



# East Africa Regional Economic Outlook 2023

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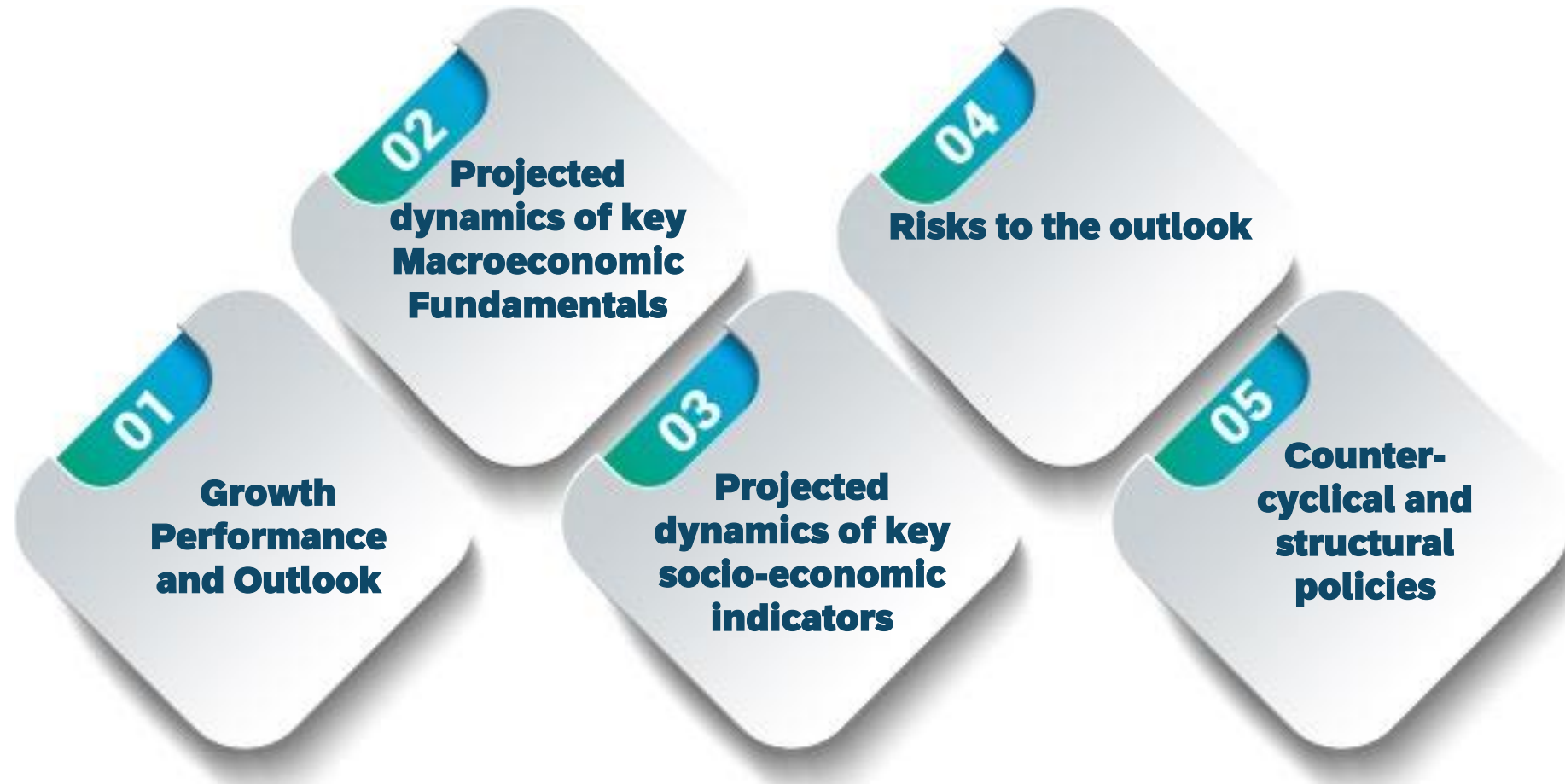


AFRICAN DEVELOPMENT BANK GROUP

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# Part I: Presentation outline of Macroeconomic Part



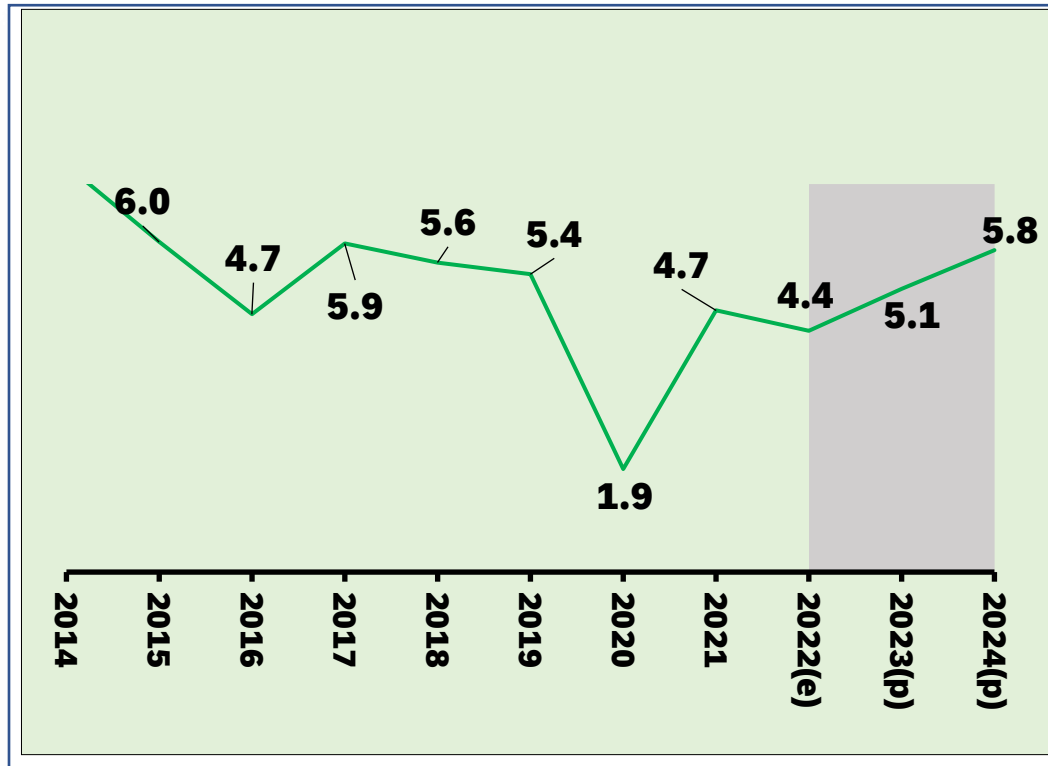
**LAUNCH OF 2023**

**EAST AFRICA REGIONAL ECONOMIC OUTLOOK**



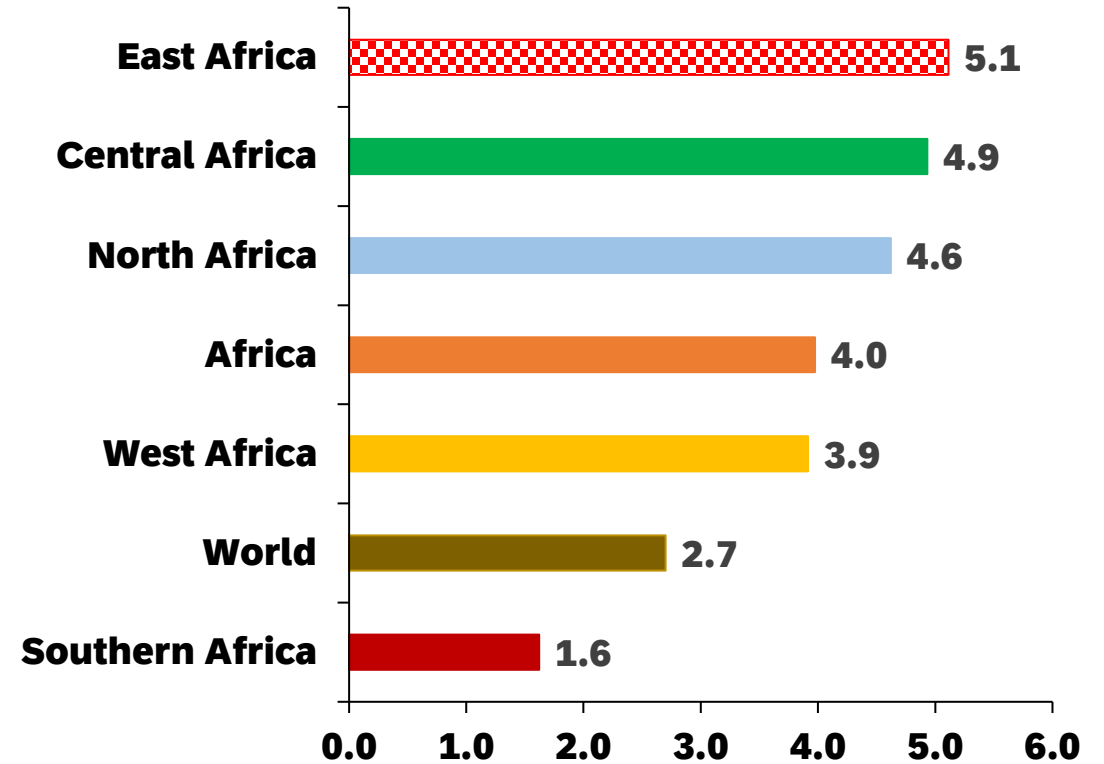
# East Africa's economic growth will accelerate to 5.1% in 2023 and 5.8% in 2024 (against 4.4 in 2022) and is expected to be the highest among all of Africa's regions

