CADI

المركز الافريقي للتنمية والاستثمار

Center for Africa Development & Investment

AFRICA MONTHLY REVIEW

January 2024

Tanzania- Second Fastest Growing World Economy

Shrugging off Drought, COVID-19, and the Ukraine War Impacts.

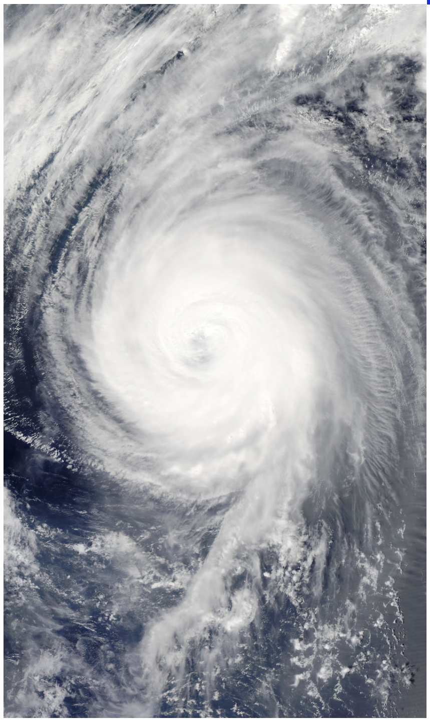
Africa occupied six of the 10 top growing economies in the World, with Ivory Coast (6.6%) and Tanzania (6.2) leading the way (African Nations Dominate Top 10 Economic Growth Spots in 2024). Tanzania boosts a case of steady economic growth prospective puzzle despite the negative impact of COVID-19, which coincided with the 2019-2022 drought and the Ukraine war. This review intends to answer how Tanzania could shrug off these formidable obstacles (COVID-19, drought/climate change, and the effects of the Ukraine war) to achieve such a formidable economic performance.

Formidable Headwinds, but not for Tanzania

Commencing with COVID-19, most countries have endured various types of impacts, and Tanzania is no different. First, the COVID-19 pandemic forced businesses and firms to lay off employees and close borders, which affected the tourism, hospitality, transport, and logistics sectors. The lockdown meant people lost sources of income, worsened by increasing pressure on health services and the social burden of families having to take care of and support sick and unemployed family members. Flower and horticulture exports were affected by the lockdown in import destinations. However, the World Health Organization statistics showed that between 2020 and 2023, the total number of Tanzania COVID-19 deaths was 846, lower than Africa's and the World's averages.

COVID-19 prevention measures such as lockdowns were applied regardless of the number of infected or dead people, and the social and economic effects should be equally severe.

Second, droughts and storms have become more frequent in Tanzania but have risen in line with other countries in the region and the World. Overall, Tanzania is among the top 10 countries in SSA with the highest frequency of natural disasters, given its total number of floods, droughts, and epidemics. Regarding impact, droughts are the types of natural hazards that affect the most significant number of people in SSA due to their effect on rainfed agriculture and food security. Tanzania's population is most vulnerable to droughts and floods. In 2021, drought affected almost 8,000 people per million population. The number of displaced populations from floods is estimated to have increased from 182 in 2016 to 22,680 in 2020 (National Environmental Master Plan for Strategic Interventions (NEMPSI, 2022-2032)). In addition, droughts and floods have caused substantial property damage, including livestock and crops, houses, and infrastructure. Given Tanzania's heavy reliance on increasingly unreliable rainfall, current agricultural production will unlikely ensure food security in the country nor support the current level of food exports. Both floods and droughts could negatively affect food security via lower crop production and higher post-harvest losses. With every event of flood or drought, there is an increase in food insecurity of 5–20 percentage points (IMF, 2020).



Third, the Ukraine war contributed to soaring prices of essential commodities such as edible oil, food products (maize/maize flour, wheat flour, rice), energy fuel, fish products, soap, vegetable products, and fertilizer, which have detrimental implications on rural livelihoods and has disproportionately affected women and girls since they spend more hours on unpaid work on family farms and domestic activities including planning for household consumption basket Furthermore, women in rural communities have relatively low incomes and savings (FinScope Tanzania 2017). Thus, prolonged shocks such as the ongoing crisis expose vulnerable groups to severe food and nutrition insecurity. Unpredictable weather conditions, such as the ones experienced in the last few years, are another risk to agriculture production and rural livelihood. More than 70% of rural women in Tanzania are involved in agriculture and are already experiencing a gender productivity gap of around 20-30%. Tanzania's answer was to expand the domestic production of agricultural commodities such as oil, seeds, and wheat.

