SUSTAINING ECONOMIC GROWTH IN AFRICA

STATE OF THE AFRICA REGION

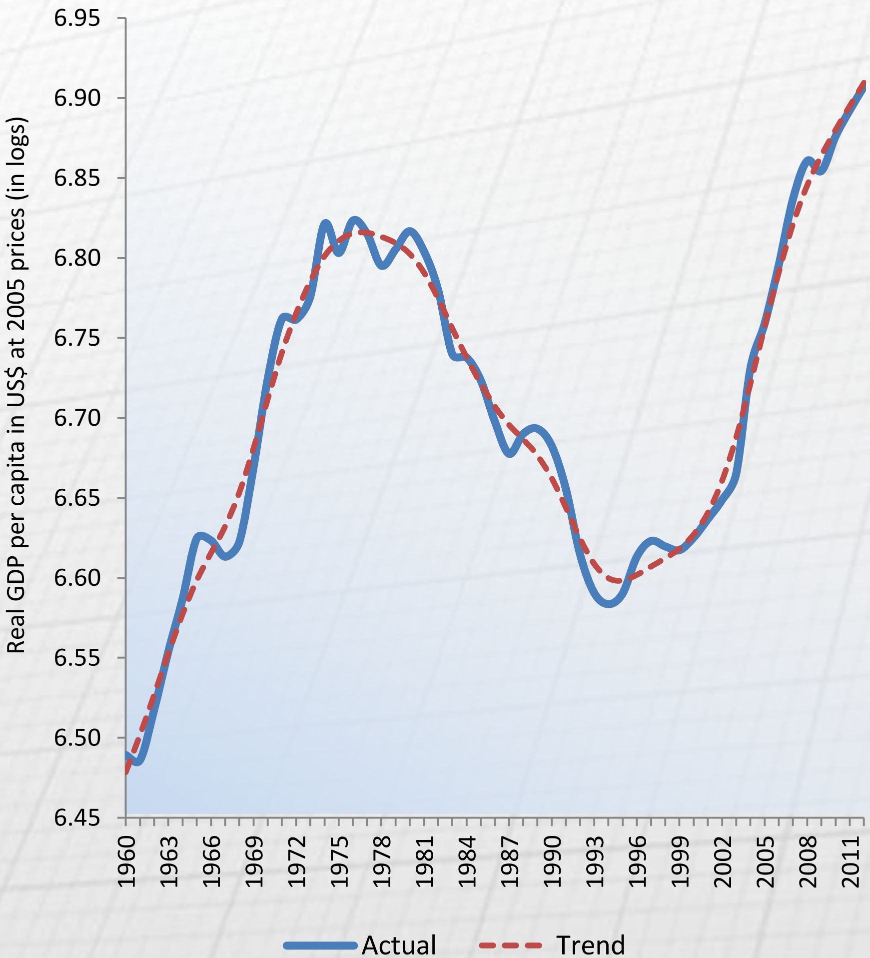
WORLD BANK – IMF SPRING MEETINGS 2014

OUTLINE

1. Africa's recent growth performance
2. Elements of a growth taxonomy:
   a) Natural resource endowments
   b) Fragility and conflict
   c) Fast vs. slow growers
3. Growth decompositions
   a) Components of aggregate demand
   b) Sectors of activity
   c) Factor accumulation and productivity
4. Conclusions

ALMOST TWENTY YEARS OF ECONOMIC GROWTH HAVE BEGUN TO REVERSE AFRICA'S RELATIVE DECLINE

Real GDP per capita in Sub-Saharan Africa, 1960-2012



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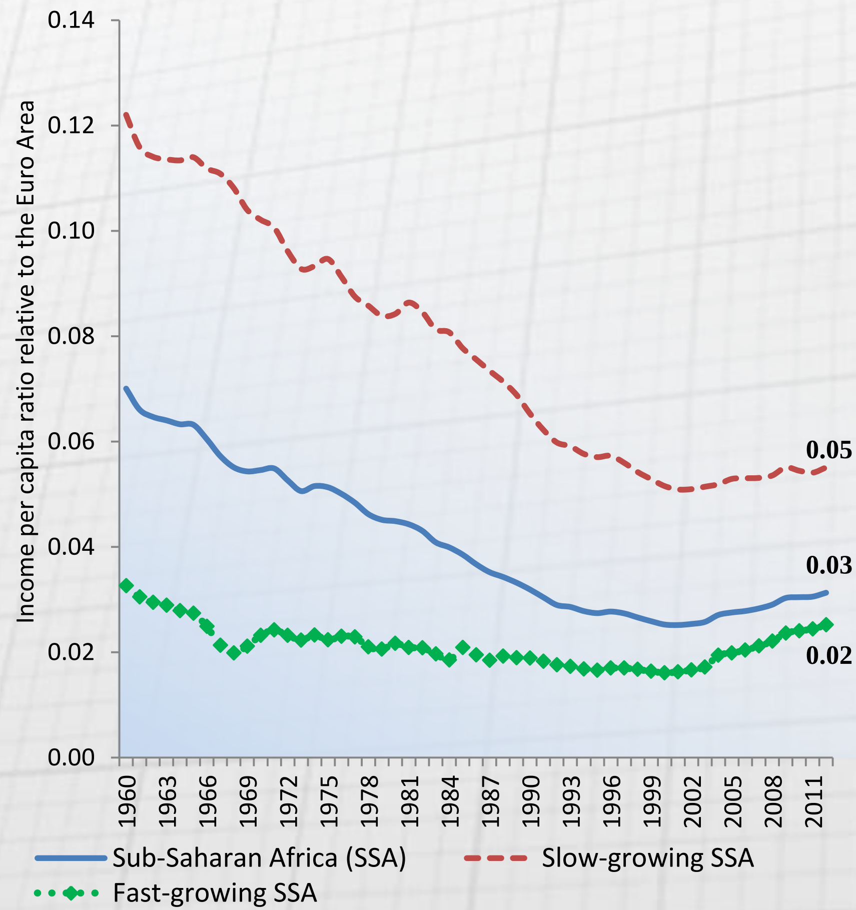
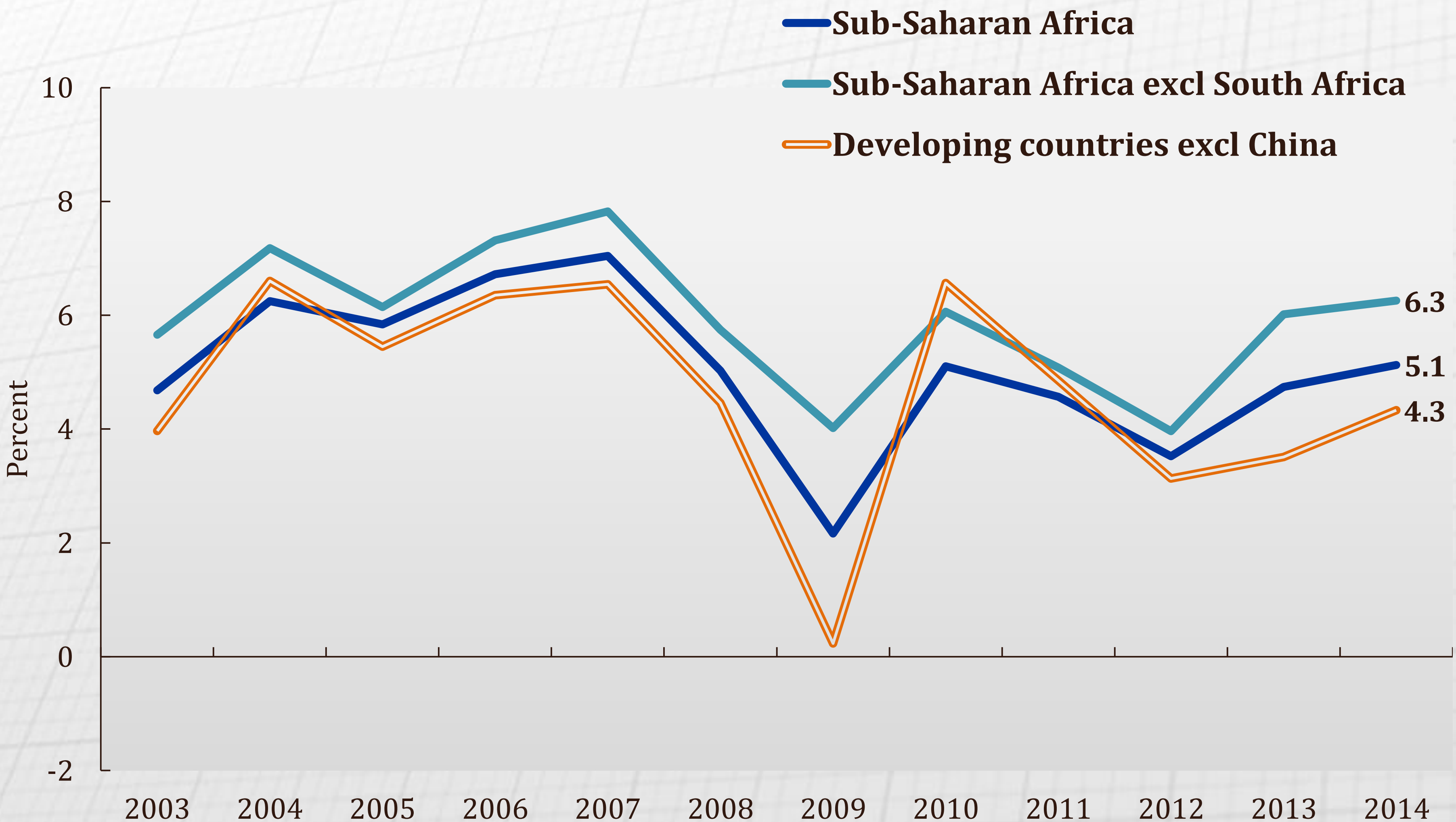