**Fig 1 - East Africa Real GDP growth rates (percent), 2014 - 24**



Source: African Development Bank Statistics, April 2023

**Fig 2 - Real GDP growth per region (percent) in 2023**



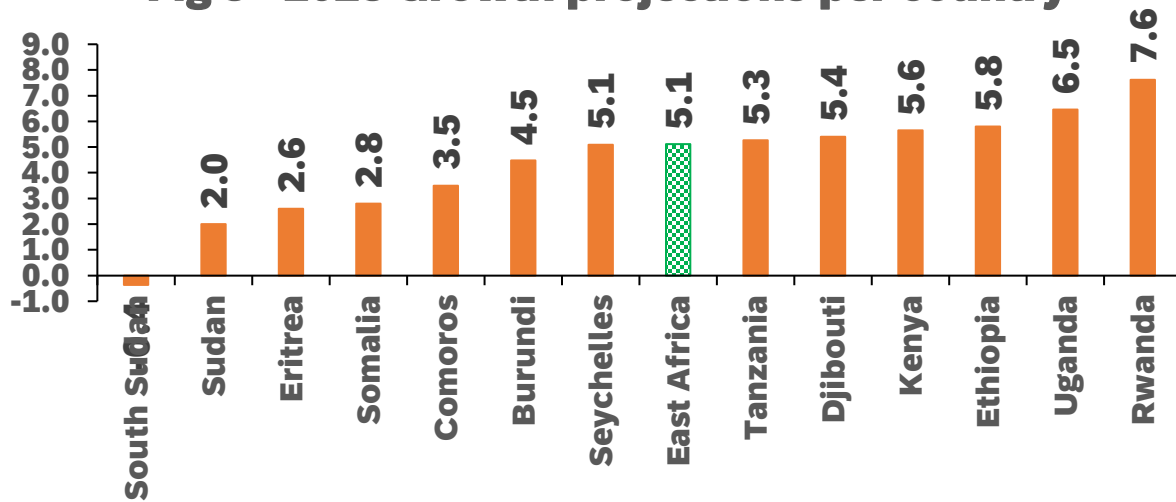
Source: African Development Bank Statistics, April 2023

# The outlook is however heterogeneous across the region and not sustained enough

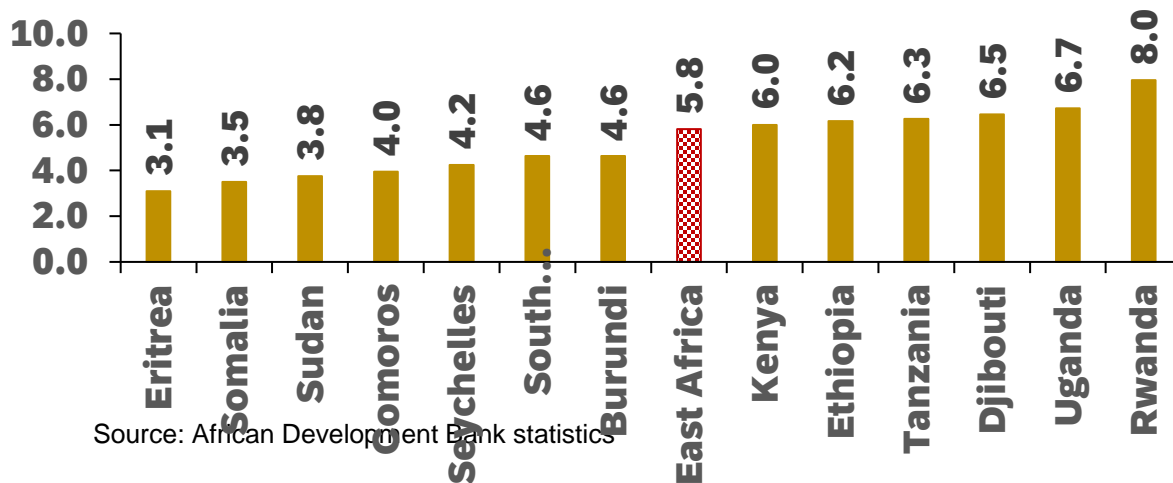


## 2023 and 2024 Growth Projections per country

**Fig 3 - 2023 Growth projections per country**



**Fig 4 - 2024 Growth projections per country**



Source: African Development Bank statistics

Rwanda is projected to be the top-performer in GDP growth in the region in short and medium term

Other performers in GDP growth will include Uganda, Ethiopia, Kenya, Tanzania and Djibouti

On the demand side, household consumption will remain the main driver to GDP growth in many countries. So, investment will continue to generate low marginal efficiency of capital. Growth will thus remain extensive, i.e. driven by factors accumulation

The service sector will continue to dominate EA's growth on the supply side in the short and medium term. Yet this sector remains a sector of relatively low productivity

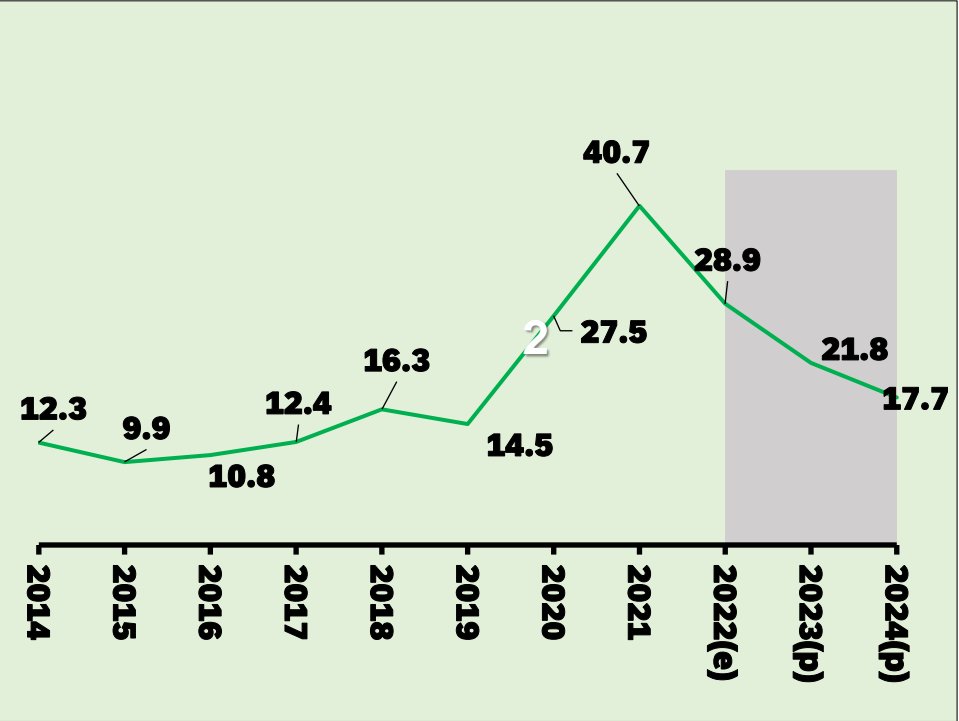
Economic diversification for exports and market access will remain inadequate (though growing) in the region – a key impediment to growth

**LAUNCH OF 2023**

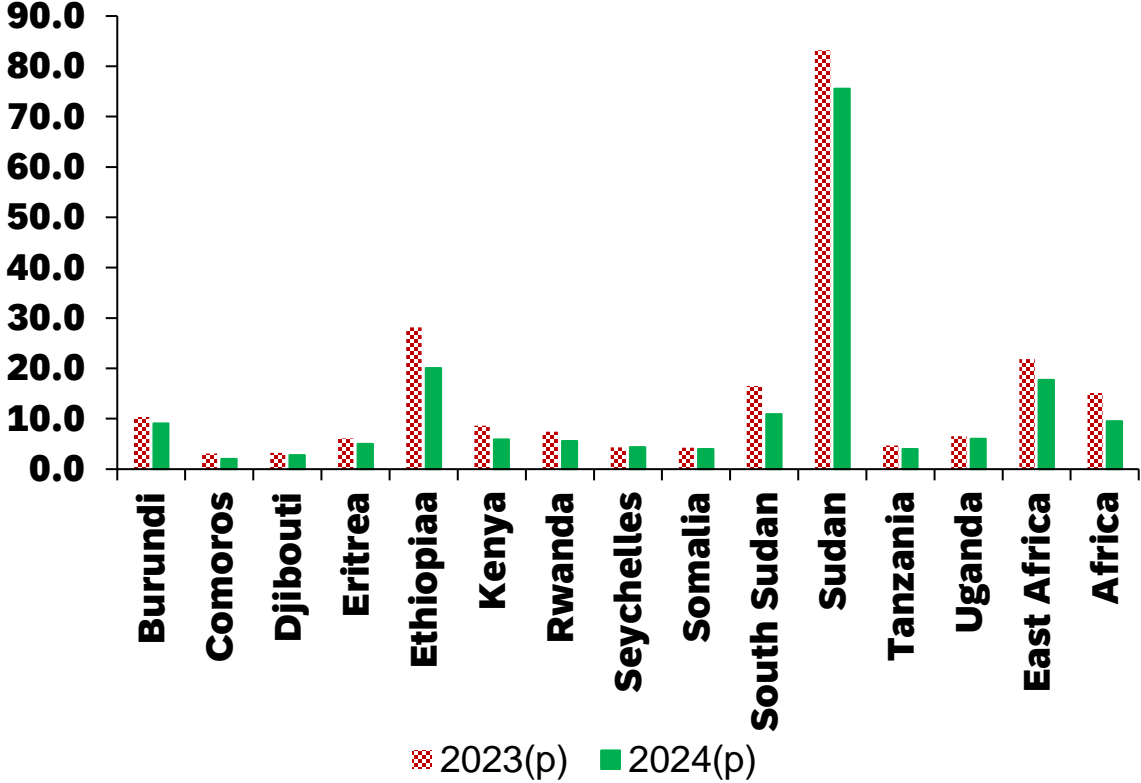
**EAST AFRICA REGIONAL ECONOMIC OUTLOOK**

# East Africa will continue to post the highest inflation rates in Africa in medium term due to global shocks and internal conflicts, although inflation pressure is slowly easing

