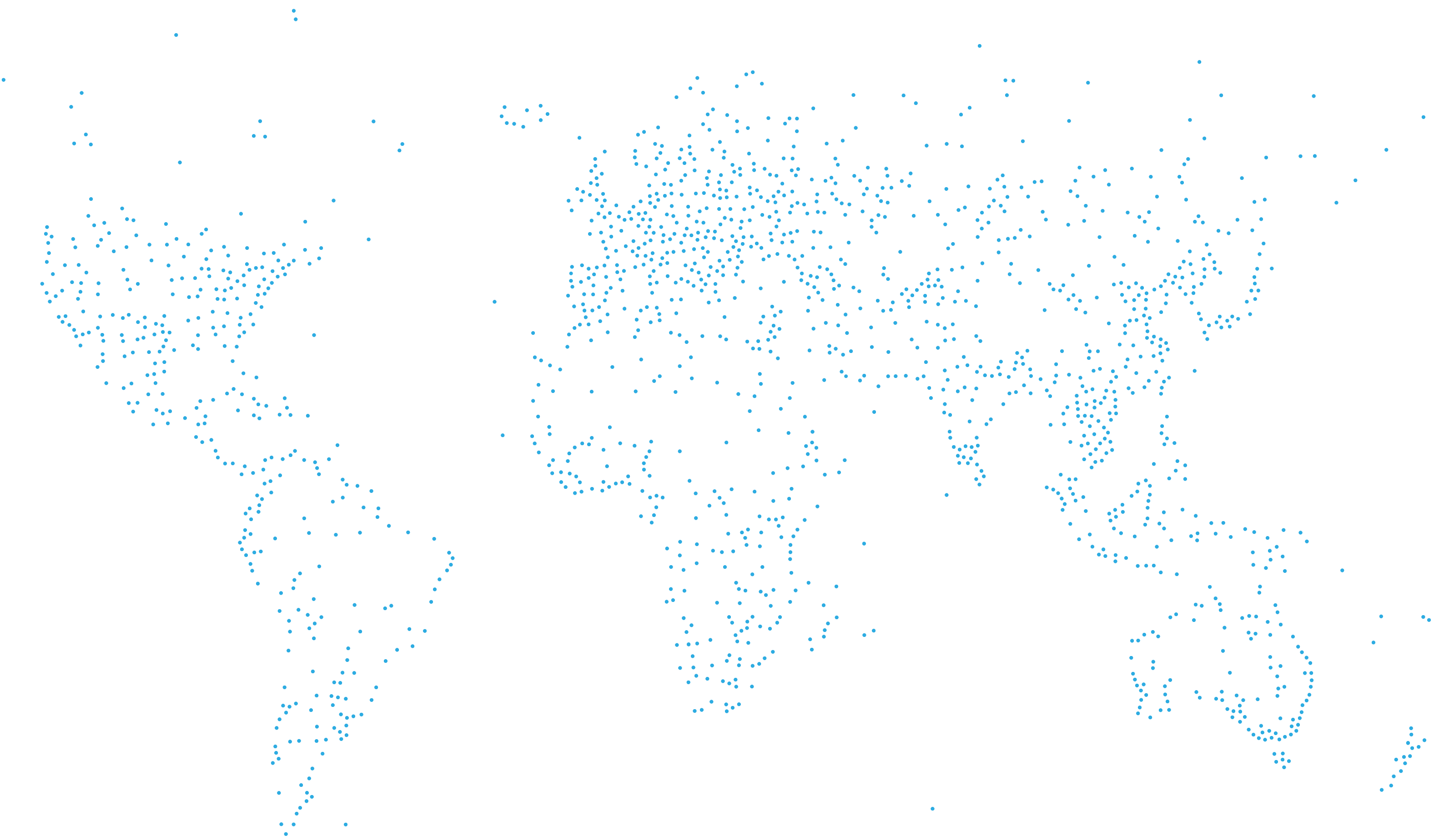
An Oxford Analytica Briefing Book

Oxford Analytica

Special Background Briefing Book for World Bank Group and the International Monetary Fund Annual Meetings 2017

Washington, DC – October 9-15, 2017



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Foreword

David K. Young
Global Managing Director
Oxford Analytica

World Bank Group and IMF Delegates:

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Selected articles provide analyses on the main topics addressed in the meeting agenda.

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Do contact us at client.services@oxford-analytica.com if you would like to learn how we can help you.

Yours sincerely,

David K. Young,
Global Managing Director
Oxford Analytica

Public-private partnerships will expand in Gulf states

Wednesday, September 6, 2017

Fiscal constraints are driving the rush for better business legislation in the Gulf Arab countries

Naseej Chairman Khalid Abdulla-Jahani poses next to a picture of a projected public-private partnership project, Manama (Reuters/Hamad I Mohammed)

Abu Dhabi will on September 10 hold an introductory workshop for companies interested in a public-private partnership (PPP) scheme for refitting street lights across the emirate. Gulf governments are increasingly turning to PPPs to finance infrastructure and other projects in response to tight public finances. Most countries in the region have developed or are developing legal structures to manage PPPs, and the first round of projects have come to tender.

What next

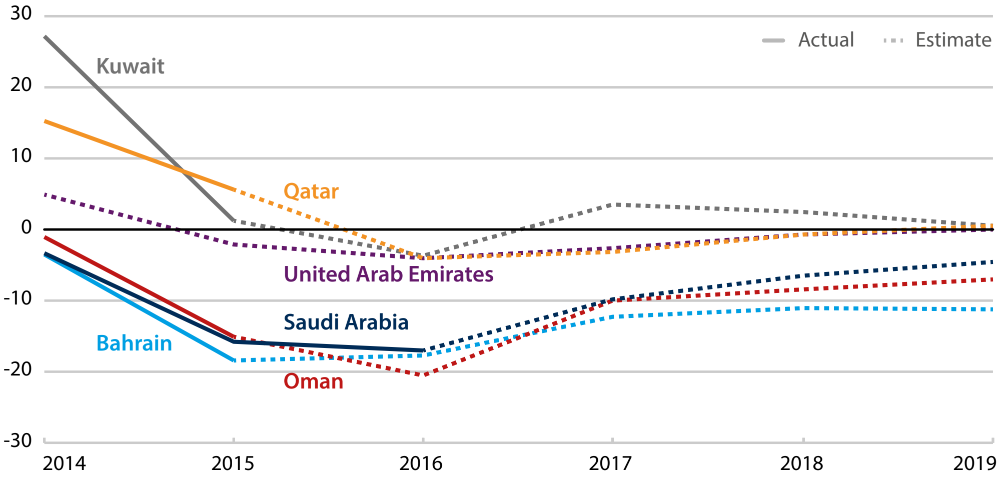
With fiscal situations likely to remain constrained, usage of PPPs will expand steadily. This could ease Gulf governments' capital expenditure demands. However, government agencies may struggle in the tendering of complex projects, leading to delays. Poorly scoped projects could also store up problems for the future.

Subsidiary Impacts

- The large number of PPP projects likely to come to market across the region might make it harder to secure financing for them all.
- Lower capital expenditure costs from successful PPPs could reduce Gulf states' bonds issuance.
- Foreign investors in long-term PPP projects will want reassurances on business environment stability in light of the Qatar boycott.

Analysis

The collapse in oil prices that began in 2014 has pushed all of the Gulf Arab states into fiscal deficits, for the first time in over a decade in some cases (see GULF STATES: New taxes will not plug fiscal deficits - June 29, 2016). Elsewhere, existing deficits widened to double-digit levels.



Gulf states: Projected budget balances (% of GDP)
Source: International Monetary Fund, World Economic Outlook Database, April 2017

These governments see PPPs as a tool to enable the continuation of infrastructure rollout plans in a more fiscally constrained environment (see GULF STATES: Privatisation will face obstacles - September 14, 2016).

Power PPPs established

The first PPP projects in the region were in the power and water desalination sector -- termed independent (water and) power plants, or I(W)PPs. These began in the mid-1990s when governments were also fiscally constrained by a previous bout of low oil prices and struggled to finance the large plants needed to meet growing demands.

In the last two decades, all six Gulf Cooperation Council (GCC) states have utilised this model to varying degrees, including recently for solar power plants. The very first of the IPPs, Manah in Oman, is now nearing the end of its 25-year contract and is set to transfer to government ownership in 2020.

> Pioneer power and water projects mostly succeeded

There is a broad consensus that the partnerships in the power sector have been effective. Projects were usually completed within their allocated time frame, kept up with the region's rapid demand growth and operated with few problems.

The fact that the model was utilised even in the Gulf's wealthiest states and during the height of the oil boom demonstrates that it was seen as delivering wider benefits than simply relieving pressure on state budgets.

This broad experience in the power sector has provided a model of how PPPs can deliver high-quality infrastructure. However, there have also been frustrations in some cases, such as the long procurement delays for power plants such as Al-Zour North in Kuwait, resulting from bureaucratic shortcomings and political obstacles.

Legislation developed

Most countries in the region have legislation governing I(W)PPs, but Kuwait was the first to develop a broader PPP law in 2008 and to create a dedicated agency, the Partnerships Technical Bureau (PTB), to manage PPP tenders.

However, shortcomings in the law and the agency, together with an obstructionist political environment, meant that it only awarded one contract. This led to revised legislation in 2014 and the formation of a new body with greater authority, the Kuwait Authority for Partnership Projects (KAPP), which replaced PTB in 2015, together with a new structure to encourage foreign investment.

> Dubai's law seems a more effective model than Kuwait's

Most other Gulf states are following Kuwait's lead, albeit at differing paces and with laws that vary considerably in their terms. Dubai passed a PPP law that, unlike Kuwait's, does not require investors to make an initial public offering of shares in the project company.

The Dubai law came into force in November 2015 and the emirate has invited its first tenders. At a federal level, the United Arab Emirates (UAE) is also considering a PPP law or looser framework based on the Dubai model.

GCC States: PPP law

Countries without a PPP law now realise that this puts them at a disadvantage, and are moving towards legislation:

- Qatar and Oman have both drafted PPP laws due to be enacted before the end of 2017.
- Saudi Arabia has begun tendering PPP projects under its existing procurement law but is considering dedicated legislation to facilitate the process.
- Bahrain began developing a PPP law in 2014, although there is no information on its current status.

Projects tendered

A handful of PPP-style projects were awarded even during the years of high oil prices. Examples were the Al-Wathba wastewater plant in Abu Dhabi in 2008 and Medina airport in Saudi Arabia in 2012.

In the new fiscal context,there has been a big uptick in the number of projects being considered for PPPs. These stretch beyond further power and water projects into a range of sectors:

- Open tenders in Kuwait cover railways, hospitals, schools and residential accommodation.
- In Dubai, the focus has been on transport, with a large car-park awarded in 2016 and a tender underway for Union Oasis station, a metro hub.
- Qatar's expected tenders include a World Cup football stadium and hospitals: so far, these seem not to be fundamentally affected by boycott, although there may be less competition among investors concerned about supply lines.
- Four more Saudi airports (in Taif, Yanbu, Hail and Al-Qassim) have been awarded as PPPs in 2017, with more expected to follow.
- Sultan Qaboos Medical City in Oman was structured as a PPP in 2016; further projects are planned in the transport, health and education sectors.

Investors are showing some enthusiasm; more than 100 firms expressed interest in a proposed Bahrain-Saudi causeway PPP tender.

Challenges

Nevertheless, the difficulties Kuwait has faced -- awarding just one PPP project, and none outside of the power sector, after nearly a decade -- are instructive. Kuwait's political system presents unique challenges, but other Gulf states may also struggle to formulate appropriate incentives and protections for investors or to implement transparent tender processes.

There is a general positive trend in all these areas. The World Bank in its latest Doing Business report noted reforms in Saudi Arabia and the UAE protecting minority investors. Nevertheless, across the region, developing adequate in-house expertise on PPPs could be a problem, with over-reliance on consultants for each project.

Further down the road, there is a danger that, while PPPs may reduce the state's short-term capital expenditure, they could increase the long-term costs for the state and service users. A key assumption justifying PPPs is that privately implemented projects are more economically efficient. Whether or not this proves true will depend heavily on how the regulatory and competitive environment is structured.

If the PPPs are effective monopolies, then there may be little incentive to bring down costs for the users and government, or to improve quality. Equally, government entities may not make a smooth transition from operator to regulator -- functions that require different structures and skills.

Ageing adds urgency to China's economic transition

Friday, August 18, 2017

An elderly man walks past a Nanyang Commercial Bank (NCB) branch in Hong Kong, China (Reuters/Bobby Yip)

China is racing to upgrade its industries before demographic ageing puts its economic model under intolerable strain

China has one of the most rapidly ageing societies. By 2050, the percentage of elderly citizens will be similar to many Western countries. This demographic shift has the potential to create serious problems, but policymakers have not made it a priority.

What next

Demographic ageing needs to be addressed faster than the government alone is able to do. Authorities will look to the private sector to plug the gap between what is required and what the state can supply, particularly in healthcare.

