

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%
Averages per decade						
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
Middle East & North Africa	2293	3386	3375	3481	4321	5160
Sub-Saharan Africa	774	949	897	794	882	1015
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Source: World Development Indicators, World Bank and author's calculations

Per capita growth, volatility, 1980-2014

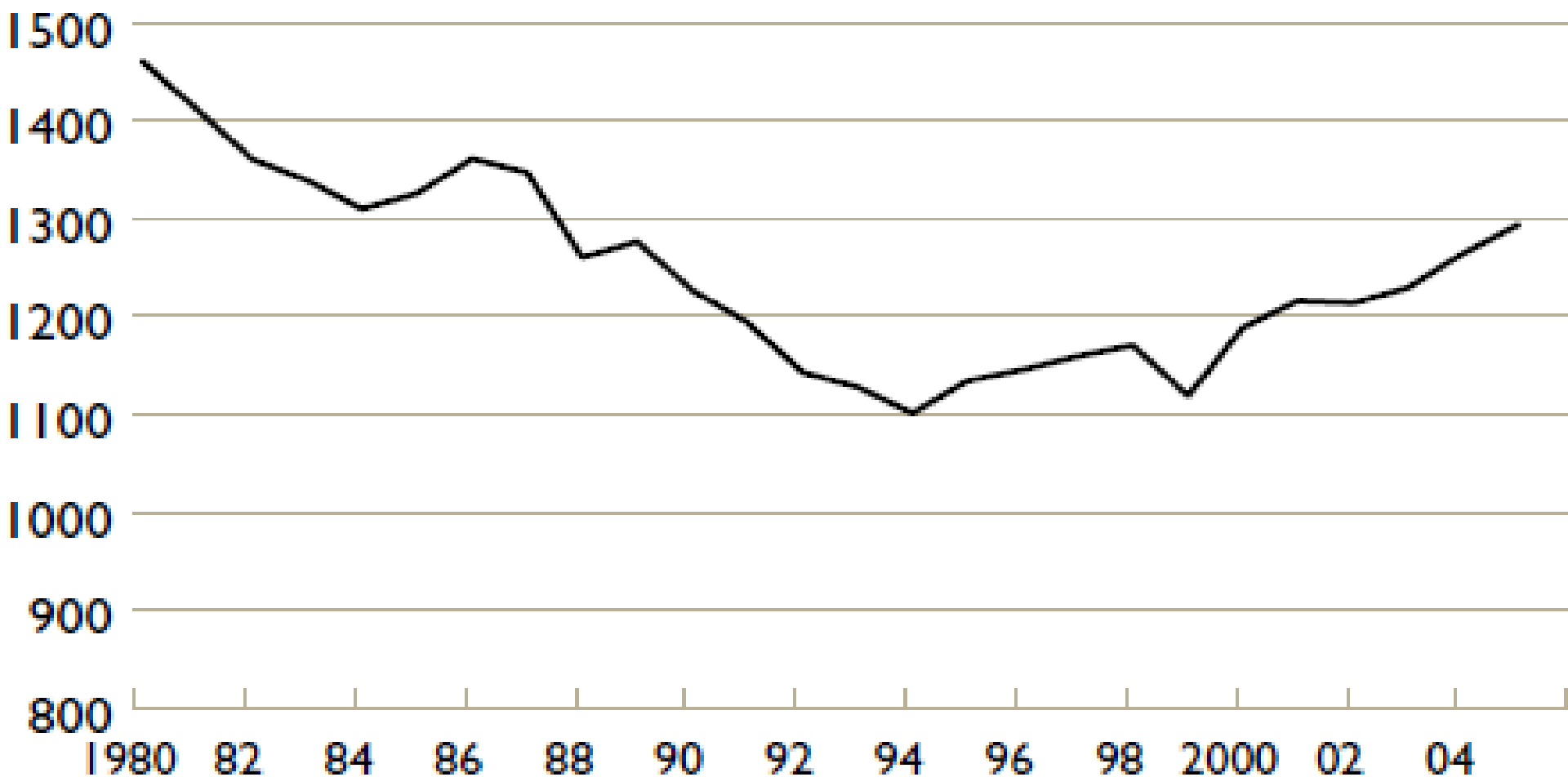
	Growth* rate (%)	Standard deviation of growth	Highest growth rate (%)	Lowest growth rate (%)
SSA		2.19	6.54	-4.07
Low-income countries		2.52	3.88	-6.65
Lower middle-income		1.91	6.11	-0.91
Upper middle-income		2.04	7.96	-1.14
		1.92	7.51	-0.31
South Asia		2.22	4.40	-4.75
Latin America & Caribbean		1.54	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
<i>Year</i>	<i>1960</i>	<i>1965</i>	<i>1970</i>	<i>1975</i>	<i>1980</i>	<i>1985</i>	<i>1990</i>	<i>1995</i>	<i>2000</i>
Manuf Xs (US\$m)				4,683				29,699	38,757