**Fig 5 – Inflation rates in East Africa (%), 2014-24**



**Fig 6 – Projected Inflation rates per country (%)**



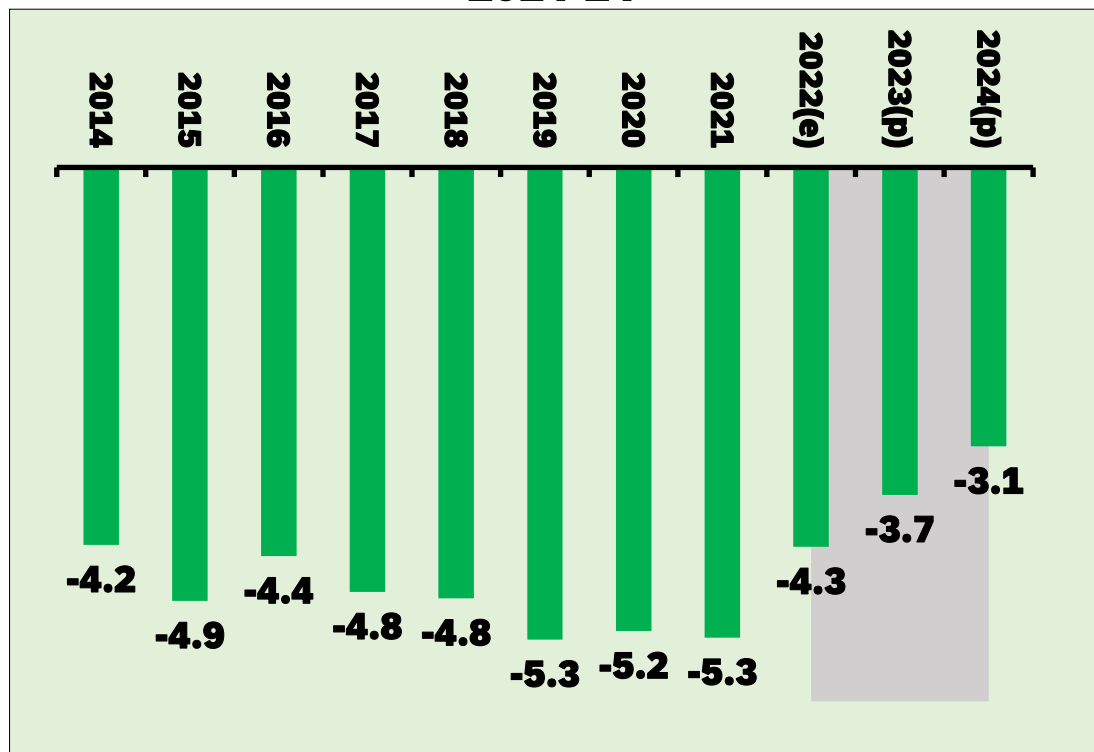
Source: African Development Bank Statistics, April 2023

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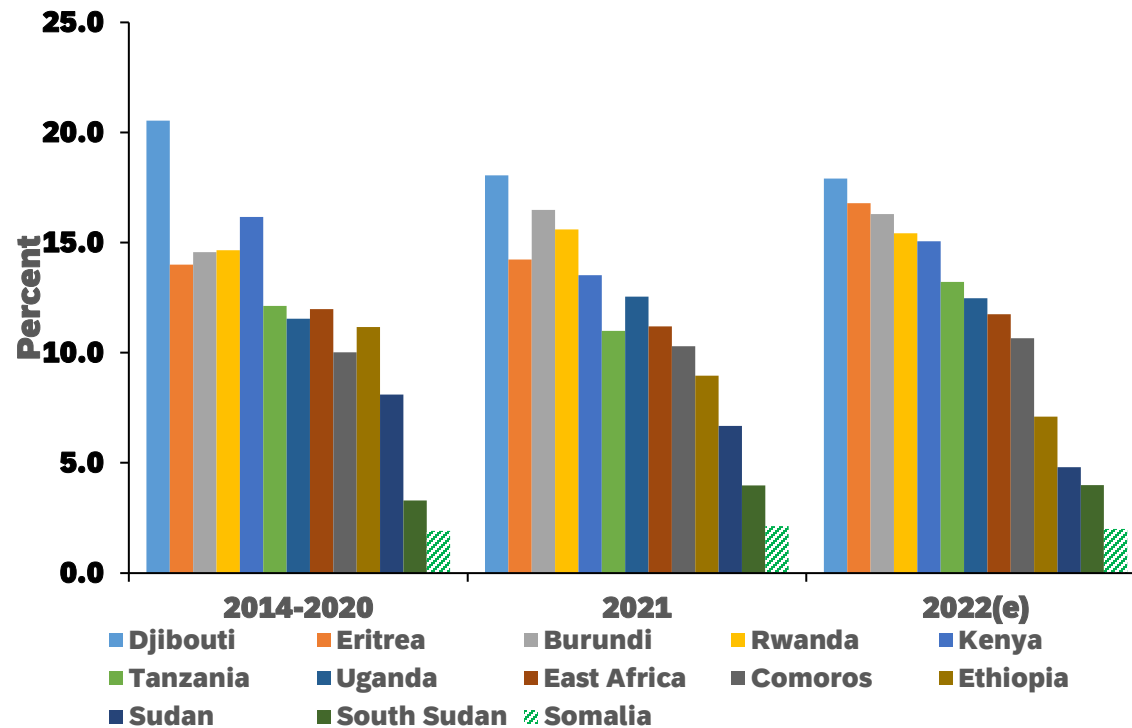
# Fiscal deficit is set to improve from 3.7% in 2023 to 3.1% in 2024, low average revenues remains a major constraint to expanding the fiscal space

**Fig 7 – East Africa Fiscal balance as a share of GDP, 2014-24**



Source: African Development Bank statistics, April 2023

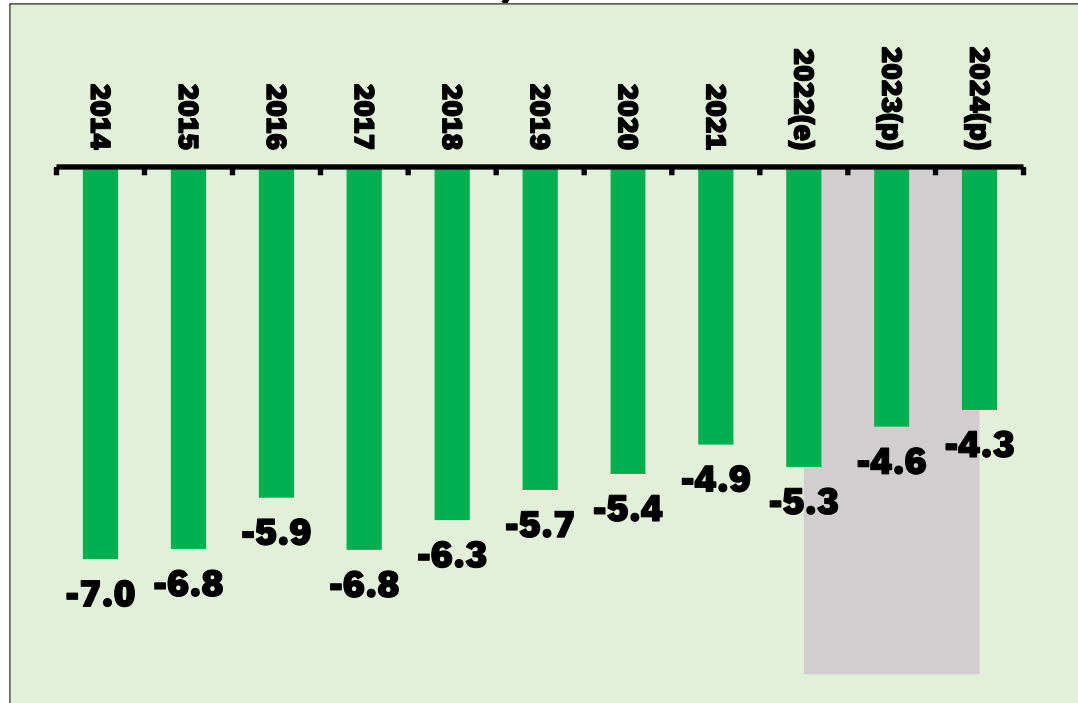
**Fig 8 - Tax-to-GDP ratio by country, 2014-2022 (% of GDP)**



Source: African Development Bank Statistics, April 2023

# East Africa's current account deficit is expected to narrow in the medium term, but uncertainty remains, with the trade deficit and net factor payments being the main drivers of the deficit

**Fig 9 – East Africa Current balance as a share of GDP, 2014-24**



Source: African Development Bank Statistics, April 2023

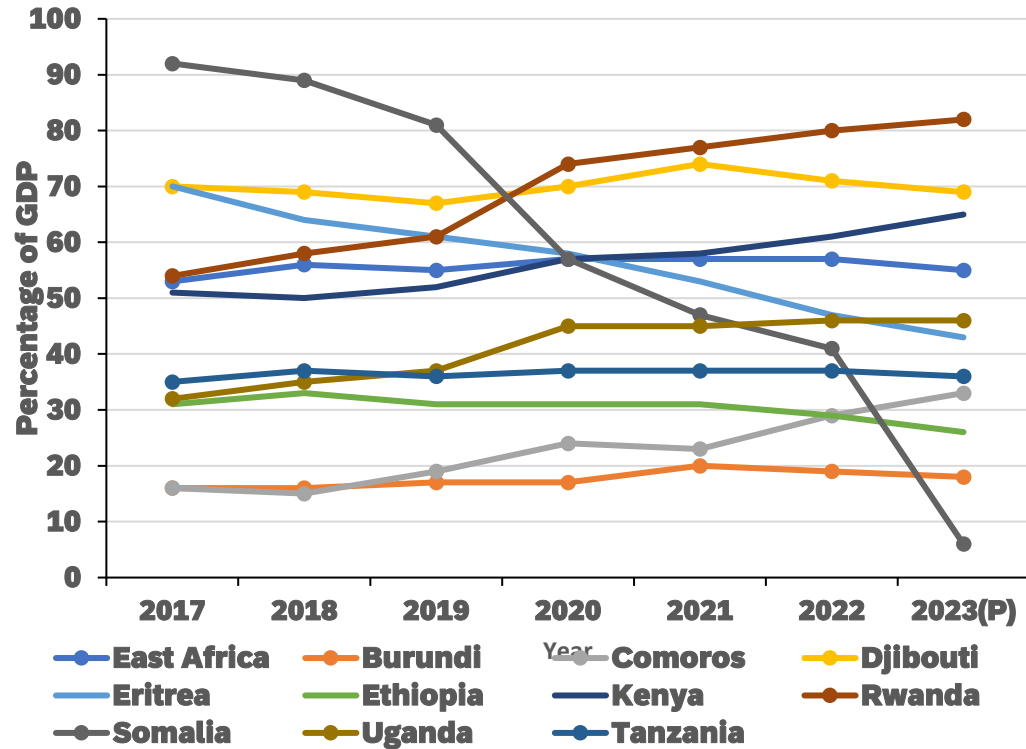
**Table 1 – East Africa Trade balance (\$ 10<sup>6</sup>), 2001–24**