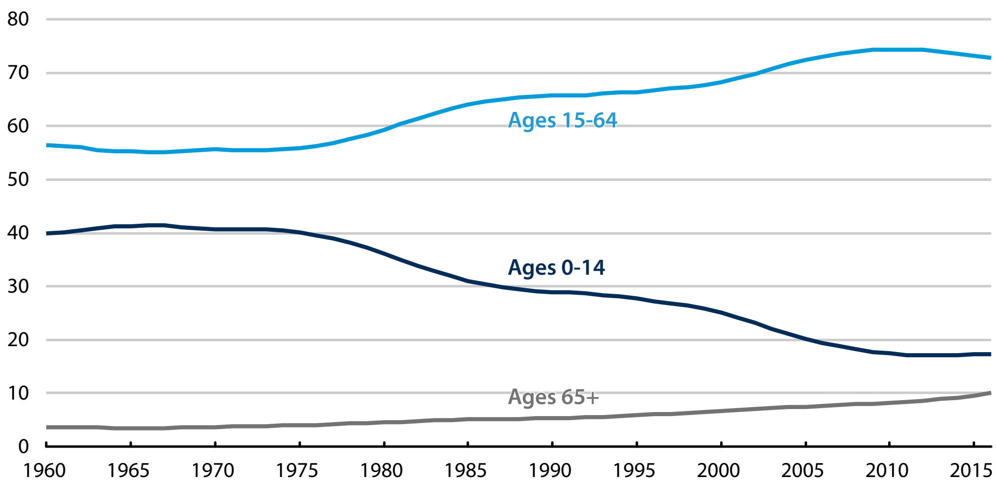
Subsidiary Impacts

- A shrinking labour force will be a major factor behind China's change in economic growth model.
- The 'silver economy' will create business opportunities in healthcare, travel and leisure, education, luxury goods and financial products.
- Development of private sector elderly care is hampered by a lack of coordinated policies and national standards.

Analysis

The proportion of China's population that is of working age (15-64) started falling for the first time in 2011. That year it constituted 74.4% of the population, according to the World Bank; by 2016 it had fallen to 72.7%.

By 2050, China's total population will decrease by approximately 60 million, with the working age population shrinking by 212 million, Bank of America Merrill Lynch predicts -- roughly one-third of current numbers. This comes after an expansion of 380 million between 1980 and 2015 -- a period that coincided with an economic boom and urbanisation on an unprecedented scale.



China: Population by age (% of total)**, 1960-2016**
Source: World Bank

In 2015 the number of people aged 65 or older in China (136.9 million) exceeded Japan's total population. It is expected to peak at 400 million by 2055, with the annual growth in the elderly population averaging 0.5% until 2040. By 2050, the elderly will account for 23.9% of China's population, a similar percentage to what is predicted for the United Kingdom and much larger than the global proportion of 15.6%.

> By 2050 around one-quarter of the population will be elderly

How it came about

Three things contribute to China's rapid demographic ageing:

- Average life expectancy has risen from 43 in 1960 to 76 in 2015 and is predicted to reach 80 before 2050.
- The 'baby boomers' born during the 1950s-60s, when the government encouraged families to have as many children as possible, are now joining the ranks of the elderly.
- The fertility rate dropped from 5.8 in 1960 to 1.6 in 2015. This is partly due to economic development and women's greater participation in the labour force, but the one-child policy introduced in 1980 increased the decline.

These factors, along with mass migration and the breakup of traditional family structures, have caused China's traditional family-based model for elderly care to collapse. Despite a cultural emphasis on filial duty and legislation requiring adult children to care for elderly parents, the smaller, dispersed families typical today are often not well-positioned to do so.

The gradual relaxation and eventual abolition of the one-child policy is predicted to have raised the newborn population from 16 million to 21 million in 2016, but this is not expected to reverse demographic ageing (see CHINA: Two-child policy impact will be slow and small - January 11, 2016). The government has begun to consider whether it should provide financial incentives to encourage couples to take advantage of their right to a second child.

China's situation is not as severe as some other countries (half of Japan's population is over 50), but the combination of the pace of the ageing and China's level of development creates a particularly acute challenge. It is often said that China will 'become old before it becomes rich' (see CHINA: Economic future hinges on pensions overhaul - March 11, 2015).

> Abolition of the one-child policy will not reverse demographic ageing

Healthcare challenge

Fears are widespread even in more developed countries that demographic ageing will put pensions, healthcare and social security systems under intolerable strain. China's are even less robust.

Investment in healthcare has massively increased over the past few years (see CHINA: Five-year plan will see major healthcare push - March 27, 2015), but China's healthcare system has suffered from underinvestment compared to other parts of economy.

It suffers from a shortage of workers and facilities, especially general practitioners, to which 650 million people lack access. Long queues at hospitals are common and social security does not pay out enough to cover most people's healthcare needs. General practitioners are not permitted to prescribe many drugs, which channels patients towards the already overburdened hospitals.

Healthcare is also an unattractive profession, infamous for low wages, malpractice, corruption and violence against doctors.

Labour shortage

Wages in China overall have increased rapidly (average factory wages have spiked 64% since 2011) as what previously seemed to be an unlimited supply of cheap peasant labour available to migrate to the cities dries up. This makes China less competitive in the low-value manufacturing industries on which its economic boom was built.

China's ageing population challenges its economic model

Certain manufacturing provinces, such as Guangdong and Fujian, have experienced acute labour shortages since at least 2015. This is a driver of the government's 'Made in China 2025' plan to upgrade key manufacturing sectors.

The demographic changes should also drive the 'rebalancing' of the economy away from export-led growth. When working-age population (a proxy for production) grows faster than the total population (a proxy for consumption), the difference materialises as exports -- as has been the case in China for the past three decades. When that demographic trend reverses, so does the trade account.

Poverty

The human cost of the lack of elderly care is felt across the country, but is especially acute in rural areas, where 60% of China's elderly live. One in five rural Chinese earn below the national poverty line and paying medical bills often plunges families into debt. Many rural elderly not only lack access to and the ability to pay for healthcare, but also have no one to look after them because their younger relatives work in distant cities.

Opportunities, too

China's greying population also provides opportunities for companies able to cater to the needs of elderly consumers. Already some 8% of China's consumption is related to products and services for the elderly, according to a recent government report, with this proportion expected to rise to one-third by 2050.

Sectors such as travel and leisure, education, health food, luxury goods and financial products are expected to see large growth among China's seniors as the wealthier segments of the population are left with substantial disposable income.

Development of these industries has also been slow due to cultural factors -- China's elderly are more accustomed to saving than to consuming. However, younger generations display markedly less conservative attitudes to spending and consumer debt, suggesting that spending patterns among the elderly will change with the transition to later generations.

The industries catering to the elderly are also heavily concentrated in first-tier cities and richer provinces, so there is much room still left to grow throughout the country.

Brain drain negates remittances in Latin America

Friday, August 18, 2017

In some countries an outflow of educated workers is having a negative net effect despite the boost from remittances


Nurses at a children's hospital in Kingston, Jamaica (Reuters/Chris Jackson/Pool)

Mexico saw a record inflow of money transfers in May and is set to register another year of fairly strong growth in family remittances in 2017. However, a report from the IMF on the economic impact of migration and remittances shows that while Mexico is benefiting on both fronts, other countries in Latin America and the Caribbean (LAC) are negatively affected.

What next

South America and the Caribbean will continue to suffer more negative effects of emigration, since those departing are usually higher-skilled workers and productivity is lost. By contrast, countries such as Mexico and Central America receive the greatest share of remittances, although these appear to act as a short-term stabiliser rather than a driver of longer-term growth.

Subsidiary Impacts

- Increasing remittances will benefit millions of poor Mexican families at a time of sluggish growth and higher interest rates.
- Economic benefits of remittances will not be fully offset by the losses posed to some Caribbean countries by migrant outflows.
- The US labour market, and remittance- and immigration-related policy uncertainty, will be key drivers of remittances this year.

Analysis

Migrants from the Caribbean, Central America, Panama, the Dominican Republic and Mexico represent close to 10% of their populations compared with an average of around 2% for emerging and developing economies worldwide, according to the IMF.

LAC was the only region of the world that registered an increase in remittances last year. An improving labour situation for Hispanics in the United States, which hosts around two-thirds of LAC migrants, a stronger dollar and uncertainty over US policies linked to immigration and remittances took total regional remittances to 73 billion dollars last year (see LATIN AMERICA: Remittances growth will slow in 2017 - June 14, 2017).

The search for better labour opportunities has for decades been the main motivation for people in LAC to leave their countries. A more recent factor for migration has been worsening security and violence, which has partly driven migration from Central America.

The good and the bad

As part of a recent regional economic outlook publication, the IMF produced an analysis of whether the benefits generated by remittances were enough to offset the negative aspects of migration, particularly the so-called 'brain drain':

Economic 'extra'

Depending on the country, family remittances offer a broad range of benefits for LAC households and economies:

- They provide a crucial 'extra' income that helps poor families meet basic needs, including food, housing, education and healthcare. Some households also use part of this income for savings, investments and small business ventures.
- They contribute to growth through increased private consumption and indirect tax revenue, and represent a significant and fairly stable source of hard currency for many economies, that facilitates trade and investment. For some LAC economies, remittances are the main source of foreign currency.
- They play a smoothing or 'insurance' role in recipient countries during times of economic downturn or natural disasters.

Brain drain

When the brain drain takes the form of young and well-educated people emigrating, it can have a negative impact on GDP growth and future economic growth potential, because of smaller labour forces, lower productivity and less innovation, according to the IMF. With many emigrants coming from younger and better-educated groups, the gain from remittances may be more than offset by the loss of the most productive part of the workforce.

The net effect on economies from migration and remittances depends on the educational profile of migrants and how much money they send home:

- The IMF's analysis suggests that the cumulative net effect on growth during 2003-13 was probably negative for most of LAC, and in particular for the Caribbean, a region with a large outflow of young and educated people. Half of US-based migrants from the Caribbean have at least a college education, compared with only one-quarter for the rest of LAC.
- By contrast, the net effect on Central America, Panama and the Dominican Republic was minor or possibly positive as their migrants are less educated and these countries benefit from large inflows of remittances.

The IMF also points out that LAC's heavy reliance on remittances from the United States poses a significant risk to several economies. This was evidenced during the global financial crisis, when there was a sharp rise in Hispanic unemployment and a steep drop in remittances to LAC. A policy shift against immigration by the current US administration could inflict damage on some LAC economies if remittances fall as a result.

Jamaica farewells

Jamaica has struggled economically for many years; it avoided a crisis in 2013 thanks to a financing arrangement with the IMF (see JAMAICA: Uncertain outlook for IMF accord impact - June 24, 2013).

Poor economic growth and high unemployment have propelled many well-educated Jamaicans to emigrate in search of better opportunities, mainly in the United States, the United Kingdom and Canada (see JAMAICA: Narrow win limits new government's options - March 10, 2016):

- Jamaica received remittances worth 2.29 billion dollars last year, with about 63% coming from the United States, according to the Jamaican central bank.
- Remittances represented close to 18% of GDP in 2016.
- As a percentage of GDP, Jamaica last year had the third-highest dependence on remittances in LAC after Haiti and Honduras, according to the World Bank.

The IMF sees evidence of "significant brain drain" in the case of Jamaica, particularly among women.

> Countries like Jamaica may be losing their most productive workers

Unlike most other Caribbean nations, Jamaica publishes household data that include educational attainment, making it possible to calculate the brain-drain effect.

The analysis shows that 50% of Jamaica-born women in the United States have at least a college education, compared with only 25% of those living in Jamaica. Close to one-third of all Jamaican women with at least a college education have emigrated, compared with about 13% for those with a high-school education or less, according to the IMF. Moreover, for the Caribbean as a whole, 58% of emigrants sending remittances are women, often employed in healthcare and education.

There is evidence of a brain drain for men, too: 37% of Jamaican men living in the United States have at least a college education, compared with 21% of those living in Jamaica.

Mexican stand-out

According to the IMF, Mexico stands out in LAC because there is micro-level evidence suggesting that migration and remittances can reduce both poverty and inequality.

About 5% of Mexican households received remittances in 2014, with an average monthly amount of around 290 dollars, according to the report.

Most of the remittances sent home by Mexican migrants -- who are often low skilled -- end up in the poorest households. Without this extra income, poverty and inequality would likely get worse, says the IMF, which notes that this "pro-poor pattern" was seen even more clearly during the global financial crisis.

$2.59bn

Record inflow of remittances in May

Remittances to Mexico grew by 4.5% to 2.59 billion dollars in May, the largest increase on record for the month and the second-highest increase for a single month.

Family remittances in the first five months exceeded 11.5 billion dollars, 5.3% up year-on-year, according to the Mexican central bank. Remittances reached a record 26.97 billion dollars in 2016, 8.8% up year-on-year. About 95% of remittances to Mexico come from the United States. BBVA Research forecasts that remittances will grow by 4-5% this year; Citibanamex, the Mexican subsidiary of Citigroup, predicts an increase of 4.8%.

Growing gender parity will aid global growth prospects

Friday, August 4, 2017

Efforts are underway in the West to close the gender pay gap

European Justice Commissioner Viviane Reding presenting the results for the Eurobarometer on Gender Equality in Brussels, 2010 (Reuters/Yves Herman)

The BBC released salary details for employees earning more than 150,000 pounds (around 200,000 dollars) in July, revealing that two thirds of its high earners, and the seven highest, are male, and showing large gaps between staff performing similar tasks. Gender inequality is a worldwide problem in both the public and the private sector. Research shows that increased parity generates GDP growth through three channels: boosting the size and quality of the workforce; enlarging the consumer market; and acting as an organisational catalyst in leadership positions.

What next

Progress towards parity will continue in employment, incomes and leadership. However, slow structural reform in areas including labour market flexibility, corporate governance and legal and legislative frameworks will constrain the pace of change.

Subsidiary Impacts

- Reviewing and extending existing laws and regulations that promote and enforce gender equity will be as important as new legislation.
- Policy choice and progress will vary across the world, reflecting varying levels of gender parity and different traditions and religions.
- In low- and middle-income countries, ensuring cross-gender financial literacy and inclusion will become a key tool in equality programmes.
- US public spending in support of gender parity, in particular health funding, may fall, but private-sector initiatives have strong momentum.

Analysis

Awareness of the economic benefits of gender parity is rising. The dialogue is evolving from addressing disparity to generating and advancing systems that create economic gains from gender equality.