Other measures comprised promoting micro-small businesses through training and issuance of low-interest loans to youth and women, strengthening the provision of targeted social assistance programs such as Tanzania Social Action Fund (TASAF), and designing contributory social protection schemes for the informal sector (Impacts of the Russian-Ukraine War on Tanzania)

When COVID-19 regulations were suspended (in 2022), the Tanzania economy returned to the pre-COVID-19 growth rate and was forecasted to be one of the ten fastest-growing African economies. Figure 1 shows Tanzania's GDP growth and consumer price inflation, 2019-2024.

After a modest recovery to 4.9 percent in 2021, real GDP growth is estimated to have slowed to 4.7 percent in 2022, reflecting the impact of global economic conditions and shortfalls in rainfall. In 2023, growth was expected to recover to 5.2 percent as global commodity price shocks subside and the business environment improves. The authorities have responded to the spillovers from the war in Ukraine with a combination of temporary fiscal support and monetary policy tightening. Although Tanzania's inflation is relatively low, partly reflecting low passthrough, the authorities responded to the recent increase in inflationary pressures with temporary fuel and fertilizer price subsidies and tightening liquidity in the financial system (Tanzania and the IMF, April 2023).

Explaining Tanzania's Path from Recovery to Steady Economic Growth

Tanzania submitted its updated National Determined Contribution (NDC) in July 2021, having submitted its first NDC in May 2018. Like many other nations, its obligations must now be implemented as set out in the NDC. At the same time, it attempts to recover from the COVID-19 pandemic, which challenges the rationalization of investments in climate and recovery actions. The impacts of COVID-19 have been far-reaching and affect many sectors, including health, tourism, and transport – all of which are also vulnerable to climate change. However, the successful implementation of NDCs would foster a green recovery from the pandemic. A climate-friendly recovery would help enhance the country's resilience to climate change.

Tanzania implemented fiscal policy interventions to allow the re-growth of business – especially in the tourism, manufacturing, agriculture, and transport sectors—and monetary policy interventions to supply more capital to the private sector to re-ignite business activities. Expand the scope of social safety nets to address the challenges of unemployment, seasonal employment, reduction, etc., and provide Incentives to impacted sectors such as tourism, hotels, aviation, and manufacturing.

The launch of the Third National Five-Year Development Plan (FYDP III; 2021/22 – 2025/26) coincided with the emergence of COVID-19 and two central climate and sustainability conferences – the UN Food Systems Summit and COP26.
These three events significantly constructed the climate change narrative in the FYDP III, which commits to the Paris Agreement through updated National Determined Contributions (NDCs). The domestic political-economy context in 2020 and 2021, when the FYDP III and NDCs were being developed, also seems to have shaped the actions envisioned in the two documents.

In 2019, Tanzania attained lower-middle-income status but quickly slid back to the low-income category owing to the impact of COVID-19. This situation shaped the nature of development interventions in sectors such as energy, industry, transportation, infrastructure, and water, as the political drive to get the country back to middle-income status pushed public mega-investments such as the construction of the 1 219km Standard Gauge Railway and the two 115MW Julius Nyerere Hydropower Station (Tanzania's post-COVID-19 recovery strategy and the NDC). Tanzania implemented fiscal policy interventions to allow the re-growth of business – especially in the tourism, manufacturing, agriculture, and transport sectors—and monetary policy interventions to supply more capital to the private sector to re-ignite business activities. Expand the scope of social safety nets to address the challenges of unemployment, seasonal employment, reduction, etc., and provide Incentives to impacted sectors such as tourism, hotels, aviation, and manufacturing.

The authorities have responded to the spillovers from the war in Ukraine with a combination of temporary fiscal support and monetary policy tightening. Although Tanzania's inflation is relatively low, partly reflecting low passthrough, the authorities responded to the recent increase in inflationary pressures with temporary fuel and fertilizer price subsidies and tightening liquidity in the financial system. The verdict from the IMF is that Tanzania's reform program supported by the Extended Credit Facility (ECF) focuses on completing the pandemic health and economic response, preserving macroeconomic stability, and addressing long-term challenges to support sustainable and inclusive growth, drawing on the government's reform priorities articulated in their Five-Year Development Plan. "Program performance has been strong. All quantitative performance criteria and indicative targets for December 2022 were met (Tanzania and the IMF, December 2023).

Shrugging off COVID-19, the Ukraine war, climate change, and the global economic slowdown shows that Tanzania's policy response has worked, supported by the methodic implementation. Lessons from other African countries still languishing in the economic grey zone of post-COVID-19 doldrums can be learned.