	Trade balance (\$ millions)			
	2021	2022 (estimated)	2023 (projected)	2024 (projected)
Ethiopia <sup>a</sup>	-10 671	-13 988	-14 020	-13 925
Kenya	-11 065	-11 760	-12 352	-12 906
Rwanda	-1 659	-2 130	-2 222	-2 248
Somalia	-4 130	-5 013	-5 058	-5 245
Sudan	-3 855	-3 750	-4 126	-4 268
Tanzania	-3 358	-5 038	-5 457	-5 401
Uganda	-3 046	-3 765	-5 272	-6 209
<b>East Africa</b>	<b>-39 711</b>	<b>-47 140</b>	<b>-50 499</b>	<b>-52 366</b>
<b>Africa</b>	<b>-49 318</b>	<b>-50 466</b>	<b>-74 942</b>	<b>-88 783</b>

Source: African Development Bank Statistics, April 2023

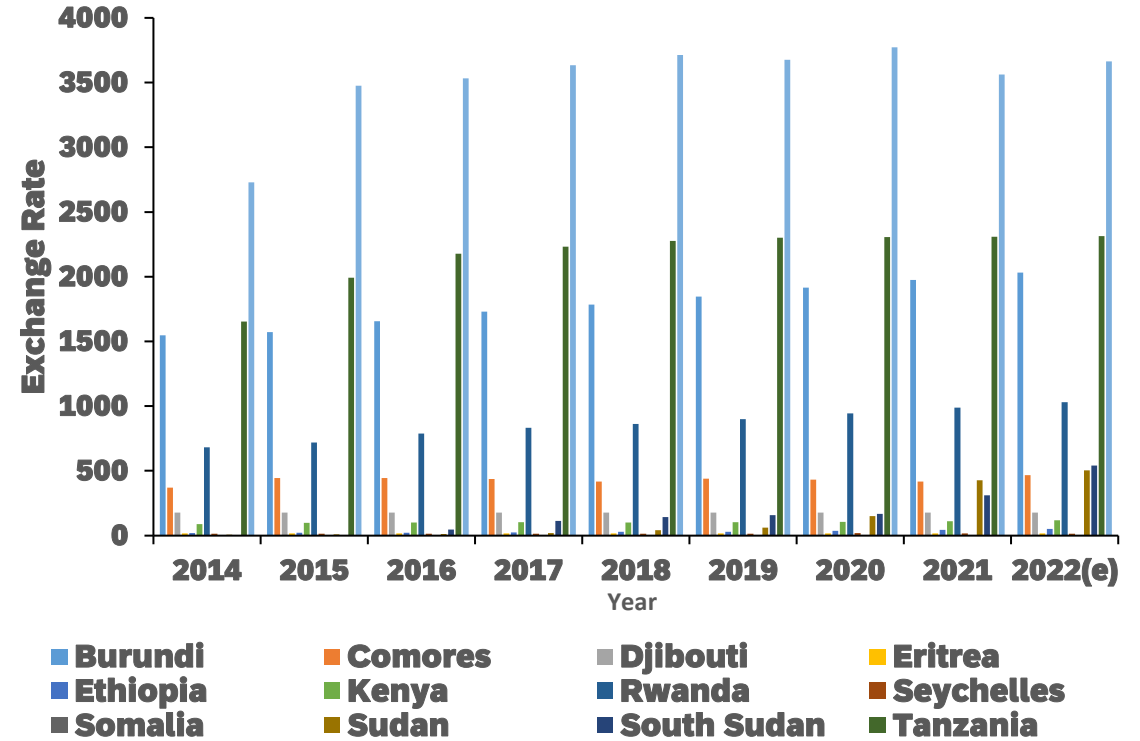
# Debt vulnerabilities will remain elevated in East Africa, with exchange rate depreciation and high primary deficits exacerbating sustainability risks

**Fig 10 – East Africa Total Public Debt, 2017-23 (% of GDP)**



Source: National Authorities and Wisevoter statistics 2023

**Fig 11 - Exchange Rate (against the US\$) by country, 2014-2022**

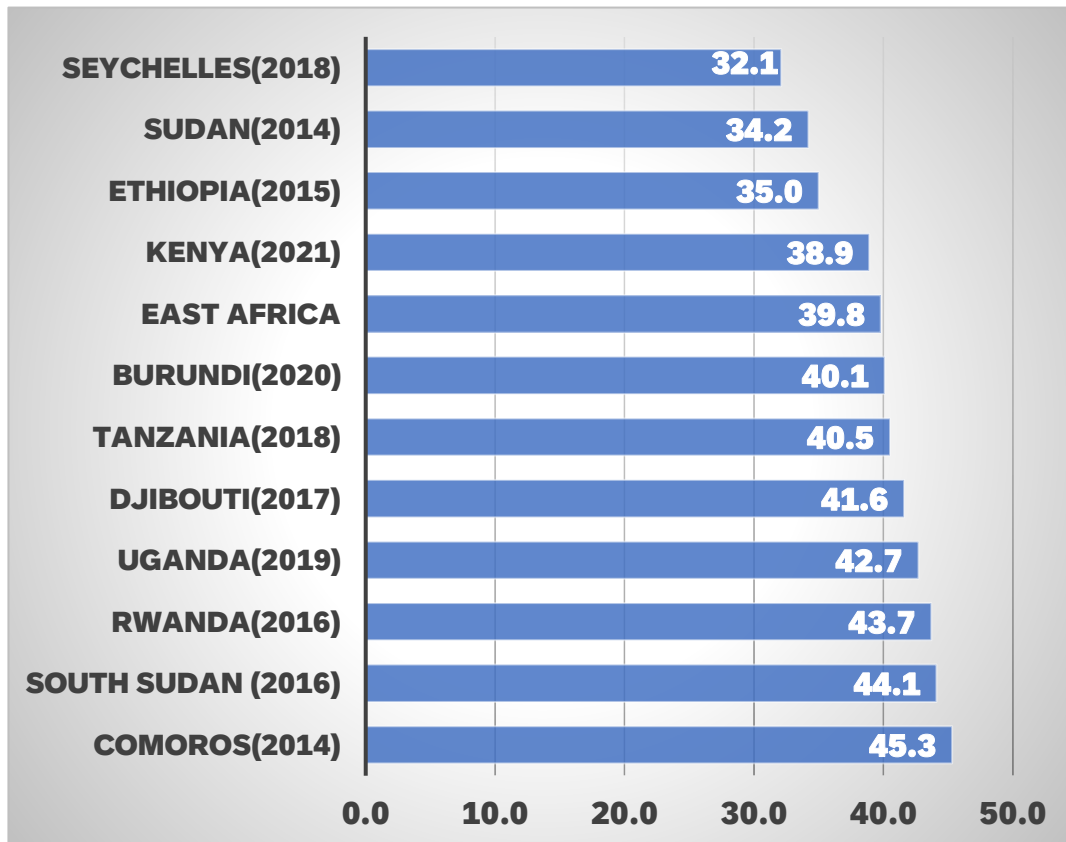


Source: African Development Bank Statistics, April 2023



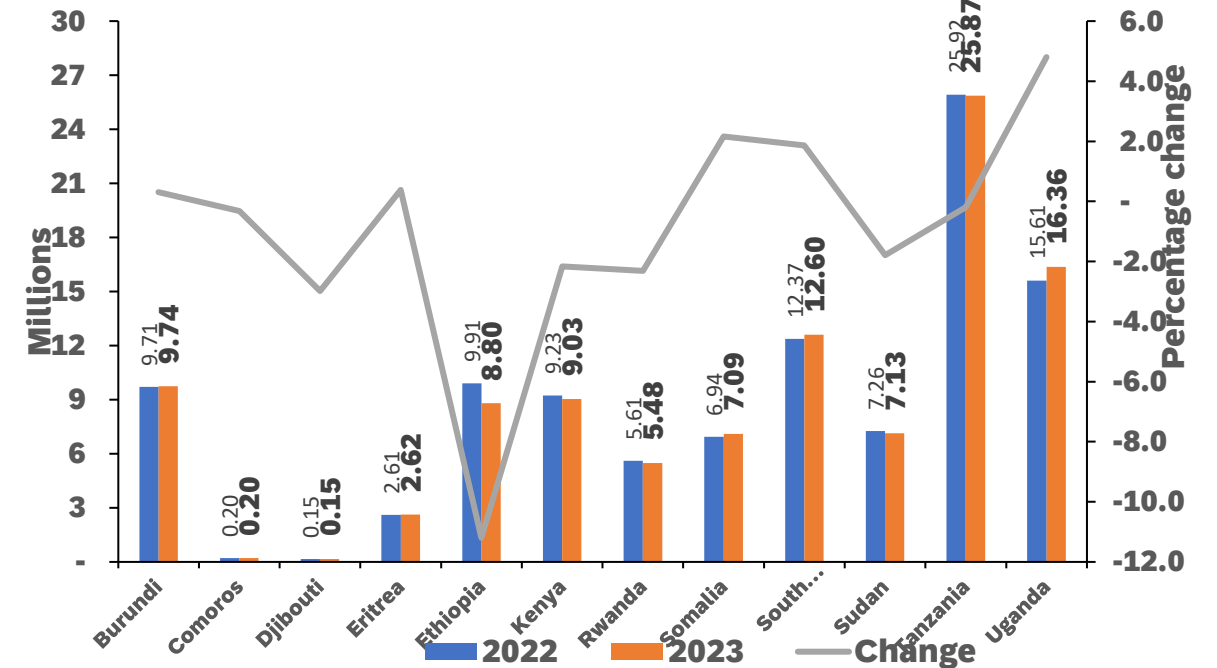
# Rising food and energy prices, and adverse effects of the climate change have worsened poverty and inequality in the region

**Fig 12 – East Africa Gini Coefficients (%)**



Source: National Authorities and Wisevoter statistics 2023 .

