



Driving Growth and Development

IPA's Insights from the

African Economic Outlook

2022

PREFACE

In **2022**, African economies demonstrated remarkable resilience as they navigated the challenging aftermath of the COVID-19 pandemic. Despite facing dynamic shocks such as global financial tightening, spillover effects from Russia's invasion of Ukraine, subdued global growth, and persistent climatic threats, Africa managed to consolidate its recovery. The continent achieved an estimated 3.8 percent real gross domestic product (GDP) growth in 2022, surpassing the global average of **3.4** percent. Notably, all but two African countries posted positive growth rates, highlighting Africa's ability to withstand adverse circumstances.

Stable Growth Outlook for Africa

Looking ahead, the African Economic Outlook projects a positive and stable growth outlook for the medium term. The report anticipates a rebound to 4 percent in 2023, further strengthening to **4.3** percent in 2024. In 2023, **18** African countries are expected to experience growth rates surpassing 5 percent, with this number set to increase to **22** in 2024. These projections are reinforced by anticipated improvements in global economic conditions, driven by China's reopening and a downward adjustment of interest rates as the effects of monetary policy tightening on inflation begin to bear fruit.

Private Sector and Africa's Growth Potential

To unlock Africa's growth potential, the report emphasizes the role of the private sector in financing climate action and green growth. Alternative sources of financing are needed, with an estimated **\$2.6 trillion to \$2.8 trillion** required by 2030 for climate commitments. The report highlights the importance of economic diversification and improved governance of natural resources. It also introduces the Climate Action Window, a program to mobilize funds for climate resilience in low-income and fragile states, amounting to **\$429 million**.

PREFACE

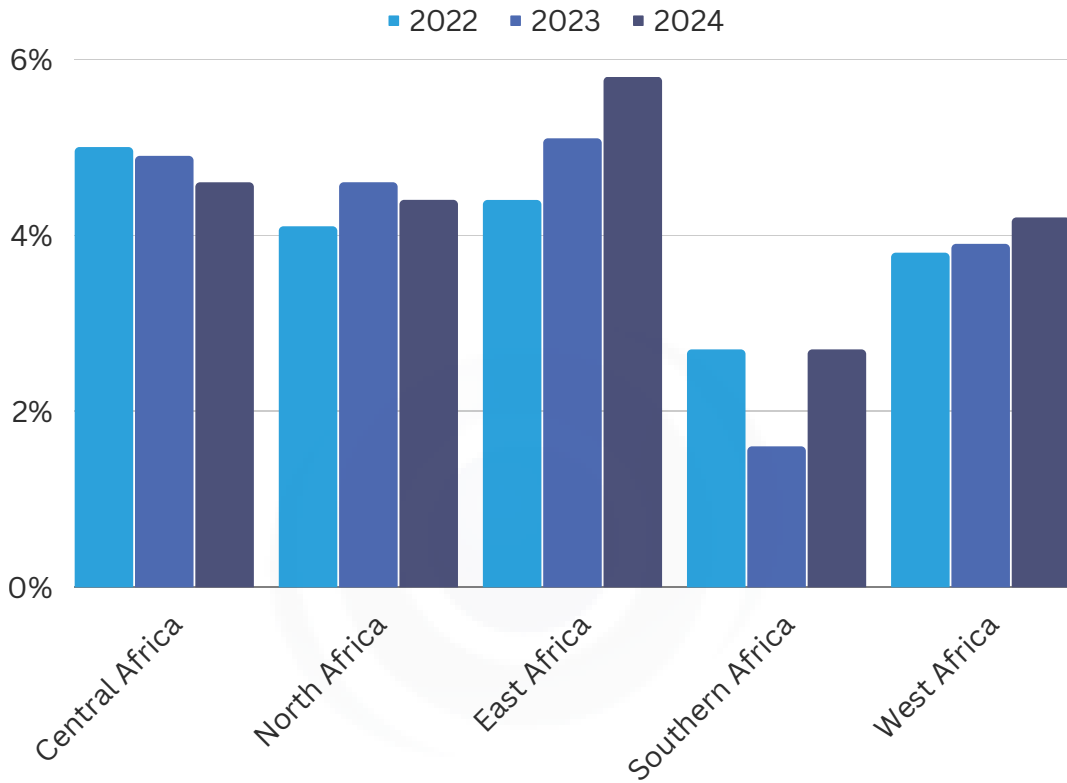
Funds for Africa's Climate Commitments

The African Economic Outlook (AEO) report for 2023 underscores the pressing requirement for significant financial resources, ranging from **\$2.6 trillion to \$2.8 trillion**, by 2030 to ensure the successful implementation of Africa's climate commitments. Moreover, the report emphasizes the considerable potential of Africa's natural capital and introduces a groundbreaking initiative known as the Climate Action Window. This innovative program aims to mobilize funding amounting to **\$429 million**, specifically dedicated to climate adaptation efforts in low-income and fragile states. The Climate Action Window serves as a crucial mechanism for mobilizing funds and supporting climate resilience in Africa, addressing the urgent need for financial resources in the region.