The Arab Bank for Economic Development in Africa (BADEA) Profile

The Arab Bank for Economic Development in Africa (BADEA) is a financial institution established by the League of Arab States to strengthen economic, financial, and technical cooperation between the Arab and African regions. Founded in 1973, BADEA operates with a clearly defined mandate to assist African countries in their development endeavors and reinforce bilateral relations.

Headquartered in Khartoum, Sudan, BADEA embodies Arab-African solidarity and acts as a conduit for development funds earmarked for stimulating growth and alleviating poverty in Africa. Its membership comprises the states of the Arab League, which collectively capitalizes on the bank to facilitate its mission. BADEA's resources are exclusively directed toward contributing to the development of the least developed countries in Africa, symbolizing the commitment of the Arab world to support the material and social advancement of the African nations.

Core Objectives and Operational Focus

BADEA has outlined a multipronged approach that promotes economic development in African nations. It primarily extends loans and provides assistance for financing development projects in various sectors, including agriculture, infrastructure, energy, and industry. Additionally, the bank is actively extending technical assistance for capacity building, project preparation, and feasibility studies, thereby facilitating the increased absorption of development finance.

✦✦✦

In its quest to drive sustainable development, BADEA has adopted a strategic focus encompassing poverty reduction, economic integration, and trade promotion between Arab and African countries. Emphasis is also placed on supporting private sector development to catalyze productive investments and create jobs.

Historical Context and Evolution

Since its inception, BADEA has evolved in response to the changing dynamics of Arab-African cooperation and the broader global development architecture. Recognized as an essential player in South-South cooperation, BADEA has continuously adapted its strategies and operations to align with the development priorities of the African countries it serves.

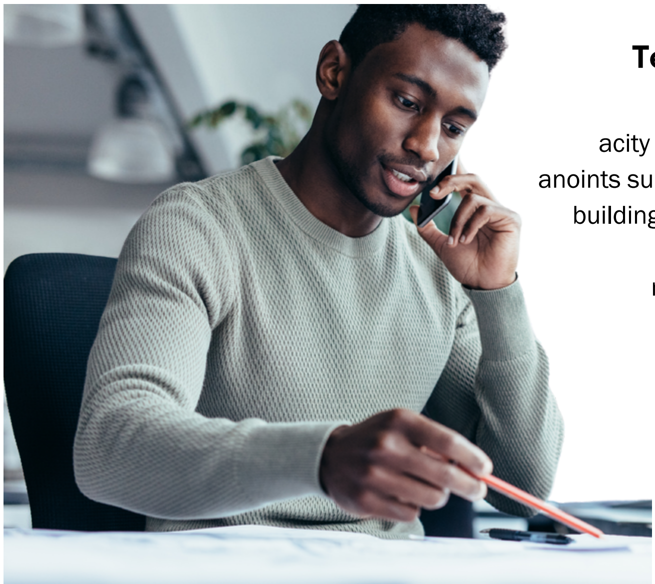
Over the decades, the bank has made significant strides in channeling Arab resources to critical sectors in African countries, aligning its activities with the broader international development goals, including the United Nations' Sustainable Development Goals (SDGs). BADEA's approach to development finance has become more nuanced, incorporating facets of environmental sustainability and social inclusion into its financing modalities.

Financial Instruments and Services

The Arab Bank for Economic Development in Africa (BADEA) operates as a multifaceted financial institution, employing a variety of financial instruments and services to propel development in Africa. BADEA's portfolio includes long-term loans characterized by concessional terms. These loans are tailored to provide fiscal space for African nations, allowing them to invest in critical areas without the immediate pressure of standard commercial lending rates.

A significant aspect of BADEA's operations is its trade financing programs. These programs are strategically designed to enhance intra-African trade and trade between African and Arab nations. BADEA aims to strengthen economic ties and foster regional economic integration by facilitating smoother trade flows.
Moreover, BADEA strongly emphasizes bolstering small and medium-sized enterprises (SMEs) through dedicated lines of credit. This focus recognizes the pivotal role of SMEs in driving economic growth, creating jobs, and promoting diversification in developing economies.
In addition to these financial tools, BADEA also offers grants for technical assistance. These grants are critical in building capacities, transferring knowledge, and enhancing recipient countries' institutional and infrastructural framework.