**Fig 13 - Number of People Living in extreme Poverty in East Africa**



Source: World Poverty Clock (2023).

## Risks that could cloud the positive outlook

### Domestic risks

- Infrastructure gaps
- Conflicts and Political instability
- Persistent Macroeconomic imbalances, including high public debt vulnerabilities
- Climate change
- Governance/capacity issues
- Low pace of structural transformation
- Commodity dependence
- High income inequality

### External risks

- Global economic slowdown
- Commodity price fluctuations
- Prolonged Russia's invasion of Ukraine
- International trade policies
- Resurgence of COVID-19
- Tighter global financial conditions
- Stronger US currency

## Policies aimed at mitigating the risks to outlook

### Counter-cyclical policies

- ❑ Pursuing prudent monetary and fiscal policies that promote economic growth, productivity and resilience
- ❑ Enhancing the coordination between fiscal and monetary policies
- ❑ Promoting digitalization
- ❑ Consolidating economic and financial governance
- ❑ Strengthening capacities on gov and public debt management
- ❑ Creating enabling policy and regulatory environment

### Structural policies

- ❑ Developing/strengthening regional value chains
- ❑ Implementing structural reforms
- ❑ Accelerating the implementation of AfCTFA Agreement
- ❑ Implementing climate change adaptation and mitigation agenda
- ❑ Fostering regional trade and industrialization to build resilience
- ❑ Bridging infrastructure gaps
- ❑ Boosting private sector led growth

# Part II - Presentation outline for the Thematic Part

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**2**  
**Private Sector  
Financing for Climate  
and Green Growth  
in East Africa**



**3**  
**Natural Capital for  
Climate Finance and  
Green Growth in East  
Africa**

**Geography:** Bank's East Africa region covers 13 countries:

- **Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, South Sudan, Sudan, Tanzania, and Uganda**



**2**

**Private Sector  
Financing for Climate  
and Green Growth  
in East Africa**



## II.1 Green growth in East Africa:

EA is well placed to advance its pursuit of climate and green growth ambitions...



Market size of over **\$550 billion**



Human capital est. at **400 million people**



Significant **natural resource** endowments

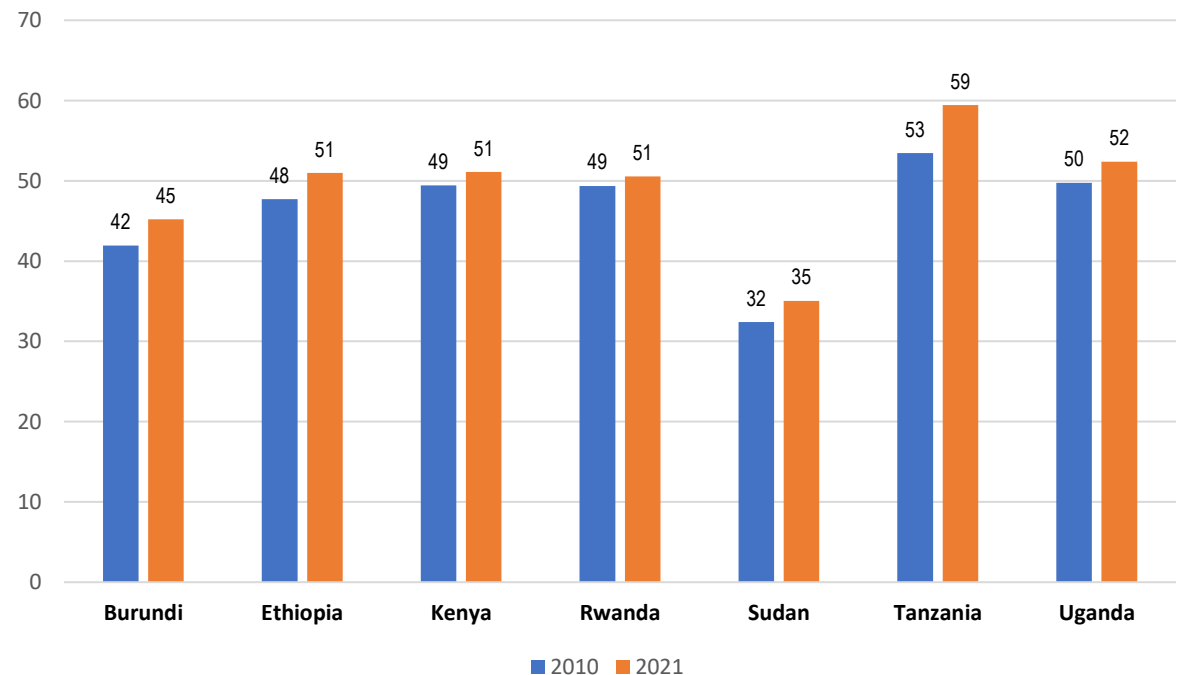


Green technology potential



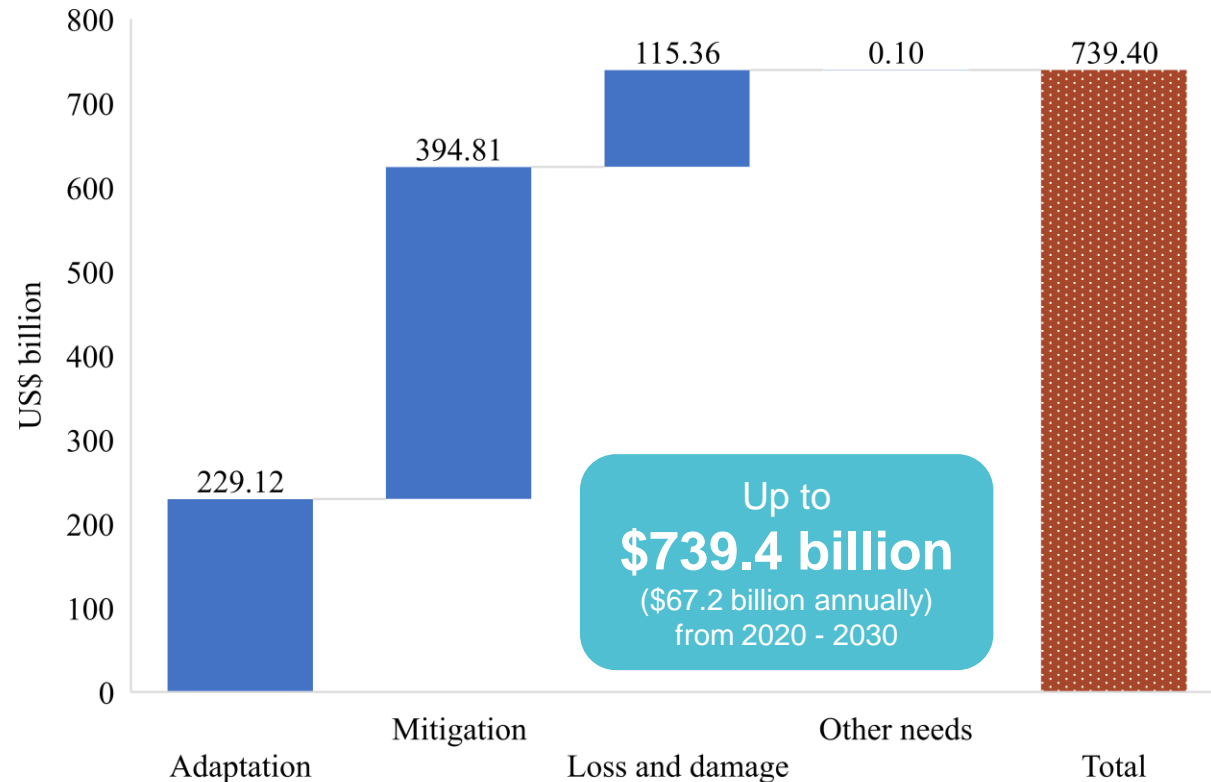
Low **legacy high-emissions** infrastructure

Green Growth Index in East Africa, 2010-2021





# II.2.1a East Africa requires up to **\$739.4 billion cumulatively** (\$67.2 billion annually), over 2020–30 to implement its updated NDCs

Updated East Africa's cumulative climate finance needs, 2020-2030



... private sector has shown little appetite for East Africa's climate actions and green growth