Source: World Bank, Africa's Pulse vol. 9

Note: The data of real GDP for Sub-Saharan Africa and the Euro Area is expressed in US dollars at 2005 prices

IN THE LAST DECADE, AFRICAN GROWTH PROVED RESILIENT…

Annual growth in GDP, 2003-2013: selected country groupings

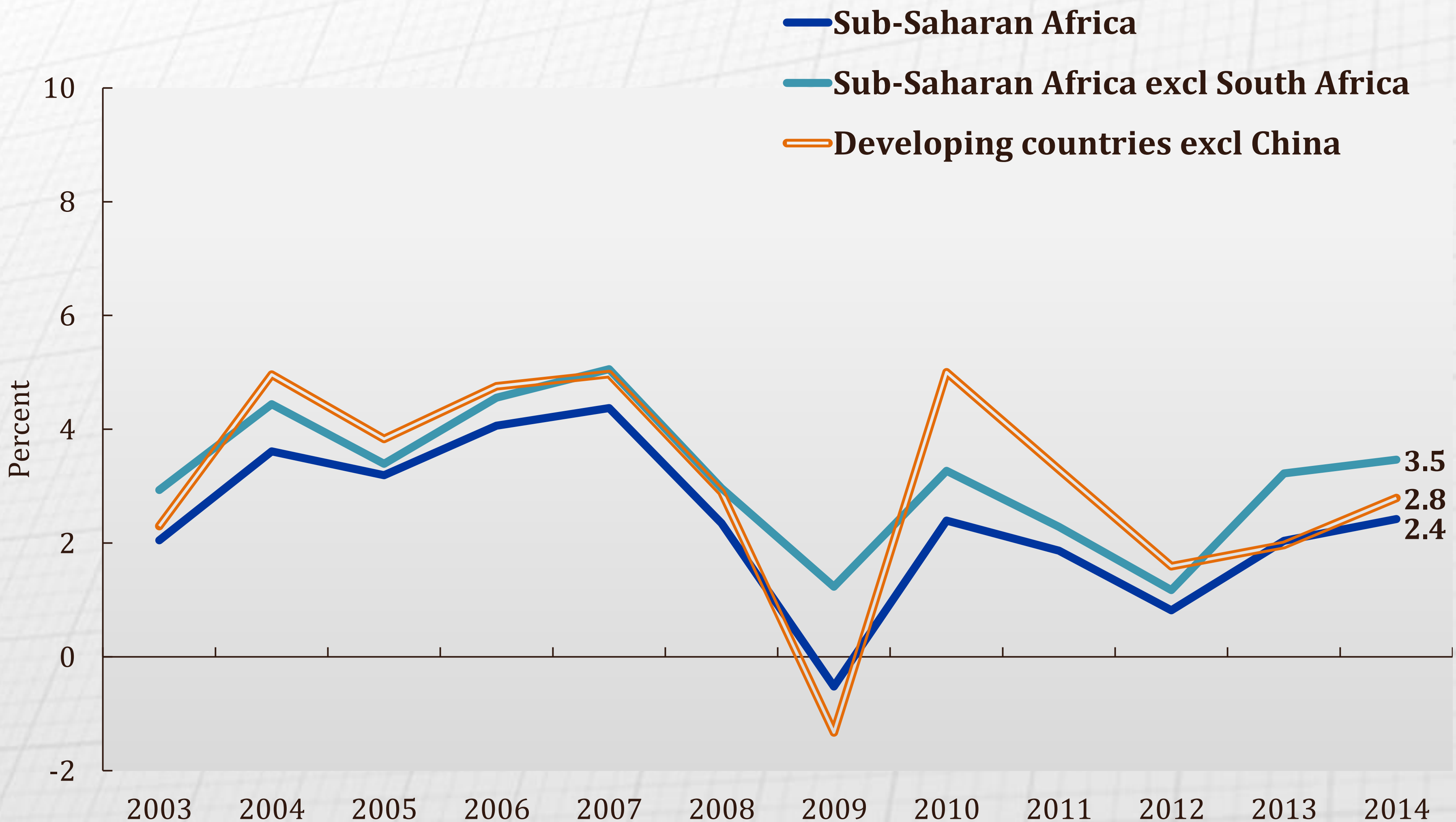


Source: World Bank, Africa's Pulse vol. 9

Note: average growth between 2003-2014 for SSA (5.1%), SSA excl. South Africa (5.9%) and Developing countries excl. China (4.7%)

… AT AROUND 2.4% P.A. IN PER CAPITA TERMS.

Annual growth in GDP per capita, 2003-2013: selected country groupings



Source: World Bank, Africa's Pulse vol. 9

Note: average growth between 2003-2014 for SSA (2.4%), SSA excl. South Africa (3.2%) and Developing countries excl. China (3.1%)

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ELEMENTS OF AN AFRICAN GROWTH TAXONOMY

- **Natural resource endowments**
  - Resource rich countries are defined as those with average rents from natural resources (excluding forests) that exceed 5 percent of GDP in 2006-2011
- **Fragility and conflict**
  - Defined as countries having either a harmonized average CPIA rating of 3.2 or less, or presence of UN and/or regional peace-keeping or peace-building mission during the past three years.
- **Recent growth performance**
  - Define fast-growers as countries that experienced at least one growth spurt (3.5% p.a. growth in real GDP per capita, for at least five contiguous years) in 1995-2012

RESOURCE RICH COUNTRIES IN AFRICA

I. Oil Countries

Angola
Cameroon
Chad
Congo, Republic of
Cote d`Ivoire
Equatorial Guinea
Gabon
Nigeria
Sudan

II. Non-oil resource countries

Botswana
Congo, Dem. Rep.
Ghana
Guinea
Liberia
Mali
Mauritania
Mozambique
Namibia
Sierra Leone
Tanzania
Zambia

Note: Resource rich countries are those with average annual rents from natural resources (excluding forests) that exceed 5 percent of GDP in 2006-2011.
Source: The World Bank.