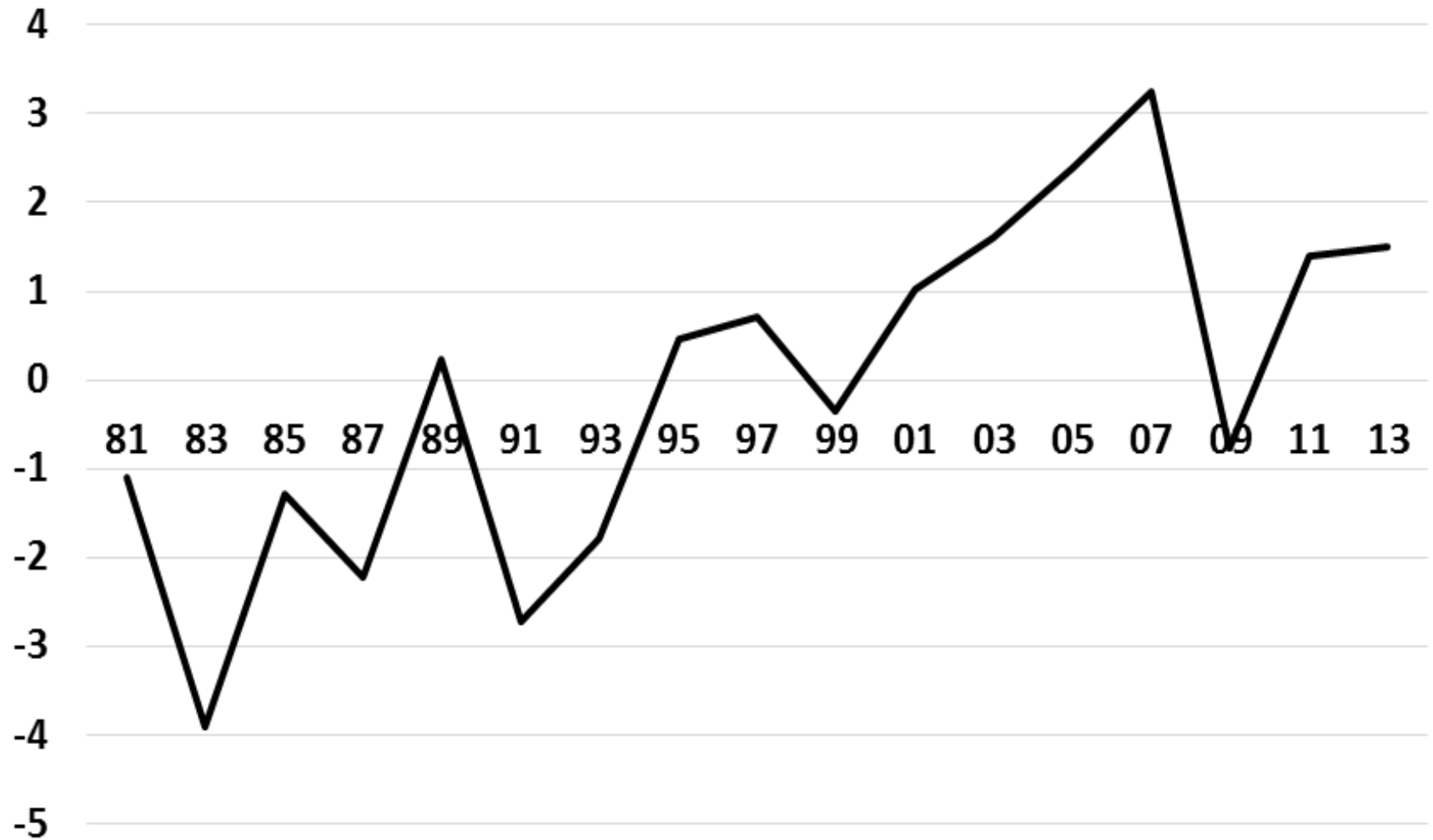
SSA GDP per capita decline + recovery

Average GDP per capita in SSA PRGFs, 1980–2005¹
(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

Sub-Saharan Africa excluding South Africa

Agriculture, hunting, forestry, fishing	28%	23%	27%	24%	23%	21%
Industry	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%
Services	48%	50%	47%	47%	47%	49%

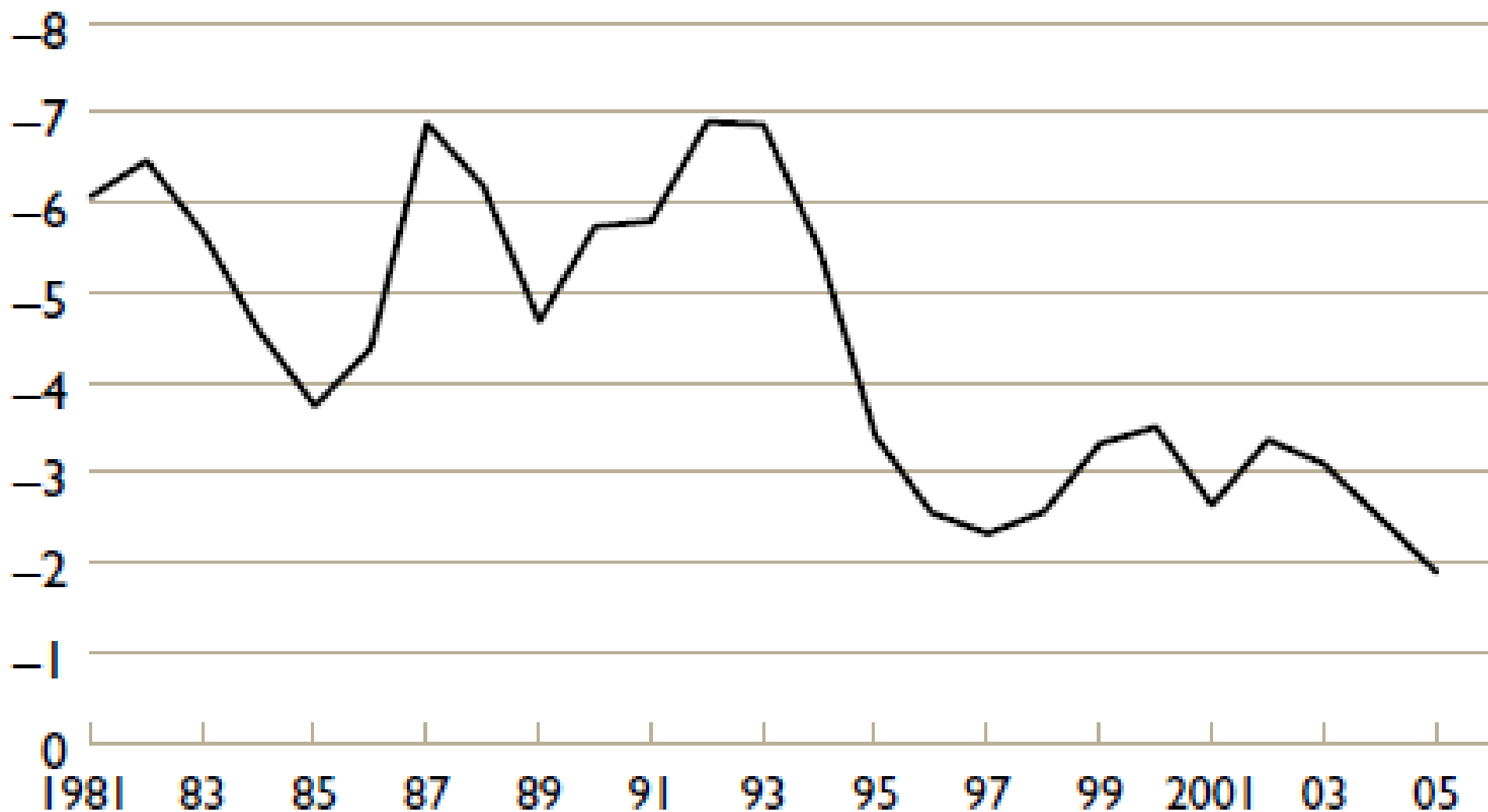
Developing economies

Agriculture, hunting, forestry, fishing	24%	16%	15%	10%	9%	9%
Industry	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%
Services	43%	42%	49%	53%	52%	53%

