

# AFRICAN DEVELOPMENT EXPERIENCE & PROSPECTS

2016

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# Economic Liberalization in Africa

*Berg Report* (World Bank, 1981)

- ▣ focus on domestic determinants of econ. performance, ignoring external factors
- ▣ rationale for structural adjustment in SSA
- ▣ anticipated Washington Consensus

*Since 1980s:*

- ▣ Liberalization of trade, finance, investment and other flows, but not labour
- ▣ Privatization, especially ISI, food security and 'public goods'

# Policy space?

IMF's short-term stabilization programs and WB's medium-term structural adjustment programs (SAPs) contained policy conditionalities

No real reduction in conditionalities due to 'bunching', renaming

Though Washington Consensus challenged, continues to be conventional wisdom for economic analysis and policy-making for developing countries, especially in Africa, due to limited policy space, conditionalities, e.g.

# Retreat of African state

- ❖ Econ. liberalization: marketization, deregulation
- ❖ Privatization, not SOE reform
- ❖ New Western-approved/favoured leaders
- ❖ Independent institutions (central banks)
- ❖ Less taxation, less progressive taxes
- ❖ Reduced fiscal capacity
- ❖ Less government (esp. econ. and soc.) spending
- ❖ Reduced government role
- ❖ Aid more MDG-oriented, neglects productive capacities, capabilities

# GDP per capita, 1960-2014

GDP per capita in constant 2005 US\$

Annual average compound growth rates	1960 to 1969	1970 to 1979	1980 to 1989	1990 to 1999	2000 to 2009	2010 to 2014*
World	3.1%	1.8%	1.3%	1.0%	1.0%	0.5%
East Asia & Pacific	5.9%	2.7%	3.2%	1.8%	2.7%	1.3%
Europe & Central Asia	3.5%	2.4%	1.7%	1.2%	1.2%	0.3%
Latin America & Caribbean	2.5%	3.1%	-0.4%	1.3%	1.4%	0.7%
Middle East & North Africa		4.2%	-2.1%	1.3%	2.4%	0.5%
Sub-Saharan Africa	1.8%	0.7%	-1.2%	-0.7%	2.0%	0.6%
South Asia	1.7%	0.2%	2.8%	3.0%	4.5%	1.9%
<b>Averages per decade</b>						
World	3588	4669	5329	6076	7146	7817
East Asia & Pacific	1305	1972	2672	3663	4703	6069
Europe & Central Asia	7801	10872	12948	15207	18844	20144
Latin America & Caribbean	2600	3625	4152	4436	5095	5980
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Source: World Development Indicators, World Bank and author's calculations

# Per capita growth, volatility, 1980-2014

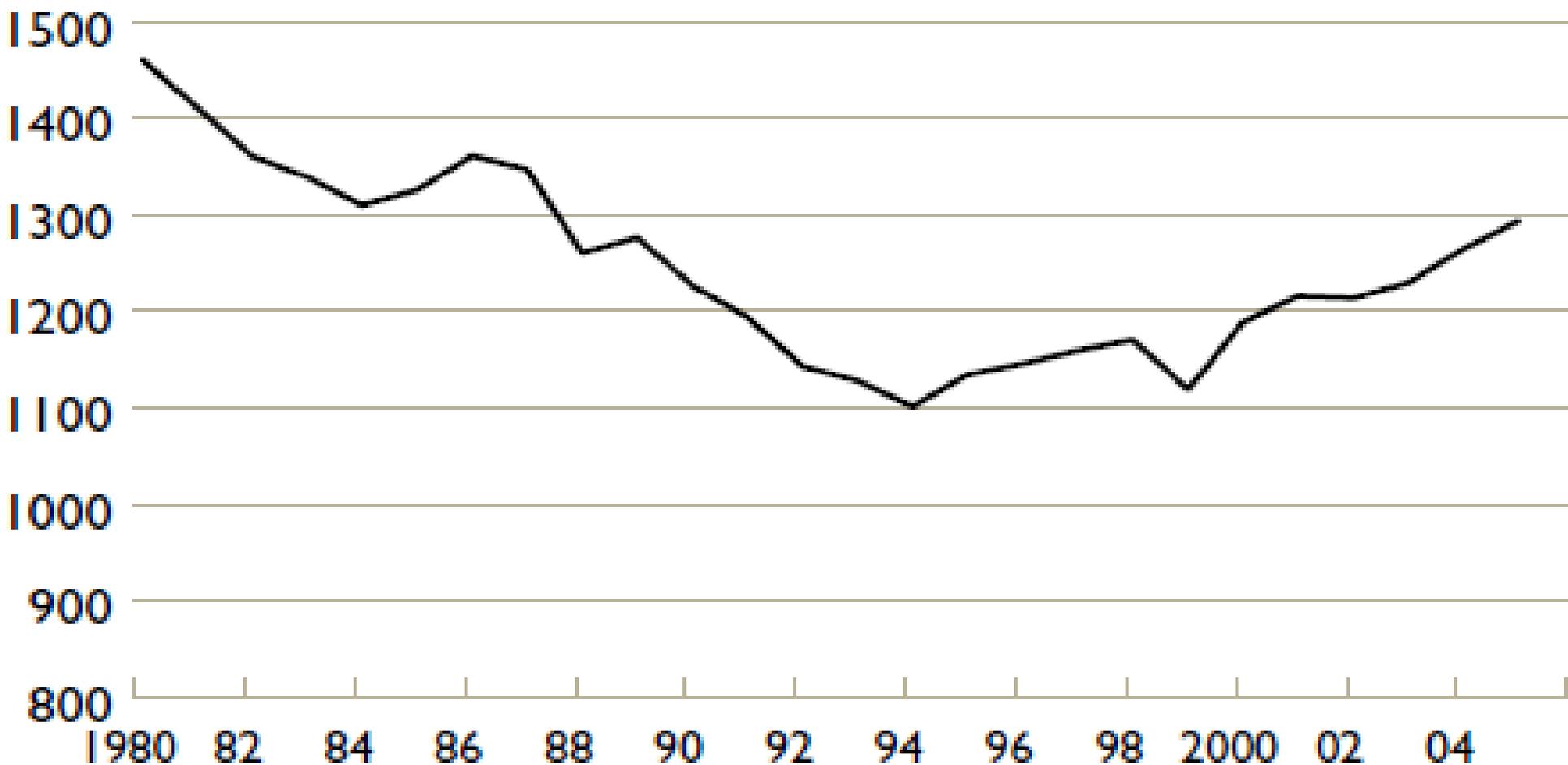
	<b>Growth* rate (%)</b>	<b>Standard deviation of growth</b>	<b>Highest growth rate (%)</b>	<b>Lowest growth rate (%)</b>
SSA		2.19	6.54	-4.07
Low-income countries		2.52	3.88	-6.65
Lower middle-income		1.91	6.11	-0.91
Upper middle-income		2.04	7.96	-1.14
		1.92	7.51	-0.31
South Asia		2.22	4.40	-4.75
Latin America & Caribbean		1.54	6.31	-1.82
East Asia & Pacific		1.30	2.89	-3.24
World		1.30	2.89	-3.24