FRAGILE AND CONFLICT-AFFECTED STATES IN THE REGION

Burundi
Central African Republic
Chad
Comoros
Congo, Dem. Rep.
Congo, Republic of
Cote d`Ivoire
Guinea-Bissau
Liberia
Madagascar
Malawi
Mali
Sierra Leone
Sudan
Togo
Zimbabwe

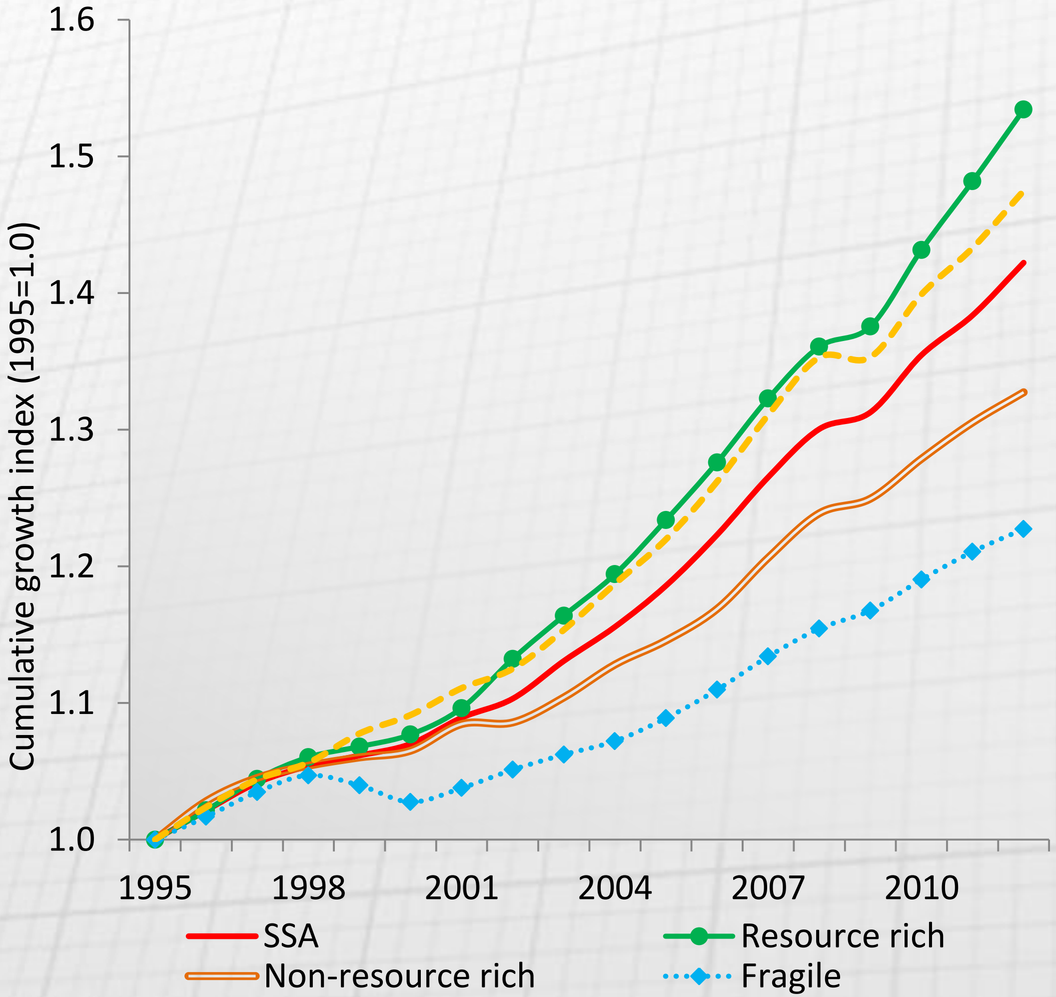
Note: Fragile Situations" have: either a) a harmonized average CPIA country rating of 3.2 or less, or b) the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years. This list includes only IDA eligible countries and non-member or inactive territories/countries without CPIA data.
Source: The World Bank.

NON-FRAGILE AND RESOURCE-RICH COUNTRIES GROW FASTER

PER CAPITA GROWTH RATES 1995-2012:

Fragile:	1.2%
Non-fragile:	2.3%
Non resource-rich:	1.7%
Resource-rich:	2.6%

Growth in GDP per capita in SSA by country groups, 1995-2012 (Cumulative growth index , 1995=100)



Source: World Bank, Africa's Pulse vol. 9

Note: The index presented in this figure depicts the cumulative growth in real growth per capita from 1995 to 2012 in Sub-Saharan Africa and sub-groups. We use the GDP in U.S. dollars at 2005 prices from the World Development Indicators.

RECENT GROWTH PERFORMANCE: 1995-2012

TWENTY-TWO FAST GROWERS: THIRTEEN RESOURCE-RICH COUNTRIES

Country Resources	Features of Expansionary Phases				
	Start	End	Duration (years)	Growth (ppa)	
				GDP p/c (%)	GDP (%)
I. Resource-rich countries					
Oil producers					
Equatorial Guinea	1992	2008	17	15.6	18.8
Angola	1994	2008	15	6.5	9.7
Sudan	1995	*	18	3.2	4.6
Chad	1997	2005	9	6.2	9.8
Nigeria	2000	*	13	5.3	7.9
Nonoil resource abundant					
Liberia	1996	2002	7	23.1	28.7
Liberia	2005	*	8	7.2	10.6
Mozambique	1996	*	17	4.7	7.4
Tanzania	1998	*	15	3.5	6.2
Botswana	1999	2008	10	3.5	4.9
Ghana	2002	*	11	4.3	6.8
Namibia	2002	*	11	3.5	4.9
Sierra Leone	2002	*	11	5.1	8.2
Zambia	2003	*	10	3.2	6.0

… AND NINE NON RESOURCE-RICH

Country Resources	Features of Expansionary Phases				
	Start	End	Duration (years)	Growth (ppa)	
				GDP p/c (%)	GDP (%)
II. Non-resource-rich countries					
Mauritius	1984	*	29	4	4.9
Cape Verde	1992	*	21	6.8	8.4
Uganda	1993	*	20	3.5	6.8
Burkina Faso	1995	*	18	3.2	6.1
Malawi	1995	1999	5	4.4	6.6
Rwanda	1995	*	18	5.7	9.5
Lesotho	2003	*	10	3.4	4.3
Ethiopia	2004	*	9	7.1	9.8
Central African Republic	2006	*	7	4.6	6.5