BADEA's participation in the Heavily Indebted Poor Countries (HIPC) Initiative underscores its commitment to sustainable development. Through this initiative, BADEA has contributed significantly to debt relief efforts for eligible countries. This involvement has been instrumental in aiding numerous African nations to mitigate their debt burdens, thus enabling them to manage their economies better and allocate resources towards development objectives.
The bank's multi-prong approach, ranging from debt relief to trade facilitation and SME support, reflects its comprehensive strategy in addressing the diverse needs of African economies. Such efforts are pivotal in promoting sustainable economic growth and development across the continent.



Technical Cooperation and Capacity Building

acity Building Complementary to its financial assistance, BADEA anoints substantial importance to technical cooperation and capacity building. Through technical assistance programs, the bank plays a pivotal role in fortifying institutional capacities, formulating macroeconomic policies, and supporting public and private institutions.

BADEA's commitment to knowledge sharing is reflected in the financing of educational and training programs designed to bolster the skills and competencies of African professionals. This investment in human capital is envisioned as a cornerstone for sustained and inclusive economic development.

Partnerships and Collaborative Ventures

Understanding the multifaceted nature of development, BADEA actively cultivates partnerships with other international and regional development institutions. These collaborative efforts aim to leverage additional resources, achieve a more significant development impact, and align initiatives with the continent's strategic development blueprint—the African Union's Agenda 2063.

This collaborative ethos has ushered in joint financing of projects, co-financing arrangements, and strategic dialogue with various stakeholders, including African governments, the private sector, and civil society.

Governance and Organizational Structure

The governance structure of the Arab Bank for Economic Development in Africa (BADEA) is meticulously designed to embody principles of accountability, transparency, and operational efficiency. The Board of Governors functions as the paramount decision-making entity at its apex. This board, composed of representatives from BADEA's member countries, predominantly consists of incumbent Ministers of Finance, reflecting the bank's deep entrenchment in the economic fabric of these nations.
The governance model of BADEA ensures that its policies and strategic directions are shaped by individuals who are deeply versed in financial governance and economic policy. The Board of Governors' composition, with a majority of active finance ministers, brings a wealth of practical experience and insight vital for steering BADEA in addressing the complex challenges of development finance in Africa.

The bank's executive leadership currently comprises Dr. Sidi Ould Tah, a distinguished Mauritanian economist serving his second term as president. His leadership is complemented by Dr. Fahad Aldossari, the Deputy Governor for Research and International Affairs at the Saudi Arabian Monetary Authority (SAMA), who serves as the Chairman of the Board of Directors. This leadership duo brings a blend of academic rigor and pragmatic economic management, crucial for BADEA's operations and strategic direction.

On the operational level, the Board of Directors, elected from within the Board of Governors, is charged with implementing the directives established by the higher governance body. A professional cadre of staff and specialists in various development sectors strengthen this operational wing. Their expertise spans multiple fields necessary for comprehensive development, including economic planning, project management, and sector-specific analysis.

This governance framework ensures that BADEA remains aligned with its mission to foster African development. It is guided by strategic insights from leading economic figures and executed by a team of professionals dedicated to achieving sustainable development outcomes. This structure facilitates effective decision-making and anchors BADEA's activities in a solid foundation of expert knowledge and regional insight.

Impacts and Outcomes

The Arab Bank for Economic Development in Africa (BADEA) has indubitably contributed to African development, yielding measurable outcomes across various sectors. The operationalization of essential infrastructure—encompassing roads, bridges, and energy projects—under BADEA's aegis has enhanced interconnectivity and catalyzed considerable improvements in market accessibility, which are quintessential to substantial economic expansion.

An analytical examination of BADEA's project portfolio reveals a salient emphasis on sustainability, whereby economic feasibility assessments are intrinsically coupled with environmental stewardship and socio-economic equity considerations. To elucidate BADEA's role, it is instructive to spotlight several of the institution's most significant and influential undertakings:

01 The COVID-19 Pandemic Response Facility (COPREFA):

Launched in November 2020 in concert with the African Export-Import Bank (Afreximbank) and the International Islamic Trade Finance Corporation (ITFC), COPREFA is a $1.5 billion initiative designed to provide expeditious financial support to African economies in mitigating the repercussions of the pandemic. This strategic allocation of funds underscores BADEA's agility and responsiveness to emergent challenges within its beneficiary nations.

02 Investments in Diverse Developmental Domains:

BADEA maintains a breadth of investments spanning several vital sectors. The August 2020 ratification of agreements totaling over $100 million with West African nations is noteworthy. These encompass initiatives such as a comprehensive road upgrade project in Guinea-Bissau, the erection and provisioning of a university hospital in Côte d'Ivoire, and the advancement of watershed management endeavors in Cabo Verde.