# SSA economic trends before boom

<i>Period</i>	60- 65	65- 70	70- 75	75- 80	80- 85	85- 90	90- 95	95- 00	00- 02
GDP per capita (1995 US\$)									
Av. growth rates	2.76	2.37	1.79	-0.32	-1.90	-0.40	-1.43	0.68	0.75
Exports (1995 US\$)									
Av. growth rates	6.91	4.25	0.81	4.46	0.18	2.86	3.28	4.73	1.79
Manufactured Xs (US\$ millions)									
av growth rates								5.47	
X Price Indices* Unit Value (US\$)									
av growth rates	1.40	0.27	21.12	22.45	-4.45	-2.22	1.86	-4.17	-1.78
<b>Year</b>	1960	1965	1970	1975	1980	1985	1990	1995	2000
Manuf Xs (US\$m)				4,683				29,699	38,757

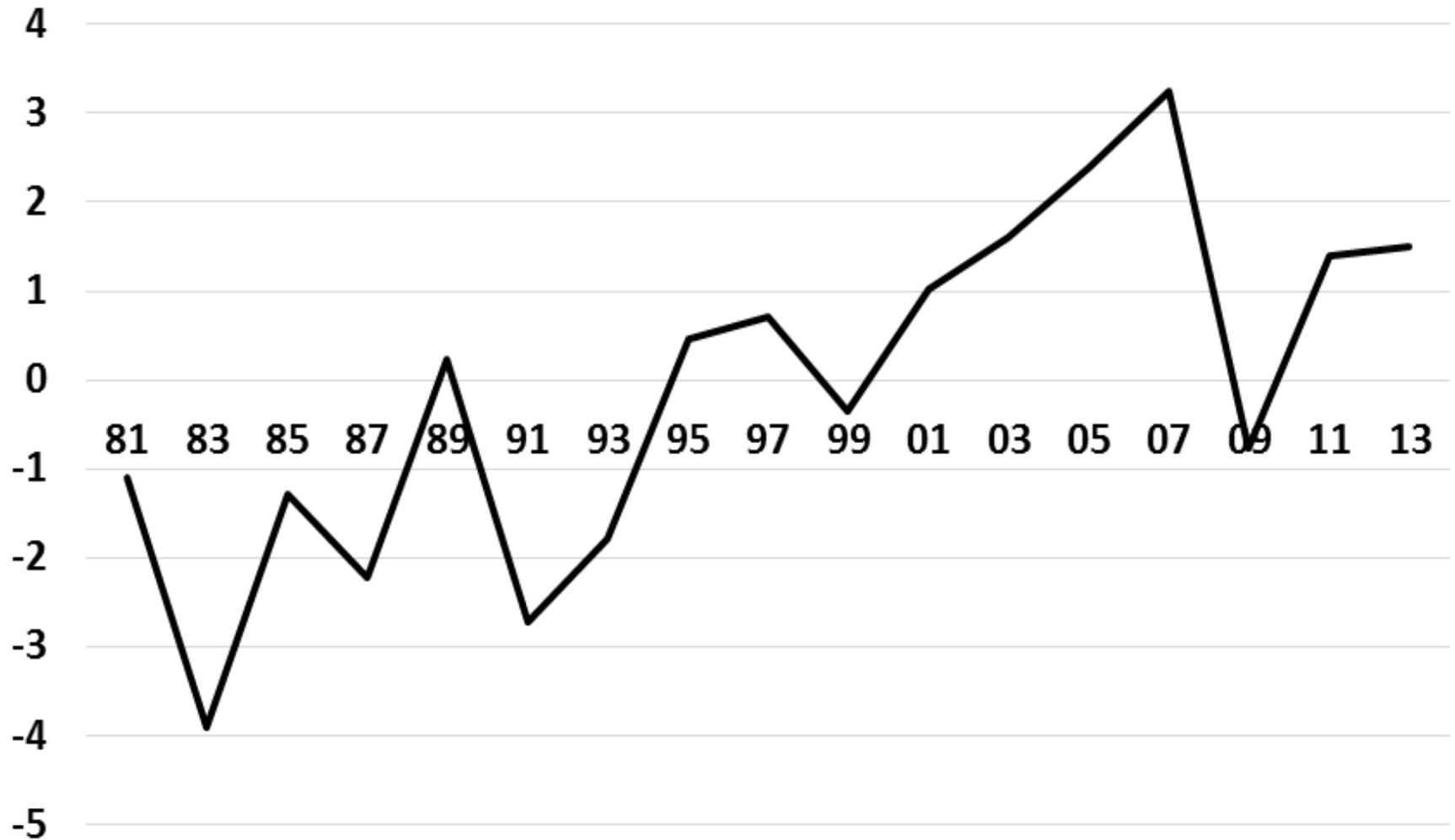
# SSA GDP per capita decline + recovery

Average GDP per capita in SSA PRGFs, 1980–2005<sup>1</sup>  
(In constant 2000 PPP dollars)



# SSA av. real GDP per capita growth

(Annual % change in constant 2005 PPP USD)