How did African economies demonstrate resilience and mobilize climate resilience funds?

African economies displayed resilience amid challenges, achieving positive GDP growth rates. The Climate Action Window, introduced with an allocated amount of **\$429 million**, mobilizes funds for climate resilience in Africa's low-income and fragile states, addressing climate adaptation efforts. African economies showcased resilience by achieving positive GDP growth rates, and the Climate Action Window, with an allocated amount of **\$429 million**, was introduced to mobilize funds for climate resilience in Africa's low-income and fragile states, supporting climate adaptation efforts and sustainable development in the region.

GROWTH PROJECTIONS ACROSS AFRICA



**GROWTH PROJECTION:
5.0% TO 4.6%**

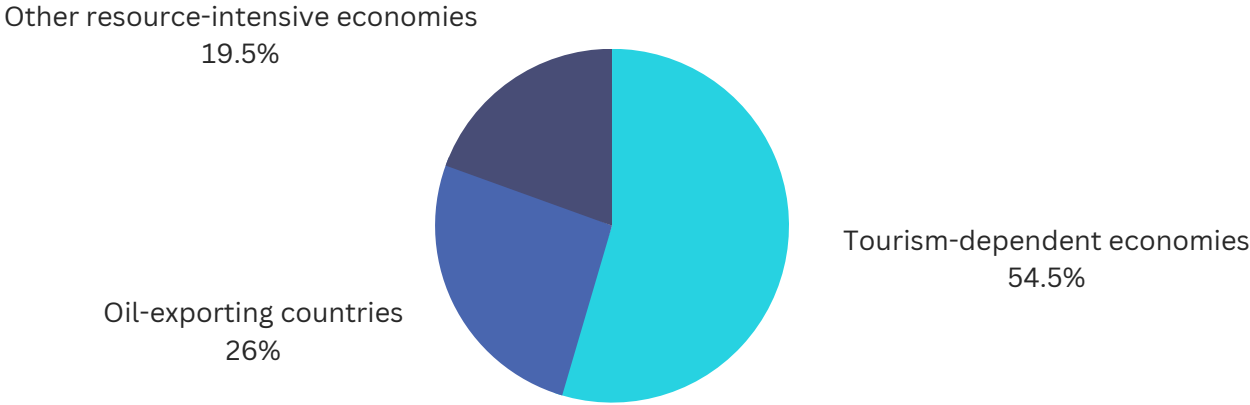
**GROWTH
PROJECTION:
3.8% TO 4.2%**





**GROWTH
EXPECTATION:
4.4% TO 5.8%**

**GROWTH FORECAST:
2.7% TO 2.7%**

VARYING GROWTH TRENDS



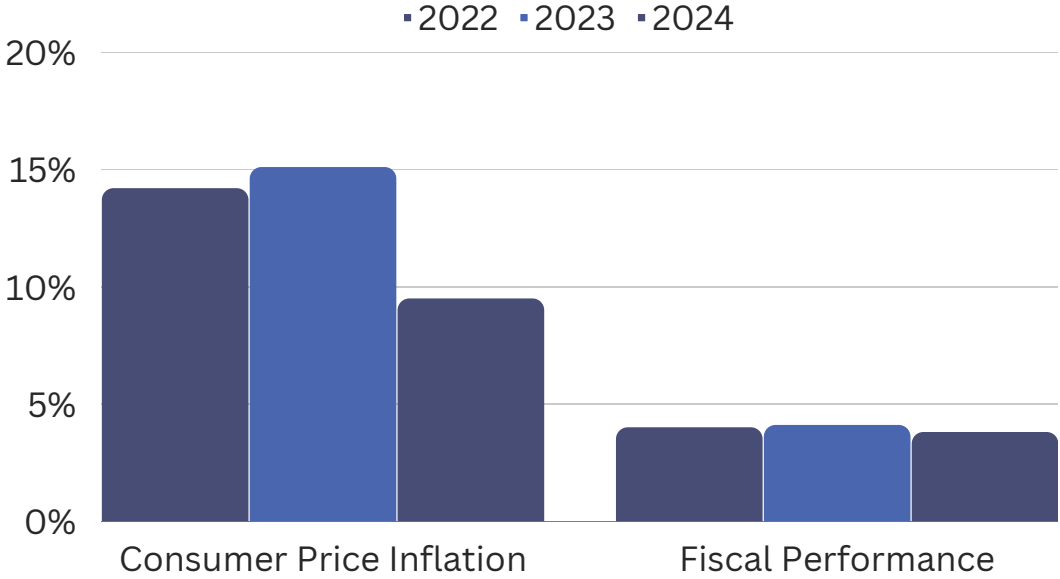
 **Tourism-Dependent Economies:** Declining growth from **8.4%** in 2022 to **4.9%** in 2023 and **4.4%** in 2024.