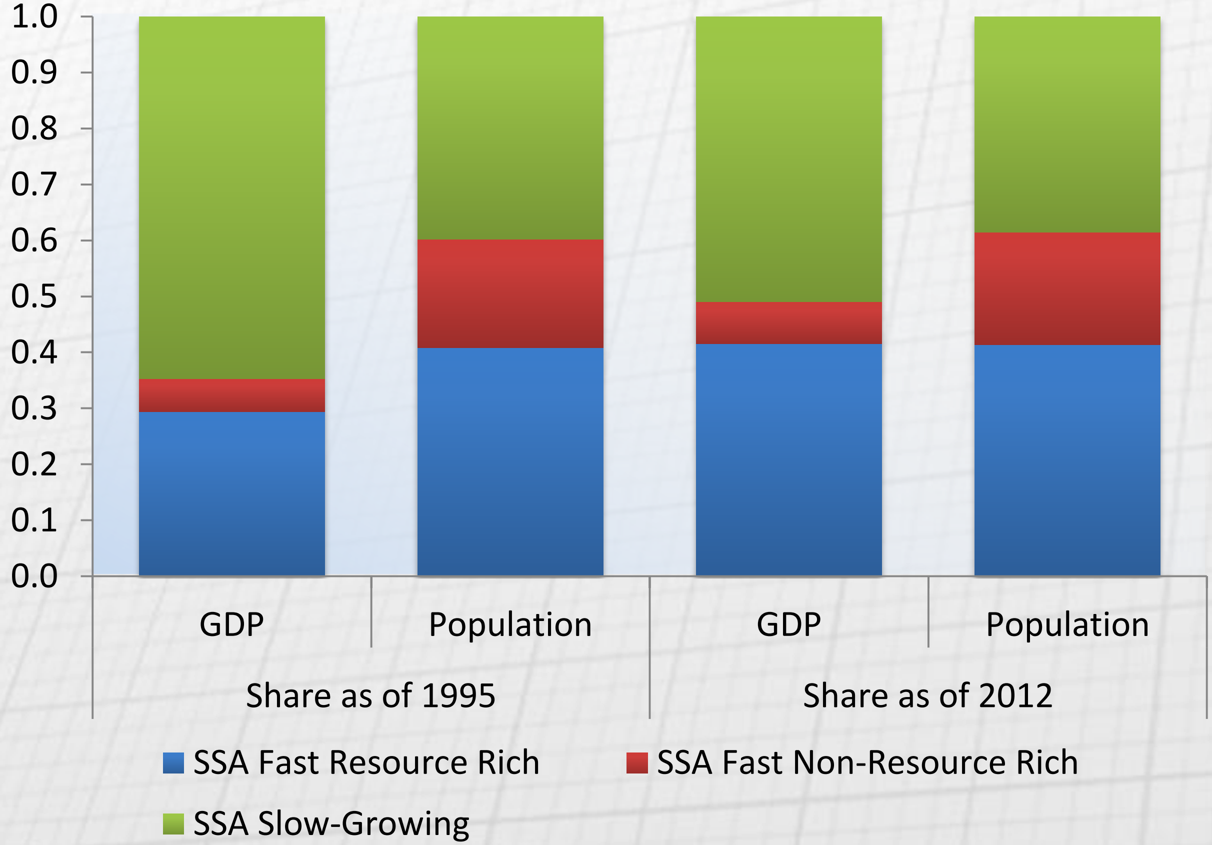
PER CAPITA GROWTH RATES 1995-2012:

Fast-growers: 3.3%
Slow-growers: 0.9%

THE FAST-GROWING 22 ACCOUNT FOR OVER HALF OF AFRICA'S PEOPLE

Share of GDP and total population of SSA sub-groups, selected years

(as % of the region)

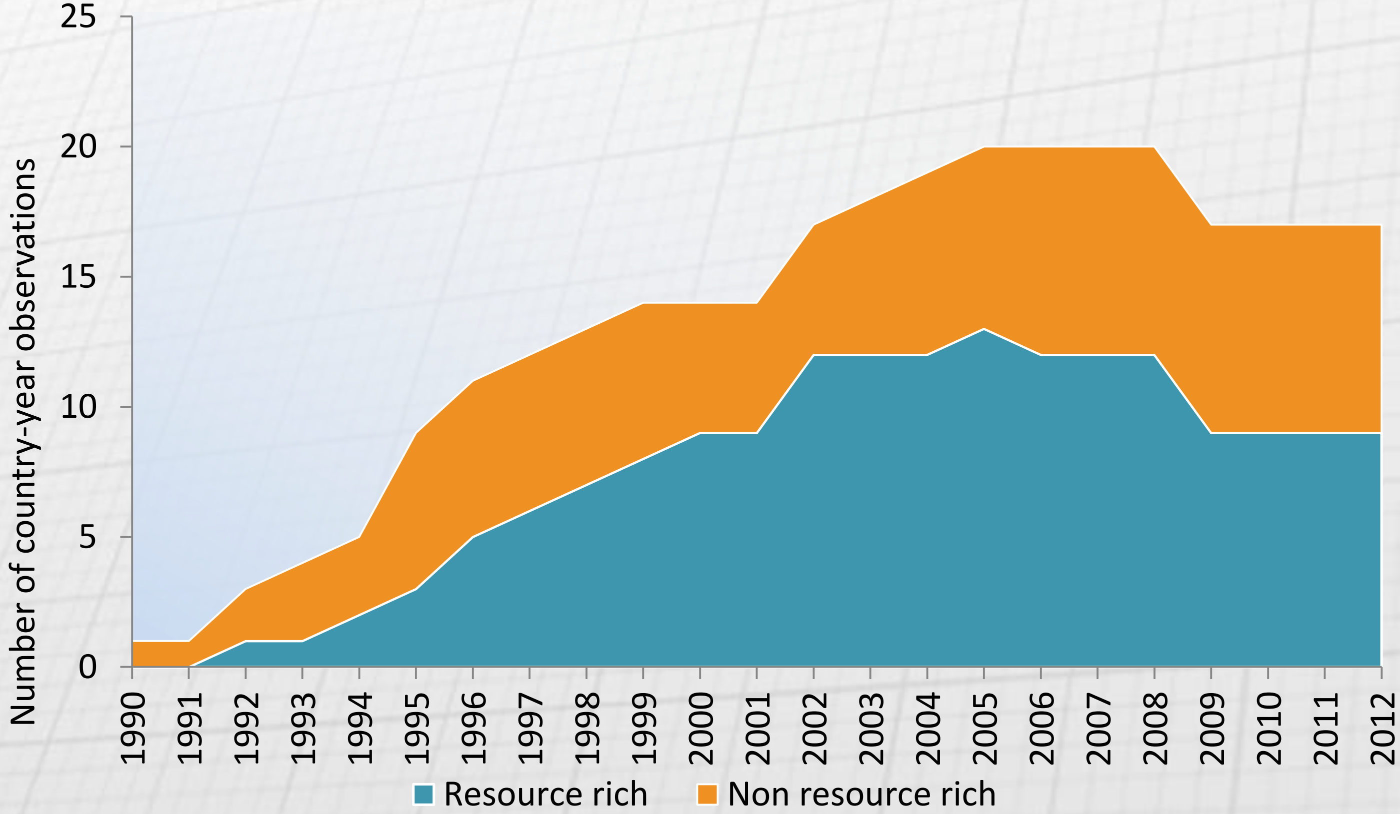


Source: World Bank, Africa's Pulse vol. 9

GROWTH SPURTS OVER TIME

At the peak of Africa's boom, just before the global financial crisis, twenty countries were in a rapid growth spurt simultaneously – of which 60% were resource-rich.

Post-crisis, there is a more even balance between resource- and non-resource rich countries.