# SSA

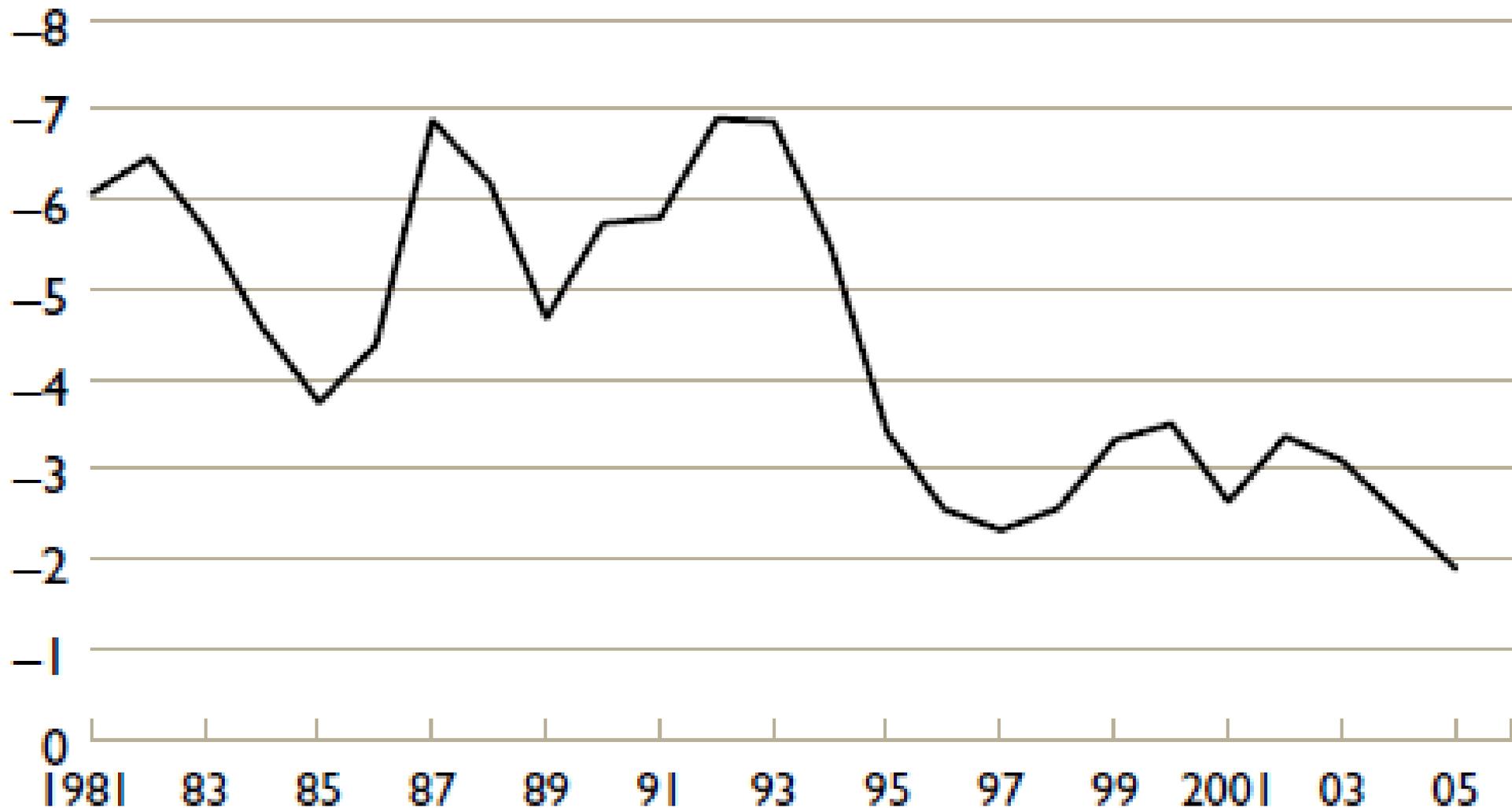
# deindustrialization

	1970	1980	1990	2000	2010	2014
<b>Sub-Saharan Africa excluding South Africa</b>						
<b>Agriculture, hunting, forestry, fishing</b>	28%	23%	27%	24%	23%	21%
<b>Industry</b>	25%	27%	26%	29%	30%	30%
Mining, manufacturing, utilities	18%	20%	22%	25%	25%	25%
Manufacturing	10%	10%	11%	10%	8%	9%
Construction	7%	7%	4%	4%	5%	6%
<b>Services</b>	48%	50%	47%	47%	47%	49%
<b>Developing economies</b>						
<b>Agriculture, hunting, forestry, fishing</b>	24%	16%	15%	10%	9%	9%
<b>Industry</b>	33%	42%	37%	37%	39%	38%
Mining, manufacturing, utilities	28%	35%	31%	31%	33%	31%
Manufacturing	15%	15%	19%	15%	21%	20%
Construction	6%	7%	6%	6%	6%	7%
<b>Services</b>	43%	42%	49%	53%	52%	53%

Source: UNCTAD Statistics

# SSA central govt fiscal balance

Average central government balance in SSA PRGFs, 1981–2005<sup>1</sup>  
(In percent of GDP)



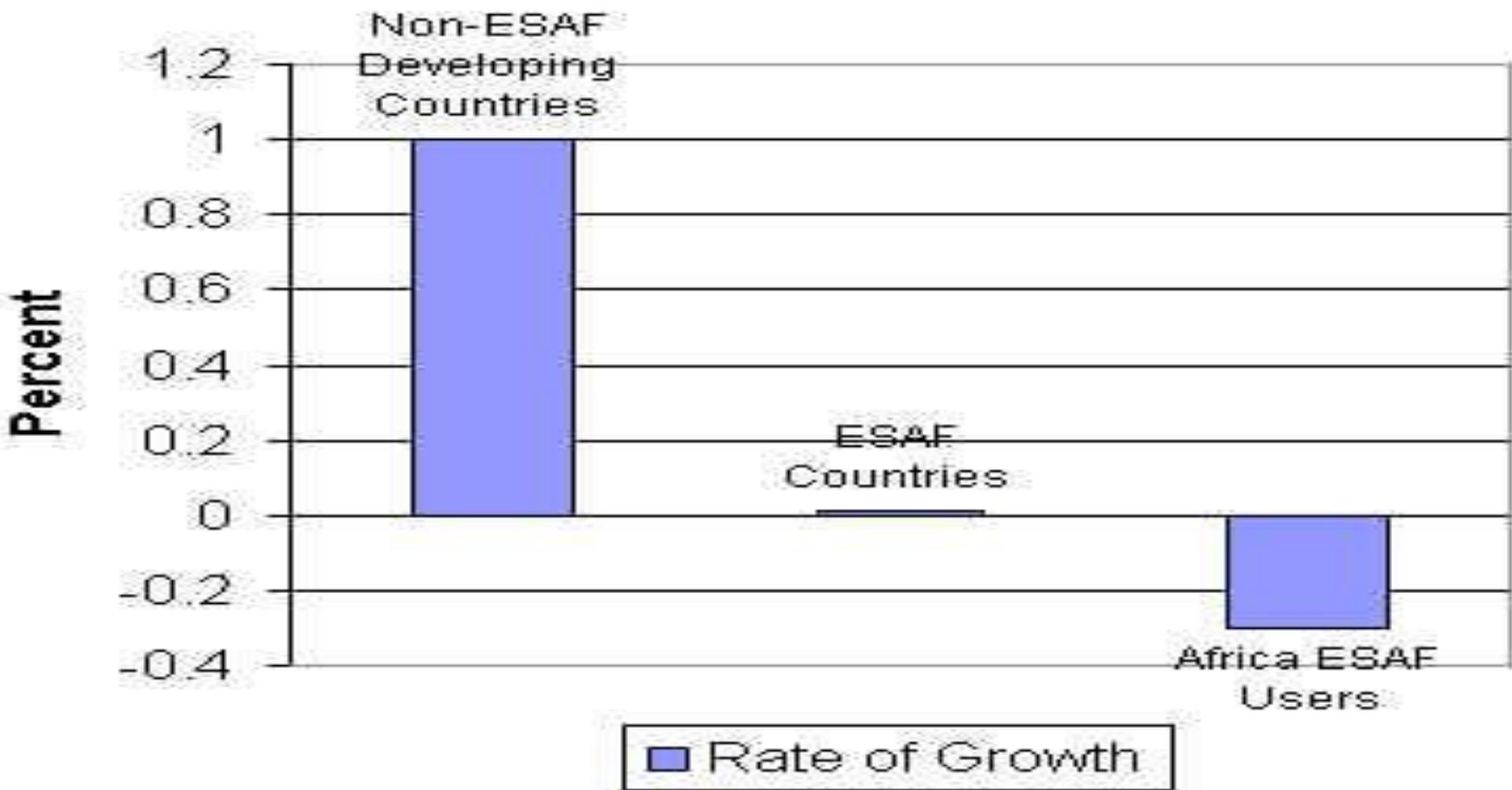
# SSA inflation down

Average inflation in SSA PRGFs, 1981–2005<sup>1</sup>  
(Annual CPI percent change)