Source: UNCTAD Statistics

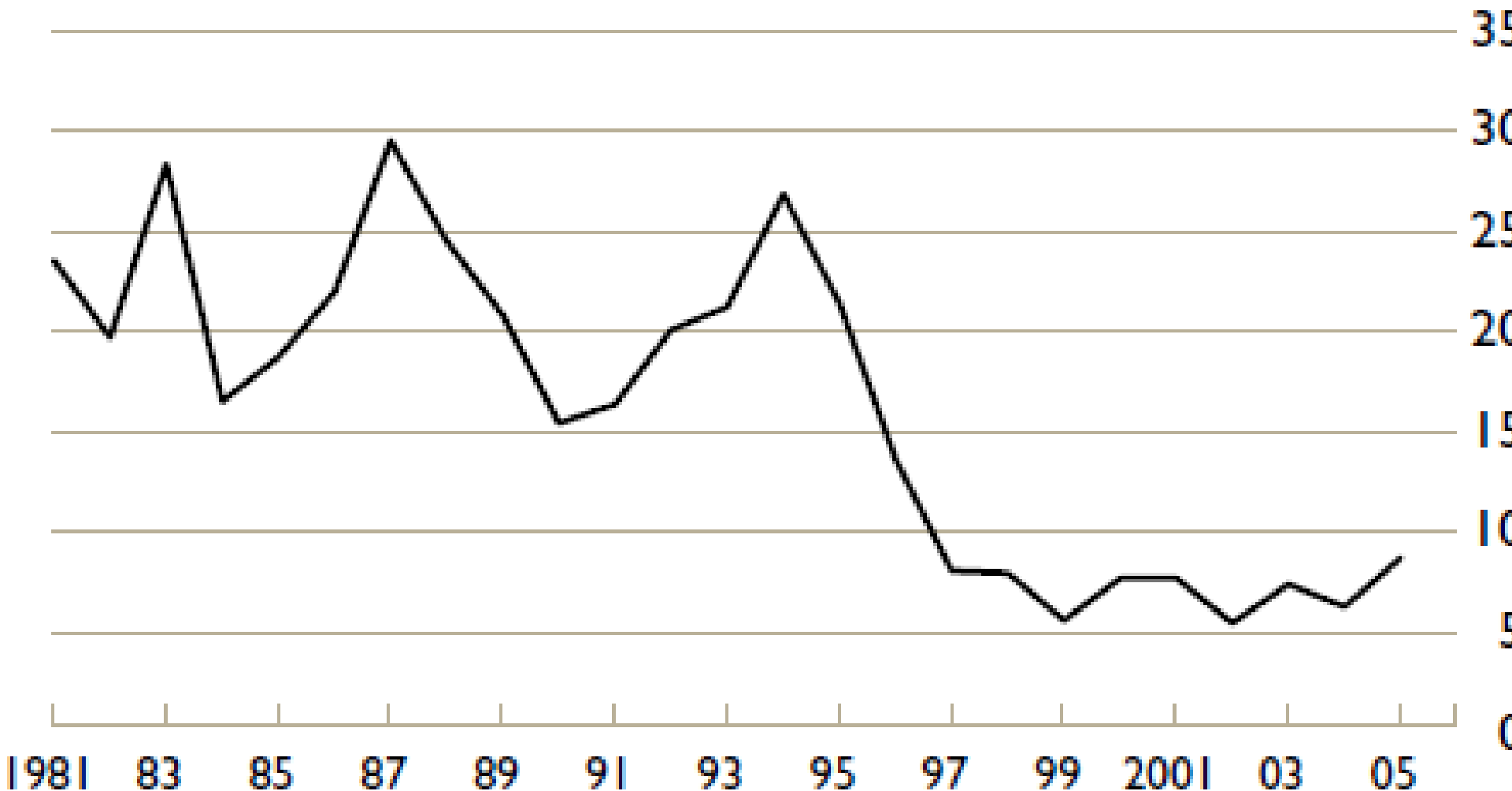
SSA central govt fiscal balance

Average central government balance in SSA PRGFs, 1981–2005¹
(In percent of GDP)



