UNCTADstat, Inward and outward foreign direct investment stock; OECD International direct investment database; Vale Columbia Center

[12] UNCTAD (2013), *Global Investment Trends Monitor - The Rise of BRICS FDI and Africa*

[13] UNCTAD (2010), *Economic Development in Africa Report*

[14] *OECD International direct investment database*

[15] UNCTAD (2007), *World Investment Report 2012*

[16] fDiIntelligence (2012), *The fDi Report 2012*

[17] African Development Bank (2011), *Africa in 50 Years*

[18]Ravallion, Martin (2012), *Benchmarking Global Poverty Reduction*, The World Bank

[19] UNDP (2013), *Human Development Report 2013*

Commons Consultants research

Research Briefings are produced by Commons Consultants' research team. The team's analysis typically builds on data and forecasts provided by international financial institutions and the statistical databases of other international agencies. The real value-added of our research is in the structured examination of the data and the implications relevant to our clients.

Commons Consultants works with global growth companies, emerging market investors and public and non-profit institutions to define and realize strategic priorities.

Our services include:

Strategy: We develop strategies that help our clients recognize and capture opportunities created by global trends, building on insights into the impact of major economic forces.

Project development: We assist clients in developing innovative projects that promote solutions to global resource challenges in commercially viable and sustainable ways.

Project financing: We also specialize in strategic development finance for the private and public sectors.

Our team members will be pleased to answer your queries and share more information:

Peter Utzon Berg, Associate Consultant
Commons Consultants
Kronprinsessegade 46E, Copenhagen, 1306 K, Denmark
Tel. +45 3296 2030, Email: peter.utzon@commonsconsultants.com

commons consultants