OUTLINE

1. Africa’s rise

2. Structural challenges
   a. Harnessing demography
   b. Boosting productivity
   c. Promoting inclusiveness

3. Immediate risks
   a. The end of the commodity super-cycle
   b. Fragility and violence
   c. Health challenges

4. Policy lessons, old and new
1. **Africa’s rise:** Twenty years of sustained economic growth have established that Africa can find its own path to successful development.

Source: World Development Indicators.
1. Africa’s rise: Progress has been sustained since the Great Recession, albeit heterogeneously.

Growth in GDP, average 2009-2013

Source: World Development Indicators.
1. **Africa’s rise:** Progress has been sustained since the Great Recession, albeit heterogeneously

Growth in GDP and GDP per capita, average 2009-2013

Source: World Development Indicators.
1. Africa’s rise: Progress has been sustained since the Great Recession, albeit heterogeneously
1. Africa’s rise: This growth has been investment-driven and, since 2004, increasingly financed by foreign savings.
1. Africa’s rise: Growth has been particularly pronounced in the extractives and services sectors

![Growth in GDP per capita by sector](chart)

Source: staff estimates based on WDI (2015).
Note: Population-weighted average of 29 countries for which sectoral value added data can be decomposed into manufacturing and other industry.
1. **Africa’s rise:** In a global context

![Average annual growth in GDP and GDP per capita, 1995-2013.](image)

Average annual growth in GDP and GDP per capita, 1995-2013

PPP (constant 2011 international $)

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<tr>
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Source: World Development Indicators.
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4. Policy lessons, old and new
2. **Structural challenges:** Harnessing demography

Population projections
Medium fertility scenario

Source: adapted to World Bank regions using data from United Nations, Department of Economic and Social Affairs, Population Division (2013).
2. **Structural challenges:** Harnessing demography

**Dividend or Disaster?**

Highest fertility rates in the world are associated with:

- Low women’s empowerment
- High maternal and child mortality
- Low investment in education
- High dependency ratios
- Youth employment challenges
2. **Structural challenges: Harnessing demography**

Urban population (millions)

Source: World Urbanization Prospects of the UN and WDI
2. **Structural challenges**: Boosting productivity

A standard Solow growth decomposition, and TFP trends

2. **Structural challenges:** Boosting productivity

Unit labor costs and GDP per capita

Source: Gelb, Meyer, and Ramachandran (2013) and WDI
2. **Structural challenges:** Promoting inclusiveness

Poverty reduction during Africa’s rise has been too slow - The rise must be for all Africans

- Sub-Saharan Africa: 46.9
- South Asia: 24.5
- East Asia and Pacific: 7.9
- LAC: 4.6
- MENA: 1.7

Source: PovcalNet, March 2015.
2. **Structural challenges:** Promoting inclusiveness

The growth elasticity of poverty reduction is lower than in other regions

Source: PovcalNet, March 2015.
Most growth takes place in the services and extractives sectors, but most people work in agriculture.

Source: GDP sectoral data from WDI, and labor force composition from International Income Distribution Database.
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4. Policy lessons, old and new
3. **Immediate risks:** End of the commodity super-cycle

After rising steadily in 2002-2008, commodity prices have fallen since 2010

Source: World Bank – Commodity Markets Outlook (DEC-PG)
3. **Immediate risks:** End of the commodity super-cycle

Source: World Bank – Commodity Markets Outlook (DEC-PG)
3. **Immediate risks:** End of the commodity super-cycle

Though oil price plunges of this magnitude are not unprecedented, the current episode is characterized by a higher correlation between oil and other commodity prices.
3. **Immediate risks:** End of the commodity super-cycle


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3. **Immediate risks:** End of the commodity super-cycle

**2011-2015 forecast:**

- 39 African countries suffer a negative ToT shock (88% of population, 92% of GDP)
- Overall average ToT loss is 8% per year
- 9 countries have a loss greater than 10% per year

Impact on aggregate terms of trade of movements in international commodity prices in SSA

Source: staff estimates based on commodity prices (Commodity Markets Outlook, DEC-PG) and commodity trade (WITS)
3. **Immediate risks:** End of the commodity super-cycle

### 2014-2015 forecast:
- 36 African countries suffer a negative ToT shock (80% of population, 70% of GDP)
- Overall average ToT loss is 18%
- 14 countries have a loss greater than 10%

### 2010-2012:
- Africa’s oil trade surplus equals 12% of GDP
- Oil among top 5 export items in 18 countries

Source: staff estimates based on commodity prices (Commodity Markets Outlook, DEC-PG) and commodity trade (WITS)
3. **Immediate risks:** End of the commodity super-cycle

**2014-2015 forecast:**

Aggregate Terms of Trade effect
More vulnerable SSA countries

Aggregate Terms of Trade effect
Less vulnerable SSA countries

Source: staff estimates based on commodity prices (Commodity Markets Outlook, DEC-PG) and commodity trade (WITS)
3. **Immediate risks:** Fragility and violence

After decreasing throughout the mid-2000s, violent deaths due to conflict – and violence against civilians in particular – has steadily risen again since 2012.
3. **Immediate risks:** Fragility and violence

Over the last decade, the region saw a reduction in traditional types of armed conflict and actors, including interstate violence and rebellion, and an increase in non-traditional forms of conflict and conflict actors that increasingly target civilians.

Source: ACLED
Contrary to previous decades, violence is largely concentrated in a small number of subregions:

- The Sahel
- Northern Nigeria
- Darfur
- Eastern DRC
- Sudan & South Sudan
- Somalia & Kenya

3. **Immediate risks:** Fragility and violence
Ebola outbreak is slowing, but progress toward zero cases has also slowed with several reverses in Sierra Leone and Guinea.

Over 10,000 deaths and 25,000 cases to date

Economic impacts in three core countries are devastating

Figure source: Martin (2015)
3. **Immediate risks:** Health challenges

Ebola has highlighted weak health systems

- Maternal mortality has fallen in Africa, but remains more than double that of developing regions
- Healthcare workers are lowest of any region & 27% of global average
- Disease surveillance systems are weak across much of the continent
- Affects risk not only for infectious disease, but all health conditions

Maternal deaths per 100,000 live births

3. **Immediate risks:** Health challenges

Health expenditures remain very low in SSA

Public health expenditure per capita (current US$)

Source: aggregate level data from WBG HNP database and data for developing countries only
Outline

1. Africa’s rise
2. Structural challenges
   a. Harnessing demography
   b. Boosting productivity
   c. Promoting inclusiveness
3. Immediate risks
   a. The end of the commodity super-cycle
   b. Fragility and violence
   c. Health challenges
4. Policy lessons, old and new
4. **Policy lessons: old and new**

I. **For the long run**

1. Stronger institutions of governance
   - Better able to manage both external and internal shocks

2. Human capital / skills
   - Education: invest in quality and gender equality

3. Infrastructure
   - Close the energy, transport and logistics deficits.
4. **Policy lessons: old and new**

II. **For the short run**

Policy making in times of scarcity

1. Treat the commodity price shock as “permanent” rather than “temporary”
2. Borrow with moderation
3. Raise domestic savings – public and private
4. Diversify revenues, as well as output
5. Prioritize spending: reduce fuel subsidies, target social spending on the poor
6. Enhance public investment management capacity – no room for waste
7. Policy coordination and economic integration within Africa
8. Make a deliberate effort to cushion the poor – even if at the expense of others
Thank you