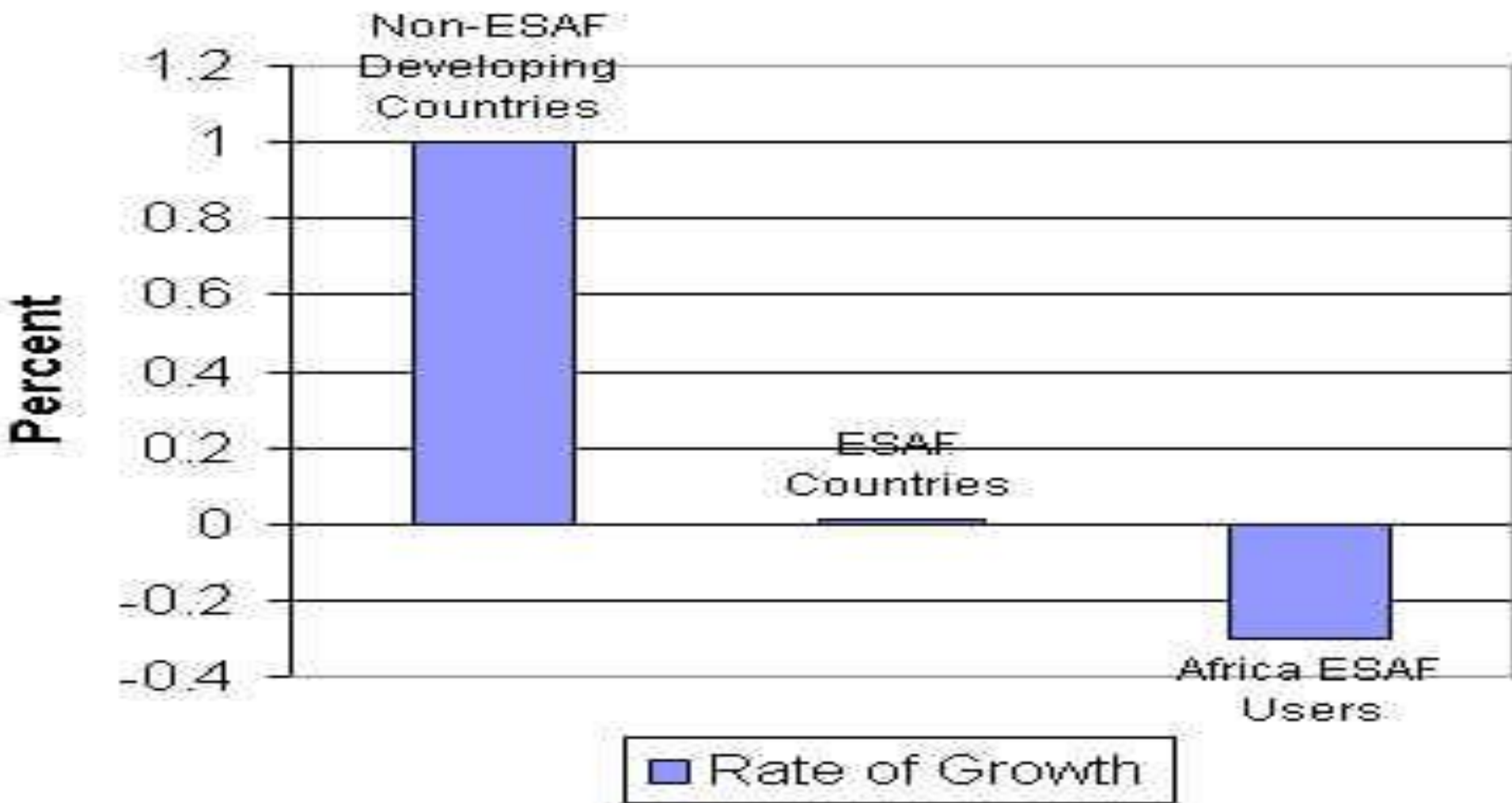
SSA inflation down

Average inflation in SSA PRGFs, 1981–2005¹
(Annual CPI percent change)



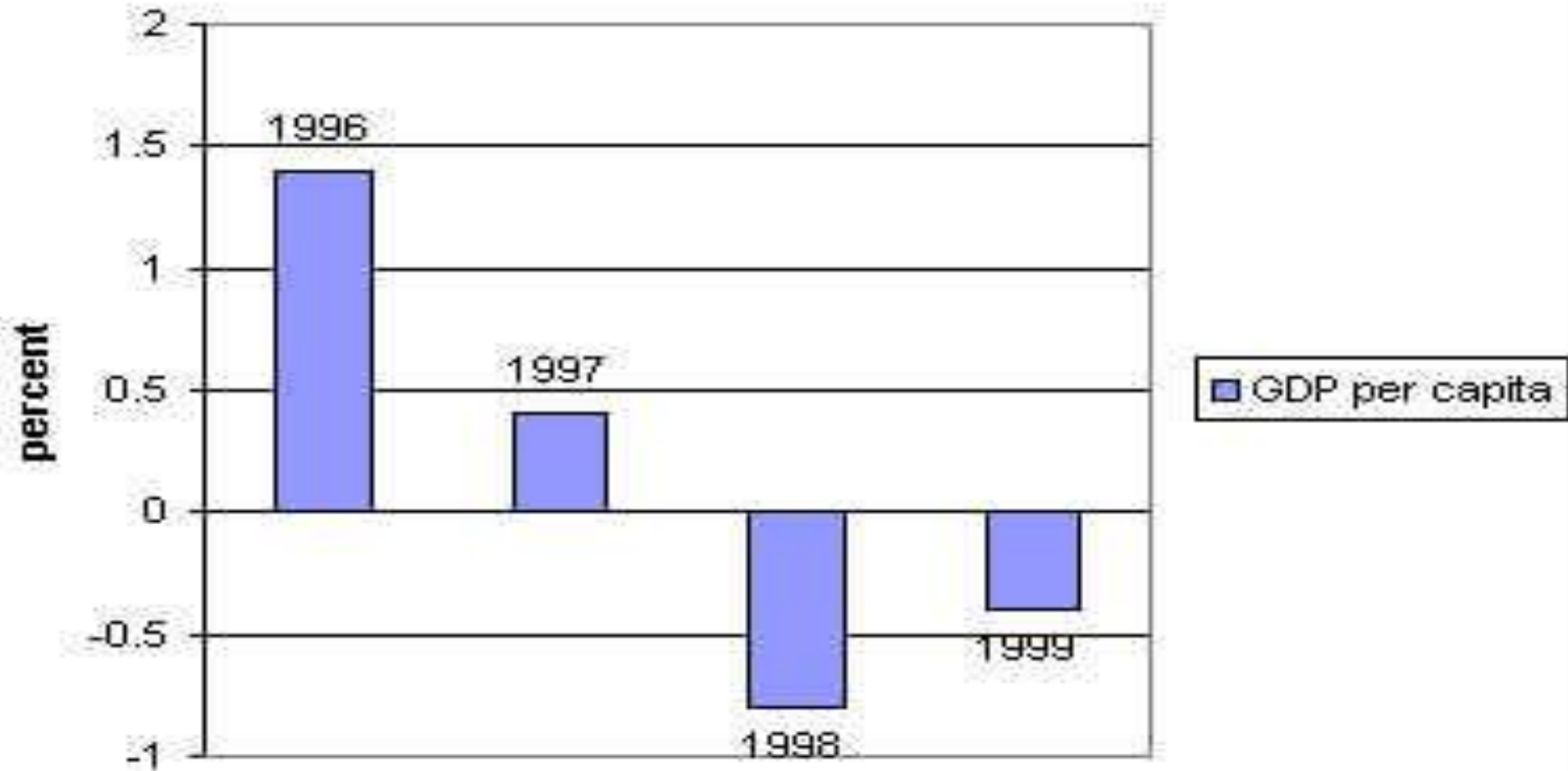
ESAF anti-growth in Africa?