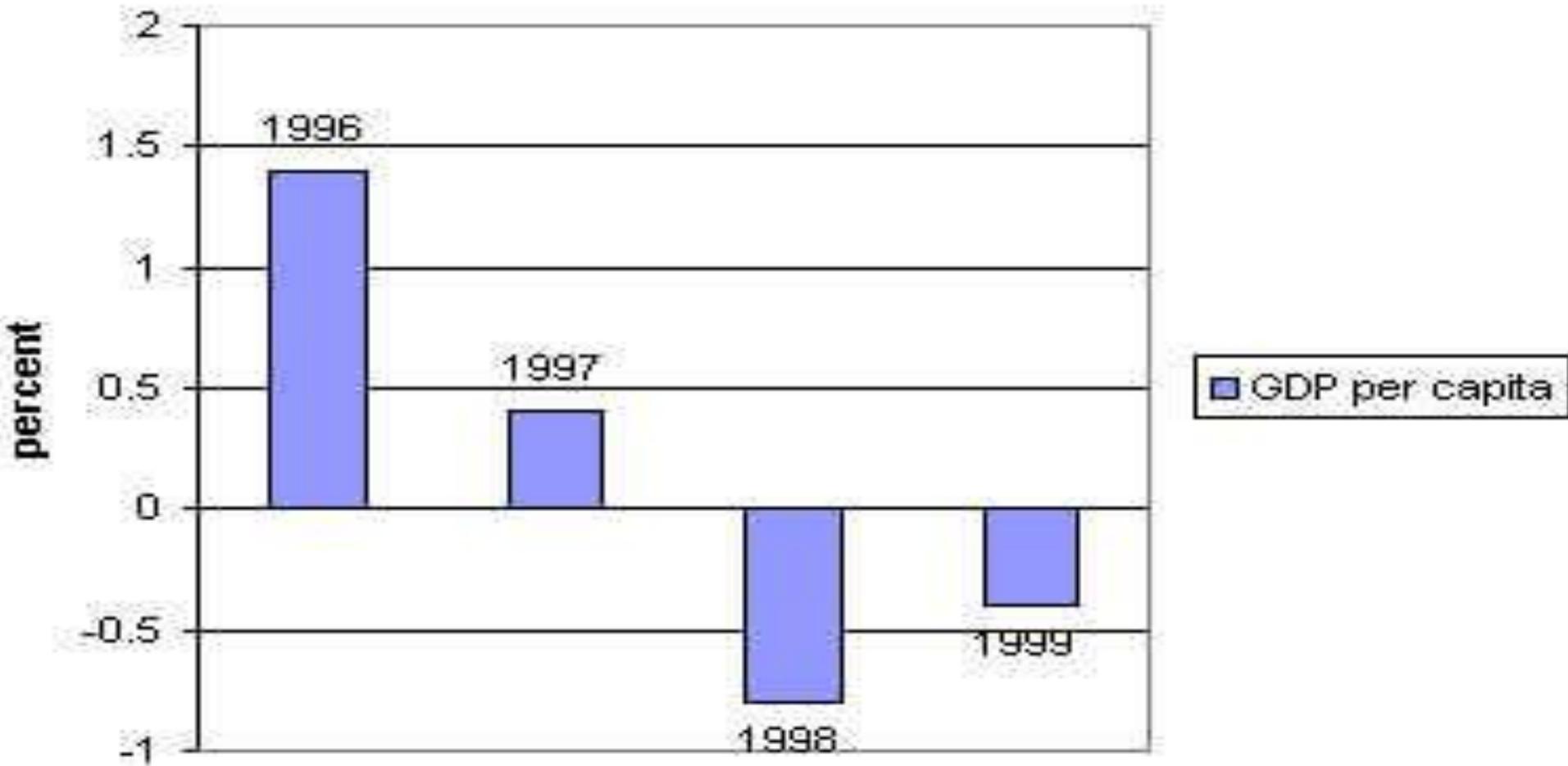
# ESAF anti-growth in Africa?