Gender Development Index

The United Nations Development Programme (UNDP) in 1995 introduced the Gender Development Index (GDI) for 160 countries: the first global attempt to measure disparities in human development through gender differences.

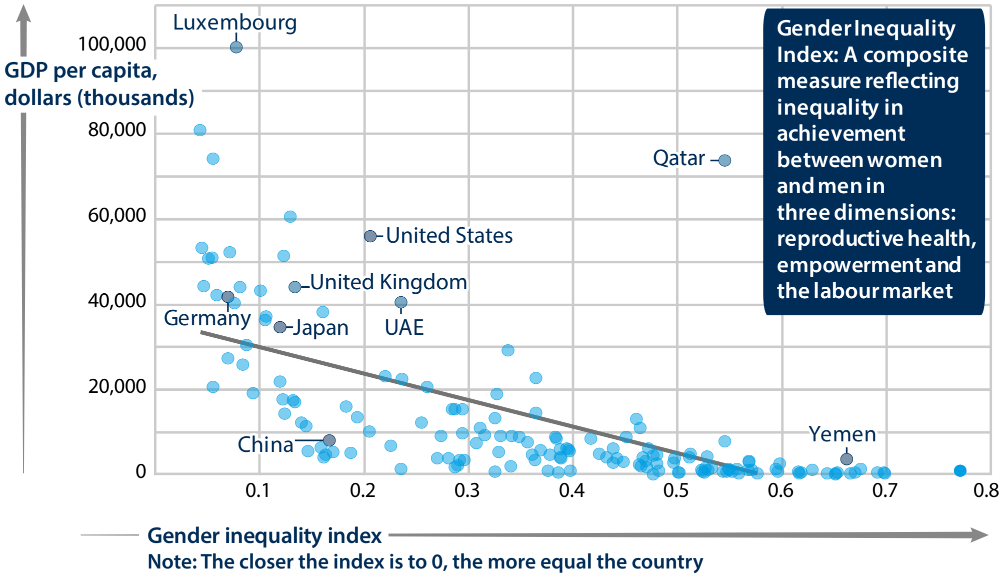
The GDI measures disparities in three areas -- health, knowledge and living standards -- using the same foundations as the Human Development Index (HDI). The HDI was created to widen assessments of development beyond GDP growth to account for people and their capabilities (see INTERNATIONAL: Human development overhaul ahead - March 26, 2013).

> Worldwide, men earn nearly twice as much as women

The GDI shows that, globally, men enjoy gross national incomes 1.8 times higher than females do, but that this ratio varies from 1.2 in Sweden and Norway to more than 4.0 in many Gulf states. Across the world, women receive 1.1 years' less schooling than men, but this rises to 2.0 or more in India, Turkey and Sub-Saharan Africa. In the UAE, Qatar, Brazil and Venezuela, on average women spend more years at school than men.

The Gender Inequality Index (GII) incorporates:

- health, using the maternal mortality ratio and adolescent birth rates;
- empowerment, using the share of parliamentary seats occupied by females and share of females and males over 25 with secondary education; and
- economic status, using workforce participation rates among females and males over 15.



Gender inequality index vs GDP per capita, 2015 (thousands of dollars)
Source: United Nations

Awareness of gender inequality is rising. Women's empowerment is one of the seventeen priorities of the United Nations Sustainable Development Goals for 2030 (see INTERNATIONAL: Development goals face finance gap - May 13, 2014).

US template: Title IX

The US Title IX Education Amendments Act was introduced by Federal Statue in 1972. It prohibits discrimination by gender in education programmes that receive federal financial assistance. Almost every US educational institution receives federal funds and is required to comply.

Title IX institutionalised two mechanisms for moving towards gender equality. First, it established the requirement of parity. Secondly, it established nationally a pathway of legal recourse. Subsequent decisions from the Supreme Court and guidance from the Department of Education ensure it now also covers sexual harassment and violence.

Schools are legally required to respond to and remedy hostile educational environments. Failure to do so is a violation, risking the school losing its federal funding.

An untapped resource

McKinsey Global Institute research finds that if women were to participate in the economy identically to men, they could add as much as 12 trillion dollars to annual global GDP by 2025. Achieving this requires a joined-up approach from the public and private sectors, and support from international institutions.

Government

Governments can promote equality through fiscal policy. Gender budgeting attempts to quantify how policies affect women and men differently by analysing the different impacts of spending and revenue policies on men and women and then allocating money differently, as well as setting targets and directing funds to meet them.

In the 1990s, Canada improved incentives for secondary earners by introducing tax cuts and benefits for families with children. Canada now boasts female labour participation of over 80%. IMF head Christine Lagarde advocates that the Fund incorporate gender budgeting into its advice.

Incorporating gender into decision-making does risk accusations of corruption, as selections are not made only on the basis of skill. However, initiatives are underway across the world to improve transparency, which could clear the way for gender initiatives to make faster progress.

Broadening existing initiatives

Advancing the gender parity agenda and narrowing inequalities depend both on new initiatives and on advancing existing ones (see INTERNATIONAL: Women's rights progress may stagnate - March 8, 2017).

In March 2017, Iceland became the first country to introduce legislation requiring employers to prove that they are paying men and women equally. The country has had an equal-pay-for-equal-work labour market law since the early 1960s, but women in Iceland still earn 14-20% less than men. The new law requires firms with 25 or more staff to certify every three years that they pay employees depending on the role rather than gender, aiming to eliminate the pay gap by 2022.

> Icelandic firms regularly certify that they pay staff equally depending on the role

In April 2018, all UK firms with more than 250 staff will have to publish the average amounts they pay men and women. The Equalities and Human Rights Commission will enforce the legislation.

Investment management firm Schroders reported in its 2016 remuneration report that its female staff are paid a third less on average. However, the firm has increased the share of women in senior management from 25% at end-2015 to 29% by end-2016, aiming for 33% by 2019.

Private-sector dynamism drives opportunities for change. In 2015 Salesforce chief executive officer (CEO) Marc Benioff announced that Salesforce would spend 3 million dollars to address gender pay disparities, and this sum was doubled in March 2017. Benioff promised that an analysis of the gender pay gap would be part of due diligence in the future.

Leadership windfall

Evidence shows that recruiting, hiring and promotion practices that promote gender equality are proving productive and profitable. A Peterson Institute for International Economics working paper analysed survey data from 21,980 companies in 91 countries in 2016. It found that companies with at least 30% women in senior management were on average 15% more profitable.

The survey also found that nearly 60% of the firms have no female board members, just over 50% have no female 'C'-suite executives (senior non-board level executives), and less than 5% have a female CEO, suggesting that there is still significant room for improvement.

July 27, 2017

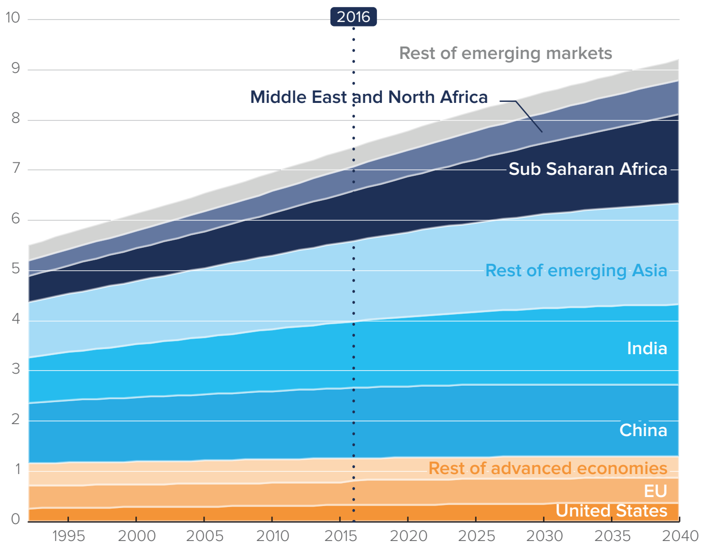
Population trends pose development challenges

Just 2% of global population gain in 2016-40 will be in advanced countries; 56% will be in Africa and the Middle East

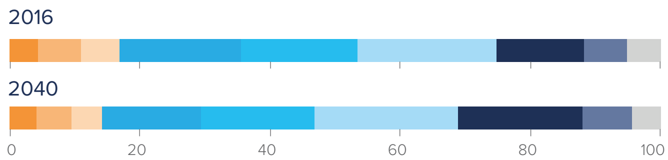
By 2040, nearly 30% of the population will live in Africa or the Middle East, 55% in emerging Asia...

GLOBAL POPULATION

Billion people



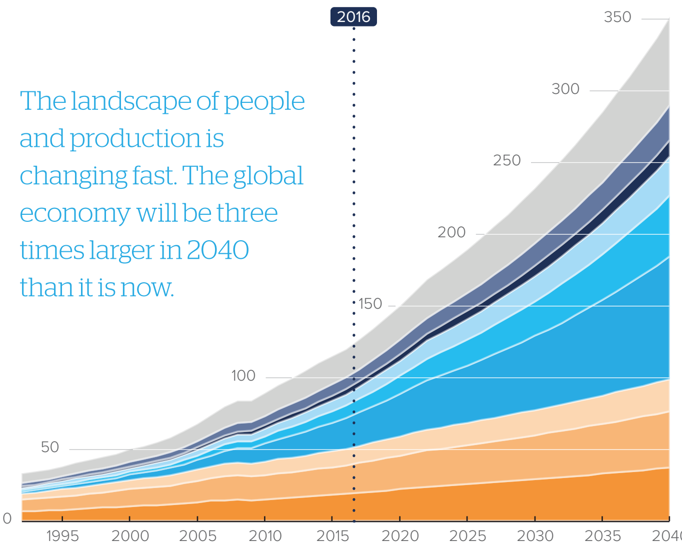
... AND AS A SHARE OF THE GLOBAL TOTAL

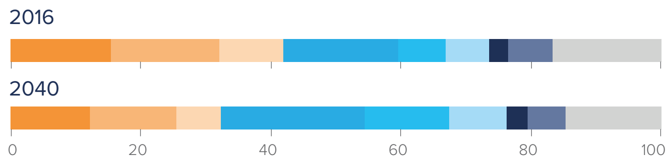


...but these areas will produce less than 10% of world GDP; emerging Asia will produce 40%+

GLOBAL GDP

Trillion dollars, current prices, purchasing-power-parity (PPP)





Sources: UN Population Prospects, IMF World Economic Outlook Database, Oxford Analytica

By 2040, the population of Africa and the Middle East will increase by 975 million. The rest of the world will increase by 769 million. Migration may intensify. All regions will face pressure to provide jobs, housing, infrastructure and social security.

In developed economies, technology will continue its advance, but productivity and goods trade are likely to remain weaker than before the 2008 crisis. In 1992, those economies accounted for nearly two-thirds of world GDP; that may drop to one-third by 2040.

Emerging Asia's share of GDP has risen to 32% from 13% in 1992, thanks to the growth of China. Competition will check the pace, though it is still expected to approach 45% by 2040.

- Pew Research Centre estimates the Muslim population will equal the number of Christians by 2060, potentially changing consumer patterns.
- Research shows the sperm count of Western men fell 59% from 1973-2011; the trend of emerging markets outpopulating the West will intensify.
- The Institute of Health Equity showed this month that UK life expectancy gains have stopped since 2010; post-crisis austerity is a reason.
- Technology and democracy give young populations a louder voice to campaign for resources; social unrest and populist voting may increase.

See also: Prospects for the global economy to end-2017 -- June 1, 2017

Policy must look beyond pay to raise living standards

Thursday, July 13, 2017

Commuters wait outside Clapham Junction during a tube strike in London (Reuters/Stefan Wermuth)

Popular demand for higher pay is strengthening as memories of the 2008-09 crisis fade and jobs outgrow wages

The Office for National Statistics reported yesterday that UK employment in May rose to a record 74.9% of the working-age population but real wages continued to fall. Elections have already given the public an opportunity to vent their anger about low wages and the scarcity of better job opportunities -- the former is prevalent among low-paid workers; the latter anxiety is wider. But concern is rising about a disconnect between jobs and pay.

What next

Raising real wages and job quality will depend on increased productivity, skills, investment and industrial policy, which are all slow to adjust. Moreover, many measures will benefit one class of worker at the expense of others. Amid low-pay acrimony, economists are encouraging governments to prevent the formation of ‘insider’ labour markets where 'insiders' protect their jobs and pay at the expense of ‘outsiders’. However, politicians will not be able to ignore the impact of policy on their voters. The best that governments can hope for may be a one-off pay adjustment to satisfy the hardest-pressed households, limiting the inflationary impact and upward pay trends until productivity is higher.

Subsidiary Impacts

- Pre-crisis nominal pay rises were in the 2-5% range in the advanced economies -- fuelling expectations of a pick-up in pay.
- US consumers could moderate their nominal wage demands, as lower inflation has eased the pressure on real wages.
- Competition and technological progress will continue to reduce the price of many manufactured goods and some services, helping households.

Analysis

Low wage growth, especially among unskilled and public-sector workers, and recent increases in living costs are exacerbating pay demands. So, too, are tightening labour markets, especially in the United Kingdom and United States (see UNITED STATES: Policy outlook may constrain growth - April 21, 2017).

Policy focus is shifting towards strengthening investment and productivity. However, productivity growth is sluggish in the United States, United Kingdom and elsewhere, capping potential for non-inflationary pay awards (see UNITED KINGDOM: Promising moves to raise productivity - February 20, 2017).

Higher pay could increase productivity, but the evidence is tenuous -- inflation and budget deficits would be the more likely consequence, as many of those demanding wage increases are in the lowest public-sector pay band.