03 Augmentation of Private Sector Engagement:

Reflective of the evolving dynamics within African economic landscapes and the ascending prominence of the private sector in the continent's cross-border economic activities, BADEA, post-2015, has pivoted towards proffering a gamut of funding solutions buttressing private-sector growth.

04 $2 Billion Fund for Localized Restoration Initiatives in Africa:

BADEA's collaboration with Southbridge Investments and AFR100 in crafting a $2 billion fund illustrates its commitment to merging concessional financing with private investment capital. This fund aims to bolster community-led and entrepreneurial restoration projects across Africa, confronting exigencies linked to food and water scarcity, land erosion, and vulnerability to climate change.

05 Advocacy for Forest Regeneration:

Dedicated forest restoration initiatives reside within BADEA's strategic purview, reflecting the understanding that sustainable economic development in Africa must attend to the continent's cardinal function in global climate change mitigation efforts, notably through forestry.

These disparate yet interconnected strands of BADEA's investment and intervention spectrum serve as a testament to its intrinsic commitment to surmount core developmental hurdles in Africa and, more importantly, delineate its contributions to fostering economic growth and promoting sustainable development models within the region. BADEA's endeavors are symbolic of a sustained commitment to entwining the trajectories of economic progress with environmental integrity and social inclusivity, thereby effectuating a balanced and strategic advancement of African nations on the global stage.

Challenges and Future Prospects

The Arab Bank for Economic Development in Africa (BADEA), while commendable in its strides, confronts challenges endemic to many development finance institutions. These challenges include adapting to swiftly evolving economic landscapes and the intricate risks associated with extending credit to less-developed nations. Such risks are multifaceted, often encompassing political, economic, and social uncertainties.

BADEA is strategically aligning itself to tackle burgeoning global issues in anticipation of future demands. Foremost among these is the imperative of climate change adaptation—a task of unprecedented scale and complexity. This entails addressing the environmental impacts and the socio-economic transformations required for sustainable development. Additionally, BADEA focuses on catalyzing digital transformation in Africa, a critical step in bridging the digital divide and fostering inclusive growth in Africa. The digital leap could unlock significant economic benefits, enhancing productivity and innovation and providing new market opportunities. Furthermore, BADEA is dedicating efforts to assist post-crisis recovery in regions afflicted by political and economic upheavals. This approach underscores the bank's commitment to stability and sustainable development, even in adversity.

BADEA's role transcends a mere financial institution; it is a vital conduit for the aspirations and potential of two dynamically intertwined regions. By fostering cooperation, partnerships, and capacity-building initiatives, BADEA contributes to the African continent's economic prosperity and fortifies the symbiotic relationship between Africa and the Arab world. Through its innovative development finance solutions, BADEA exemplifies a dedicated commitment to crafting a prosperous and sustainable future for Africa, mirroring the broader objectives of the Arab world in supporting African development.

Redefining Globalization at Davos 2024: Charting a Path towards Inclusivity and Equity

Over the last four years, the global economy has experienced a marked slowdown across multiple economic indicators. This period has witnessed a notable stagnation in trade growth, a departure from previous trends. This slowdown is attributable to a complex interplay of factors, including the widespread disruptions caused by the COVID-19 pandemic, heightened geopolitical tensions, and the impact of climate change. These elements have collectively led to significant upheaval in global supply chain networks.

Simultaneously, there has been a discernible shift towards economic protectionism. This is reflected in the growing preference for strategies such as near-shoring, re-shoring, and on-shoring of operations. Such strategies indicate a move away from the highly globalized economic framework that characterized the previous era. This transition suggests a reevaluation and potential restructuring of global economic interactions as nations and businesses adapt to the evolving challenges and uncertainties of the international economic landscape.

A recent and rigorous assessment of global economic trends has identified a significant inflection point: the progression towards a deeply embedded globalized world (the once-unchallenged norm of free trade) has veered off course in the post-2020 era. This assertion was articulated by Khaldoon Khalifa Al Mubarak, the CEO and Managing Director of the Abu Dhabi-based Mubadala Investment Company, during his contributions to the 'No Recovery without Trade and Investment' panel at the World Economic Forum Annual Meeting 2024. Al Mubarak contended that this diversion from the conventional trajectory of globalization implies substantial geopolitical and economic ramifications.

In his analytical discourse, Al Mubarak elucidates the intricate nexus between comprehensive economic growth and the cultivation of affluence in society. He posits that this affluence is not just a measure of prosperity but the bedrock for establishing socio-political stability. Al Mubarak elevates the concept of stability, framing it not merely as a beneficial state but as an essential precondition for nurturing and sustaining peace.