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



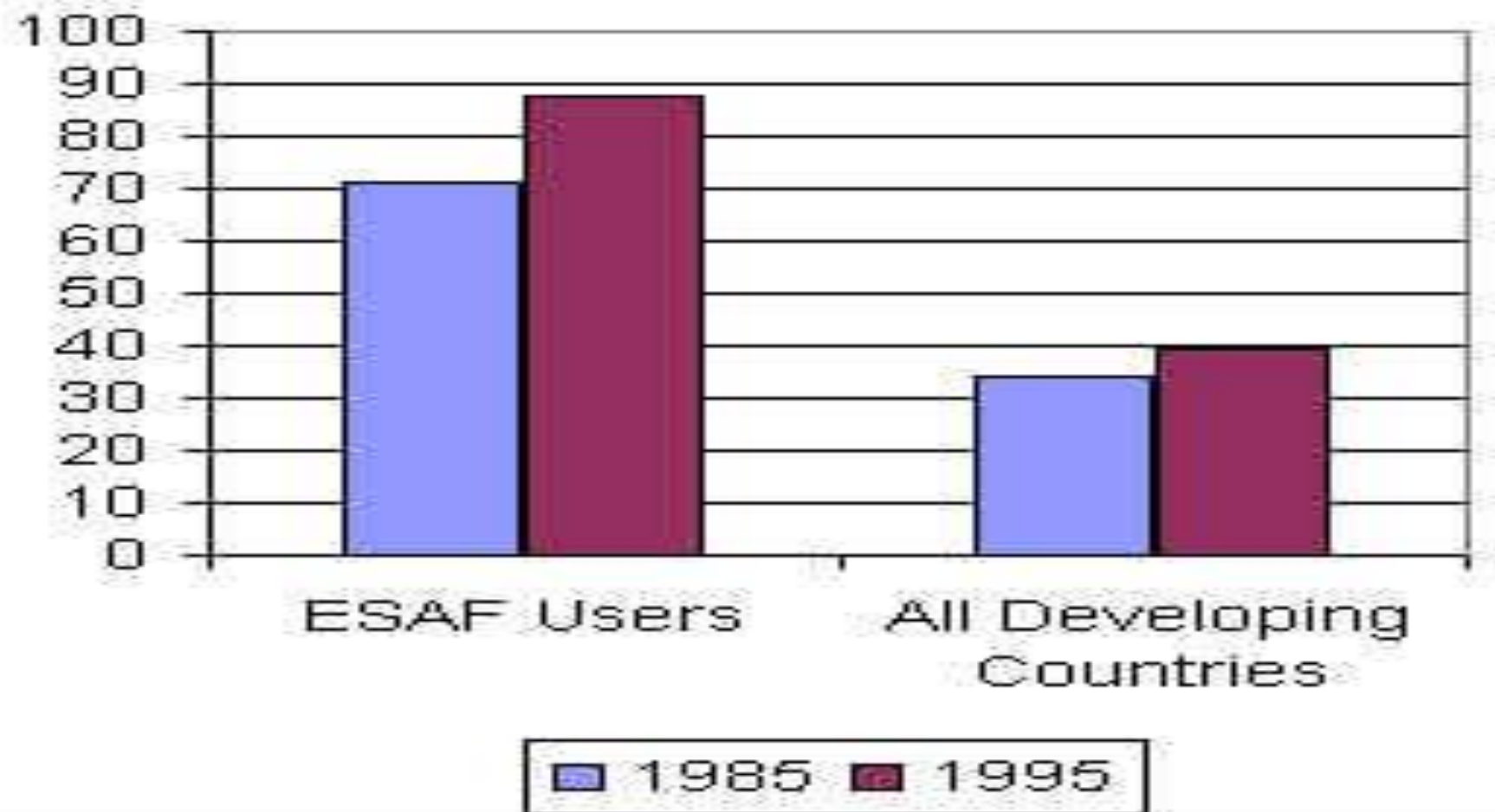
SSA SAP → PRGF growth collapse

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

1991 1992 1993 1994 1995 1996 1997 1998

IMF Purchases	579	527	1146	918	2994	652	524	837
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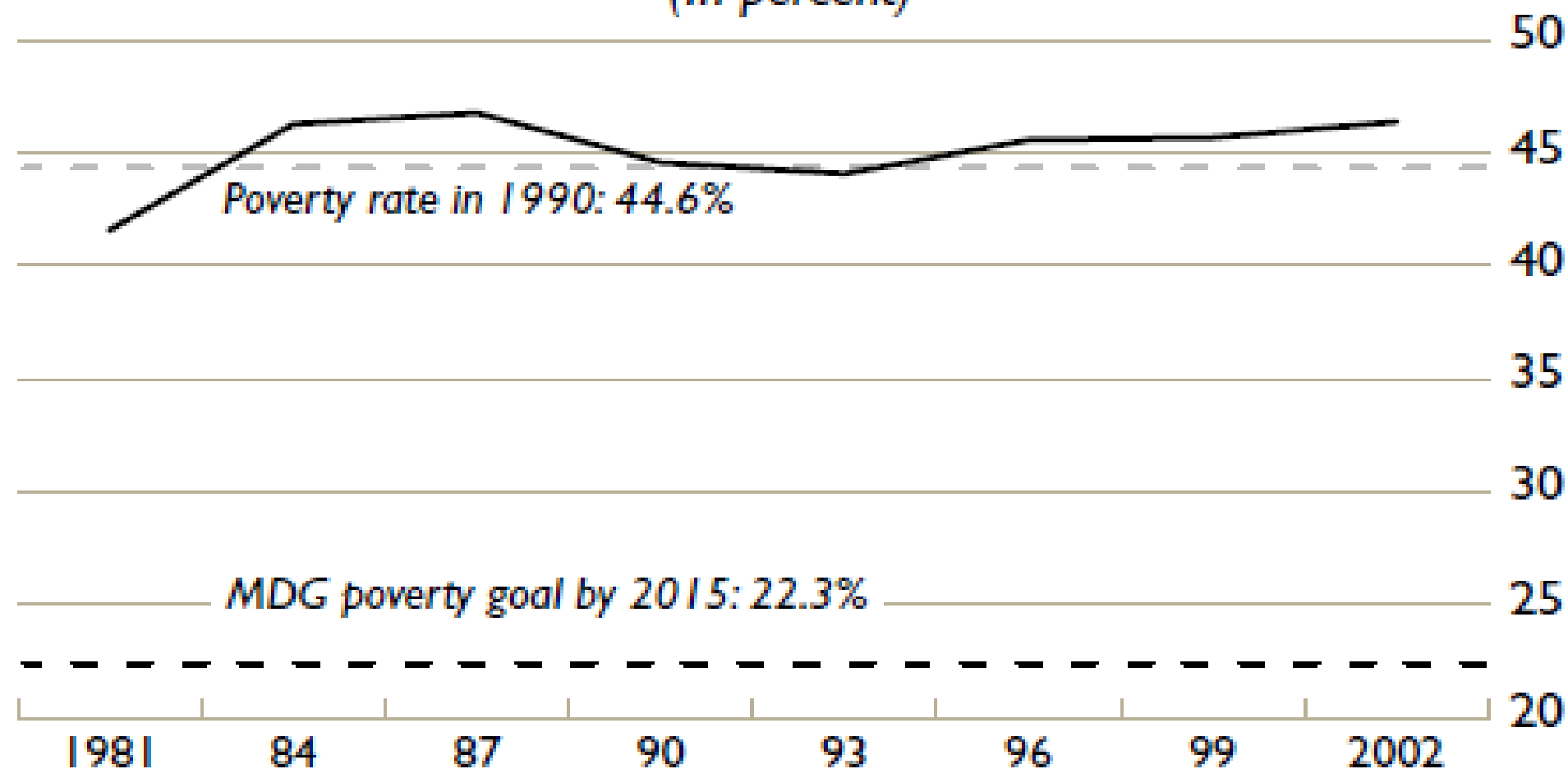
IMF Repurchases	614	530	455	467	2372	596	1065	1139
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IMF Charges	228	186	138	170	559	124	101	88
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Balance	-263	-189	553	281	63	-68	-642	-390
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SSA poverty 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 < \$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%
Sub-Saharan Africa	42.4%	46.3%	47.5%	46.8%	45.7%	48.0%	46.1%	42.6%	41.1%
<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%