Contentious policy

There is no win-win remedy. Policy measures that address the labour market dilemma will be fraught with obstacles, including questions of efficacy and inflationary consequences, opposition to interference and voters' special interests.

However, although this view has gained popularity, not all economic analysis is ineffective. Most policies have had the intended effects. For example, easy monetary policy has cut borrowing costs, stimulating credit and growth.

Moreover, many economic forces can be predicted, for example, the fall of the pound after Brexit and the consequent rise in domestic prices -- one of the reasons driving UK agitation for higher pay (see UNITED KINGDOM: Trade and investment are vulnerable - April 6, 2017).

Changes in the rules governing contracts and hours worked, and the taxation of labour, have increased opportunities, improving re-employment prospects for unemployed workers. However, such policy change creates winners and losers -- and the winners tend to be less vocal than the losers. Furthermore, the negative impacts tend to be realised quicker than the positive -- adding to the impression of negative effects from almost all policy changes.

More open labour markets

At the peak of the global financial crisis, the media portrayal was of mass unemployment (as seen in the 1929-39 Great Depression) and the 'demise of capitalism'. However, this proved inaccurate, thanks largely to timely and substantial policy interventions that did not occur in the 1930s. Many activity barometers are now above their peaks of a decade ago (see PROSPECTS H2 2017: Global economy - June 1, 2017).

> Mass unemployment expectations after the 2008/09 crisis proved widely inaccurate but poor productivity persists

Nonetheless, most advanced economies have seen more job creation than pay increases during the recovery, helping poorer households to find work and other workers to avoid lost jobs turning into long-term unemployment.

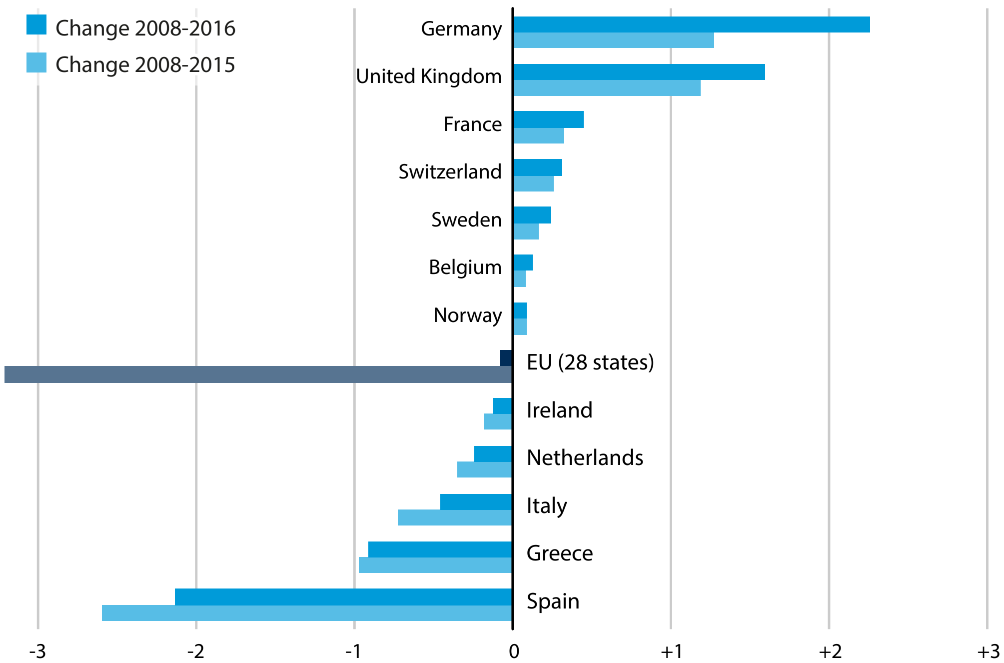
Openness is positive, but breeds revolt

Maintaining an open labour market boosts participation and competition, capping pay increases.

Countries achieving lower unemployment without putting upward pressure on nominal wage settlements have been deemed successful, but this may now be leading insiders to seek high pay settlements.

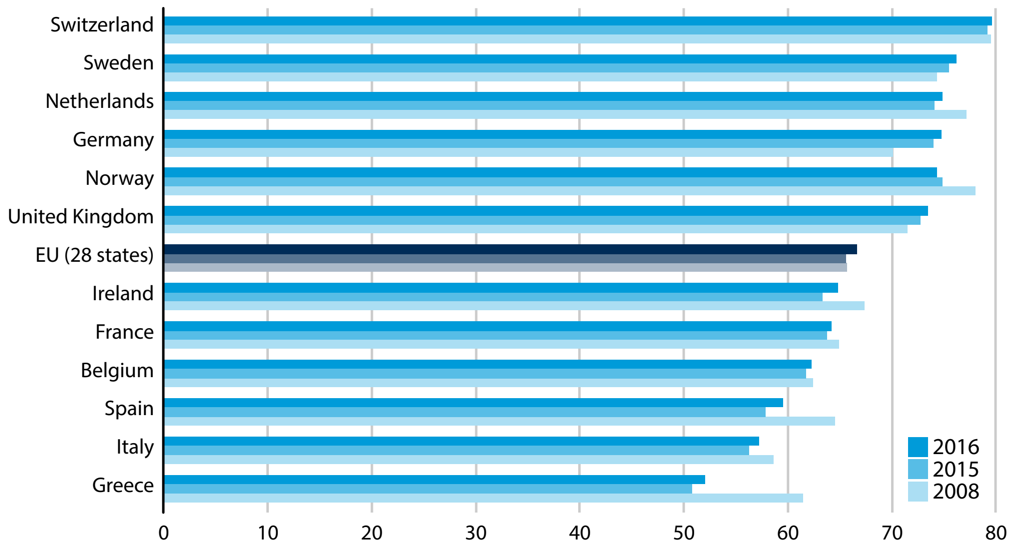
Politically, this cannot be ignored. There are suggestions (primarily from the French) that insider labour markets serve to maintain pay and deliver higher household incomes. This may be true -- but only if long-term unemployment, labour market dropouts and inflationary bias are ignored.

Europe



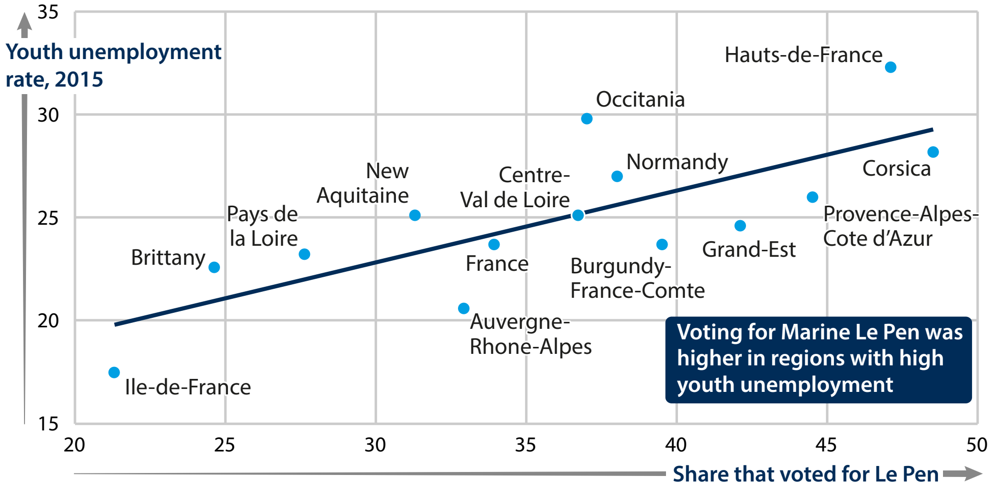
Employment gains/losses over 2008-2015 and 2008-2016 (millions of employed people)
Source: Eurostat

Job losses could not be avoided in the key crisis countries such as Spain, but that country saw some improvement in 2016. France and Belgium have poor records in job creation and the share of the population in work, compared with positive trends for the United Kingdom, Germany and the Nordic nations.



Employment rates (as % of total population aged 15-64)
Source: Eurostat

This is also reflected in unemployment. French unemployment is stubbornly high at 9-10%, around double the UK and German rates. This contributed to National Front Leader Marine Le Pen's second place in the French presidential election this year.



France: Unemployment vs voting share (%)

Source: The National Institute of Statistics and Economic Studies, French Interior Ministry

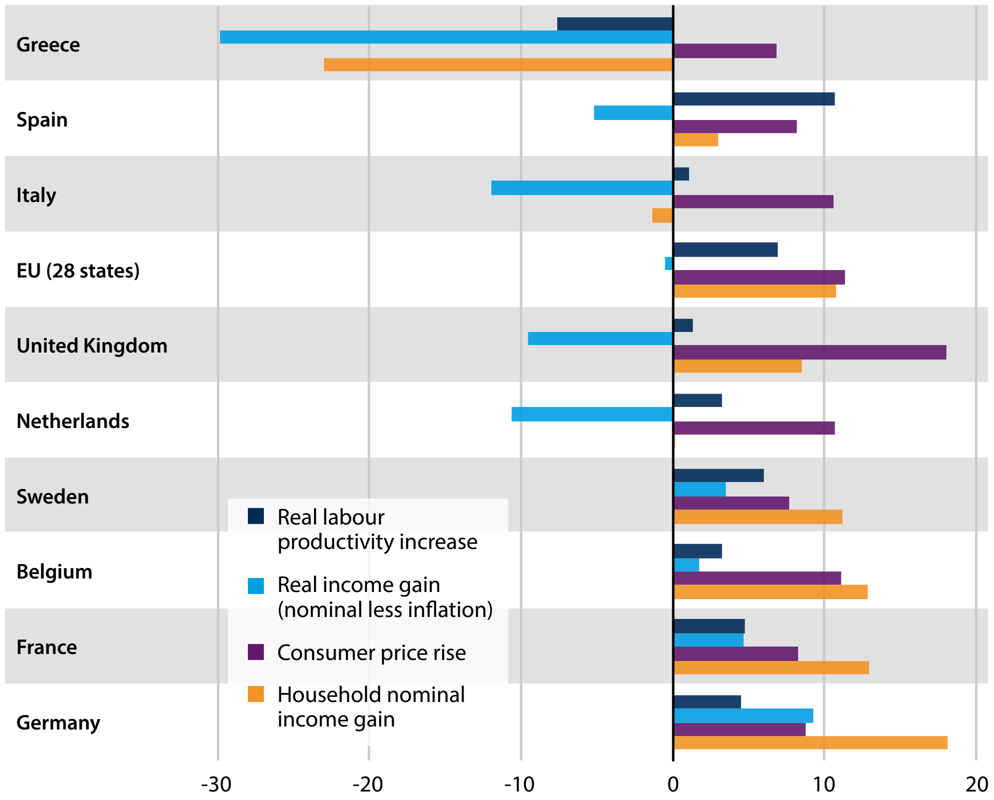
Income and productivity malaise

Employment is rising, and memories of the 2008-09 crisis have faded. However, there are problems brewing:

- Pre-crisis nominal pay increases tended to be in the 2-5% range across the larger advanced economies, and labour market strength is fuelling higher pay demands.
- There is also a 'money illusion' in perceptions of post-crash incomes, as real pay has been bolstered by relatively weak inflation, especially in the euro-area.
- A recent uptick in inflation has exacerbated impatience over pay; the Brexit-related drop in sterling's exchange rate has pushed UK inflation sharply higher.

German outlier

Harmonised Eurostat data reveal Germany as the only major EU state to have achieved substantial nominal and real income gains in line with pre-crisis trends. Real income gains have been double the rise in labour productivity since 2008.



Nominal and real household incomes, inflation and labour productivity, 2008-15
(% change)
Source: EUROSTAT

Low unemployment and the shrinking labour force, together with accommodative policies, no fiscal pressures and low debt have contributed to this. Wealth and the property market have also been supportive.

Other countries

Insider labour markets helped pay rise in France and Belgium. Other economies have seen real incomes fall, even where labour productivity has been strong (for example, Spain).

Real incomes in the Netherlands and United Kingdom have fallen since the crisis. The former saw jobs fall but the latter experienced large employment gains, suggesting high inflation is the UK constraint.

Despite rising employment and nominal incomes, the UK real income loss since the crisis is almost as large as Italy's.

> The United Kingdom has lost nearly as much real income as Italy since 2008 owing to higher inflation

Other routes to raising living standards

Nominal pay rises are not the only conduit for households to share in GDP gains. Other channels will be increasingly important as technology advances (see INT: Redistribution is key to future of the workforce - May 25, 2017). Some sectors will change faster than others, but many people will be affected. This is already prompting debate over how policy can spread the benefits and limit the threat to living standards.

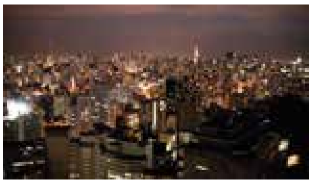
There are already ways in which households gain from growth and productivity rising faster than nominal wages and lowering prices as a result. The prices of many manufactured goods have stagnated or fallen since 2008, benefiting all consumers. In some services sectors, such as air travel, competition has reduced prices relative to incomes.

Growth has also enabled those governments that chose to do so to spend more on social security.

Rapid global urbanisation will test governments

Tuesday, June 20, 2017

Cities bring great advantages, but only if states can manage them



A view of the sprawling metropolitan area of Sao Paulo, Brazil (Reuters/Nacho Doce)

Urbanisation can bring employment, educational and social opportunities to many people, but rapid urbanisation, especially in lower and middle-income countries, is creating areas where public service provision and economic opportunity are low and susceptibility to security threats is high.