This perspective brings to the fore the imperative to critically reassess current globalization strategies, especially considering their enduring impact on global dynamics. Al Mubarak's insights underscore the significance of economic development as a pivotal element in forging a stable and peaceful international order. The discourse thus advocates for a thoughtful engagement with globalization, either in its existing form or through a reimagined approach, emphasizing a global marketplace where participation is geared towards mutual benefit and collective stability. This re-evaluation is crucial for shaping a world where economic progress and socio-political stability are harmoniously aligned, contributing to a more equitable and peaceful global environment.

In the same analytical vein and concurrent panel discussion as Al Mubarak, World Trade Organization (WTO) Director-General Ngozi Okonjo-Iweala contributed a salient perspective to the discourse on international trade and post-globalization economic paradigms. Amidst scrutinizing emergent growth models, Okonjo-Iweala proffered a critical imperative for leaders and policymakers: to architect frameworks of economic integration that transcend the limited inclusivity of antecedent systems. "We must contemplate the construct of globalization with a renewed vision to guarantee participation and benefit-sharing among those who were relegated to the periphery in the preceding epoch," she professed.

✦

Ngozi Okonjo-Iweala's thesis presents a penetrating analysis of the discontents of globalization, focusing on the marginalization of underprivileged groups within affluent societies and the sidelined status of developing nations. The WTO Director illuminated the root causes of the growing skepticism towards globalization. This skepticism, she argued, stems from the inequitable distribution of the benefits derived from international trade and economic integration.

Okonjo-Iweala's argument is predicated on the observation that while globalization has propelled economic growth and advancement in specific sectors and regions, it has concurrently exacerbated inequalities within and between nations. Her thesis scrutinizes the asymmetrical allocation of globalization's dividends, highlighting that while some individuals and governments have reaped substantial benefits, others have been left behind, fostering a sense of disenfranchisement. This disparity has led to widespread disillusionment and prompted a critical reevaluation of the purportedly equitable nature of globalization. Okonjo-Iweala's analysis points to a fundamental flaw in the architecture of global economic integration, where the gains are not universally shared, thereby fueling discontent and challenging the legitimacy of globalization as a force for universal good.

Her exhortation proposed an imperative re-imagining of globalization, predicated upon an ethos of equitable distribution and overarching inclusivity. In shaping a novel paradigm, it is incumbent to circumvent replicating the errors of past iterations of globalization. Rather than a redux of a model that consigned sections of society within developed and developing nations to economic obscurity, there is a clarion call to cultivate a model that proactively uplifts and integrates these segments into the economic mainstream.

This emerging paradigm Okonjo-Iweala referenced requires the assemblage of multidimensional strategies to bolster the economic standing of the global underprivileged stratum. It necessitates a departure from the prevailing narrative where economic liberalization and integration have historically been skewed in favor of the advantaged, exacerbating inequality.

The discourse concerning the restructuring of globalization revolves fundamentally around reforming its mechanisms to promote equitable participation and benefits. This concept extends beyond mere policy adjustments, aiming for a comprehensive economic democratization. As articulated by Ngozi Okonjo-Iweala, the World Trade Organization (WTO) possesses a paradigm capable of facilitating this transformative process, which she defines as a refined approach to globalization.

Okonjo-Iweala advocates for strategic diversification of supply chains and the decentralization of over-concentrated sectors and geographical regions by integrating developing countries and other areas with conducive business environments. This strategy is not merely theoretical but is evidenced by practical initiatives, such as the burgeoning collaboration between European economies and African nations. A pertinent example is the partnership between Rwanda and the European Investment Bank, aiming to bolster investment in essential raw material value chains, announced in December.

This perspective is not isolated but resonates with views expressed by other experts in the field, including Canadian Deputy Prime Minister Chrystia Freeland. Freeland emphasizes the necessity of framing economic policies through a lens that prioritizes the welfare of the populace. The collective sentiment advocates for an inclusive and progressive globalization towards uplifting the quality of life for individuals, particularly those in marginalized communities and developing countries. This vision for globalization underscores the need for a recalibrated, humane, and equitable approach, ensuring that the fruits of global economic integration are shared more broadly and justly.

Ivory Coast Tops the World Economic Growth

African economies suffered from the slowdown of the World economy, conflicts and political tensions, post-COVID-19, climate change, military coups, and the adverse economic effects of the Ukraine war. However, the region is expected to rebound next year, with growth increasing to 4.0 percent from 3.3 in 2023. In 2024, African economies are expected to rise in four-fifths of sub-Saharan Africa, with solid performances in non-resource-intensive countries.