Source: World Bank PovcalNet, see <http://research.worldbank.org/PovcalNet/>

Informal employment highest in Africa

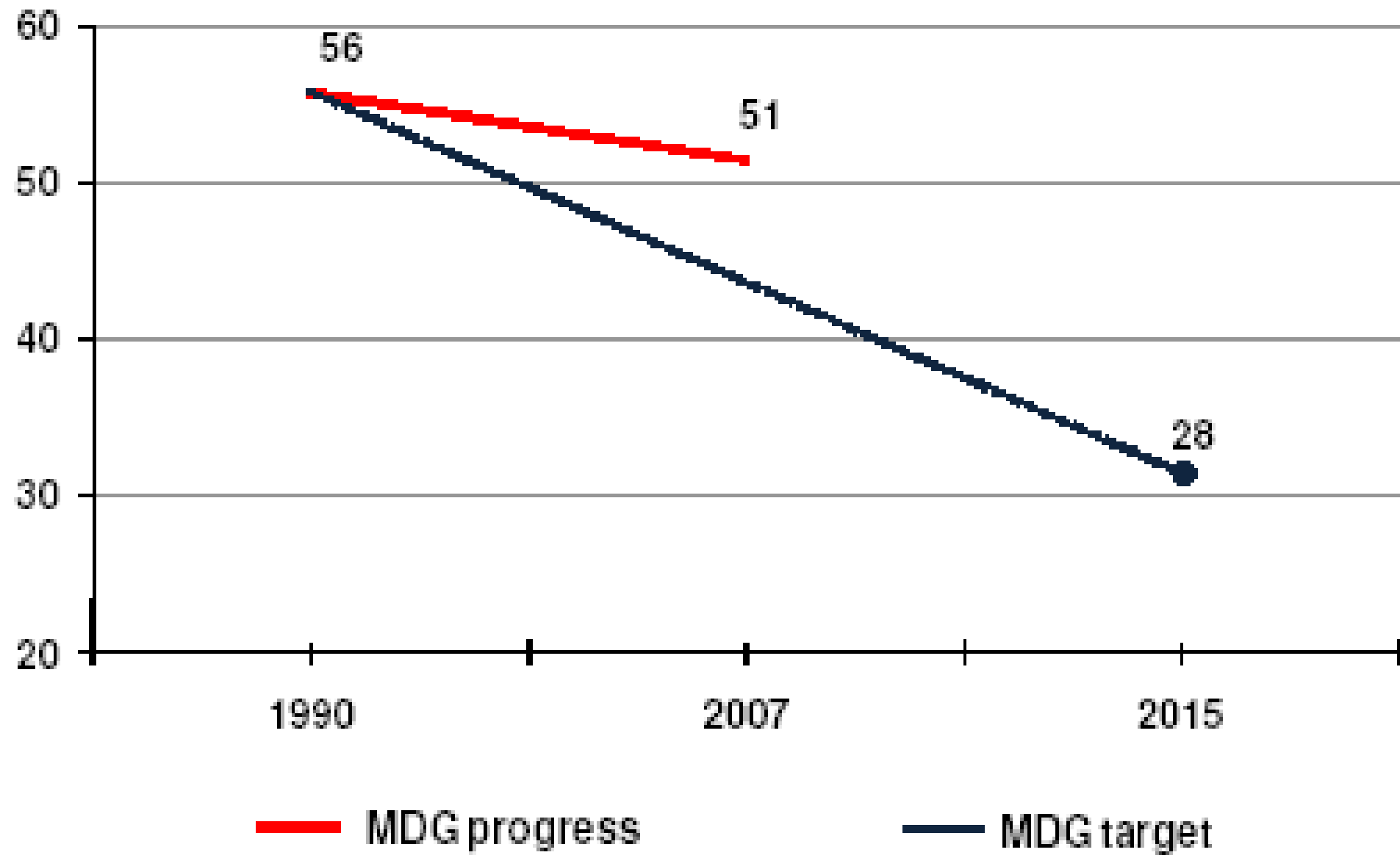
Share of Informal Employment in Total Non-Agricultural Employment

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

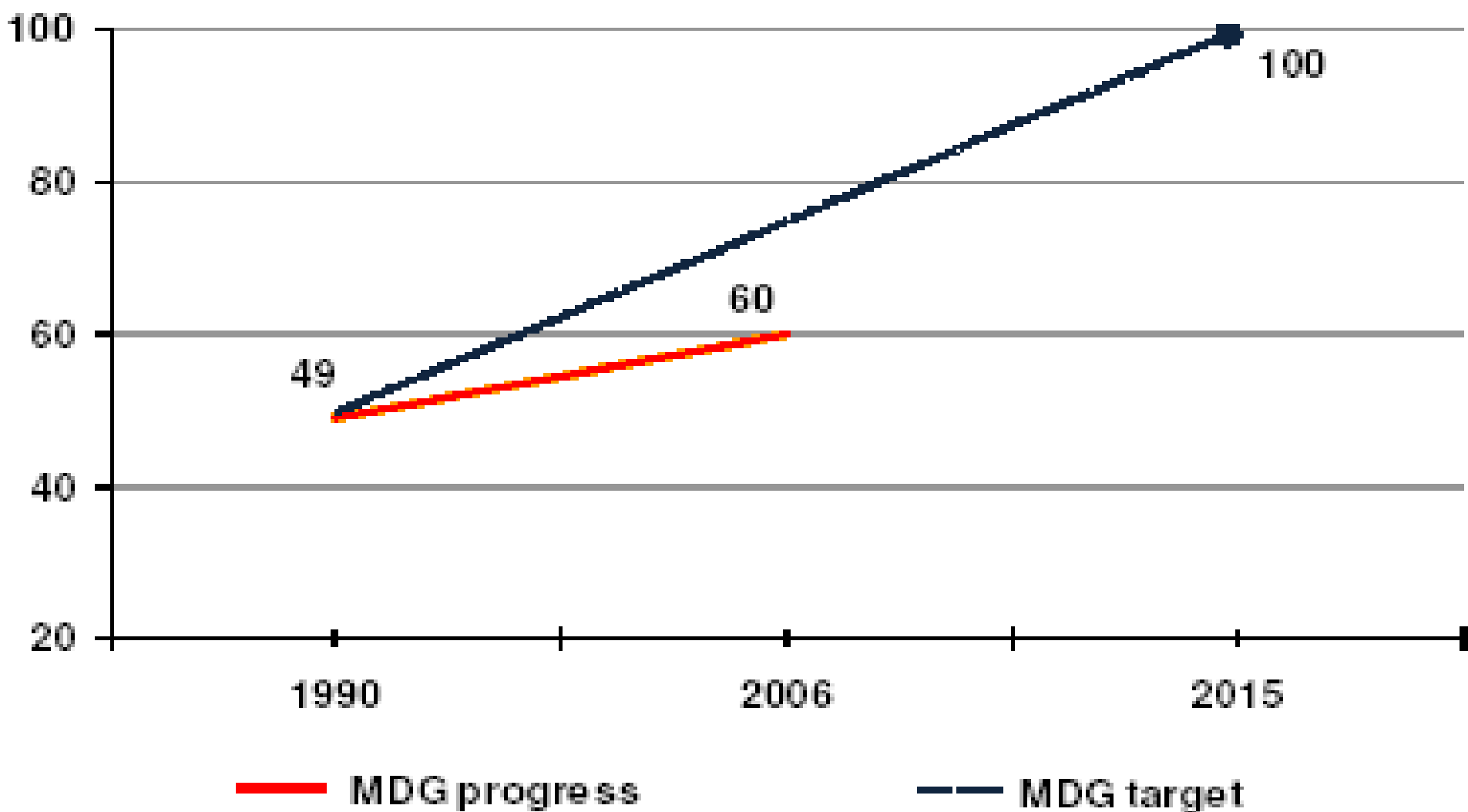
Source: Data on Informal Employment and Self-Employment