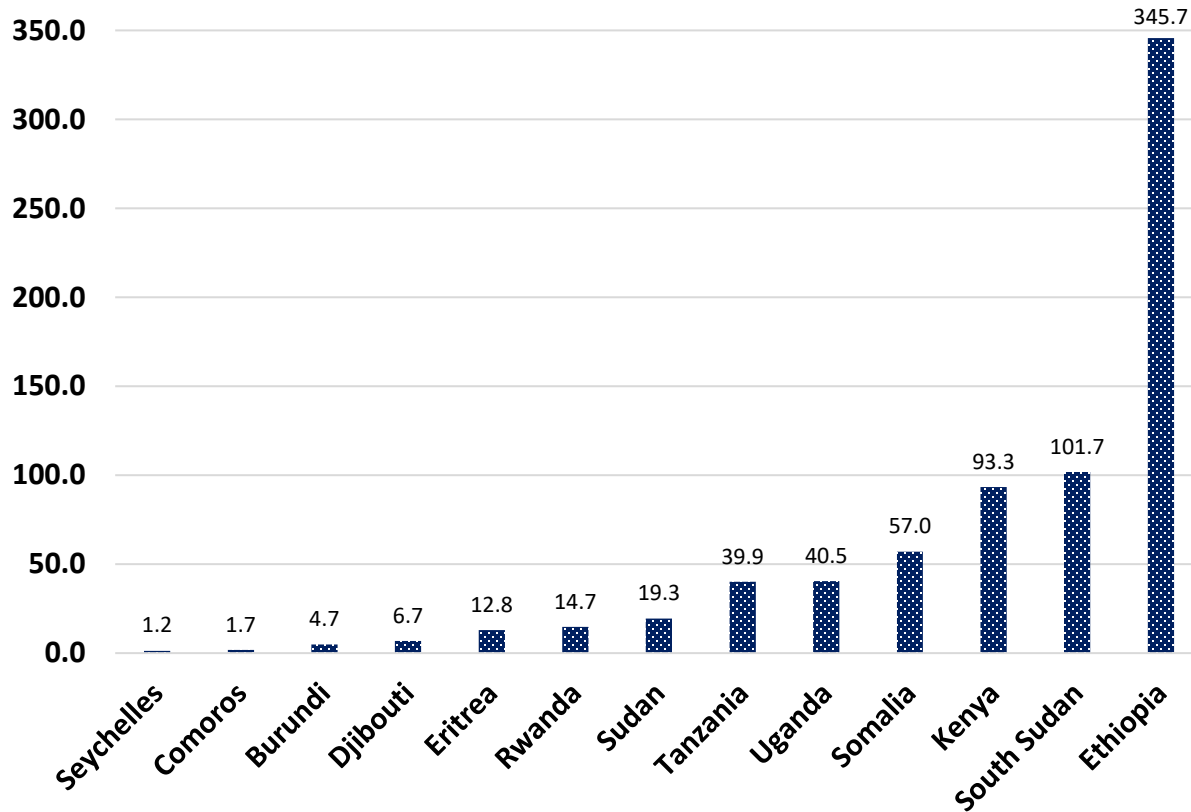
-  **Total climate finance to EA: US\$7.6 billion** in 2019-2020, gap = **\$59.6 billion**
-  **Total private climate finance: US\$793 million**
-  **Leverage ratio: 0.1, among the lowest globally**
-  **Flows inversely related to climate vulnerability**



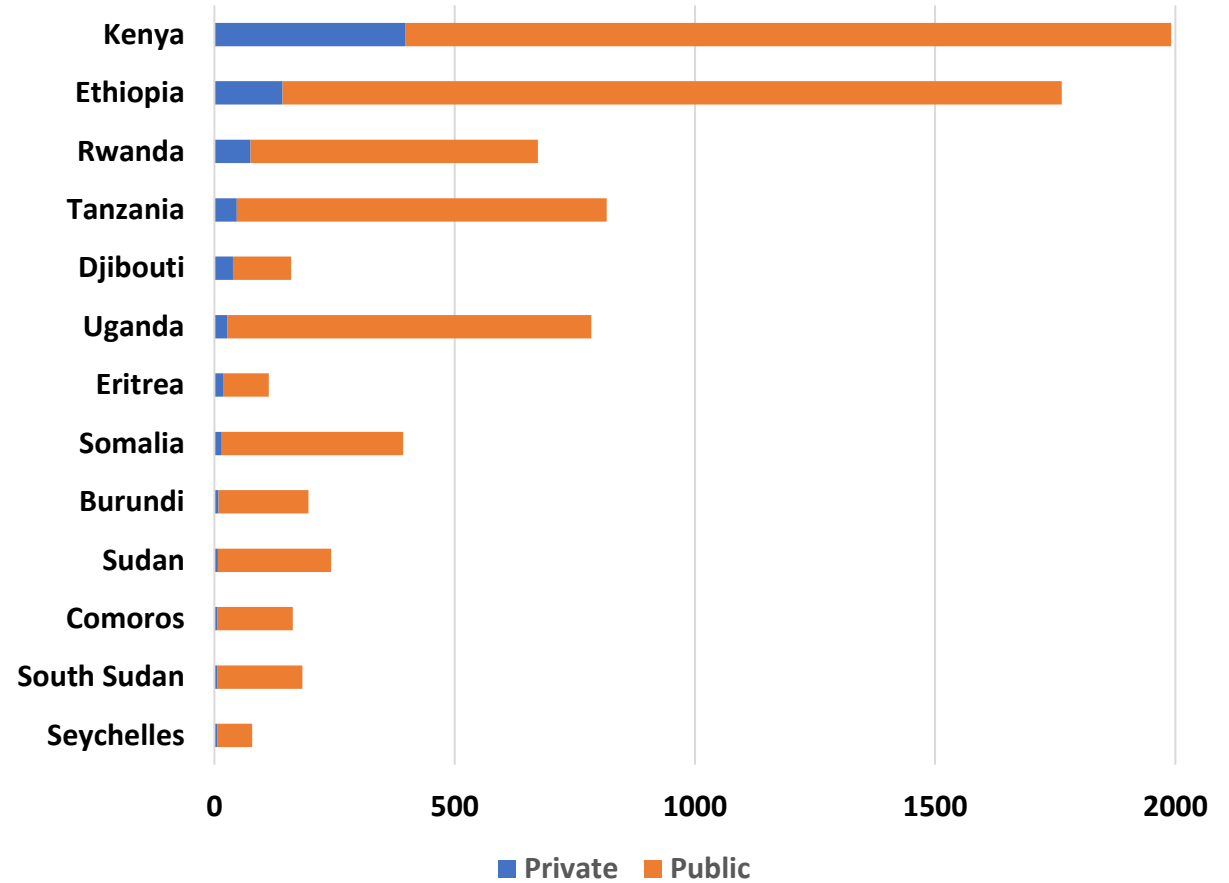


# II.2.1b Cross country heterogeneity exists across EA countries...

EA's average climate finance needs, 2020-2030 – USD Billions



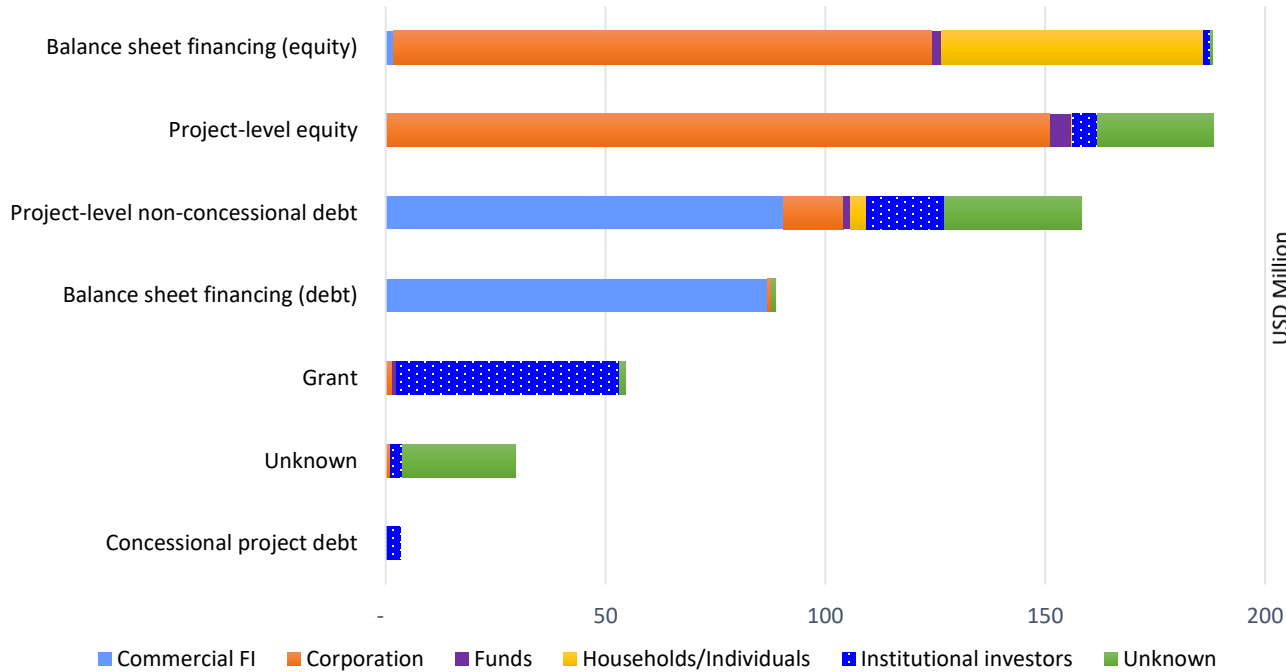
EA climate flows 2019/2020 – USD Millions



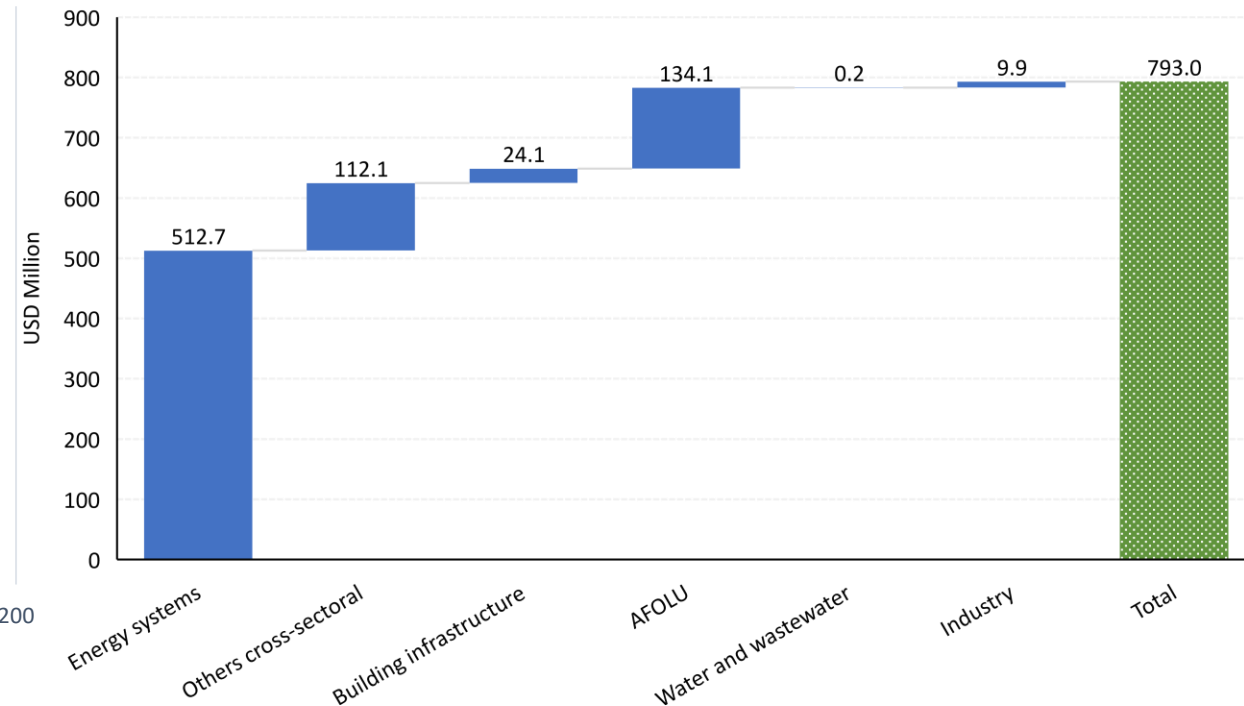
# II.2.2 Private finance instruments: Sources and targeted sectors, 2019-2020