What next

International crime, especially illicit flows of money, drugs and firearms, and violent ideologies will take advantage of disadvantaged communities in large cities where public institutions are weak and residents socially and economically marginalised. Policies that promote greater economic opportunity, public service provision and social and political integration in these communities can improve a city's resilience to these threats.

Subsidiary Impacts

- Lower and middle-income countries are set to see the bulk of the world’s urbanisation over the coming decades.
- City development will become synonymous with national development.
- Connecting urban communities with the global economy will be crucial for prosperity.
- However, this will require adequate protection from international criminal networks.

Analysis

More than half of the world's population now lives in urban areas, according to the World Bank. This urban population currently produces 80% of global GDP and is likely to increase by 2 billion individuals by the middle of this century. Most of this growth will occur in lower and middle-income countries. Africa will see some of the most rapid urbanisation.

The pace of urban growth is unprecedented. New York City took 150 years to grow to 8 million, but, the UN estimates, Lagos will add as many inhabitants in the next ten years (see AFRICA: Cities will struggle to manage rapid growth - August 18, 2016).

City potential

Cities advance economic development through 'agglomerative economies' -- clustering related economic activities in a single area. Economic specialisation, reductions in transaction costs, increased knowledge transfer and economies of scale are all facilitated by urban growth (see INTERNATIONAL: Cities could power economic growth - March 10, 2015).

Economies of scale and infrastructure should normally make the provision of services more economical and logistically feasible in cities, but resource constraints and relatively small tax bases in developing countries mean that civic leaders can struggle to garner even modest levels of investment (see LATIN AMERICA/INT: Urban Agenda sets policy challenges - November 24, 2016). Infrastructure supporting both public services and private enterprise, such as intra-city roads and electricity networks, may, therefore, be inadequate.

Even where growth is not a significant factor, poor or inadequate housing, infrastructure, public services and intra-city connectivity can all serve to restrain cities' potential to provide economic and social opportunities for their inhabitants.

Furthermore, when population growth is rapid and unplanned, potential investors and trading partners may see the lack of services as evidence of civic dysfunction, potentially perpetuating cycles of low investment and limited economic opportunity.

Yet low agricultural productivity, rural poverty and opportunity-seeking will continue to drive urban migration, particularly in sub-Saharan Africa.

City fragility

This rapid growth, and the state's consequent inability to manage it, raises the level of a city's fragility -- its exposure to a number of risks that can lead to a breakdown of institutions, conflict, displacement and humanitarian crises.

> The level of fragility in the system can lead to higher levels of violence and conflict

The United Nations University links city fragility to:

- high levels of inequality between groups or areas with the city;
- areas of concentrated poverty and high levels of unemployment (including in 'informal settlements');
- weak or corrupt police and criminal justice institutions; and
- planning that does not account for the needs of new urban populations.

These underlying issues allow criminal actors to take root in those areas, leading to higher levels of violence, such as in Central America, where local criminal gangs in places like Guatemala City are linked to international trafficking operations.

Illicit flows

Through increased international connectivity, cities provide entry points for 'illicit flows' -- illegal cross-border movements of drugs, arms, money or people. The value of these flows is estimated to be well over 1 trillion dollars annually.

Already fragile zones in cities can provide spaces where these flows can be managed by criminal actors without state interference, while the flows themselves can further exacerbate local vulnerability, for instance, due to a reduction in investment and commercial opportunities due to higher crime rates. Furthermore, where illicit flows are not properly addressed, the integrity of national institutions may be at stake -- as for instance, in West Africa (see MENA: Sahel-Sahara governance is key to migrant flows - April 6, 2017)

Criminal governance

As economies grow around illicit activity, fragile communities may begin to see illicit flows as a source of economic opportunity, in some cases perhaps the primary means of improving their economic position (see WEST AFRICA: Sahel dynamics foster illicit economies - July 31, 2015).

In the absence of effective public institutions, criminal groups can impose their rules on local communities, providing 'criminal governance'. They regulate local markets through the control of licit or illicit trade and ensure compliance through various forms of 'protection'. For example, the Primeiro Comando da Capital group in Sao Paulo appears to exert control over levels of violence in the city (see BRAZIL: Gang wars risk wider violence - December 19, 2016).

Increasing resilience

> Resilience-building needs to address the accumulation of multiple risks

In many developing country cities, building resilience involves ensuring that both existing residents and newcomers have access to economic opportunities and basic civic services such as water, sanitation, electricity and housing.

International criminal threats are typically handled at national government level, but their influence and effects are localised. This means making national resources available to support municipal authorities that are dealing with rapid change, including in small and medium-sized cities. Failure to do this could allow international criminal elements to exploit highly localised areas of weak state authority, further undermining fragile communities.

Both municipal authorities and national authorities can gain from increased planning cooperation and information exchange. Improved transport links to areas of economic activity, expansion of basic service provision to impoverished and informally settled areas, and efforts to build local democratic accountability have all shown some promise in reducing exclusion and promoting city resilience.

Climate change will drive luxury crop price volatility

Thursday, May 4, 2017

Irregular supplies of high-demand crops from shifting climatic conditions could present investor opportunities

Hass avocados are selling in Mexico City today at 29.25 dollars per ten-kilogramme box. This is nearly 70% higher than the average early May price of 17.29 dollars for the previous five years. The higher price reflects growing demand among consumers for the luxury fruit in Western countries and new Asian markets, as well as inclement weather cutting production in Mexico, Peru and the United States, the first-, third- and seventh-largest producers of avocados. Climate change is expected to drive more frequent extreme weather events, dramatically alter the availability of fresh water and render crop yields more volatile.

Our judgement

Traders of soft commodities and consumer goods companies dependent on water-intensive specialist crops -- such as Starbucks for arabica coffee beans -- will see increased market volatility from climate change for water-intensive goods like chocolate, olives, almonds and citrus fruits. Policy factors that could influence harvests and longer-term regional pricing dynamics in the context of climate change include water usage restrictions and public expenditure on irrigation projects in agricultural areas experiencing water stress.

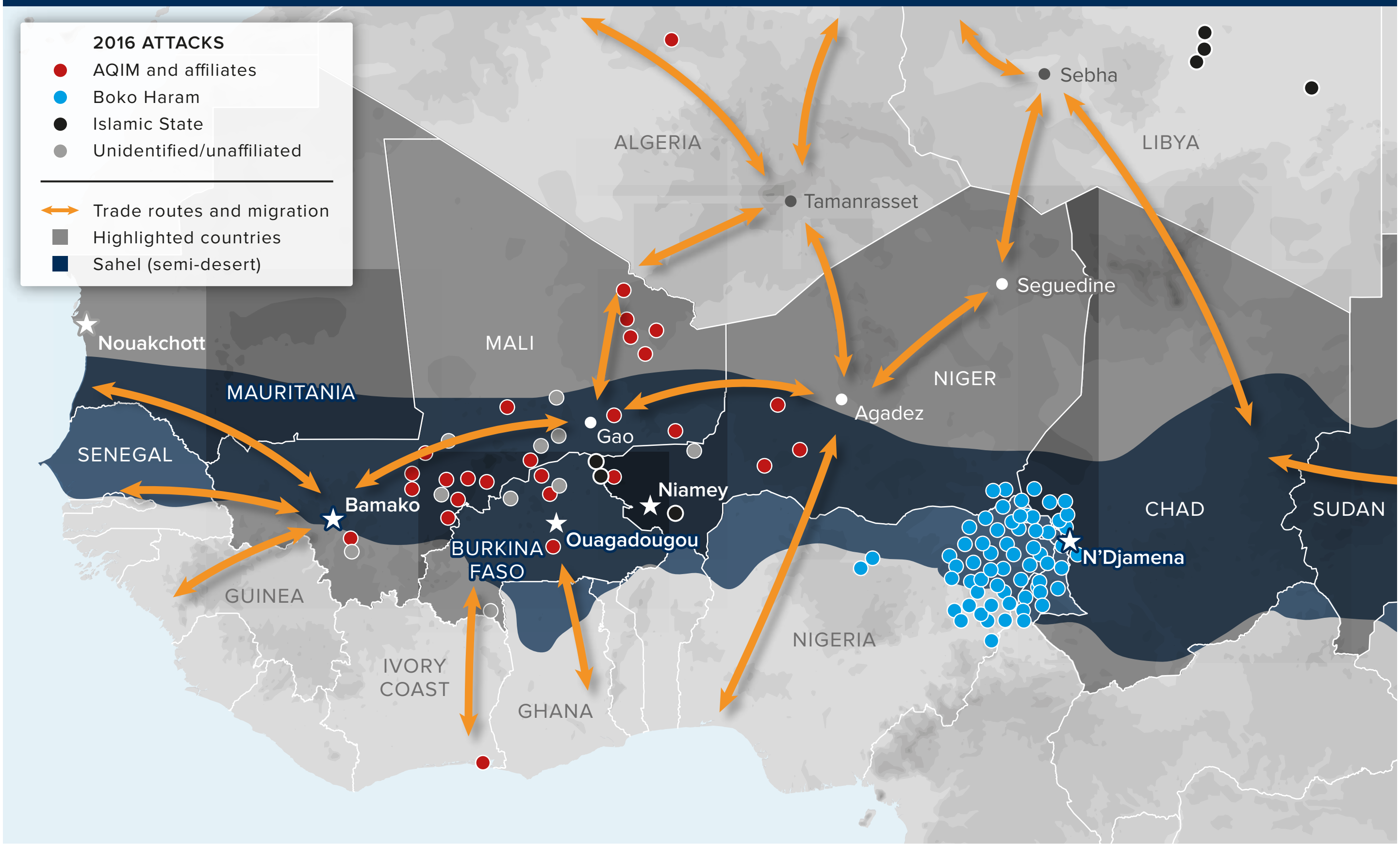
See EAST AFRICA: Climate will shape coffee production - October 21, 2016

April 6, 2017

Sahel-Sahara governance is key to migratory flows

Corruption, ineffective institutions and economic neglect feed off and facilitate migration in a vicious circle

Conflict, economic opportunities and informal trade links drive migration flows



Sources: Clingendael, Africa Center for Strategic Studies, IRIN, Global Initiative, Oxford Analytica

Border communities in the Sahel and Sahara rely on cross-border illicit trade. Government and security officials in those areas also participate in smuggling of cigarettes, petrol, drugs, arms and people. This wide participation across authorities is a symptom of low-quality government institutions and lack of economic prospects in the region, which in turn undermine local actors' commitment to the central government.

The conflicts in Libya, Mali and the Lake Chad area have strengthened the role of the informal economy. They have also distorted incentives for the previously mostly intra-African migration, diverting some 20% of African migrants towards Europe as conditions in Libya, traditionally a host of migrants, deteriorated.

_ An EU-led crackdown on smuggling networks in Niger has focussed on the Tebu ethnic group, which could risk an uprising there.

_ Collaborating with militias to curb smuggling empowers them and undermines central government structures.

_ Decriminalising irregular migration in Libya could cut smuggling profits and reduce migrant abuses.

_ This could also remove the violence factor that forces many migrants to seek safety in Italy.

See also: Sahel dynamics foster illicit economies -- Friday, July 31, 2015

Shift in US aid policy could reduce global prosperity

Friday, March 24, 2017

The proposed fiscal year 2018 budget plans major development policy upheaval but marginal reform is more likely

US President Donald Trump's overview of the budget priorities for Fiscal Year 2018 on display at the US Government Publishing Office in Washington (Reuters/Joshua Roberts)

On March 16, the US administration presented its budget request for the 2018 fiscal year starting October 1, 2017 (FY18). The ‘America First’ budget reflects a bargaining position that will be examined and moderated by Congress later in the appropriation cycle but may signal a major policy shift, as recommended funding cuts and proposed elimination of agencies mark a break from the bipartisan approach of previous decades.

What next

Depending on how many measures the new administration can pass through Congress, US development policy could evolve in one of two ways. In a ‘major upheaval’ scenario it will face large budget cuts, with some programmes phased out and the rest repurposed. This would have consequences not only for the development sector and US foreign policy but also for global prosperity. In the ‘marginal reform’ scenario, a bipartisan approach would largely prevail and development agencies and programmes would undergo limited adjustments to budgets, instruments and priorities.

Subsidiary Impacts

- Eliminating US funding for bilateral and multilateral climate change programmes may jeopardise implementation of the Paris agreement.
- Reduced US assistance to low-income countries that Washington deems ‘non-strategic’ might reverse development gains.
- The removal of development agencies' support for exports and foreign investments would limit business opportunities for US firms.
- Using development assistance for short-term foreign policy and reducing untied aid would weaken international cooperation on development.
- US opposition to reforms of international financial institutions would also reduce the momentum behind global cooperation.

Analysis

In 2015, the United States provided 31 billion dollars in official development assistance, about 0.17% of gross national income (against a UN target of 0.7%) and 0.8% of the federal budget. About 65% of US overseas development aid is untied, containing no requirement that the funds be used to procure US goods or services.

More than 85% is provided bilaterally through agencies and bureaus. The rest is contributions to multilateral funds managed by development banks and UN organisations.

Budget request

The White House has initiated the FY18 budget process, introducing headline development spending numbers and revealing some administration priorities:

Funding cuts

Major upheaval is proposed, with funding for the State Department and US Agency for International Development (USAID) reduced by 28.7% from the previous year to 25.6 billion dollars. An additional 12 billion dollars is requested as part of the Overseas Contingency Operations, an extraordinary fund which USAID uses, mostly in Syria, Iraq and Afghanistan -- a 37.4% fall year-on-year.

28.7%

Proposed cut in USAID funding for FY18

The proposal eliminates funding for US climate change programmes and reduces funding for the UN and affiliated agencies. It caps the US contribution to UN peacekeeping costs to 25% and reduces funding for multilateral development banks (MDBs) by 650 million dollars over three years.