Figure 1. Average Annual Real Per Capita Income Growth, 1991-1995



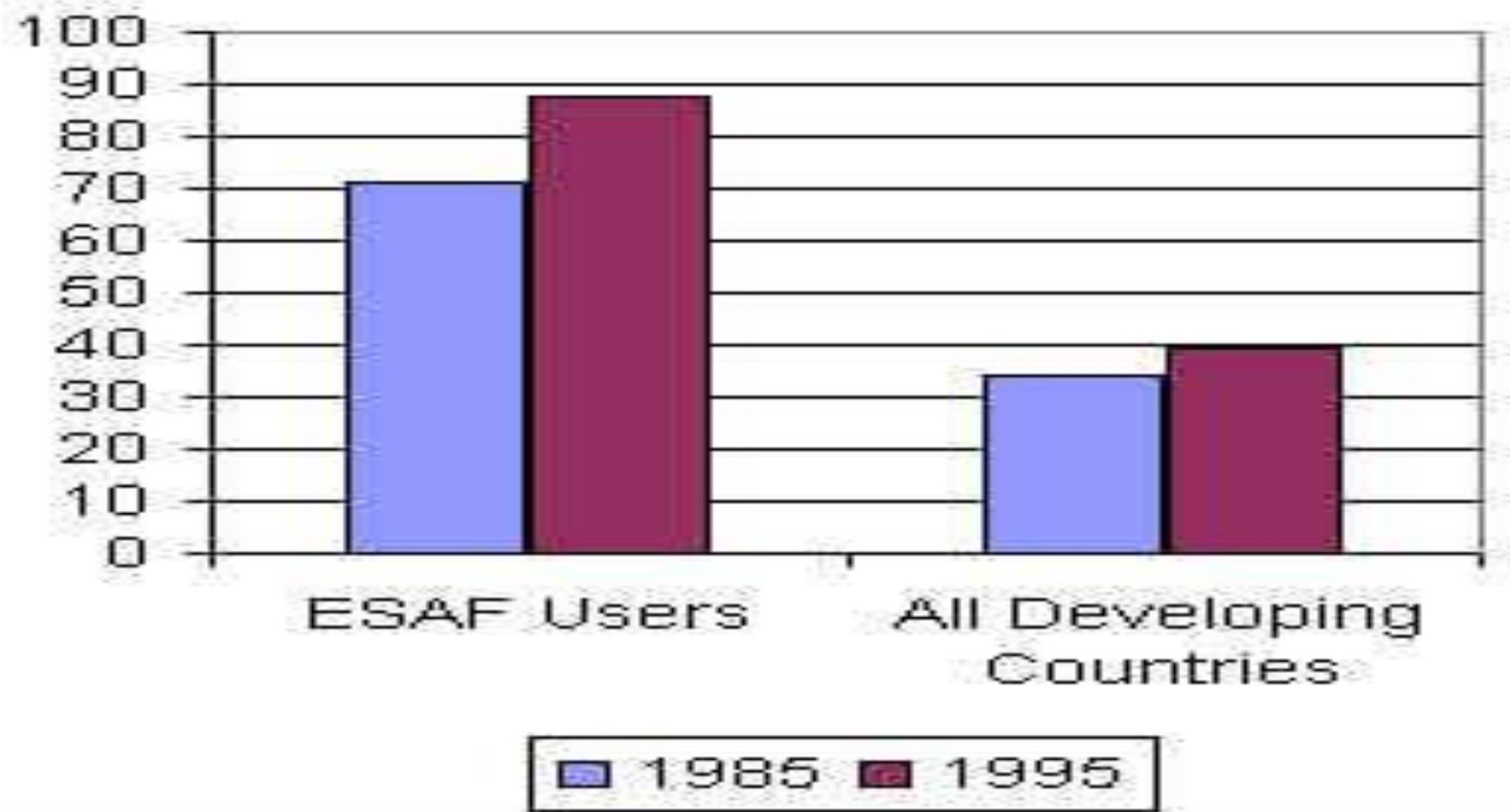
# SSA SAP → PRGF growth collapse

Figure 5. Per Capita GDP Growth in Sub-Saharan Africa, 1996-1999 (in percent)



# ESAF users debt higher

Figure 2. External Debt As Share of GNP

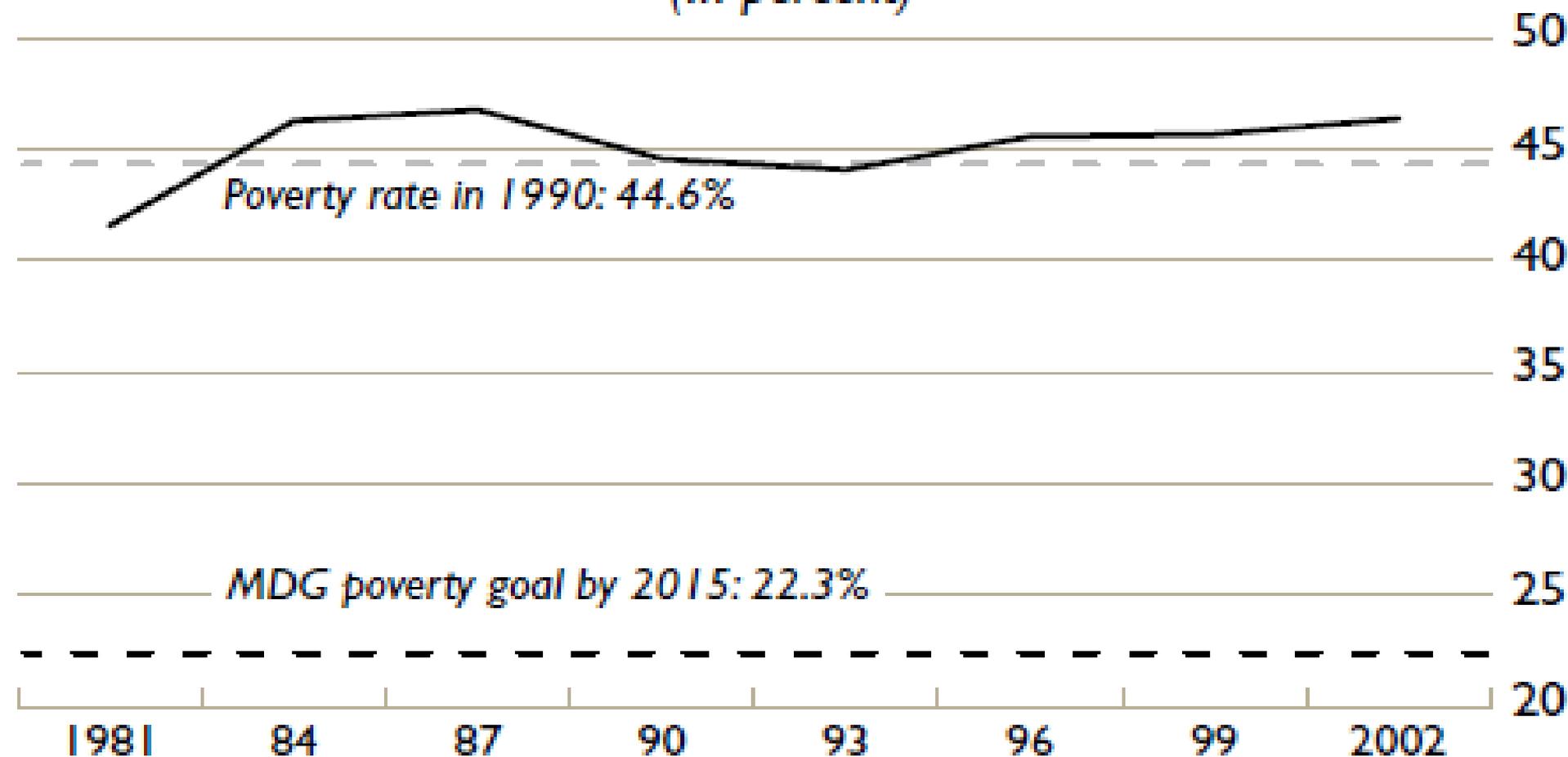


# Net resource flows to IMF in 90s

	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>
IMF Purchases	579	527	1146	918	2994	652	524	837
IMF Repurchases	614	530	455	467	2372	596	1065	1139
IMF Charges	228	186	138	170	559	124	101	88
<b>Balance</b>	<b>-263</b>	<b>-189</b>	<b>553</b>	<b>281</b>	<b>63</b>	<b>-68</b>	<b>-642</b>	<b>-390</b>

# SSA poverty rate (1993 PPP)

Share of people in SSA living on less than  
\$1 a day at 1993 PPP dollars  
(In percent)



# Africa poverty rise, 1981-2001

	<i>% living on &lt; \$2/day in 2001</i>	<i>Change in proportion and number of poor people between 1981 and 2001</i>	
		<i>%</i>	<i>millions</i>
World	53	-8	81
East Europe + Central Asia	20	15	70
Middle East + North Africa	23	2	19
Latin America + Caribbean	25	-3	3
East Asia + Pacific	47	-23	-252
Sub-Saharan Africa	77	2	134
South Asia	77	-9	106

# Poverty rates (< \$1 PPP/day)

## Percentage of population below poverty line, 1981-2004 "1 PPP\$ a day"

	1981	1984	1987	1990	1993	1996	1999	2002	2004
<i>By geographical region</i>									
East Asia and Pacific	57.7%	39.0%	28.2%	29.8%	25.2%	16.1%	15.4%	12.3%	8.9%
Europe and Central Asia	0.7%	0.5%	0.4%	0.5%	3.6%	4.2%	3.6%	1.3%	1.0%
Latin America and the Caribbean	10.8%	13.1%	12.1%	10.2%	8.4%	8.9%	9.6%	9.1%	8.7%
Middle East and North Africa	5.1%	3.8%	3.1%	2.3%	2.1%	2.2%	2.1%	1.7%	1.5%
South Asia	49.6%	45.4%	45.1%	43.1%	36.9%	36.1%	35.0%	33.4%	31.1%
<b>Sub-Saharan Africa</b>	<b>42.4%</b>	<b>46.3%</b>	<b>47.5%</b>	<b>46.8%</b>	<b>45.7%</b>	<b>48.0%</b>	<b>46.1%</b>	<b>42.6%</b>	<b>41.1%</b>
<i>By income level</i>									
Low income	48.7%	46.1%	45.9%	43.8%	38.6%	38.7%	37.3%	35.0%	33.0%
Lower middle income	44.2%	30.3%	21.9%	23.5%	20.2%	13.3%	13.1%	10.6%	8.0%
Upper middle income	3.2%	3.6%	3.9%	2.1%	4.3%	4.8%	4.2%	3.7%	2.9%