Source: World Bank, Africa's Pulse vol. 9

Note: The figure depicts the number of countries experiencing growth spurt episodes each year from 1990 to 2012. The data on real GDP per capita used to compute these spurts is expressed in US$ at 2005 prices

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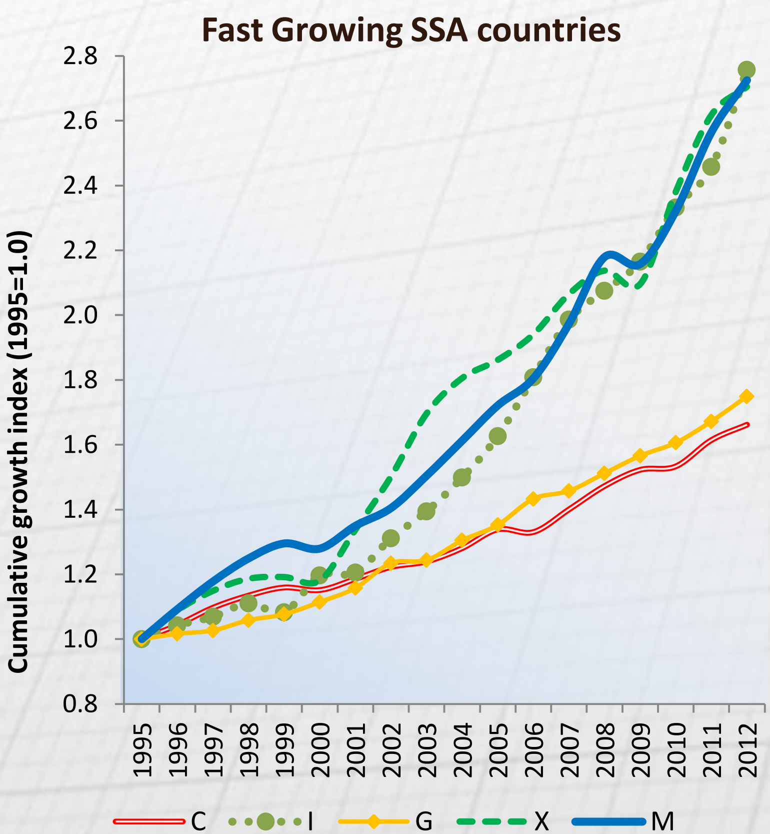
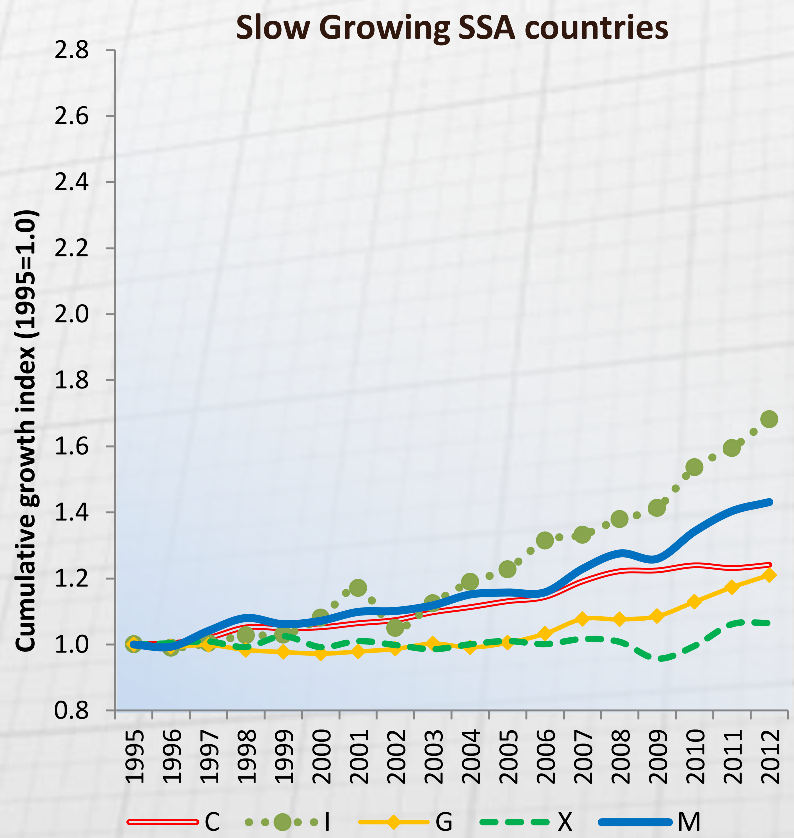
DEMAND COMPONENTS: FAST VS. SLOW GROWERS

Rapid growth is associated with large investment expansions, and active engagement in international trade.

Expansion in aggregate demand in SSA by country groups, 1995-2012

Cumulative variation since 1995





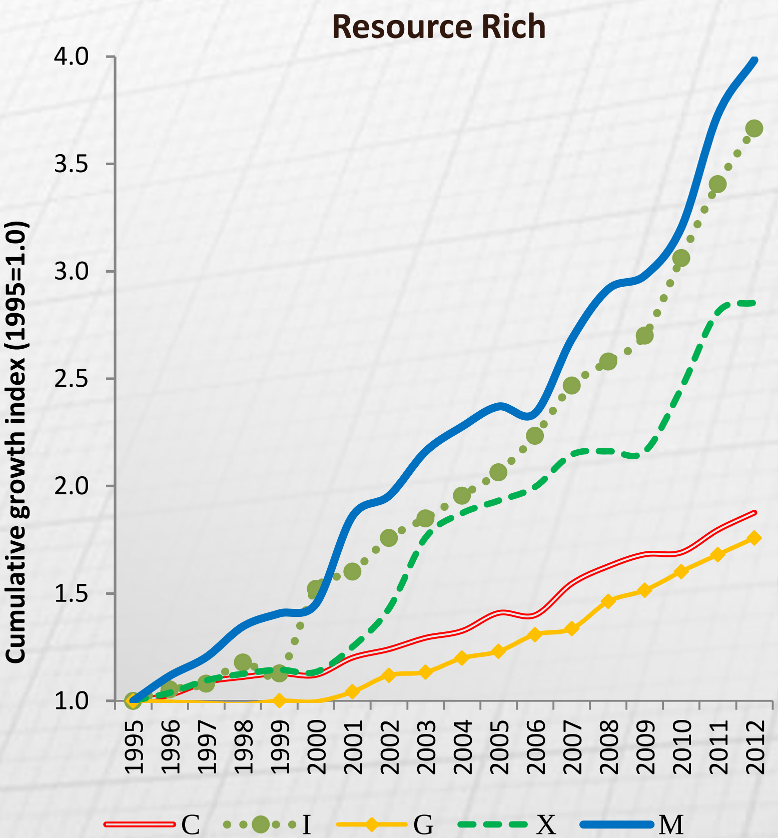
Source: World Bank, Africa's Pulse vol. 9