Agencies

In January, President Donald Trump signed an executive order that, for the first time, named the USAID administrator as a regular member of the National Security Council's deputies committee. He also reinstated and expanded the Mexico City policy (global gag rule) that restricts organisations that condone abortion from receiving US health funding (see INTERNATIONAL: US 'gag rule' risks women’s health - February 2, 2017).

However, the blueprint does pledge to meet commitments for vaccination, HIV/AIDS, and malaria programmes (see AFRICA: HIV/AIDS progress may be at risk - February 15, 2017). It also allows 'significant' funding for humanitarian assistance -- including food aid, disaster relief and refugee programmes.

In advance of the budget, the administration began reviewing all agencies. The budget proposes to eliminate independent agencies, including the African Development Foundation, the US Trade and Development Agency (USTDA), and the Overseas Private Investment Corporation (OPIC).

Policy pathways

However, the consent of the Republican-controlled Congress is needed to implement administration measures (see UNITED STATES: Congress will crimp federal rule-making - January 20, 2017). Authorisation bills will establish, continue or modify agencies and programmes, and appropriation bills will fund those that are authorised.

Marginal reform is more likely than major upheaval

Congress is unlikely to agree to the spending cuts. Several prominent Republicans have already declared their opposition. Marginal reform of US development policy is more likely than major upheaval.

Policy levers

The government can use three levers to reorient development policy:

- funding levels;
- aid allocation; and
- delivery challenges.

FY2018 development spending is likely to be reduced, though not by the extent proposed. Cuts will not be spread equally across agencies, programmes and sectors.

Aid focus

The administration has proposed that US assistance is re-focused on international organisations that 'advance US foreign policy interests', and on countries of 'greatest strategic importance'. Any shift in spending allocation requires the approval of Congress.

Moreover, spending reorientation would not take effect immediately, partly because some funds are disbursed as part of multi-year strategies that would be costly to terminate prematurely. The existing federal budget process is also not suited to a development policy based on 'deals', whereby the amount of aid a recipient receive depends on its support for US foreign policy.

Development institutions

Later this year, the administration would likely propose a reorganisation of US development institutions. However, this would not be driven only by budgetary concerns; OPIC, whose elimination is proposed, returns about 280 million dollars annually to the Treasury.

Instead, the administration's approach reflects the positions of conservative lawmakers, who see OPIC, USTDA and the Export-Import Bank as distorting markets. However, elimination of agencies that help US companies export and invest overseas would contradict the administration's aim of helping exporters and improving the trade balance.

Shift to development finance

The administration might seek to offset some of the impact of budget cuts by accelerating the shift from aid to development finance, whereby scarce public funds would be used to leverage commercial capital for development purposes. This strategy would elevate agencies that support private-sector investments such as OPIC and USTDA, while maintaining those that reward good governance and economic freedom, such as the Millennium Challenge Corporation.

It would phase out other grant-based agencies, such as USAID, or re-focus them on emergency and humanitarian issues. This could be accompanied by measures to support US companies, including more use of tied aid.

All development finance programmes could also be consolidated in a new entity dedicated to the private sector. Alternatively, agencies and programmes could be merged in a single Cabinet-level entity similar to the UK Department for International Development.

Presidential initiatives

Congress has codified presidential initiatives such as Feed the Future and Power Africa, which leverage private investment with aid-based instruments across US agencies. Their existence remains dependent on the agencies that implement them, and on coordination by White House staff.

Multilateral organisations

In FY2016, the United States contributed 2.3 billion dollars to MDBs and 1.1 billion to the UN, with an additional 2.5 billion for peacekeeping operations. A reduction in US voluntary funding for multilateral organisations would be mostly borne by:

- climate funds, such as the Green Climate Fund (3 billion dollars committed, with 250 million disbursed);
- UN specialised agencies that grant membership to the Palestinian Authority; and
- to a lesser extent, MDBs' concessional arms such as the International Development Association (3.9 billion dollars committed over three years).

The administration might oppose increases in capital to MDBs and the IMF and could hinder reforms that would increase emerging markets' influence. It might also exercise its voting power in these organisations to pursue its own foreign policy objectives, where this is allowed by Congress.

Lagos's urban development could exacerbate inequality

Tuesday, March 21, 2017

An uneven distribution of municipal infrastructure and skewed governance raises conflict risks in Africa's largest city


Logs of wood float in the Lagos lagoon near the Makoko Riverine slum (Reuters/Akintunde Akinleye)

On March 17, almost 4,700 residents of the Otodo-Gbame slum along the Lagos waterfront reportedly had their homes destroyed by police. Africa's largest city is beset by socio-economic inequality, the uneven distribution of services and an often ineffective or corrupt system of governance. Worsening climate change effects are likely to make these problems more intractable, creating additional sources of civil conflict. Meanwhile, a housing development project, Eko Atlantic City, is being billed as an environmentally conscious solution to Lagos's urban housing problems.

What next

When completed, a development such as Eko Atlantic City could reinforce existing faultlines in Lagos and create new practices of socio-economic and spatial exclusion. Urban megaprojects throughout sub-Saharan Africa may introduce new forms of urban inequality between those able to afford to adapt to the effects of climate change and those that cannot.

Subsidiary Impacts

- Government plans to redevelop Lagos into a world-class city will produce new conflicts over rights to housing and land.
- While a new urban rail system in Lagos could ease traffic congestion, poorer areas may be bypassed.
- Climate change adaptation is likely to accelerate the privatisation of infrastructure and construction of elite urban enclaves.
- African urban residents of slums or under-serviced areas will rely on individual or neighborhood-level solutions to climate change.

Analysis

Urbanisation rates in Africa remain high. The United Nations expects the continent to experience the highest rates of urbanisation in the world from 2020 to 2050.

Lagos exemplifies these broader trends in sub-Saharan Africa.

The city has experienced exponential growth in both population and geographic scale since the early 1950s.

The city reached 1 million residents in 1970 and the number today is estimated at almost 20 million.

Already Africa's largest city, Lagos attracts large numbers of migrants, with approximately 6,000 individuals arriving every day.

In 2012, the then governor of Lagos State, Babatunde Fashola, predicted that the city would eventually be home to 40 million people.

By 2020, Lagos is expected to encompass an area three times the size of Paris. Most of its territory will be comprised of low-lying marshlands susceptible to flooding.

Widening inequality

Unchecked population growth and rapid expansion of the spatial environment of Lagos add to existing problems related to the provision of and access to infrastructure and other municipal services (see AFRICA: Cities will struggle to manage rapid growth - August 18, 2016).

It also adds to broader problems of urban poverty and corruption.

Infrastructure provision

The uneven distribution of infrastructure and city services limits access to a range of public goods for most residents of Lagos.

In the education sector, for example, it is estimated that 60% of the city's children do not attend school.

Meanwhile, the high number of unplanned settlement areas -- there are approximately 200 slum neighbourhoods -- has resulted in a situation in which upwards of 70% of residents lack access to indoor plumbing, sanitation facilities and on-grid power.

70%+

Residents without access to indoor plumbing and sanitation facilities

Those having regular access to basic services are principally the middle class.

Economic disparities

This split in infrastructure corresponds to the high levels of socio-economic inequality.

While 60% of Nigeria's financial activity is generated within Lagos, approximately half of the city's population lives on less than 1 dollar per day.

For individuals who seek to live in the elite areas, monthly rent for a two-bedroom apartment runs to approximately 2,400 dollars.

Competition for these central locations is so intense that landlords are often able to demand two years' rent in advance and in cash.

Corruption

While there have been notable advances in areas of income tax collection, traffic management, sanitation and waste services, local government attempts at poverty alleviation have thus far been lacking.

In addition to the persistent rapid growth of the city's size and population, a municipal services shortfall is often compounded by the inability (or unwillingness) to redistribute tax revenue to pay for urban improvements benefiting the poorest (see AFRICA: Taxes alone will not close the wealth gap - July 20, 2016).

The recent passage of the Lagos environment bill penalises the private acquisition of water; currently only one in ten have access to water provided by government sources.

Informal networks of civil servants, politicians and organised crime stand to lose money should services be made more widely available.

The effects of man-made climate change are likely to exacerbate and entrench already existing socio-economic and governance problems in Lagos.

Climate change impact

Negative consequences of climate change are likely to affect African cities disproportionately (see AFRICA: Climate funds could boost economic prospects - September 21, 2016).

Half of the cities in Africa with a population greater than 750,000 residents are located less than 50 miles from the coast, often in countries lacking the financial or technological expertise to mitigate the worst effects.

According to the Climate Change Vulnerability Index, seven of the ten largest African cities fall within the highest risk zones. These locales include Nairobi, Kinshasa and Lagos.

Eko Atlantic City

In response to these looming environmental changes, cities across Africa have initiated large-scale urban megaprojects to refashion themselves as attractive destinations for international investors.

Earlier large-scale land reclamation efforts in Lagos, such as Banana Island in Ikoyi, have emphasised exclusive housing and services.

Newer projects continue these trends while also promoting environmental consciousness and sustainability.

The Eko Atlantic Project off the coast of Lagos is one such example. Led by the Nigerian investment firm the Chagoury Group, construction of Eko Atlantic began in 2009.

When completed, one of its defining features will be an 8.5-kilometre-long sea wall, nicknamed the 'Great Wall of Lagos', intended to ward off the rising ocean.

At an initial cost of 6 billion dollars, Eko Atlantic is a self-contained residential, commercial and business district envisioned as a "mini Manhattan", being built out of 10 million square metres of reclaimed land.

250,000

Proposed residential population of Eko Atlantic

Upon completion, it is expected to house a residential population of 250,000, along with another 150,000 daily commuters.

Developers promise state-of-the-art urban design, high-end private security, quality roads and water infrastructure, and a power supply independent from the rest of Lagos.

New protests, rising insecurity

There is a long history of protest in Lagos.

In recent years, demonstrations have sought to assert land tenure rights for residents living in slums or other unauthorised settlements when confronted with government efforts to bulldoze or redevelop neighborhoods.

Protests organised in Lagos, Abuja and elsewhere in Nigeria during the first week of February focused on a more general set of corruption and economic grievances.

Whether these protests could lead a longer period of public discontent depends on the ability of President Muhammadu Buhari's government to respond effectively to the current economic downturn (see NIGERIA: President will struggle to contain threats - January 18, 2017).

A sustained recession in Lagos affecting the livelihoods and lifestyles of the middle class could open the door to more widespread protests involving the poor majority and the more affluent.

Mobilisations around these shared concerns are not unprecedented in Nigerian cities.

In February of this year, protests in Port Harcourt were organised in response to black dust falling from the sky with the social media hashtag '#stopthesoot'.

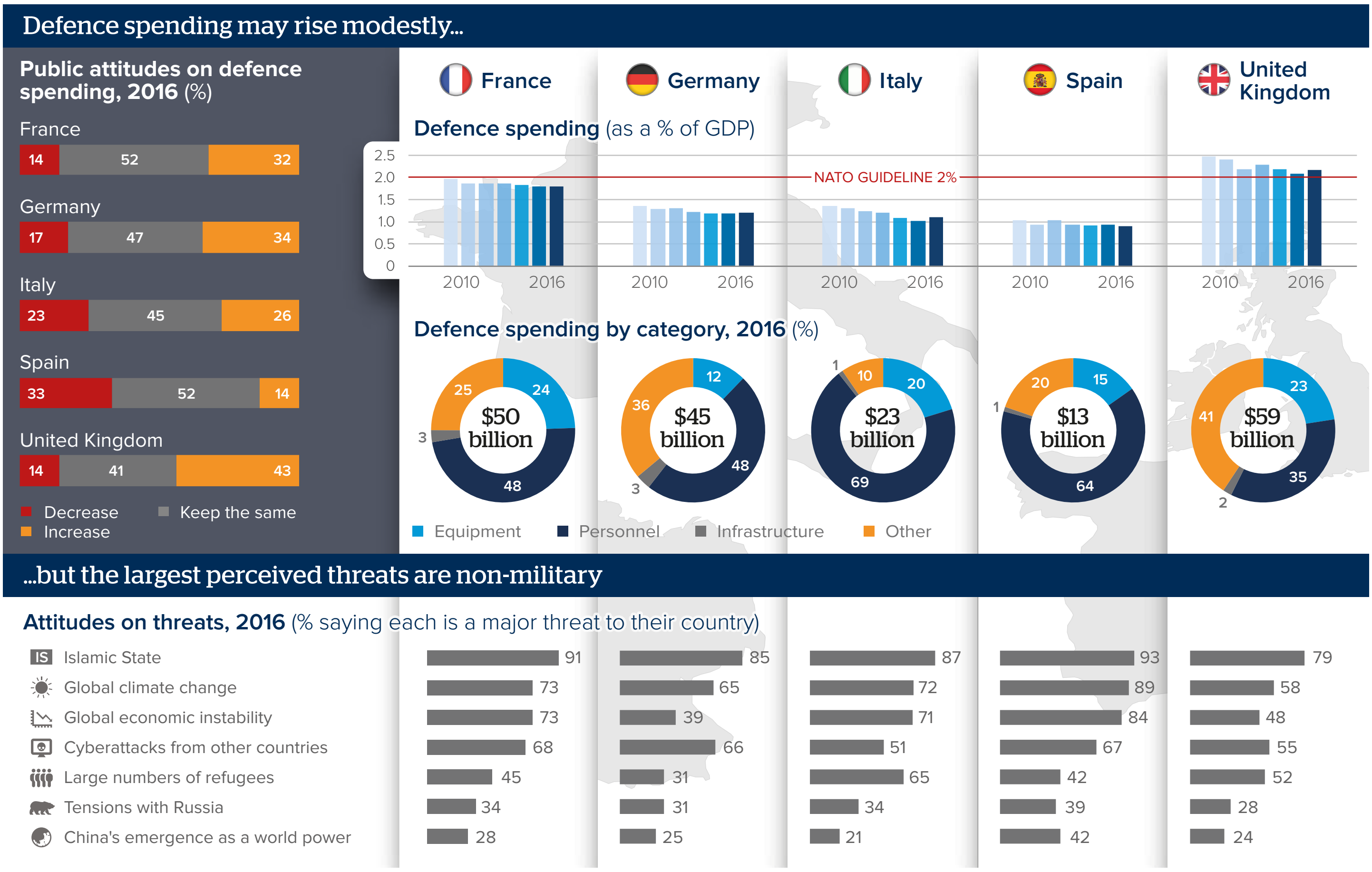
Similar protests oriented around pollution, water scarcity and basic infrastructure could take root elsewhere -- especially as the gap between those with access to such public goods and the rest of the population becomes more glaring.