# Informal employment highest in Africa

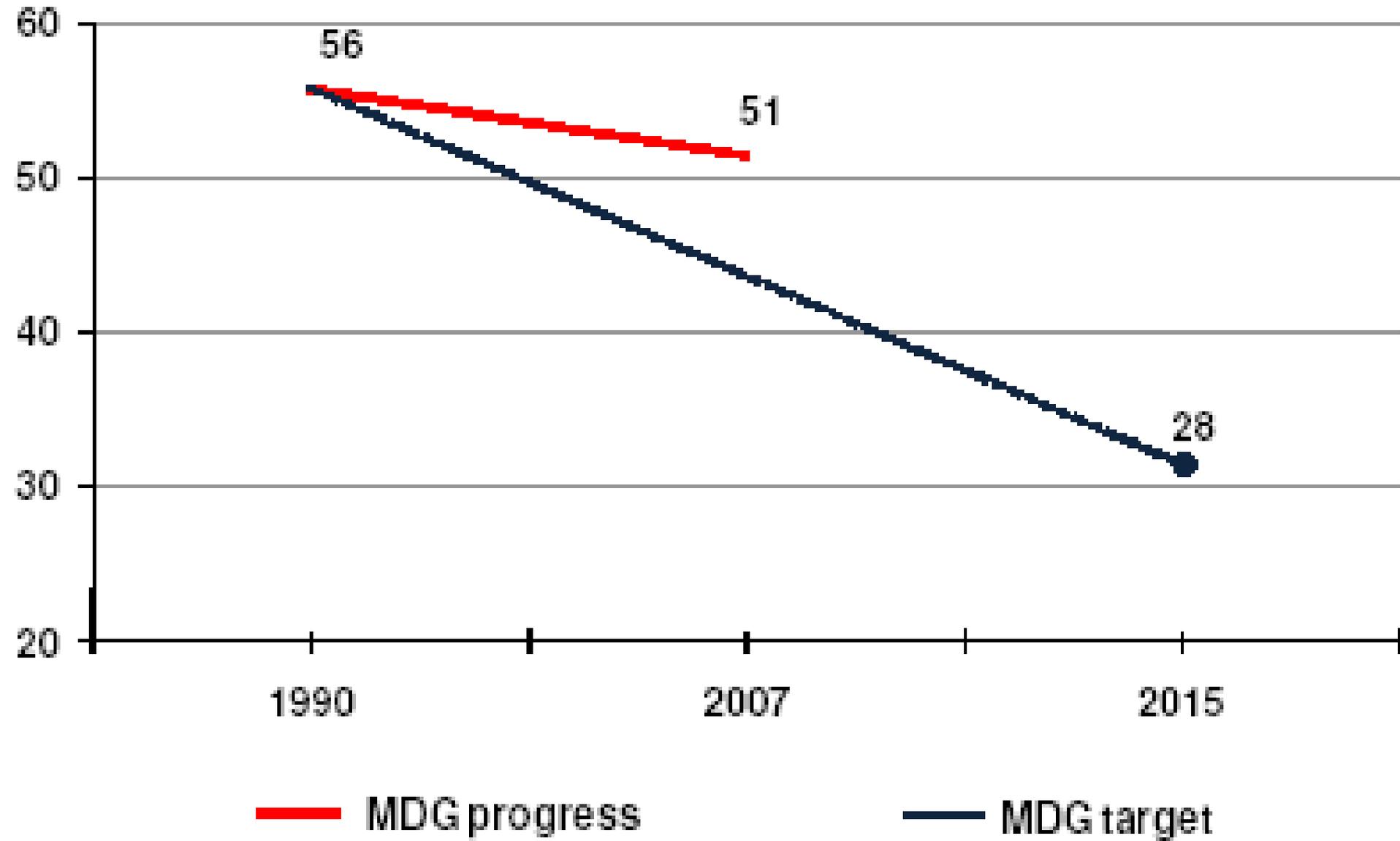
Share of Informal Employment in Total Non-Agricultural Employment

Region	2009
North Africa	47%
Sub-Saharan Africa	74%
Latin America	56%
South and Southeast Asia	70%
West Asia	43%
Transition countries	24%

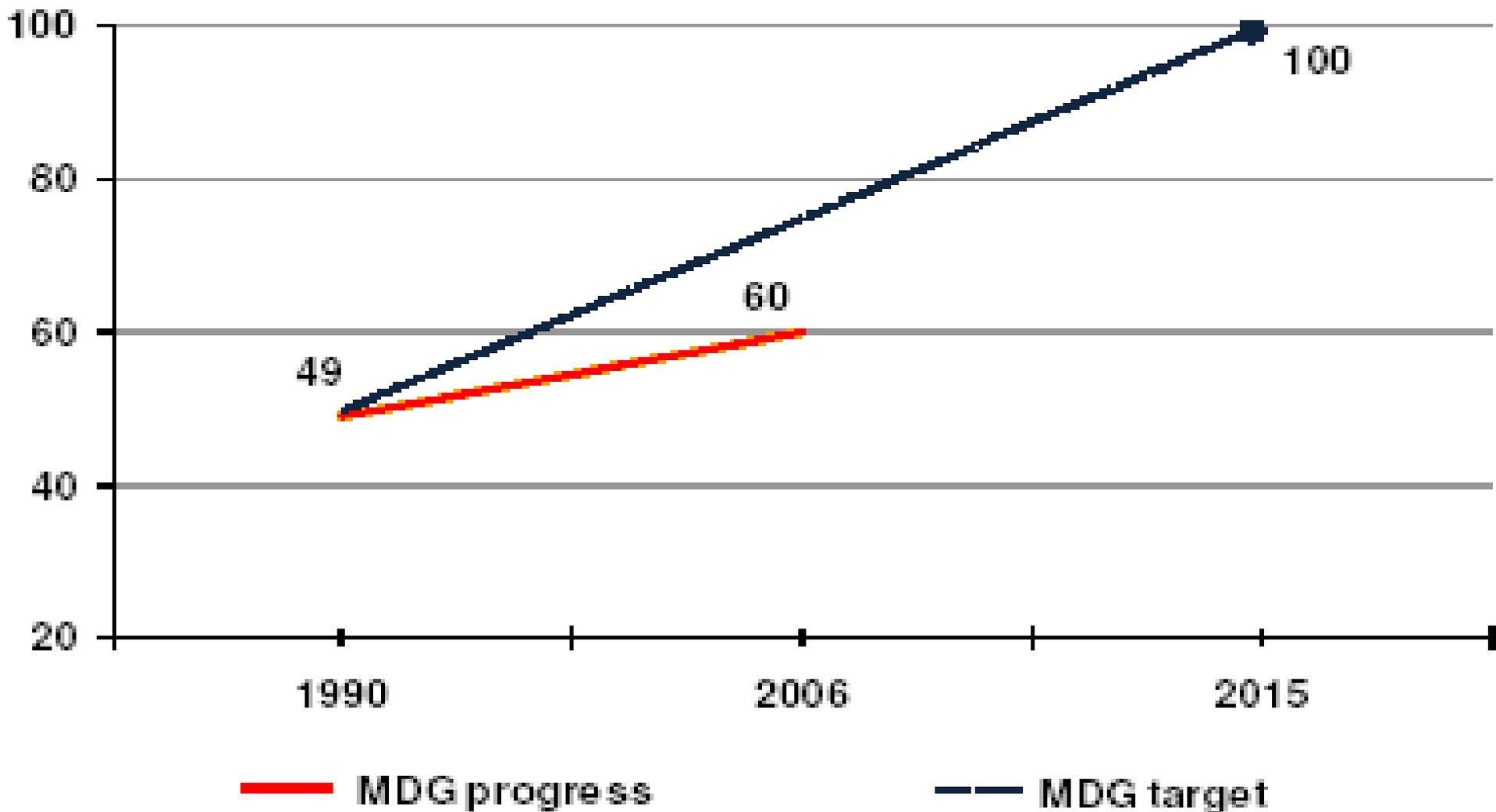
Source: Data on Informal Employment and Self-Employment

