

**SUMMARY of MAIN FINDINGS**

**I- Recent Economic Developments and Outlook:**

- After slowing to 3 percent in 2015, economic growth in Sub-Saharan Africa is projected to fall to 1.6 percent in 2016, the lowest level in over two decades. Low commodity prices and tight financial conditions, exacerbated by domestic headwinds from policy uncertainty, droughts, and political and security concerns, continued to weigh on activity across the region. The overall slowdown in Sub-Saharan Africa's growth reflects economic deterioration in the region's largest economies. Economic performance was notably weak across oil exporters. At the same time, in about a quarter of countries, economic growth is showing signs of resilience.
- Indeed, the pattern of growth across countries is far from homogeneous, suggesting that Sub-Saharan Africa is growing at diverging speeds. While many countries are registering a sharp slippage in economic growth, some countries—Ethiopia, Rwanda, and Tanzania—are continuing to post annual average growth rates of over 6 percent, exceeding the top tercile of the regional distribution; and several other countries—including Côte d'Ivoire and Senegal—have moved into the top tercile of performers. The “established” and “improved” performers tend to have stronger quality of monetary and fiscal policies, better business regulatory environment, more diverse structure of exports, and more effective public institutions.
- Commodity prices are expected to remain largely below their 2011–14 peak, despite a recent pickup, reflecting the weak global recovery. Faced with growing financing needs, commodity exporters have begun to adjust, but the adjustment efforts remain uneven and insufficient. Against this backdrop, a modest rebound is foreseen in Sub-Saharan Africa in 2017. Economic activity is forecast to rebound to 2.9 percent, before strengthening somewhat to 3.6 percent in 2018. Again, the regional average hides considerable heterogeneity among countries. The region's largest economies and other commodity exporters are expected to see a modest increase in growth of gross domestic product as commodity prices continue to stabilize and inflationary pressures decline, lifting growth of private consumption and investment. Elsewhere, activity should continue to expand at a robust pace, supported in part by infrastructure investments.
- Risks to the outlook remain tilted to the downside. On the external front, old risks remain salient and include slower improvements in commodity prices and tighter global financial conditions. Uncertainty around upcoming elections, referenda, and policy direction in a number of countries represent risks as well. On the domestic front, policy makers may not enact the reforms needed to re-build buffers and promote macroeconomic stabilization. In some countries, security threats and political tensions pose economic headwinds.

- Policy challenges include the need to bolster medium-term growth prospects through structural reforms, address fiscal vulnerabilities, improve domestic resource mobilization, and build buffers to withstand periods of global finance turbulence and tighter external finance conditions.

## **II- Analysis of Growth Trends in Sub-Saharan Africa**

- Post-global financial crisis performance in the region as a whole has not been as stellar as it was in the pre-crisis period. However, there are some diverging growth experiences across countries.
- We can distinguish four groups of growth performers according to the behavior of real output growth in the pre- and post-crisis periods: established, improved, slipping, and falling behind growth performers.
- Established and improved performers, with more resilient growth, comprise over a quarter of the region's countries, house 42 percent of its population, and produce 21 percent of its output. Slipping and falling behind countries account for nearly 40 percent of the region's countries, have 36 percent of its population, and produce 62 percent of its output.
- Established and improved performers have better quality macroeconomic policy frameworks—especially on the monetary front. However, all countries have recently experienced fiscal slippages.
- On structural reforms, established and improved performers have made more progress in business regulation, rule of law, and government effectiveness. Rwanda is one of the fastest reformers in the region.
- Finally, established and improved performers have more diversified export structures than the other groups of countries, but they are still below the developing country average. Efforts in Côte d'Ivoire to diversify within the cocoa industry by adding value are a noteworthy example.

## **III- Enhancing Agricultural Productivity for Poverty Reduction**

- Increasing agricultural productivity is central to transforming Sub-Saharan African economies and promoting sustained and inclusive growth. However, agriculture output growth in the region has largely been a result of expanding the area under cultivation rather than productivity gains: the contribution of area expansion accounted for more than three times as much of the growth in agriculture in the region relative to other developing countries.
- Yet, conditions are in place for boosting the productivity of African agriculture and for sustainable agricultural growth. African regional markets are growing rapidly—driven by population, urbanization, and income growth—providing demand incentives and import

substitution potential. On the supply side, the prospects are promising as well, thanks to untapped yield potential and a supportive political environment.

- Unleashing productivity improvements requires public investments in rural public goods. Although investments to strengthen markets, develop and disseminate improved technologies, promote input use, and build an agricultural information base have increased, they remain well under targets and needs. Addressing the quality of public spending and the efficiency of resource use is even more critical than addressing the level of spending. Sub-Saharan African countries grossly underfund high-return investments, and rebalancing the composition of public agricultural spending could reap massive payoffs. Most importantly, experience teaches us that investments need to tackle constraints on different fronts. For reforms to be sustainable, they need to be anchored in managing political pressures and use external processes as commitment devices.