Oxford Analytica

March 16, 2017

Western Europe might embrace wider security concept

Terrorism and climate change appear to be more pressing concerns for many citizens than military threats



Sources: Pew Research Center, NATO

Despite Russia's increasingly assertive behaviour, the largest perceived threats for Western Europeans are non-military. Defence spending is likely to increase modestly over the next years in response to US calls, but large increases are unlikely as public support appears to be weak, especially in Italy and Spain which face large debt burdens.

Instead, governments may highlight the role of non-military spending such as foreign aid and spending on integration measures and deradicalisation programmes in improving security outcomes. This may contribute to the development of a broader, more inclusive definition of security.

_ Governments may try to use foreign aid more strategically, for example to reduce drivers of migration.

_ Spending on cybersecurity will increase and public-private partnerships could become increasingly important.

_ Increasing spending on military equipment could be difficult in the short term due to long product development times.

_ European defence cooperation and moves towards an EU army will probably intensify after Brexit.

See also: European defence spending may increase modestly -- March 1, 2017

Stagnating US women’s rights may set global pace

Wednesday, March 8, 2017

Women across the world today have called a strike to draw attention to gender inequality

Rally for International Women's Day in Los Angeles, United States, March 5, 2017 (Reuters/Lucy Nicholson)

As part of International Women’s Day today, rights groups have called for women across the world to participate in a global strike, 'A Day Without a Woman'. The action urges women to strike or avoid making purchases to highlight women’s importance in society. It follows marches in the United States and across the world on January 21 against the election of Donald Trump to the presidency of the United States.

What next

Under Trump and Republican-dominated state and federal governments, women’s access to health services and abortion in the United States -- and overseas -- is likely to become more limited. The maternal mortality rate in the United States is therefore likely to increase. Without US funding and institutional backing, and disjointed efforts among Western governments to tackle the widespread trends towards violence against women and economic injustice, progress on women’s rights looks set to stagnate.

Subsidiary Impacts

- The US cut in reproductive health services funding will restrict access to contraception for millions of women globally.
- This could lead to increases in unsafe abortion, and higher maternal death rates.
- In Europe, the rise of far-right governments may also result in reversals in legislation protecting women’s rights.

Analysis

In matters of women's rights, problems in low-income countries tend to dominate discussions, including female genital mutilation, high maternal mortality rates, inequities in employment opportunities, gender violence, and forced and early marriage (see INTERNATIONAL: Economics guide marriage age decisions - August 5, 2015) and (see LATIN AMERICA: Gender violence protests will mount - November 4, 2016).

These problems are indeed prevalent, but the status of women in high-income countries is also marked with measures of inequality and injustice. Activists at January's Women's March in Washington drew attention to the issues of reproductive rights, economic justice, and ending sexual assault and violence against women in the United States.

This was in direct response to Trump's presidential campaign, in which he expressed strong anti-abortion views, including promising to appoint a Supreme Court justice who could help overturn Roe v. Wade, the landmark legislation which legalised abortion in the country.

While the timing of the Women's March preceded any actual activity of the Trump White House, the increased attention to women's rights follows several reversals in the status and protection of women in the United States and Europe, including increased legislation limiting access to abortion, high levels of gender-based violence, and a wide economic participation gap.

Reproductive rights

Under President Barack Obama, Republican legislators at both state and federal levels resisted increasing access to reproductive healthcare and abortion rights.

Legislation restricting abortion in Texas led to the closure of 82 women's health clinics in 2011. In 2016, 14 states in the United States passed legislation limiting abortion access.

Both the election of Trump and majority Republican control of 32 state legislatures and 33 governorships has emboldened this thread of governing, and the Republican efforts to reverse legislation on women's access to healthcare and abortion are likely to increase.

> The United States is the only Western country where maternal mortality rates are rising

This can have disastrous impacts on women's health. In Texas, maternal mortality rates have doubled since 2011. While a direct correlation has not been proven between maternal mortality and clinic closures in Texas, limiting the availability of reproductive and maternal health services, especially to low-income women, can lead to further complications in pregnancy and birth.

The rising mortality rate for mothers in Texas is mirrored across the United States, the only developed country to have seen a rise in maternal mortality in the last decade (see INTL: Maternal mortality gains - July 14, 2015).

Anti-abortion rhetoric in the United States also has implications for women's access to reproductive health services worldwide. Trump's reinstatement of the Mexico City Policy (see INTERNATIONAL: US 'gag rule' risks women's health - February 2, 2017) means that nearly 9 billion dollars of federal funding for global health projects is subject to restrictions if organisations or clinics offer abortion counselling or services. This will have a dramatic effect on women's health worldwide, potentially cutting off family planning and health services to hundreds of millions of women.

Economic disparities

Aside from reproductive health, there are considerable disparities in family life responsibilities and gaps in economic participation between men and women worldwide. Across the globe, while more women are in the formal workforce than ever before, they remain the primary caregivers for children and elderly relatives, while also taking on the bulk of responsibility for household labour.

A 2016 study from the World Economic Forum found that not only do men do considerably less unpaid household work than women, this standard begins early with young girls, who already spend 30% more time on unpaid work than boys. This perpetuates imbalanced labour norms and holds women back from engaging in careers, because of expectations of unpaid labour at home.

Further, while women's participation in the workforce has been steadily increasing in the last thirty years, they are mostly employed in low-paying jobs even though more women go to university.

> Men still are paid more even though women are more likely to be university graduates

Pressure to complete domestic tasks, especially childcare, mean that women often seek more flexible positions which are low-paying. In Europe, employment for women once they have children is reduced by 15%, but increases by 6% for men. This means that women are much less likely to take upper-management positions in organisations, and as of March 1 represent just 5.8% of S&P 500 chief executives even though studies have found that companies who employ large numbers of women outperform their competitors.

More alarming, studies indicate that as women begin to take over a professional field, salaries in the field begin to drop, demonstrating a persistent gender bias that results in the devaluation of women's labour.

Sexual violence

Sexual assault and violence against women remains a pervasive issue, not only in developing countries, but also in the Western world (see LATIN AMERICA: Gender violence protests will mount - November 4, 2016).

A Europe-wide survey demonstrated that one in three women has experienced some form of physical or sexual violence. In the United States, one in five women will be raped at some point in their lives. An estimated two-thirds of sexual assaults are not reported to the police, largely because of widespread victim-blaming and low levels of prosecution.

1 in 5

Women in the United States who are raped at some point in their lives

Outlook

Trump has promised to cut federal funding for the Department of Justice's Office on Violence Against Women, which provides grants to increase rates of investigation and prosecution of crimes against women. Trump argues that this will help eliminate "wasteful" spending and reduce the national budget deficit.

However, the percentage of the federal budget going to the office is minimal. Cutting off the funding will have virtually no fiscal impact but it will negatively affect prosecution rates.

In addition, the Republican-held Congress is already debating how to dismantle the Affordable Care Act, which had essential features protecting women's health, including mandating the inclusion of birth control, maternal health services, and essential post-partum care (including breast pumps) in health insurance plans (see UNITED STATES: ACA repeal would roil insurance markets - February 15, 2017). The Republicans' healthcare replacement plan omits these provisions.

Despite advances in recent decades, across Western countries women continue to be disadvantaged in accessing necessary health care, economic opportunities, and justice for incidents of physical and sexual violence. In the United States, with a marked reversal in political will to address underlying problems and effects of gender inequality, progress on women's rights will remain slow, while certain key indicators, including maternal health and reproductive rights, may worsen.

Skills gap will hinder South African growth plans

Monday, March 6, 2017

Perennial education funding shortages are fuelling a skills gap that will constrain employment opportunities


A queue of people registering for tertiary studies at a college in Durban (Reuters/Rogan Ward)

On March 3, Finance Minister Pravin Gordhan told the Fees Commission that further allocations for Post-School Education and Training (PSET) could only be made through tax increases or reprioritising current funding. Last month, the budget increased education spending from 296 billion rand (22.8 billion dollars) to 321 billion rand (24.7 billion dollars), remaining constant at 6.8% of GDP and over 20% of total budgeted expenditure. Despite the increase, significant funding and upskilling shortfalls persist. Quality problems at all education levels constrain economic growth and development.

What next

Higher government allocations will prove insufficient to meet the now growing gap between state subsidies and university shortfalls. Debilitating campus protests could flare up again this year, particularly in the run-up to the ANC's elective conference in December, although likely at a reduced intensity compared with recent years. Technical and Vocational Education and Training (TVET) institutions will lag further in quality as more politically sensitive university and secondary education funding is prioritised.

Subsidiary Impacts

- Historically black universities (HBUs) will likely suffer most from any resumption of student protests.
- University students may push for further measures to 'decolonise' curricula.
- A 'missing middle' of poorer middle- and working-class students will have to rely on private-sector funding to attend university.
- The gap between second-level education provision in the richest (Gauteng) and poorest (Eastern Cape) provinces could widen further.

Analysis

South Africa's education spending ranks at the top among middle-income countries and is higher as a percentage of GDP than in most African countries.

Nevertheless, the country fares poorly in both international and regional assessments of school performance in reading and mathematics, while the economy is characterised by a critical skills shortage coexisting with high levels of unemployment.

Budget measures

Gordhan's 2017 budget outlined an increase in education spending of 8.4% overall: 7.3% for basic education and 9.2% for PSET (see SOUTH AFRICA: Budget may partly ease downgrade fears - February 27, 2017).

Following the debilitating university student protests of 2015 and 2016, the government proposed an additional 16 billion rand for PSET for the period 2016-2018 and reaffirmed this in the Medium Term Budget Policy Statement (MTBPS) in October last year (see SOUTH AFRICA: Downgrade avoidance may prove temporary - December 6, 2016).

The 2017 budget also allocated a further 5 billion rand to an increase of 32 billion rand outlined in the MTBPS.

Despite the relatively substantial allocations, quality of spending poses a problem: results are not in line with expenditure levels.

Education and training

Enrolment at the primary and secondary levels has shown significant progress -- close to 100% and 88%, respectively.

However, while there were 1.1 million students in Grade 10 in 2014, there were only 610,000 in Grade 12 in 2016, reflecting a 45% drop-out rate (see SOUTH AFRICA: Lacklustre schools to limit skills plan - January 13, 2015).

45%
Drop-out rate in secondary education

Distinct quantitative challenges also exist at extreme ends of the system: pre-primary and early childhood education; and in the post-schooling sector, specifically in vocational and technical education.

In both these sub-sectors, enrolment levels are relatively low.

Less than 40% of eligible children are in early childhood development, with the overwhelming majority from affluent, urban families.

The TVET sector has close to 1 million enrollments, but many are training for school-level diplomas rather than more advanced, post-school courses in vocational education and training.

Post-schooling

The post-schooling sector comprises universities and TVET colleges.

Universities

Substantive expansion of tertiary education has seen university enrollments treble since 1994 to more than 1 million students.

1 million plus
Number of university students

However, the university sector faces challenges relating to quality and efficiency, issues which are not adequately acknowledged by policymakers in the Department of Higher Education and Training (see SOUTH AFRICA: Universities face major funding crisis - September 15, 2016).

In practice, the university system is stratified into:

- better, high-quality institutions, mainly the 'historically white universities' (HWUs), such as the University of Cape Town; and
- poor-quality institutions, mainly the 'historically black universities' (HBUs), such as the University of Fort Hare.

The university system has thus been transformed from one exclusively based on race to one based on income and class: students who go to the best secondary schools, largely from wealthier, urban families -- still dominated by whites -- attend the better universities.

Vocational training

The TVET system, on the other hand, remains underdeveloped in qualitative and quantitative terms.

The 50 TVET colleges have failed to attract significant numbers of students in the post-school component of these colleges -- less than 20% of the total enrolment.

A report by Statistics South Africa (Stats SA) notes that the government should "focus on enrolments in TVET and other colleges, as the need for more specific skills for existing jobs is immediate".

However, these colleges are perceived by some as institutions providing inferior education and training, and many students are resistant to vocational education over university education. There is also some evidence of weak linkages between TVET and the labour market.

Skills development

In response to the inadequate production of skills by the formal education and training system, skills development is also funded through a system of Sector Education and Training Authorities (SETAs).

The SETAs utilise the TVET colleges to provide some of their training programmes -- the Department of Higher Education and Training is actively encouraging this -- but most of the SETA training takes place through private providers.

Skills and employment

Important questions regarding the demand for skills relate to the issue of whether there is a lack of skilled jobs or whether there is a lack of appropriate qualifications, as well as one relating to the extent of graduate under-employment.

Graduate under-employment refers to instances where individuals are employed in occupations that require lower-level skills than those provided by their education and training.

This is partly a result of perceived poor quality of the education received by such graduates and partly because the economy is not creating jobs that match their qualifications.

The latter is a crucial factor in South Africa where there is disproportionately high job creation in low-skill occupations in the service sector.