Macroeconomic imbalances are also improving - inflation is falling for most of the region, and public finances are gradually being put on a more sustainable footing. Africa comprises half of the world's top-10 performing economies. These 10 African countries are Ivory Coast (6.6%), Ethiopia (6.2), Tanzania (6.1), Uganda (5.7), Kenya (5.3), DRC (4.7), Angola (3.3), Nigeria (3.1), Ghana, (2.7), and South Africa (African Nations Dominate Top 10 Economic Growth Spots in 2024). This impressive economic growth performance is a tall order for a continent that has often been written off as good economic news is far and in between

Three African countries top the World economic growth list: Ivory Coast (6.6), Ethiopia 6.2 and Tanzania 6.1. However, Tanzania is expected to be second as Ethiopia has defaulted on its foreign debt (World Bank, 2023).

This CADI Africa Monthly Review is one of two reports celebrating Ivory Coast and Tanzania's economic performance. This report intends to explain how the Ivory Coast can shrug off its myriad of obstacles and the factors that propelled it to this caveated position in world economic growth prospects.

Economic Context

Ivory Coast is the world's largest producer and exporter of cocoa (30% of the world's production), one of the three biggest producers and exporters of cashew nuts, and a major exporter of palm oil, coffee, and oil. The country's economy is mainly based on agriculture. The primary commodity sector contributes 19.9% of the GDP and employs 40% of the country's active population.

The government is trying to maximize agricultural output by developing raw material processing units to add value to exports.

It launched a five-year (2018-2023) plan funded by the World Bank, valued at West African CFA Franc (XOF) 107 billion and aiming at making the cashew sector more profitable. In recent years, rubber output has increased substantially. The oil sector has gained weight over the past few years, leveraging a steady growth rate and significant investments. Ivory Coast has some mining activities, particularly of precious minerals, such as gold and diamonds, and others like nickel. The industrial sector contributes 21.4% of the GDP and employs 13% of the active population (World Bank).

The country's leading industrial sectors include food processing, textiles, construction materials, fertilizers, tuna canning and motorbikes, vehicles, and bicycle assembling. Like many other African countries, the tertiary sector has grown relatively rapidly in the last several years. The telecommunications sector is booming and, together with other sectors, is a crucial driver of services. The services sector contributes to 52.2% of the GDP and employs 47% of the workforce (The economic context of the Ivory Coast).

✦✦✦

Ivory Coast development strategies and policies aimed to augment primary product value addition through industrialization are the main contributors to its commendable economic growth amid the formidable challenges highlighted in introducing this Monthly Review.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP (billions USD)	70.18	79.43	86.89	94.47	102.31
GDP (Constant Prices, Annual % Change)	6.7	6.2	6.6	6.4	6.3
GDP per Capita (USD)	2,473	2,728	2,909	3,082	3,253
General Government Gross Debt (in % of GDP)	56.8	56.8	57.0	56.1	55.3
Inflation Rate (%)	n/a	4.3	2.3	2.0	1.9
Current Account (billions USD)	-4.57	-3.73	-3.33	-3.34	-3.01
Current Account (in % of GDP)	-6.5	-4.7	-3.8	-3.5	-2.9

Table 1 shows the progress of Ivory Coast's GDP per capita growth and inflation, consumer prices (annual %), reflecting its over 6% GDP growth, which is above the African (3.8) and the World (2.4) average.

Ivory Coast Sustained Economic Growth 2012-2023

Côte d'Ivoire, the world's leading cocoa and cashew producer, is experiencing one of the fastest sustained economic growth rates in Sub-Saharan Africa in over a decade. With real GDP growth averaging 8.2% between 2012 and 2019, Côte d'Ivoire successfully contained the COVID-19 pandemic and maintained a 2% rate in 2020. In 2021, Ivory Coast returned to its earlier high-growth trajectory and continues to play a central role as a regional economic hub and host country for many nationals from the Economic Community of West African States (ECOWAS) and elsewhere. In 2022, Ivorian economic activity remained robust despite facing challenges from Russia's invasion of Ukraine, global monetary tightening, and growing political instability in the West African Economic and Monetary Union (WAEMU). Despite rising import prices, global and domestic interest rates, and declining external demand, economic growth is forecast to fall from 7% in 2021 to 6.7% in 2022 (World Bank, 2023)—continued investment in network infrastructure, particularly in the digital and transport sectors.

