



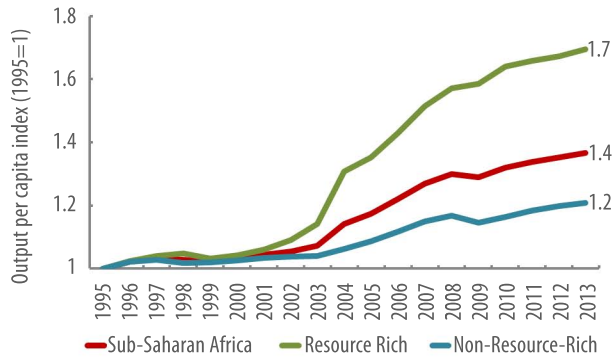
STATE OF THE AFRICA REGION

THE WORLD BANK, OFFICE OF THE CHIEF ECONOMIST FOR THE AFRICA REGION

STRUCTURAL TRANSFORMATION AND POVERTY REDUCTION:

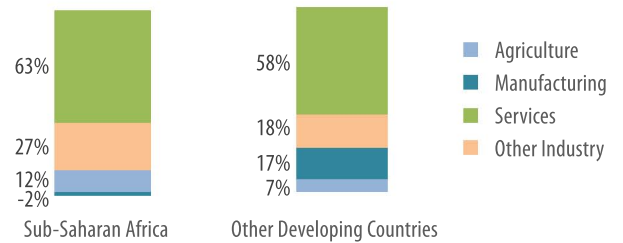
Rapid growth in Africa since 1995 has been driven by the natural resources and services sectors. The region is undergoing a process of structural change, but not the kind of transformation that was generally expected. Although the share of agriculture in GDP is declining, so is that of manufacturing. What are the implications for poverty reduction?

- 1** GDP per capita growth in SSA has averaged 1.7% per year from 1995–2013, but there was heterogeneity across countries.



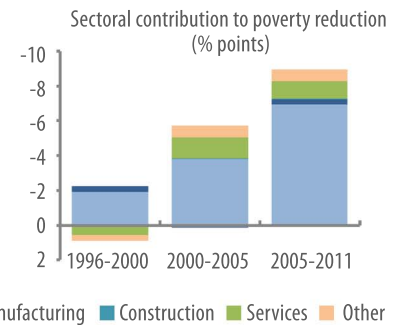
- 2** The services sector accounted for 63% of GDP growth per capita, compared to 27% for industry and 12% for agriculture.

Sectoral contribution to average growth in GDP per capita (1995–2011)



- 4** **Sectoral growth and poverty reduction:**

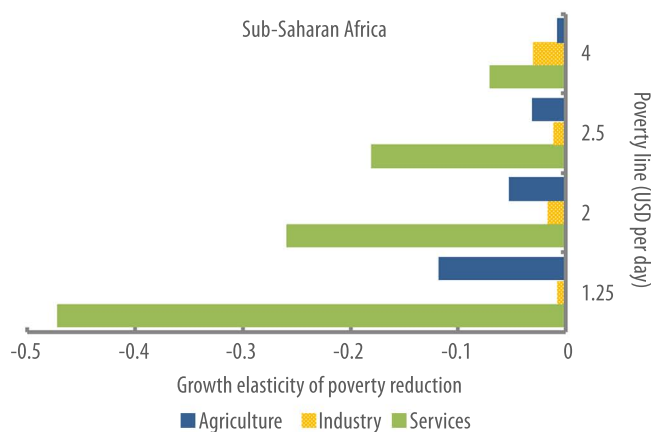
There is evidence that growth in agriculture and services has been more poverty-reducing than growth in industry. Look at the example of Ethiopia. →



- 3** **Reallocation of labor to high-productivity services has been limited:**

Almost **60%** of Africa's jobs and **78%** of its poor workers continue to have a foot in agriculture, the sector with the lowest productivity.

- 5** Workers that benefit the most from manufacturing jobs are less poor. Services as an “elevator out of poverty” dominates throughout.



The growth elasticity of poverty reduction in agriculture and services decreases as income rises, while the opposite is true for industry.

- 6** **Summing Up:**

- Africa continues to grow robustly - above 4.5% per year in GDP, and above 2.0% in per capita terms.
- That growth continues to be relatively ineffective in reducing poverty.
- That is because most of Africa's poor people work in agriculture, but most of the growth takes place in extractive industries and in services.

Implications for policy:

- Increasing agricultural productivity will be critical to fostering structural transformation.
- Services sector growth is poverty-reducing and should be better understood.
- Although Africa's pattern of growth is bypassing manufacturing there is no reason that sector should be left behind.
- Solid institutions are needed to face risks in health, macroeconomics and conflict.