Notably, data from Stats SA and other sources show relatively low levels of graduate unemployment.

Thus the skills shortage is creating slow growth in high productivity jobs; graduates are under-employed and are squeezing out semi-skilled and unskilled labour, with the latter group comprising the 'open unemployed'.

Wide racial disparities also exist in both access to employment and sectoral employment. White and Indian/Asian population groups dominate skilled occupations, while most black African and coloured South Africans are in low-skilled or semi-skilled occupations.

Youth unemployment -- those aged 15-34 years -- is a growing problem (see AFRICA: Youth unemployment will drive migration - October 17, 2016).

Between 2008 and 2016, youth unemployment increased by more than half a million to 3.6 million.

Black Africans and coloureds are disproportionately represented among those 'not in employment, education or training'.

Turn to private sector

While there is clearly a need to pay more attention to the quality of education at all levels, a much greater focus is required on demand-side issues.

Prime among these is employment creation in manufacturing and in the 'knowledge economy'.

This in turn will require greater collaboration between government, universities and the private business sector.

As Pretoria struggles to deal with the divisive issues of tuition fees and university subsidies, bodies such as the National Student Financial Aid Scheme (NSFAS) are actively engaging the private sector to fund the 'missing middle' and plug these skills gaps.

Progress countering HIV/AIDS in Africa may be at risk

Wednesday, February 15, 2017

While the HIV/AIDS epidemic has dropped out of headlines, the virus still poses a potent risk.


A phlebotomist holds a blood sample from a woman to test for HIV at the Mater Hospital in Kenya's capital, Nairobi (Reuters/Thomas Mukoya)

The Joint UN Programme on HIV/AIDS (UNAIDS) on February 13 called for countries to improve prevention options as the rate of new infections has stagnated or increased in some parts of the world. HIV and AIDS have slipped from the public radar in recent years but nonetheless remains a serious health challenge across sub-Saharan Africa (SSA). Efforts to control the epidemic may well be put at risk following recent US policy announcements that are likely to undermine prevention efforts.

What next

Progress controlling the spread of HIV and AIDS is continuing in SSA against a more static global picture, but progress in prevention and treatment will need to scale up to maintain momentum. Successfully addressing HIV/AIDS in SSA will be determined by four challenging issues: prevention, treatment, drug resistance and financing.

Subsidiary Impacts

- The US Mexico City Policy will damage HIV/AIDS programming through its effects on critical sexual and reproductive health (SRH) services.
- Growing drug resistance to HIV treatment will impair both treatment and prevention services, leading to increased deaths and new infections.
- Weak health systems and lack of domestic support jeopardises the sustainability of HIV services.
- Emerging health crises may divert donor attention and budget support from HIV/AIDS organisations at a time when momentum is needed.

Analysis

Over the past 15 years, great strides have been made responding to the global HIV and AIDS epidemics that have infected over 78 million people and led to the deaths of around 35 million.

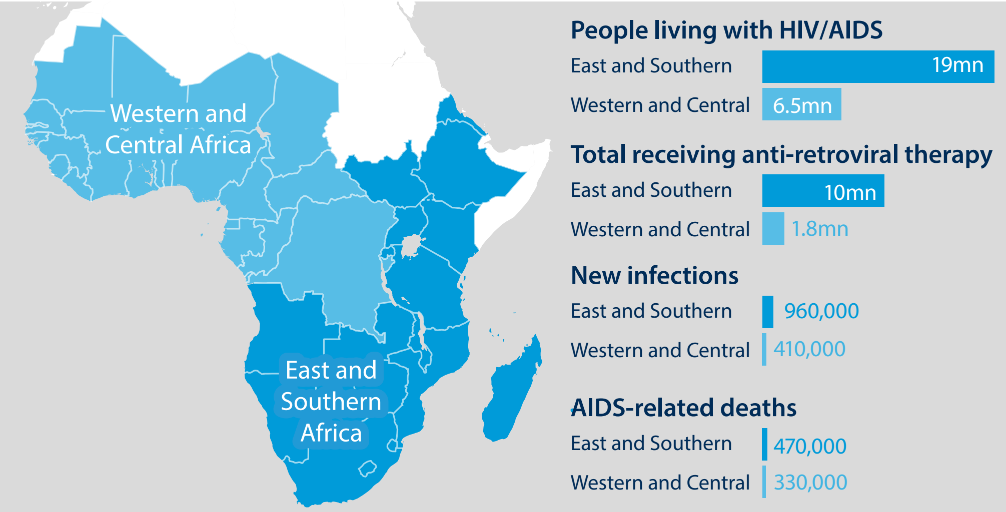
In the mid-2000s, those involved in HIV/AIDS prevention and treatment started to talk of halting the hitherto upward trajectory of the epidemics as the growth in new infection rates and deaths from AIDS-related illnesses began to slow and decline. Having been the world's seventh-greatest cause of death in 2000, HIV and AIDS no longer ranks in the top 20 global causes of death in the latest data from 2015 (see INTERNATIONAL: Non-communicable diseases will rise - October 17, 2016).

Some geographic regions have made great progress in preventing new infections and rolling out treatment and care programmes for people living with HIV and AIDS (PLWHA). Yet SSA (where 60% of all PLWHA live) still presents a daunting challenge to health workers, national governments and organisations funding programmes to control the disease.

> HIV/AIDS is the leading cause of death in SSA for people over the age of 15

HIV and AIDS remains the leading cause of death for people over the age of 15 in the region. SSA accounts for 66% of global new infections:

- an estimated 25.5 million people were living with HIV and AIDS across the region in 2015;
- 11.8 million people in SSA were receiving life-saving treatment via anti-retroviral therapy (ART) in 2015, a figure comprising 46% of PLWHA in the region;
- 800,000 people in SSA died from AIDS-related illnesses that year (72% of all global AIDS-related deaths); and
- 122,000 children under the age of 15 were infected with HIV in 2015, most while in their mother's womb during pregnancy.



Key HIV/AIDS indicators for sub-Saharan Africa (estimates)
Source: UNAIDS Fact Sheet Global HIV Statistics, November 2016

Challenges

Overcoming the HIV/AIDS epidemic in SSA requires progress in four key areas: prevention, treatment, drug resistance and financing.

Prevention

During the early 2000s, the number of new infections began to decline, reflecting improved effectiveness in prevention programming.

Since 2010, the number of new infections has remained static globally. Among some groups (notably urban areas and men who have sex with men (MSM)), numbers are rising again.

In SSA, new infections have fallen by just 14% and 8% since 2010 in eastern/southern and western/central Africa, respectively.

Certain groups account for a large proportion of new infections, especially those at the margins of society who have fewer legal protections and find accessing health and HIV-specific services difficult. These categories include MSM, sex workers and their clients, transgender people, those injecting drugs and the prison population.

This suggests that a key barrier to improving prevention efforts lies in addressing social and legal barriers surrounding accessing HIV (and wider health) services.

Voluntary male circumcision, which is linked to helping protect against infection with the virus, has been an important preventative tool in eastern and southern Africa -- 22.7 million voluntary procedures had been undertaken by 2015 -- but momentum needs to be maintained.

The use of anti-retroviral drugs as a preventative strategy amongst the at-risk (but non-infected) population is difficult in a region where less than half of PLWHA have access to treatment.

One critical component to the success of HIV prevention is strong sexual and reproductive health services.

While US President Donald Trump's executive order re-instating the Mexico City Policy -- restricting US funding to agencies providing abortion services or advice -- is not directed at HIV/AIDS services, many of these preventative services are run through sexual and reproductive health (SRH) clinics (see INTERNATIONAL: US 'gag rule' risks women’s health - February 2, 2017).

Health providers are concerned that the re-introduction of the Mexico City Policy will obstruct international efforts to improve prevention efforts amid signs of these programmes stalling.

Evidence from previous iterations of the Mexico City Policy have shown adverse impacts on HIV/AIDS prevention:

- Studies in Kenya and Zambia found that main non-governmental providers of SRH services scaled back work and closed clinics because of the policy under a previous Republican administration. These included outreach programmes and community-based distribution of contraceptives critical for HIV prevention.
- In Ghana, contraceptive supplies decreased when the Mexico City Policy was reintroduced by former US President George W. Bush.
- In Lesotho, the impact of the policy was to stop all US shipments of condoms when the distributor (Lesotho Planned Parenthood Association) lost funding at a time when one in four women were living with HIV.

Treatment

The number of people receiving ART has grown exponentially, from 7.5 million in 2010 to 18.2 million today (11.8 million of these are in SSA).

18.2mn
People receiving anti-retroviral therapy

Despite progress, this represents less than half of all PLWHA. An estimated 40% of infected people do not know they are infected, making the development of affordable, easy self-testing kits a priority.

Investment in health systems more generally is also critical, allowing PLWHA to access required health services.

Drug resistance

Growing drug resistance is a rising concern in HIV treatment (see AFRICA: Populations vulnerable to falsified dugs - February 6, 2017).

In SSA, HIV drug resistance has been noted at worrying levels in Angola, Botswana and South Africa, though problems in monitoring data means the problem is likely more widespread and serious than thought.

The World Health Organization is developing a five-year action plan (2017-21) to monitor and respond to the global emergence of resistance. This will require a substantial scaling-up of monitoring, a problem in many of the continent's under-funded health systems (see INTERNATIONAL: Underfunding risks 'superbug' defences - September 16, 2014).

Access to third-line drugs (the most modern type) will become increasingly necessary but carries cost implications for payers, such as governments and donors.

While new drugs will be needed to overcome resistance, most developing countries struggle with accessing drugs already developed.

Financing

Although 19 billon dollars were committed to HIV and AIDS programming in low- and middle income countries in 2015 (57% from domestic resources), this fell short of estimated requirements.

Fears of a funding shortfall over the next five years persist despite donors all but meeting the 13-billion-dollar target set by the Global Fund in September 2016; UNAIDS estimates 26 billion dollars will be required in 2020 alone.

January 19, 2017

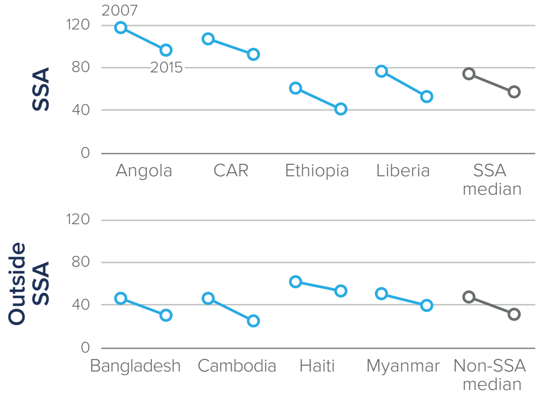
African states will monopolise list of least developed

Least developed countries (LDCs) share common traits but also show gradations among development indicators

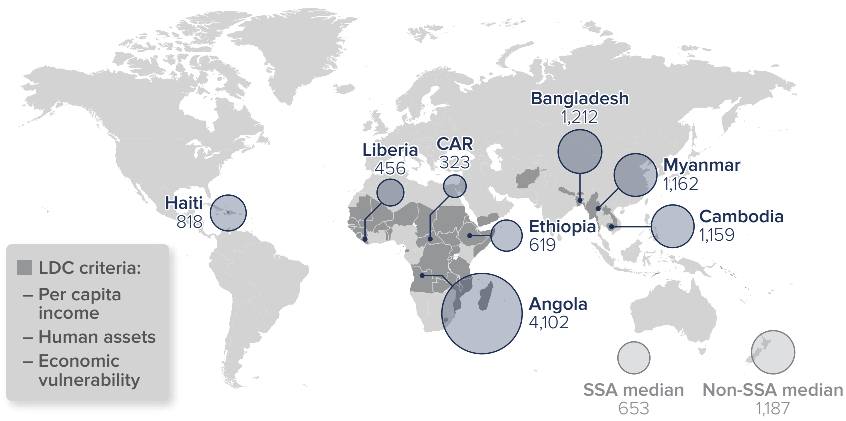
LDCs are determined by several criteria; African states lag in several central development indicators

	LDC	National electrification rate[1]	Access to improved water source[2]	Life expectancy[3] (years)
Sub-Saharan Africa (SSA)	Angola	33%	49%	52
	Central African Republic	3%	69%	51
	Ethiopia	25%	57%	64
	Liberia	10%	76%	61
	SSA median	26%	69%	60
Outside SSA	Bangladesh	61%	87%	72
	Cambodia	34%	76%	68
	Haiti	28%	58%	63
	Myanmar	32%	81%	66
	Non-SSA median	54%	81%	68

Infant mortality (per 1,000 live births)



LDCs: GDP per capita, selected countries[4] (current dollars)



Notes: [1]2013/4, [2]2015, [3]2014, [4]2016

Sources: UN, World Bank, International Energy Agency

By 2025, the UN projects that the list of LDCs will shorten but be solely comprised of sub-Saharan countries and Haiti.

The recent slowdown in global economic growth has not spared African countries, but economic fortunes across the continent are mixed. Several LDCs (Senegal, Ethiopia, Rwanda) have maintained robust growth, while others (South Sudan, Burundi) have struggled. This could perpetuate two tiers of African LDCs in the coming years: high and low growth.

Rising isolationist sentiments in the West could shift focus away from global inequalities and reinforce persistent questions over the efficacy of aid in spurring development.

_ Future shocks, such as natural disasters, economic cycles or large-scale conflict, will set back progress among LDCs.

_ A demographic boom will require growth and service delivery expansion to outpace population growth in sub-Saharan countries.

_ States may fight graduating from LDC status if it risks losing development assistance, support measures and beneficial trade opportunities.

See also: Inequality will deepen global health divide -- June 14, 2016