 **Oil-exporting countries:** Strengthening growth from **4.0%** in 2022 to an average of **4.2%** in 2023 and 2024.

 **Other resource-intensive economies:** Projected decline from **3.0%** in 2022 to **2.4%** in 2023, with a recovery to **3.5%** in 2024.

 **Non-resource-intensive economies:** Sustained resilience with average growth accelerating to **5.0%** in 2023 and **5.6%** in 2024.

AFRICAN ECONOMIC SNAPSHOT



The consumer price inflation in 2022 stood at **14.2%**, accompanied by a narrowing fiscal deficit of **4%** of GDP.

This reduction in the fiscal deficit indicates improved fiscal management, contributing to the control of inflationary pressures.

Looking ahead, the projected consumer price inflation for **2023** is **15.1%**, highlighting the importance of continued efforts to maintain fiscal stability.

The fiscal deficit is expected to stabilize at **4.1%** in 2023 and potentially narrow further to **3.8%** in **2024**.

These figures demonstrate the crucial role of fiscal policies in managing inflation and promoting economic stability.



Current Account Positions

Net oil exporters - Surplus of **1.4%** of GDP in 2022

Africa's average current Account Deficit - Widened to **2.1%** of GDP in 2022

Public Debt

Expected to increase to **66%** of GDP in 2023 and stabilize around **65%** in 2024.



Private Climate Finance

*Private climate finance in Africa needs to increase by approximately **36%** per year.

\$2.8T Required for Africa's climate action ambitions.
\$213.4B for Africa's private Climate Finance Gap.

Our analysis of the African Economic Outlook 2022 report by (AfDB) reveals significant opportunities for Egyptian private sector companies in infrastructure development. Here are the key points to consider:

- **Infrastructure Investment:** Egypt's infrastructure sector offers immense potential. Focus on strategic projects such as transportation, energy facilities, and urban development initiatives to maximize returns.
- **Public-Private Partnerships (PPPs):** Collaborate with the government in sectors like transportation, energy, water, and telecommunications. PPPs provide access to finance, regulatory stability, and opportunities to leverage your expertise.
- **Renewable Energy:** Egypt's progress in solar and wind energy creates investment prospects. Consider partnering with international players to access technology, expertise, and global markets.
- **Transport and Logistics:** Egypt's location as a regional transport hub presents opportunities based on the Egyptian expertise in transport sector.
- **Urban Development:** Smart cities and sustainable urban infrastructure are in high demand due to rapid urbanization. Specialize in urban planning, construction, and technology integration to contribute to this sector's growth.

To enhance your competitiveness

- **Regulatory Environment:** Advocate for streamlined processes, transparency, and fair competition. Engage with stakeholders to influence regulatory reforms and create a business-friendly environment.
- **Access to Finance:** Explore partnerships with local and international financial institutions for project finance, venture capital, and green bonds. Diversify your funding sources to support infrastructure projects.
- **Capacity Building:** Invest in developing technical skills and project management capabilities within your workforce. Collaborate with educational institutions and vocational training centers to bridge skill gaps.
- **Seize the Investment Opportunities** in climate-smart and low-carbon sectors, such as renewable energies, electric vehicles, energy-efficient buildings, climate-resilient infrastructure, improved agricultural production, and resilient water resources, present lucrative prospects for the private sector. Additionally, Africa's growing ICT market, projected to grow from \$95.4 billion in 2020 to \$104.2 billion by 2023, offers further avenues for investment.



IPA brings specialized expertise in public policy and a strong commitment to assisting Egyptian businesses in African markets. With a wealth of experience collaborating with African governments and regional financial institutions, we are well-equipped to navigate the complexities of these markets.

Drawing on our knowledge and experience, IPA actively promotes favorable conditions for private sector engagement in Africa. Through research, insightful policy recommendations, and strategic matchmaking, we facilitate private sector investments in key areas such as infrastructure, climate-smart technologies, and sustainable development opportunities. By partnering with IPA, Egyptian businesses gain access to valuable resources and expertise, enabling them to capitalize on the vast potential of African markets.

Our objective is to drive sustainable growth, cultivate mutually beneficial partnerships, and foster economic development that benefits both Egypt and the African continent as a whole.



ipa@influence-me.com