*Private financing is dominated by non-concessional sources*

East Africa Private Climate Finance by Instruments and Sources 2019-20 in USD millions



Sectoral breakdown of private climate finance across East Africa, average 2019–20




**Source:** Staff computations based on latest submitted Nationally Determined Contributions (NDCs), various East African countries

**Source:** Staff computation using submitted NDCs and CPI's Africa landscape of climate finance data.



## II.2.3 Investment opportunities in green development sectors in East Africa – annual financing gaps



**Agriculture**  
**\$11.4 billion**

Population of over  
**400 million**  
could double by 2050



**Energy**  
**\$10.3 billion**

**Renewable energy** resources  
will underpin a low-  
carbon development  
pathway



**ICT**  
**40% revenue**  
**growth p.a**

Abundant **digital**  
**skills** and  
**innovation** capacity  
will catalyze private  
investment



**Transport**  
**\$6.5 billion**

Opportunities in  
**resilient, low-**  
**emissions,**  
**efficient** transport  
systems.



# II.3 Policy Recommendations

*Accelerate the deployment of blended finance instruments to crowd-in additional private investment and finance*

02

*Provide more catalytic capital (e.g., guarantee instruments)*

04

*Meet the international climate finance commitments and scale-up investments for climate action and green growth*

06

**Governments, MDBs & DFIs, Private Sector, Develop Ctries**

01

*Develop national architecture to crowd-in private financing for climate action and green growth*

03

*Contribute to improvements in the enabling environment for investments in climate and green growth*

05

*Champion investments in resilient and green growth*

07

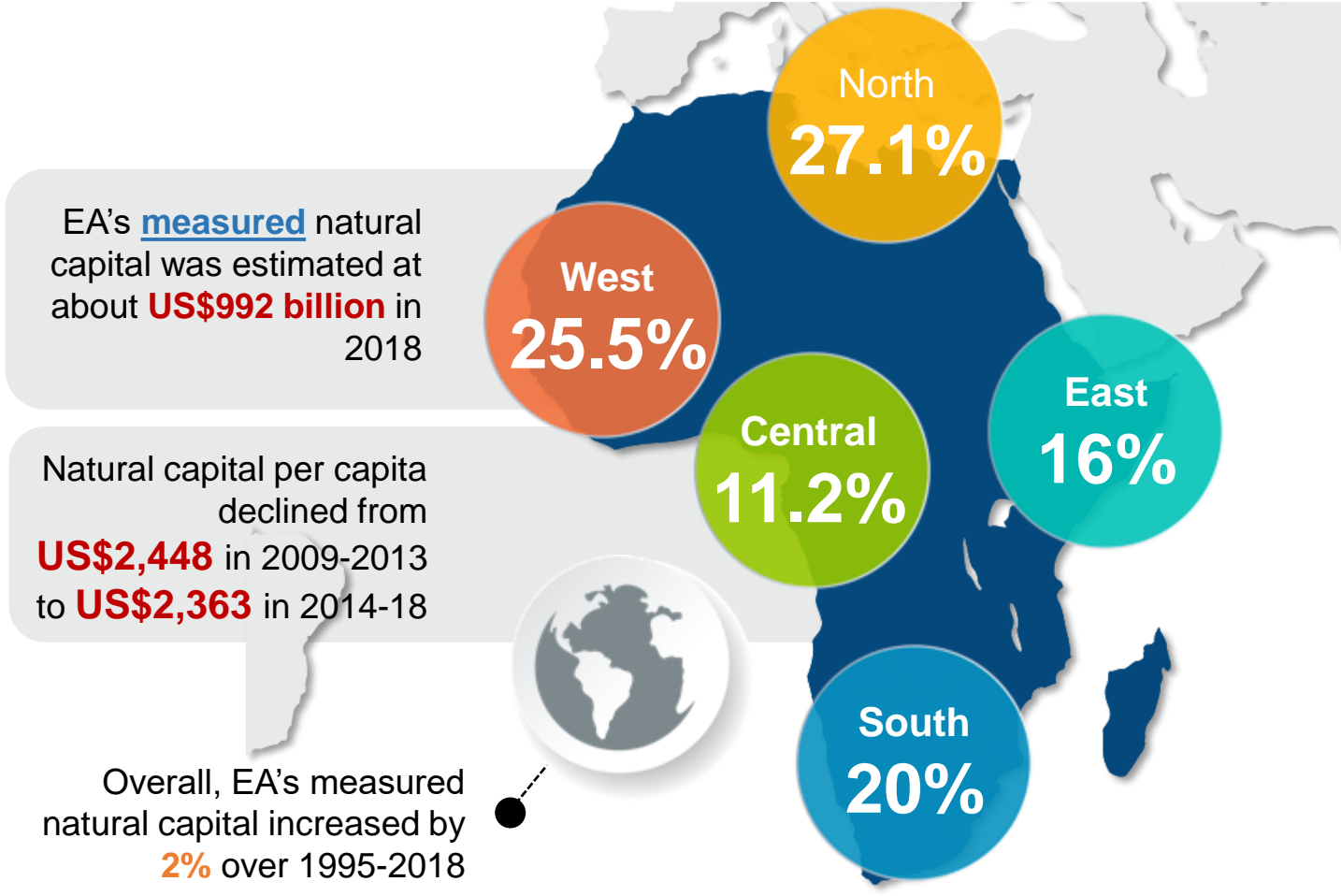
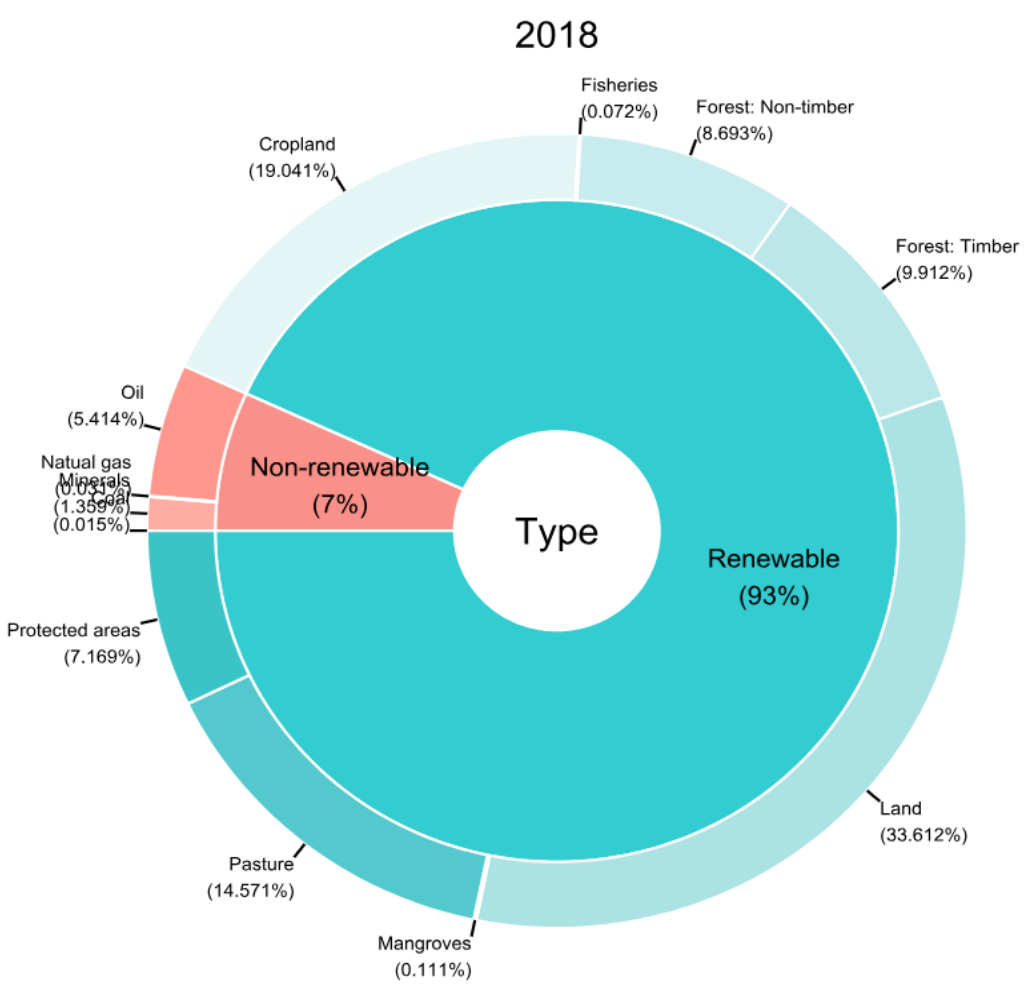
*Develop and enhance partnerships in project development, financing, and implementation*



