SUSTAINING ECONOMIC GROWTH IN AFRICA

STATE OF THE AFRICA REGION
WORLD BANK – IMF SPRING MEETINGS 2014
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

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
- 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.
## FRAGILE AND CONFLICT-AFFECTED STATES IN THE REGION

<table>
<thead>
<tr>
<th>Burundi</th>
<th>Liberia</th>
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<tbody>
<tr>
<td>Central African Republic</td>
<td>Madagascar</td>
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<td>Chad</td>
<td>Malawi</td>
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<td>Comoros</td>
<td>Mali</td>
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<td>Congo, Dem. Rep.</td>
<td>Sierra Leone</td>
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<td>Congo, Republic of</td>
<td>Sudan</td>
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<tr>
<td>Cote d’Ivoire</td>
<td>Togo</td>
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<td>Guinea-Bissau</td>
<td>Zimbabwe</td>
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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 peacekeeping 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.
PER CAPITA GROWTH RATES 1995-2012:

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

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

<table>
<thead>
<tr>
<th>Country Resources</th>
<th>Features of Expansionary Phases</th>
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<tbody>
<tr>
<td></td>
<td>Start</td>
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<tr>
<td><strong>I. Resource-rich countries</strong></td>
<td></td>
</tr>
<tr>
<td>Oil producers</td>
<td></td>
</tr>
<tr>
<td>Equatorial Guinea</td>
<td>1992</td>
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<tr>
<td>Angola</td>
<td>1994</td>
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<td>Sudan</td>
<td>1995</td>
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<td>Chad</td>
<td>1997</td>
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<td>Nigeria</td>
<td>2000</td>
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<td>Nonoil resource abundant</td>
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<tr>
<td>Liberia</td>
<td>1996</td>
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<td>Liberia</td>
<td>2005</td>
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<td>Mozambique</td>
<td>1996</td>
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<td>Tanzania</td>
<td>1998</td>
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<td>Botswana</td>
<td>1999</td>
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<tr>
<td>Ghana</td>
<td>2002</td>
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<td>Namibia</td>
<td>2002</td>
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<td>Sierra Leone</td>
<td>2002</td>
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<tr>
<td>Zambia</td>
<td>2003</td>
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</table>
... AND NINE NON RESOURCE-RICH

<table>
<thead>
<tr>
<th>Country Resources</th>
<th>Start</th>
<th>End</th>
<th>Duration (years)</th>
<th>Growth (ppa)</th>
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<tbody>
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<td>Mauritius</td>
<td>1984</td>
<td>*</td>
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<tr>
<td>Cape Verde</td>
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<td>21</td>
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<td>Uganda</td>
<td>1993</td>
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<td>3.5</td>
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<td>Burkina Faso</td>
<td>1995</td>
<td>*</td>
<td>18</td>
<td>3.2</td>
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<tr>
<td>Malawi</td>
<td>1995</td>
<td>1999</td>
<td>5</td>
<td>4.4</td>
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<td>Rwanda</td>
<td>1995</td>
<td>*</td>
<td>18</td>
<td>5.7</td>
</tr>
<tr>
<td>Lesotho</td>
<td>2003</td>
<td>*</td>
<td>10</td>
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<td>Ethiopia</td>
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<td>*</td>
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<tr>
<td>Central African Republic</td>
<td>2006</td>
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<td>4.6</td>
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</tbody>
</table>

**II. Non-resource-rich countries**

**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.
OUTLINE

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

Gross and adjusted net savings in SSA, % GNI

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.
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!