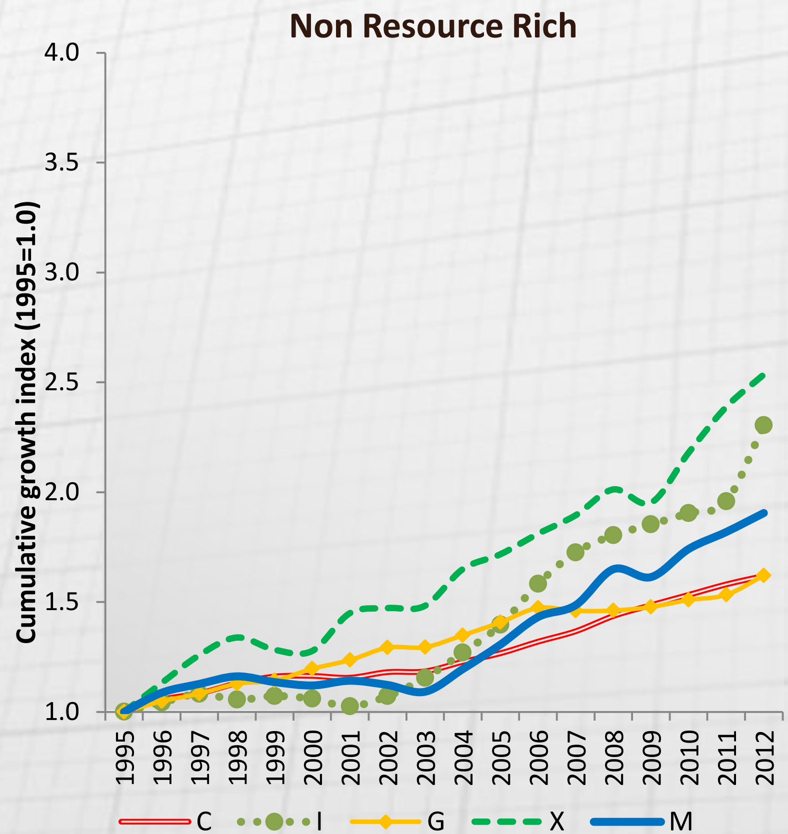
Note: The data on the components of aggregate demand (household consumption, investment, government consumption expenditure, exports and imports) is expressed in US$ at 2005 prices

DEMAND COMPONENTS: RESOURCE VS. NON-RESOURCE RICH

Investment booms were almost twice as large in resource rich countries – increasing trade deficits.

Non-resource rich rapid growers: investment-driven growth and rising trade surpluses.

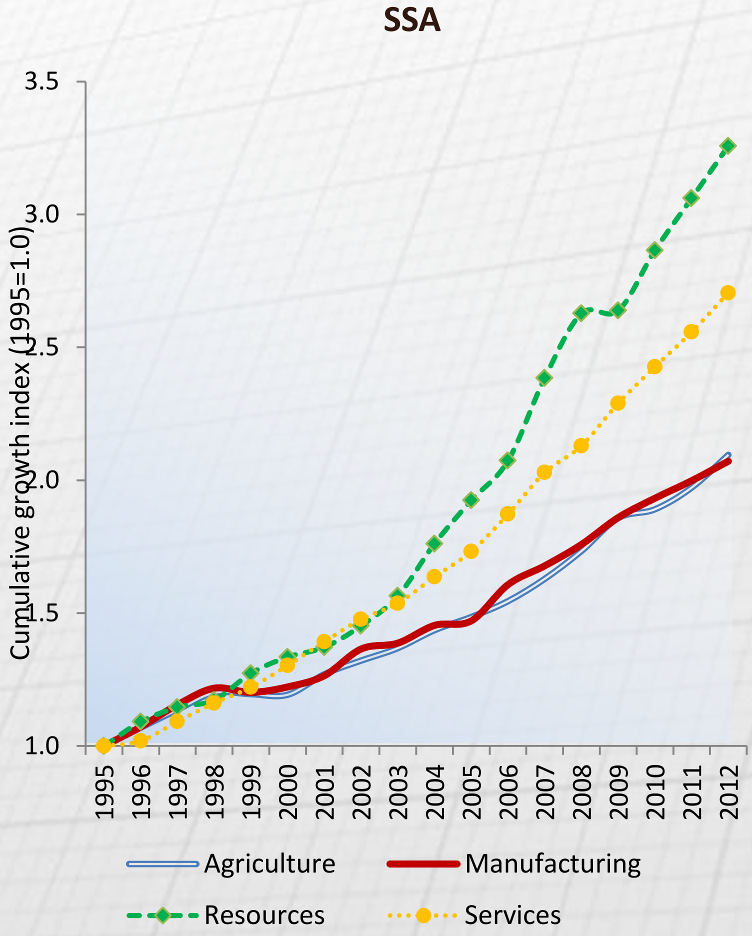


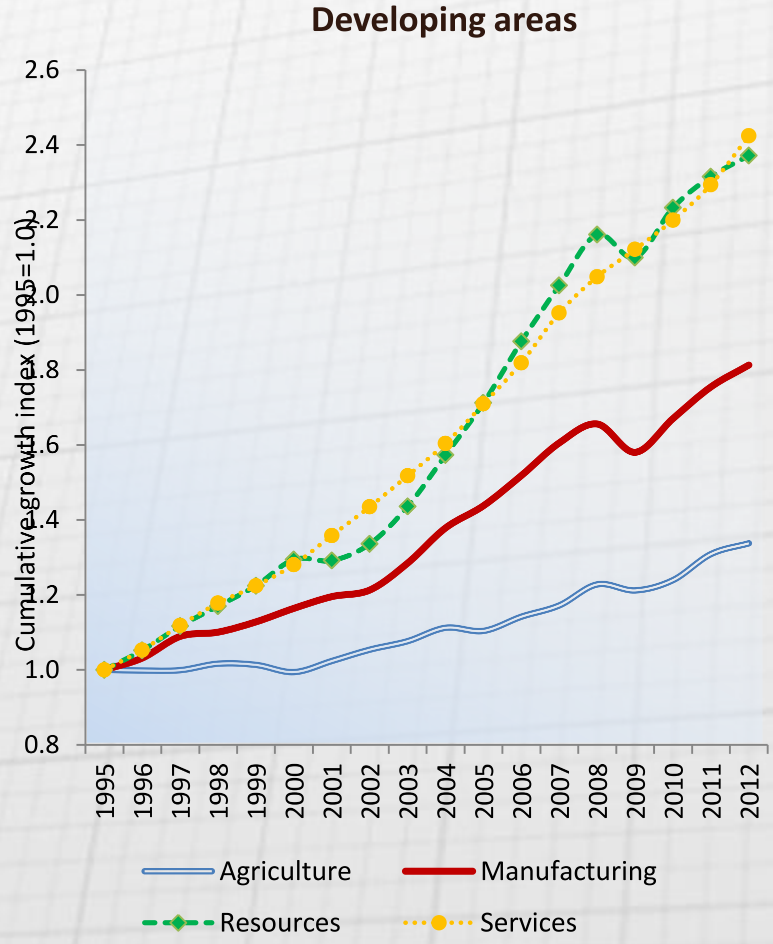


Source: World Bank, Africa's Pulse vol. 9

GROWTH RATES BY SECTOR: SSA VS. OTHER DEVELOPING COUNTRIES

Relative to other developing countries, SSA is characterized by faster growth in the natural resource sector and agriculture. Services grow rapidly in both samples.