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

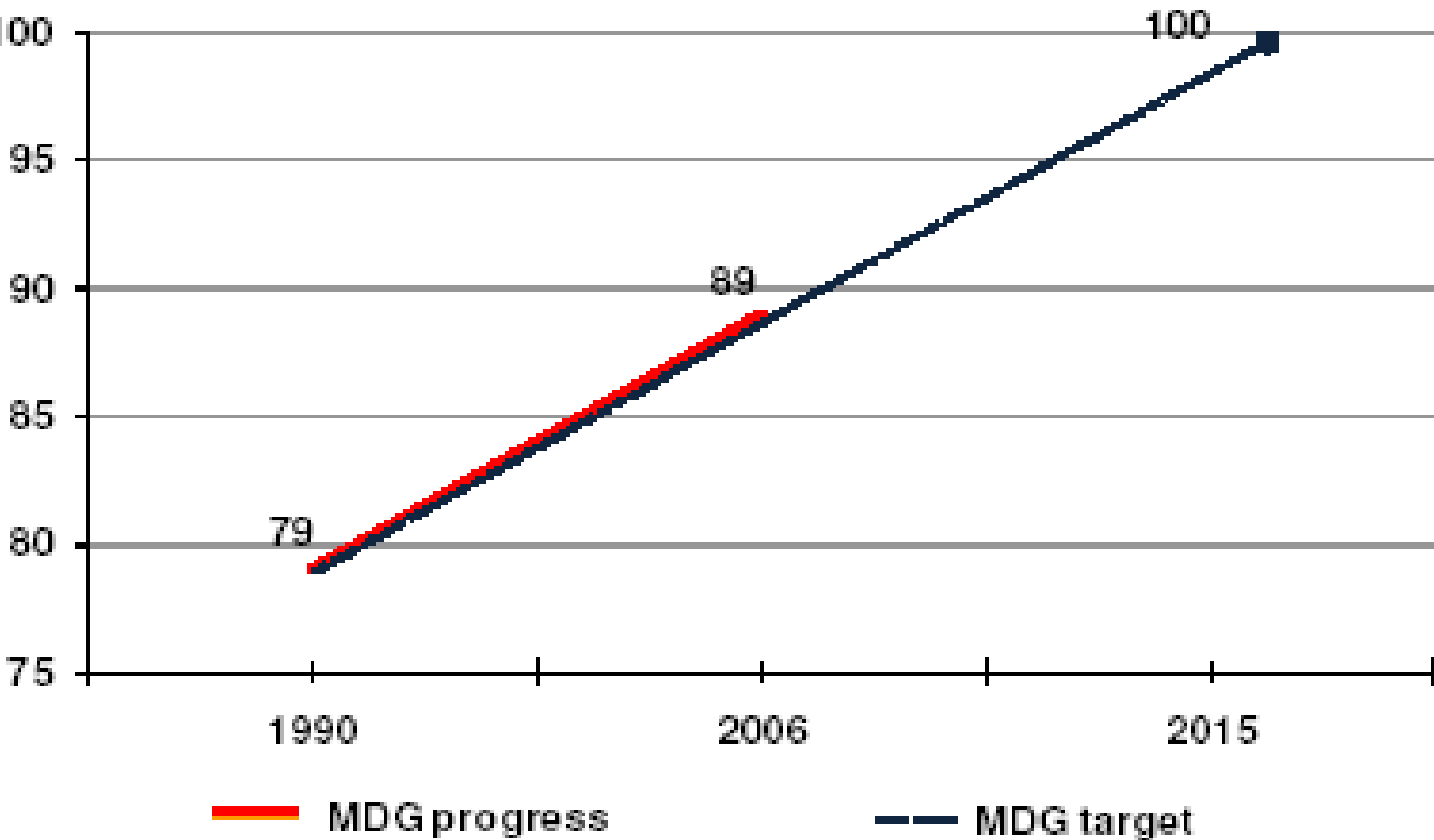


Low school enrolment rates

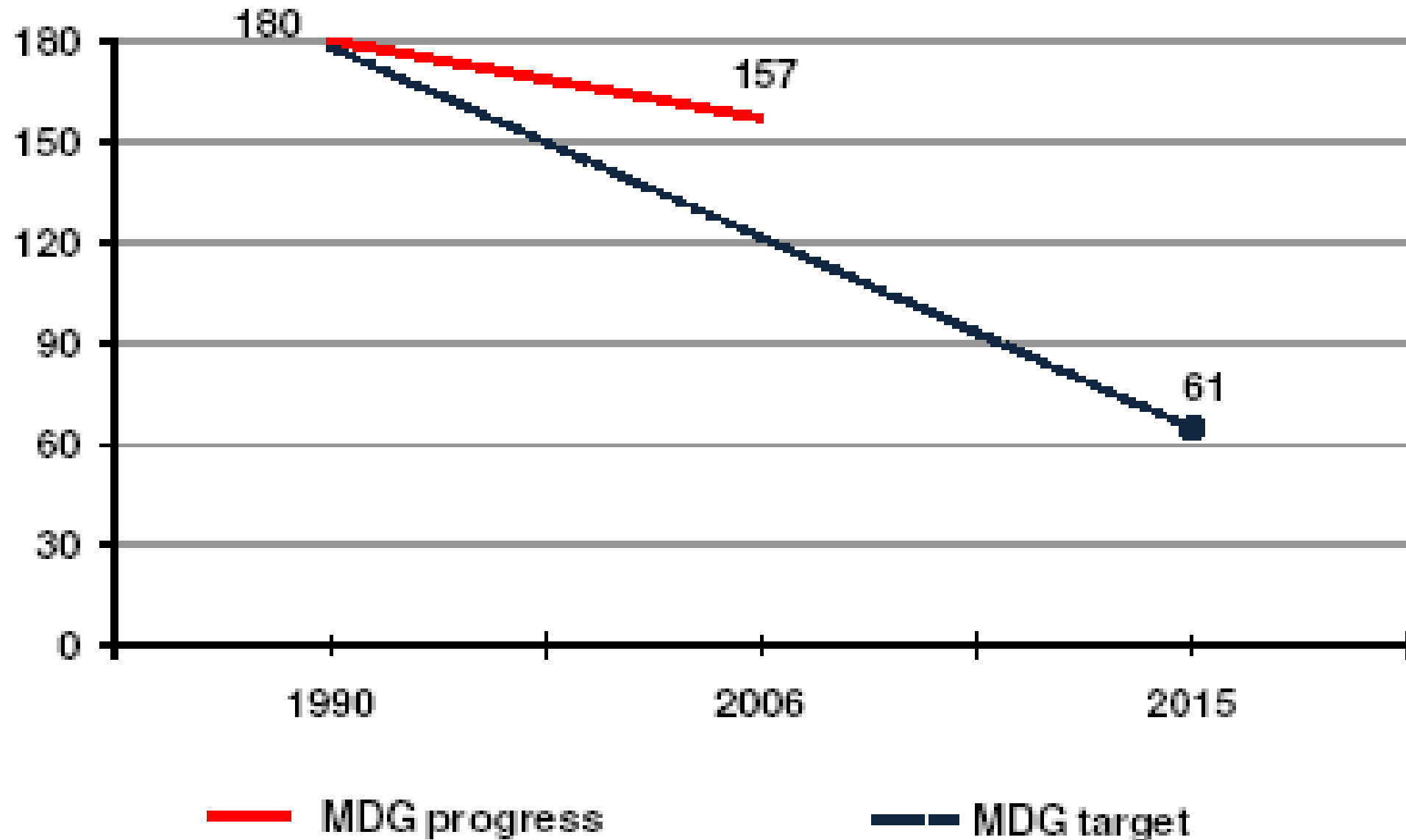
Africa had lowest school enrolment rates, primary and secondary by region in 2001