From 'Is Informal Normal? Towards More and Better Jobs in Developing Countries', OECD, 2009

# Africa: % with <US\$1/day



# Africa: % of children completing primary school

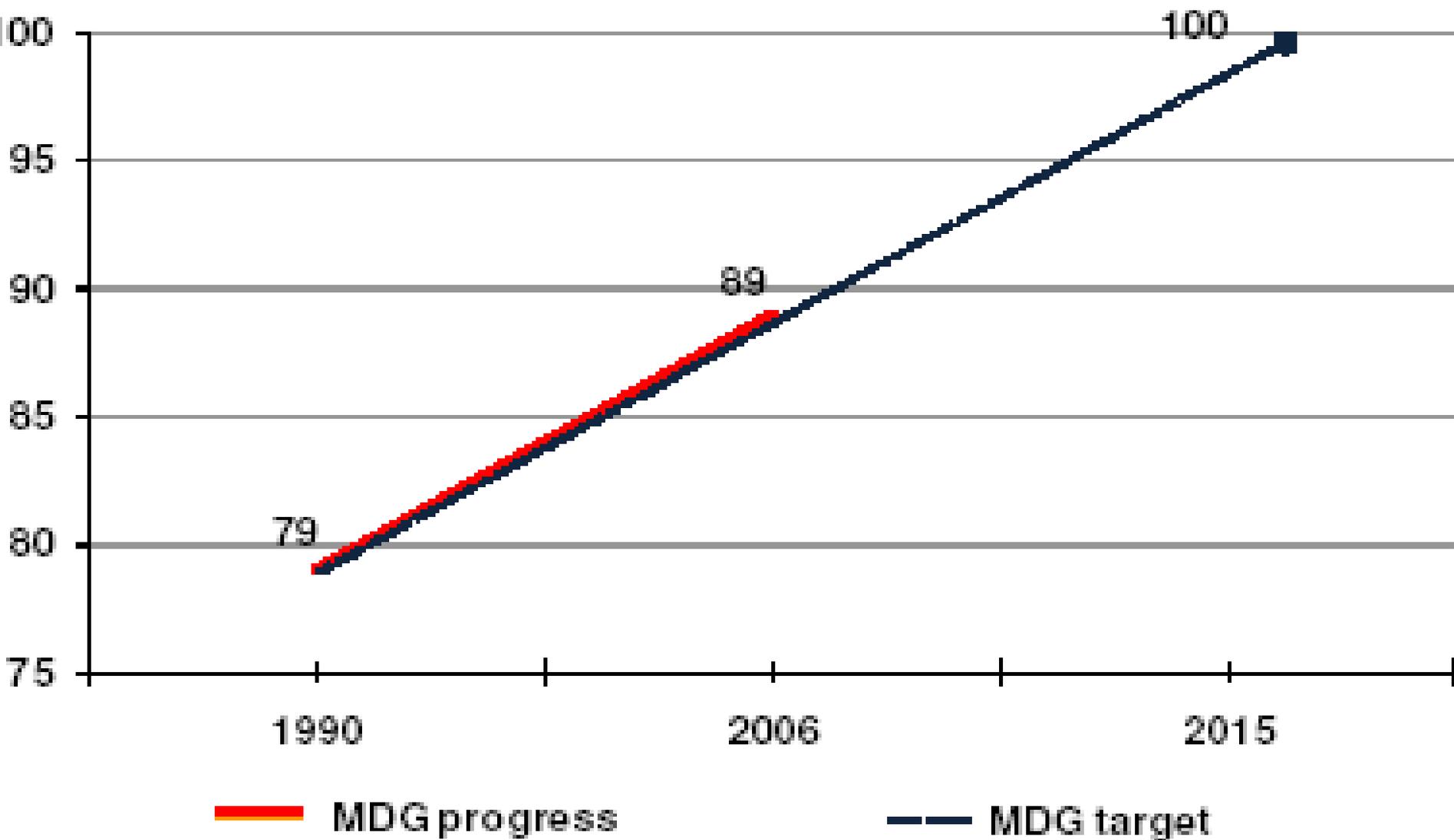


# Low school enrolment rates

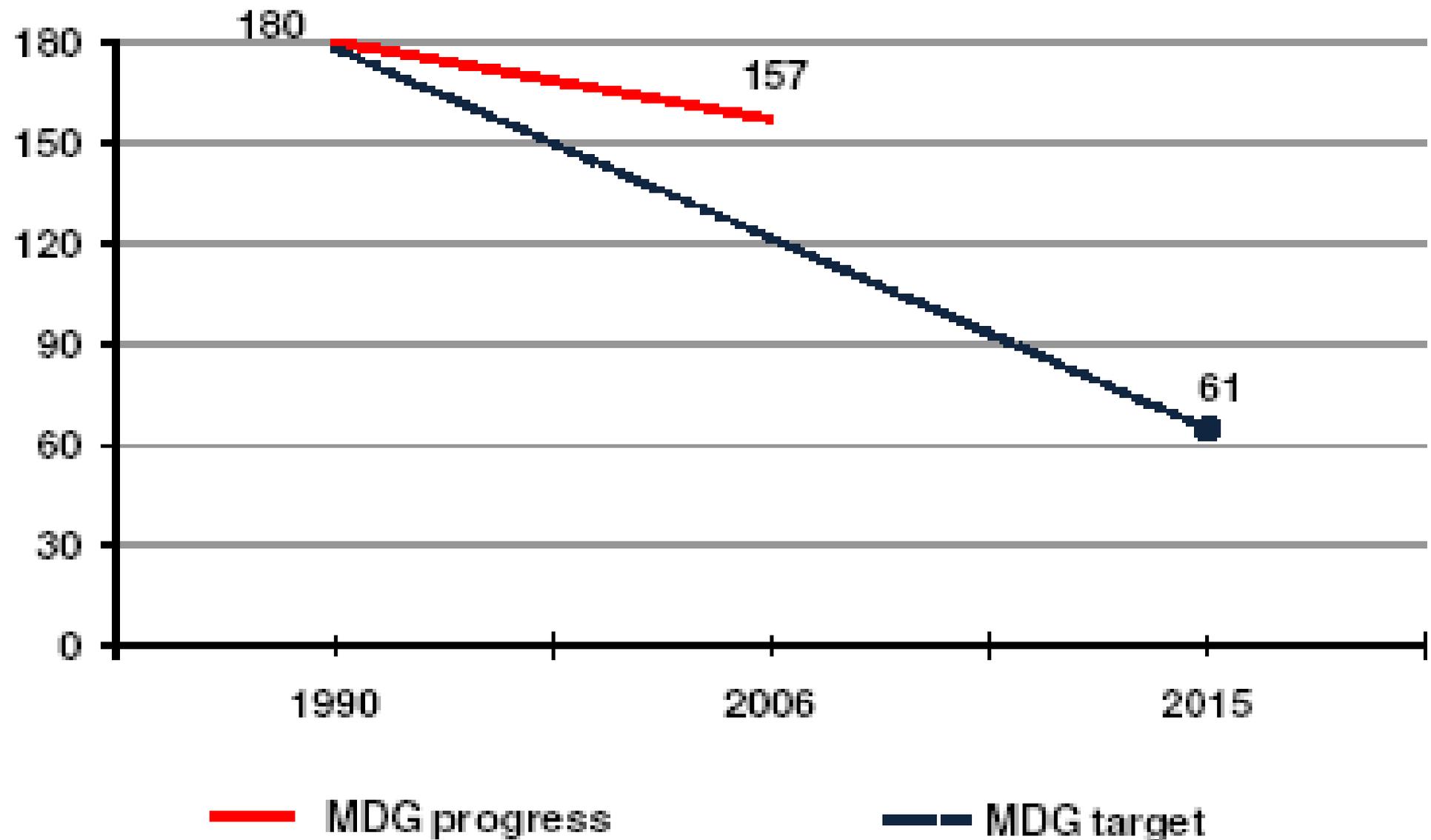
*Africa had lowest school enrolment rates, primary and secondary by region in 2001*

