Africa CEO Forum
A Mazars Policy Paper
By Abdelmalek Alaoui

Evaluating growth perspectives in key African countries

March 2015
Understanding the diversity of contexts and ecosystems in African countries is instrumental to **evaluating economic opportunities** and **driving governance policies**. Our objective has been to quantify strength and weaknesses of key countries in Africa with **standardized indicators**, and determine the degree to which these countries are both ready and capable to evolve. We have developed **proprietary indexes** to offer investors and policy makers prospective capacity, while highlighting fall-outs and weaknesses that must be addressed for enabling **inclusive and sustainable growth**.
Geographic scope of study
A comprehensive data-driven process to model capacity for change

Collecting relevant data for all 54 recognized countries in Africa allowed to isolate the most relevant data points. We selected 29 key countries based on data availability, representing a large sample of situations with widespread differences across all indicators.
A three-pronged approach

Correlating different variables of growth potential

**Strength & Weaknesses**
Evaluate the current situation in countries and their respective assets or obstacles. Quantifying strengths and weaknesses for change implies considering demographics, infrastructure, financing, and human capital.

**Strategic agility**
Having the capacity to initiate lasting change – both in terms of economic potential and governance – requires institutional inclusiveness and stakeholder effectiveness. We have measured these through various standardized indicators.

**Regional Integration**
Analyze the degree to which countries rely and depend on each other within the region in terms of trade and commercial integration. Evaluate cross-border knock-on and ripple effects, and anticipate an international division of labor based on shifting comparative advantages in the regional value chain.
Data selection
Reliable data sources and common testing benchmarks

THE WORLD BANK
UNEP
WORLD TRADE ORGANIZATION
ILO
Mo Ibrahim
Data Selection
Isolating most coherent indicators to build meaningful indexes

From 54 chosen indicators across 7 categories, **26 were retained** based on data availability and **interest of correlation value** (both Pearson correlation and Spearman Rank correlation).
Building Proprietary Indexes
A hierarchical construction of illustrative indexes to forecast change

Strength & Weaknesses Index

- Demography & Urbanization Sub-Index
  - Dependency Ratio
  - Urban Population
  - Urbanization rate
  - Growth of active pop.
- Energy & Infrastructure Sub-Index
  - Access to Electricity
  - Access to Water
  - Transport Network density
- Financing Structure Sub-Index
  - Gross Domestic savings
  - Net ODA Received
  - External Debt Stock
- Human Capital & Innovation Sub-Index
  - Secondary enrollment
  - Secondary Completion
  - Internet Penetration
Building Proprietary Indexes
A hierarchical construction of illustrative indexes to forecast change

Inclusiveness index
- Economic inclusiveness index
  - Gin index of inequality
  - Informal economy ratio
- Political inclusiveness index
  - WGI VA Index
  - Mo Ibrahim Political rights index
Building Proprietary Indexes
A hierarchical construction of illustrative indexes to forecast change

- Strategic Agility Index
  - Institutional Inclusiveness Sub-Index
  - Stakeholder Effectiveness Sub-Index
    - WGI GE Index
    - WB Doing Business
    - Freedom of the press
    - WGI RL Index
  - Economic inclusiveness index
  - Political inclusiveness index
Benchmarking proprietary indexes

Correlation values of proprietary indexes with benchmarks

- **HDI**: 77%
- **IEA Energy Development**: 71%
- **AFDB Index**: 76%
- **Global Innovation**: 49%
- **Mo Ibrahim**: 88%

**Categories**:
- Demography & Urbanization
- Energy
- Infrastructure
- Human Capital & Innovation
- Strategic Agility
Preferring relative values over ranks
Positioning each country relatively to best-in-class

Instead of using country ranks, index values were derived from weighted averages of considered indicators.

Each index value is equal to:

\[
\text{country value} - \text{sample min} \\
\text{sample max} - \text{sample min}
\]