<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

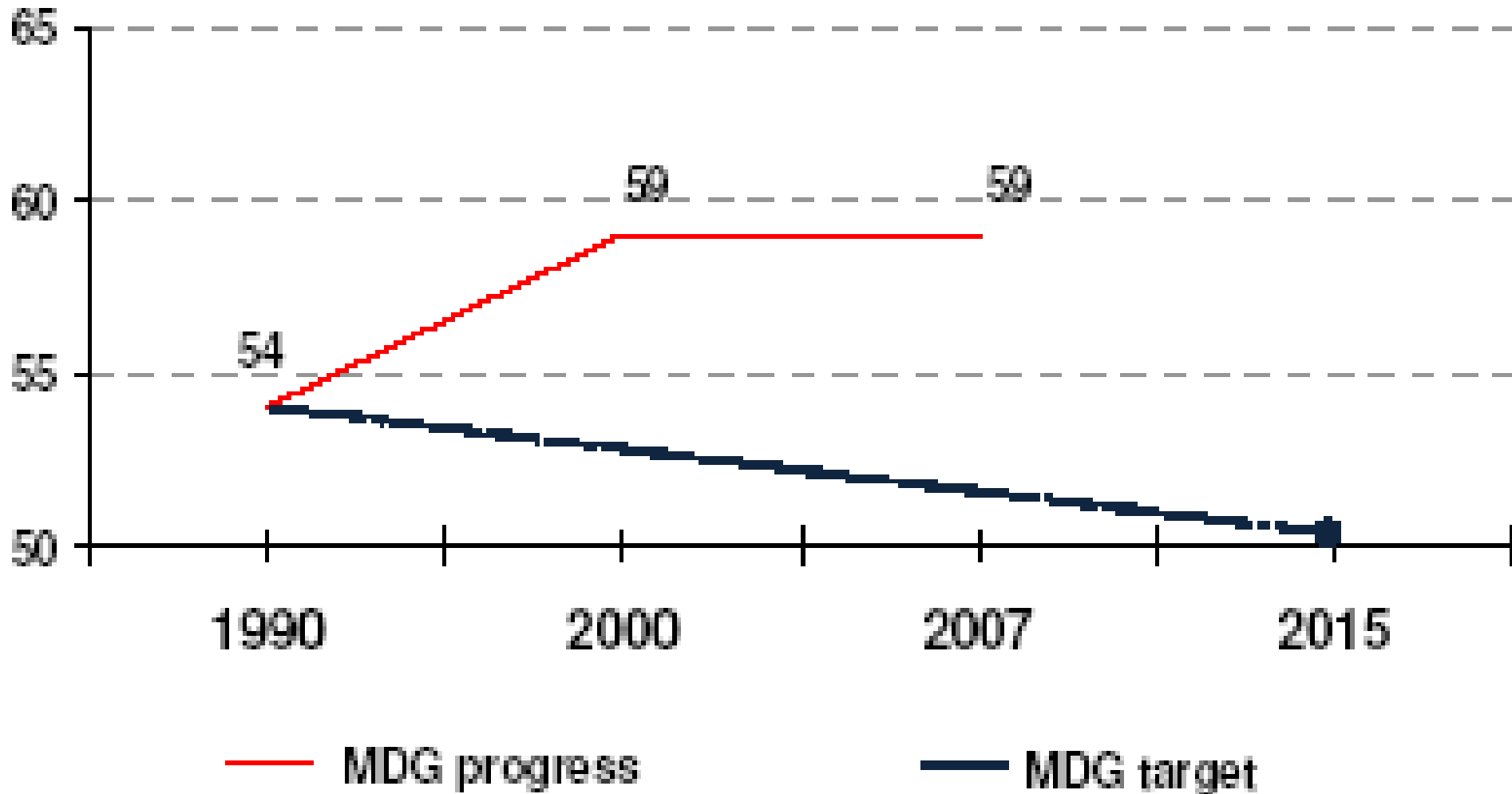
Africa: Girls/boys primary school enrollment



Africa: Under-5 mortality/1000



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



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