<i>Net Enrolment Ratio</i>	<i>Highest</i>	<i>Lowest</i>
Primary School	95.7% Latin America & Caribbean	62.8% Sub Saharan Africa
Secondary School	89.2% N. America & W. Europe	21.3% Sub Saharan Africa

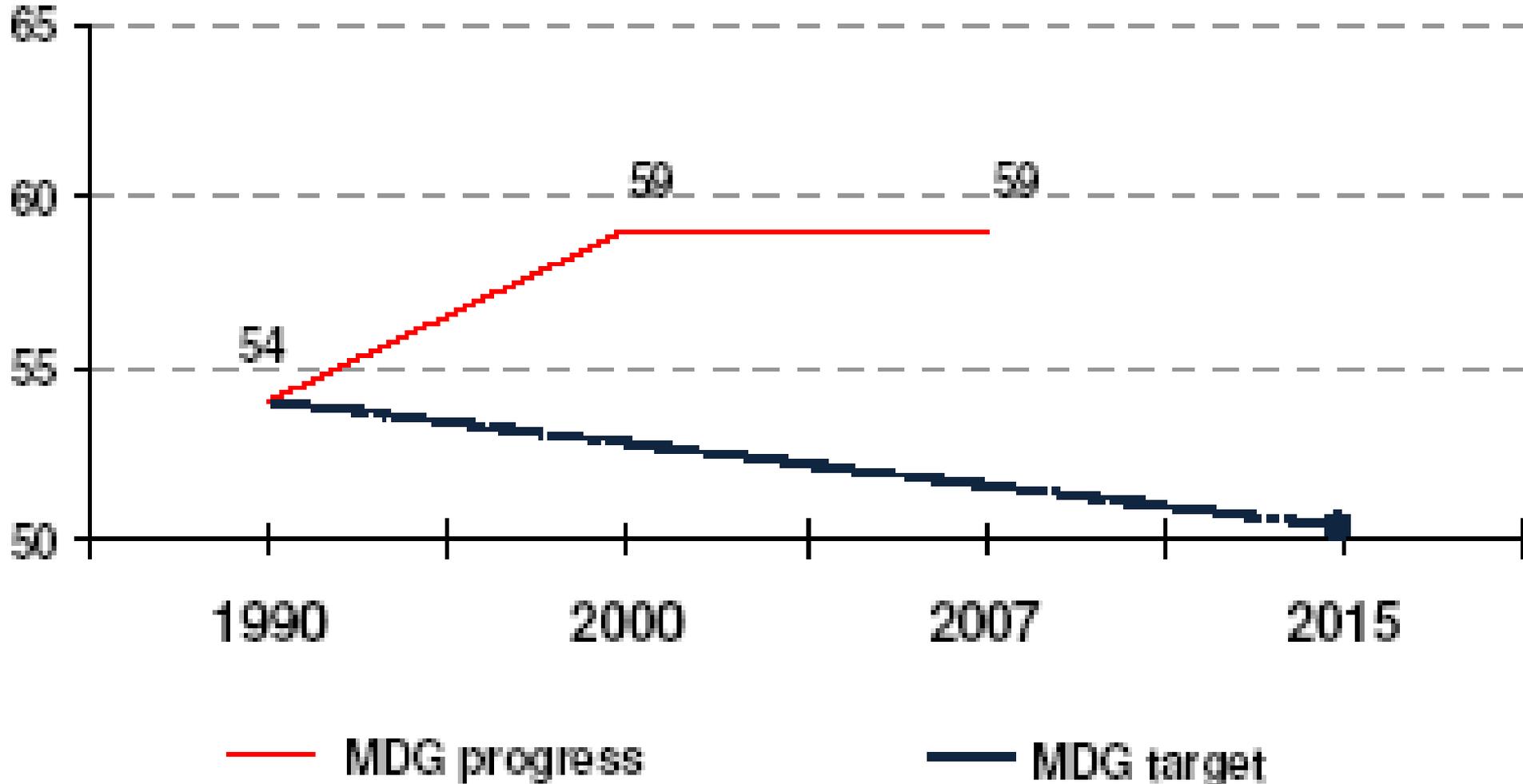
# Africa: Girls/boys primary school enrollment



# Africa: Under-5 mortality/1000



# Africa: Women 15-24 yrs HIV prevalence (%)



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