**3**

**Natural Capital for  
Climate Finance and  
Green Growth in East  
Africa**

# III.1.1 East Africa's natural resource endowment by type, 2018



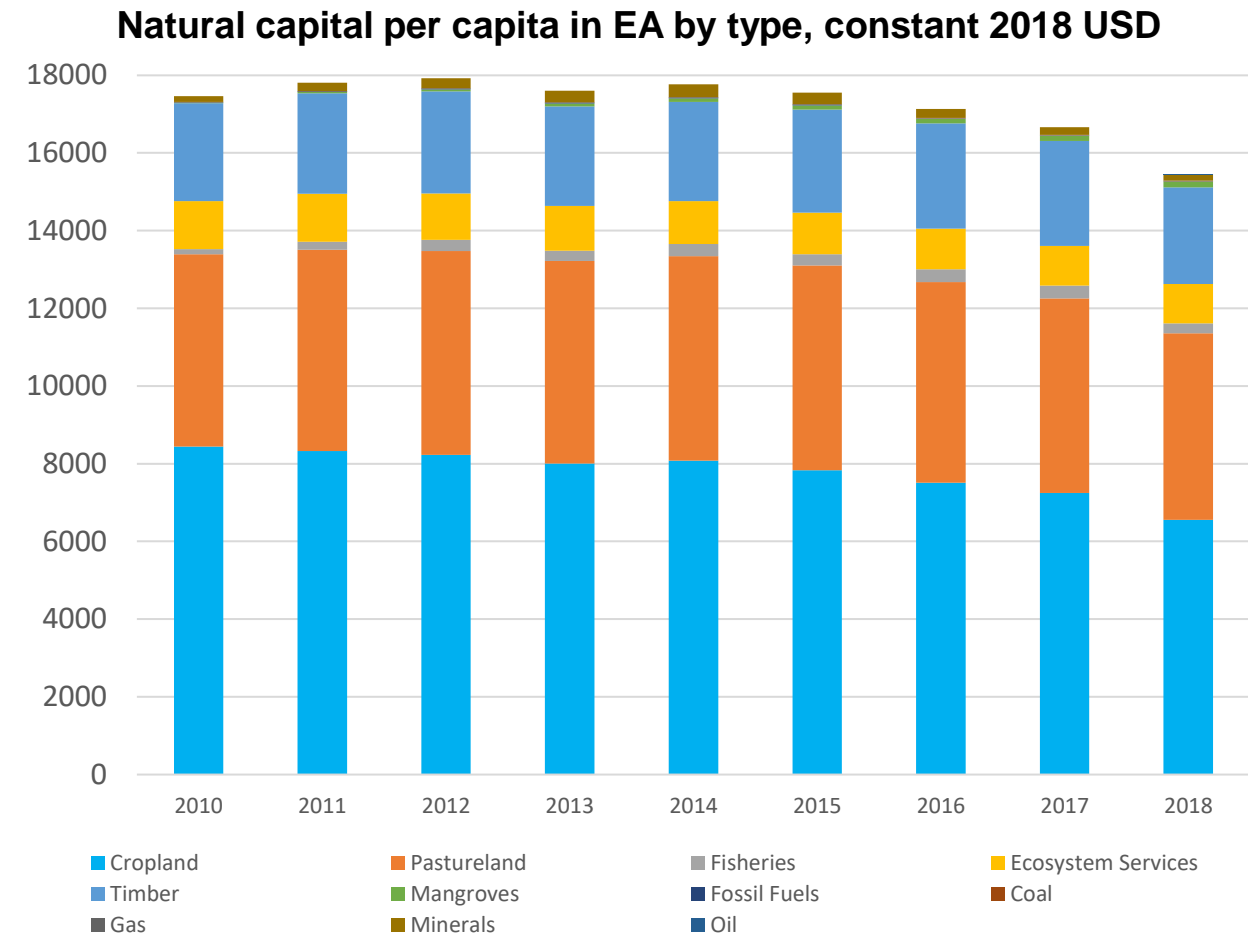
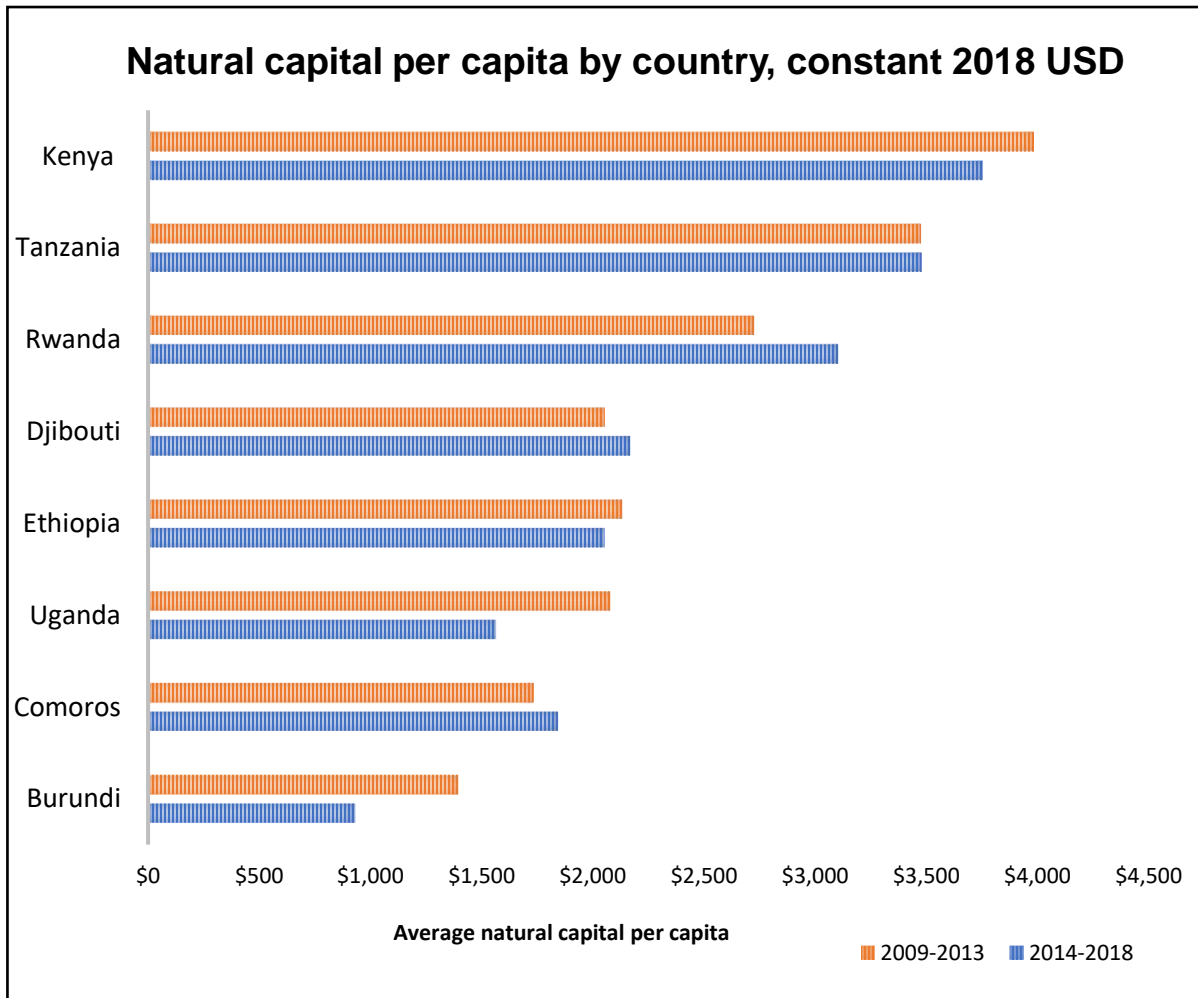
EA's measured natural capital was estimated at about **US\$992 billion** in 2018

Natural capital per capita declined from **US\$2,448** in 2009-2013 to **US\$2,363** in 2014-18

Overall, EA's measured natural capital increased by **2%** over 1995-2018



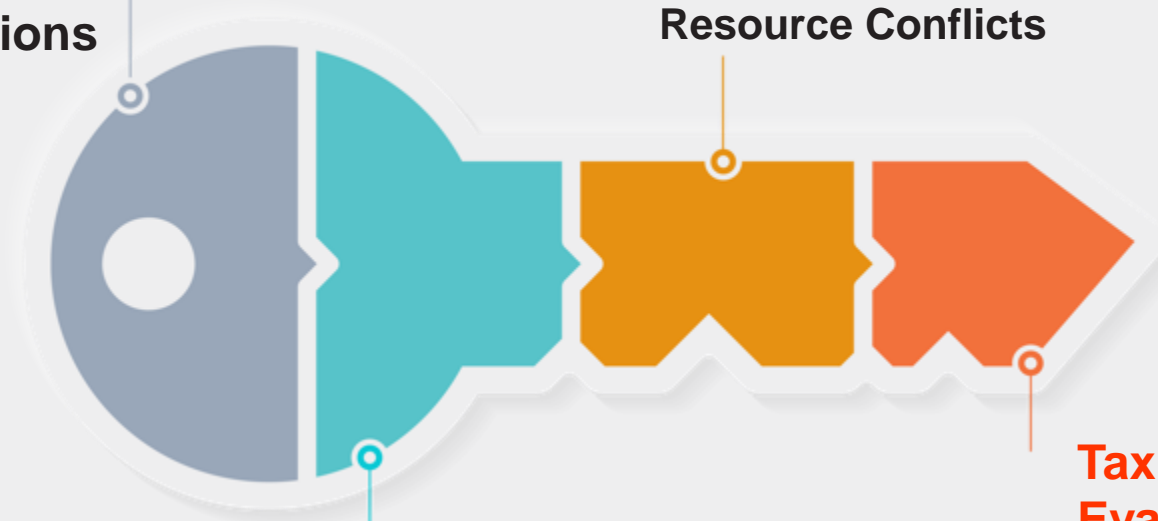
# III.1.2 Natural capital per capita in East Africa



# III.2 Key barriers to leveraging natural capital for climate and green development in Africa

**Resource Governance Capacity:**  
Weak regulatory structures and institutions

**Political Instability:**  
Resource Conflicts



**Illicit Resource Flows:**  
Organized Crimes and Resource Theft

**Weaknesses in Natural Capital Accounting**

**Tax Avoidance and Evasion**





# III.3 Policy Recommendations

**Actions**  
by diverse stakeholders:  
**National Governments,**  
**MDBs/DFIs, global**  
**community**

## Strengthen natural resource governance



# East Africa Economic Outlook 2023

Mobilizing Private  
Sector Financing  
for Climate and  
Green Growth



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