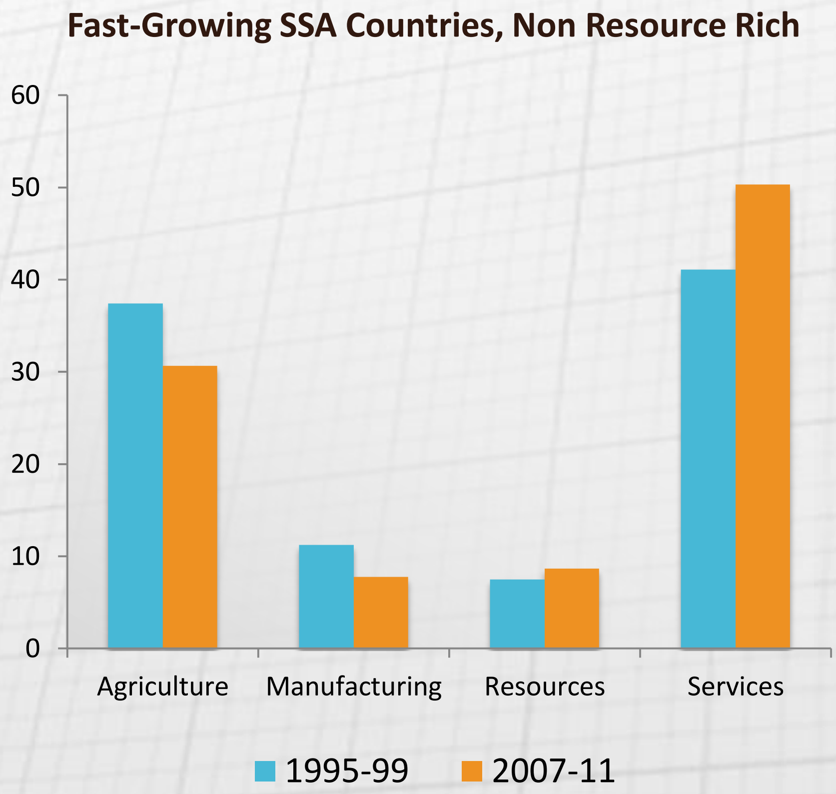


Source: World Bank, Africa's Pulse vol. 9

Note: Resources sector includes: construction, mining and quarrying and gas, electricity and water.

ECONOMIC TRANSFORMATION

As a result, Africa's structural transformation is bypassing manufacturing.

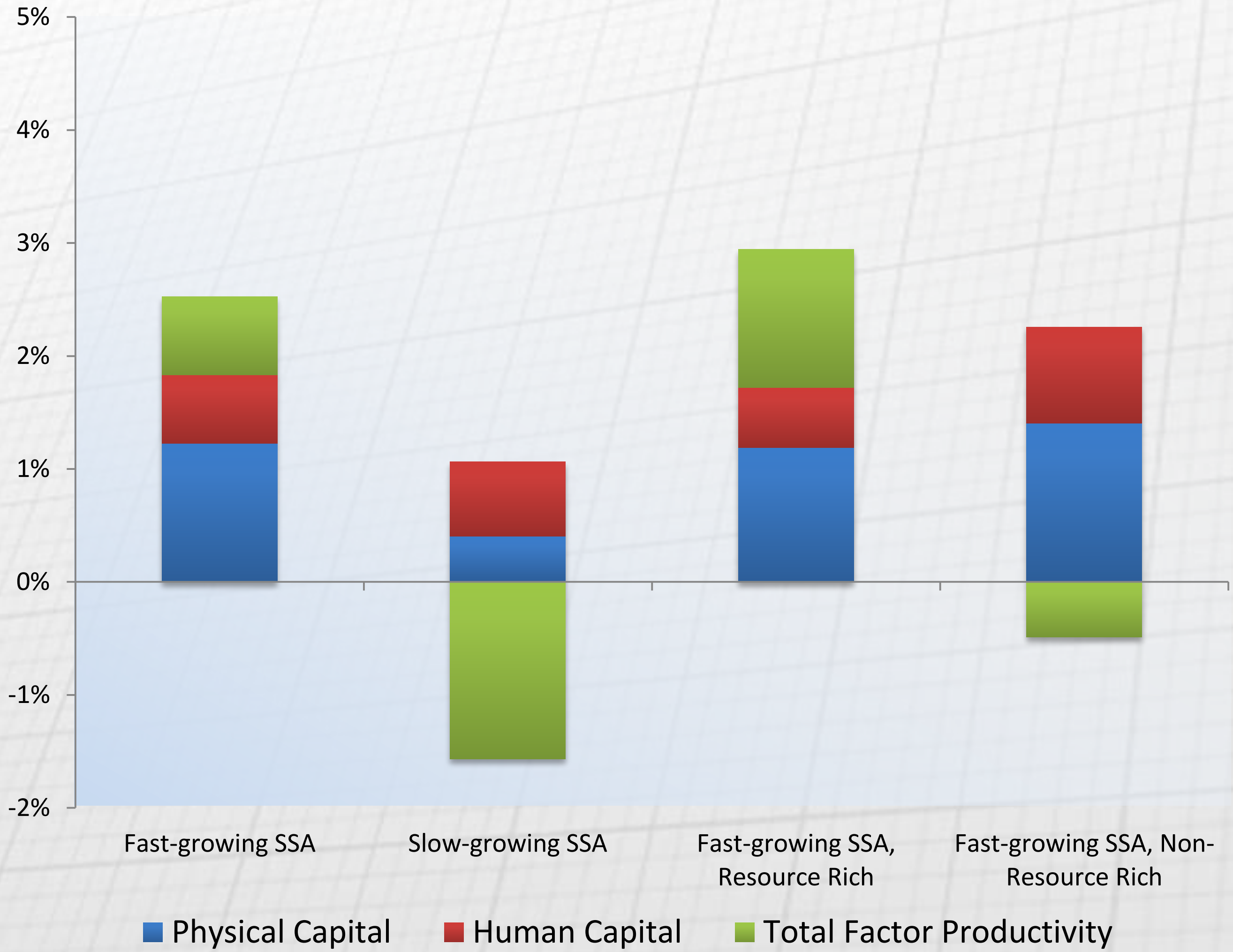


Source: World Bank, Africa's Pulse vol. 9

Note: Resources sector includes mining and quarrying, construction and electricity, gas and water