The Ivorian economy's commendable economic growth was challenging. In 2022, it has faced adverse spillovers from the war in Ukraine and global monetary tightening. Indirect and direct subsidies to curb price pressures, higher security spending, and worsening terms-of-trade amid robust domestic demand had led to a widening of macroeconomic imbalances in 2022. has faced adverse spillovers from the war in Ukraine and global monetary tightening. Indirect and direct subsidies to curb price pressures, higher security spending, and worsening terms-of-trade amid robust domestic demand had led to a widening of macroeconomic imbalances in 2022 (Côte d’Ivoire: 2022 Article IV IMF Consultation).

Inflation averaged 5.2% in 2022, marking its highest level in a decade, driven by rising food, transport and energy prices. Nevertheless, the short- and medium-term economic outlook remains positive, albeit slightly below pre-COVID-19 levels. This optimism is underpinned by a solid commitment to macroeconomic stability and ongoing structural reforms in line with the National Development Plan (NDP 2021-2025).

Explaining Ivory Coast's Economic Growth Success

Ivory Coast's growth was driven mainly by the extractive industry, manufacturing, construction, retail trade, telecommunications, private and public investment, and private consumption. Inflation rose from 4.2% in 2021 to 5.2% in 2022, induced mainly by higher food prices due to inadequate local supplies and by the higher cost of transportation caused by increased global energy prices. To maintain the population's purchasing power, the government subsidized oil prices in the first quarter of 2022, upgraded civil service salaries, and capped the price of mass-market products. Industrial and service sectors and the government's fiscal measures to control price rises also contributed to this economic performance in 2023. and the exploitation of recent oil discoveries, combined with prudent macroeconomic policies, should boost business confidence and productivity. Projects to develop value chains have the potential to improve agricultural productivity and boost manufacturing, underpinning long-term growth prospects (Côte d'Ivoire and the IMF,2023).

GDP is projected to grow 7.2% in 2023 and 7.0% in 2024 as the reforms and investments in the National Development Plan (NDP) 2021–2025 accelerate and production starts at the Baleine gas and oil field discovered in 2021–22. Growth could be fuelled by several sectors (energy, construction, mining, agribusiness, trade, telecommunications, and agriculture), as well as investment and consumption. Inflation is projected to fall to 3.7% in 2023 and 2.7% in 2024 due to increased local food supplies and the continued fight against the high cost of living.

The budget deficit is projected to narrow to 5.2% of GDP in 2023 and 4.1% in 2024 due to more significant mobilization of domestic resources and better control of public spending. The current account deficit is projected to widen to 6.1% of GDP in 2023 and 6.0% in 2024 due to higher NDP investment. Possible headwinds include a deteriorating political climate following local elections in 2023, the ongoing effects of Russia's invasion of Ukraine, a resurgence of the COVID-19 pandemic, and a decline in the price of agricultural raw materials (Côte d'Ivoire Economic Outlook,2023).

Under the Extended Credit Facility and the Extended Fund Facility (ECF/EFF) arrangements, the authorities have started decisive fiscal consolidation in 2023, including through increased domestic revenue mobilization. They also pursued the implementation of their national development plan through critical structural reforms to improve the business climate and the private sector's involvement in the country's development. Growth has remained resilient, estimated at 6.5 percent in 2023, while both the current account and budget deficits are projected to shrink compared to 2022 by 1.6 and 1.1 percent of GDP, respectively.

High-quality and permanent tax policy measures and tax and customs administration reforms will underpin continued fiscal consolidation envisaged in the 2024 budget. These will support reaching the West African Economic Monetary Union (WAEMU) deficit target of 3 percent of GDP by 2025 and reduce the country's debt sustainability risks. "Sustaining domestic revenue mobilization over the medium-term remains a clear priority to generate the fiscal space needed to finance more profound economic transformation towards upper middle-income status.

✦✦✦

To this end, the development, publication, and implementation of the Medium-Term Revenue Strategy (MTRS) will require significant engagement with stakeholders to ensure buy-in for the requisite overhaul of the tax system, and in particular, streamlining or eliminating Value Added Tax (VAT) exemptions and tax expenditures (IMF Executive Board Reviews of Ivory Coast, December 2023).

In a nutshell, Ivory Coast's GDP growth has been driven by sustained public investment and strong domestic consumption, agro-industrialization, and the growth of the industrial and service sectors. These developments have been supported by the government's fiscal policies to control inflation and the expansion of digital network infrastructure.

CADI

المركز الافريقي للتنمية والاستثمار

Center for Africa Development & Investment