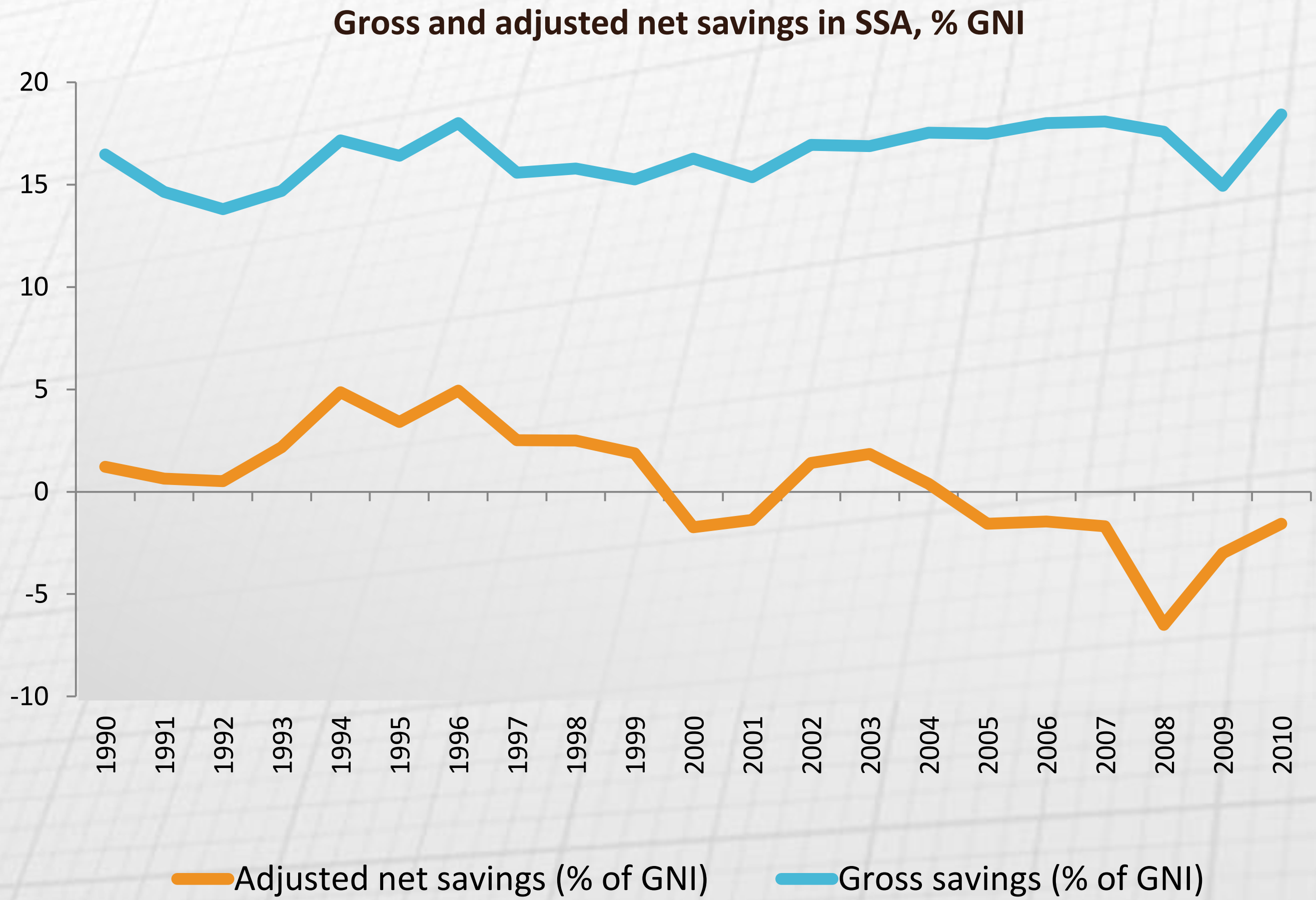
FACTOR ACCUMULATION AND TFP GROWTH

Except in fast-growing resource-rich countries, Africa's growth appears to be driven by factor accumulation, rather than productivity growth.



Source: World Bank, Africa's Pulse vol. 9

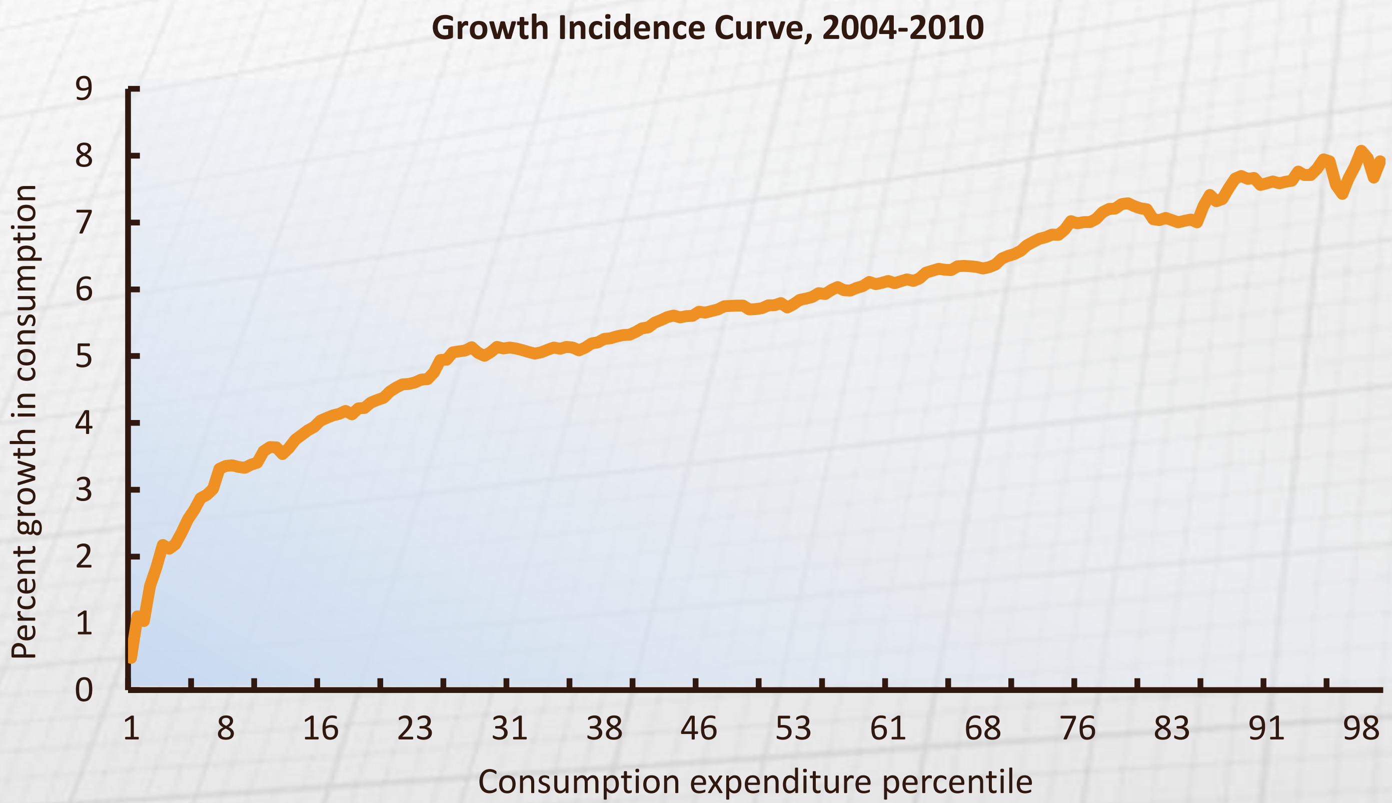
NATURAL RESOURCES ARE A FORM OF CAPITAL:
WEALTH-PRESERVATION REQUIRES THAT IT BE REPLACED BY OTHER FORMS OF CAPITAL



Source: World Bank, Africa's Pulse vol. 9

GROWTH PATTERNS ARE ALSO OFTEN NOT INCLUSIVE

In one African country, average p.c. household consumption grew by 6.5% between 2004-2010. But whereas the top 5% of the population experienced annual growth rates of almost 8%, the bottom 5% grew by between 1% and 3%.



Source: estimates based on household surveys from "Survey-based Harmonized Indicator Program (SHIP)"

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IN SUM: WE CAN CELEBRATE…

- Almost **twenty years of resilient** African growth
- With per **capita rates around 2.4%** in the last decade
- Almost everywhere, this **growth is investment-driven** (rather than consumption)
- Fast-growing non resource-rich economies generally have solid balance of payment profiles

… BUT THERE IS NO ROOM FOR COMPLACENCY

- African **living standards remain at less than 1/20** of European living standards
- Growth is uneven across countries: **22 countries did not record a "growth spurt"** over the 1995-2012 period
- **Growth is faster among resource-rich economies**, which appear to be dissaving, and are more vulnerable to terms-of-trade reversals.
- **Productivity growth appears limited** to resource-rich countries. (Growth is happening on the "extensive margin")
- Africa's **structural transformation is at best incomplete**
- In many cases, **growth is not as inclusive** as elsewhere

IMPLICATIONS FOR POLICY

The four-part roadmap for sharing Africa's growth remains key:

1. Maintain strong macroeconomic discipline
2. Build better human and physical capital
3. Promote growth in the places and sectors where the poor are…
4. … and/or create social protection and promotion systems that enable them to share in growth elsewhere.

IMPLICATIONS FOR POLICY

But add an African productivity agenda:

5. Governance and regulatory reform: “simple rules that apply equally to everyone – in business and politics”
    - Promoting competition can lower transport and energy costs
6. A capital-conversion agenda for resource-rich countries
    - Resource capital into a portfolio of human, physical and financial capital
7. Country-specific diagnostics to promote pro-poor growth
    - African countries are different, and so will their solutions be

THANK YOU!