

APRIL 2024 | VOLUME 29

# AFRICA'S PULSE

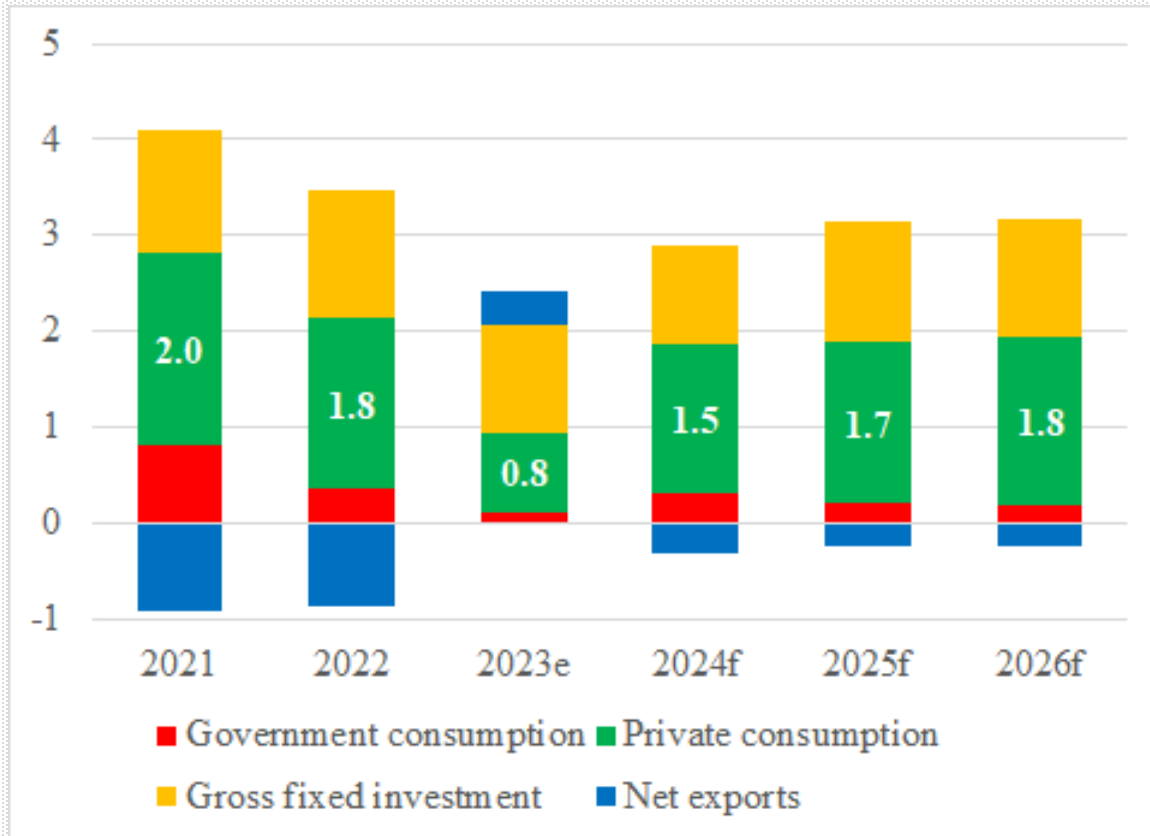
AN ANALYSIS OF ISSUES SHAPING AFRICA'S ECONOMIC FUTURE

**TACKLING INEQUALITY TO REVITALIZE  
GROWTH AND REDUCE POVERTY IN AFRICA**

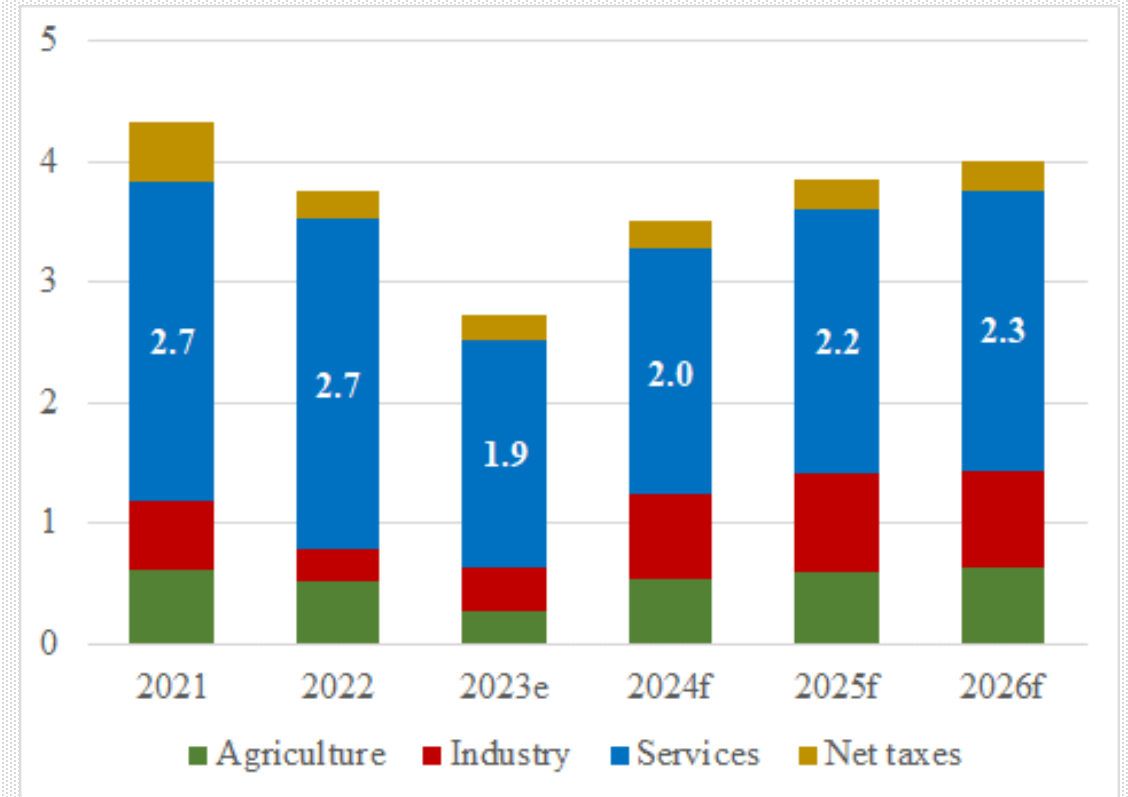
AFRICA'S ECONOMIC TRANSFORMATION AND ROLE OF PRIVATE SECTOR  
FROM THE OFFICE OF THE CHIEF ECONOMIST, AFRICA REGION

# GROWTH REBOUND IS EXPECTED IN 2024-25, SUPPORTED BY CONSUMPTION

Contribution to GDP growth: Expenditure (%)



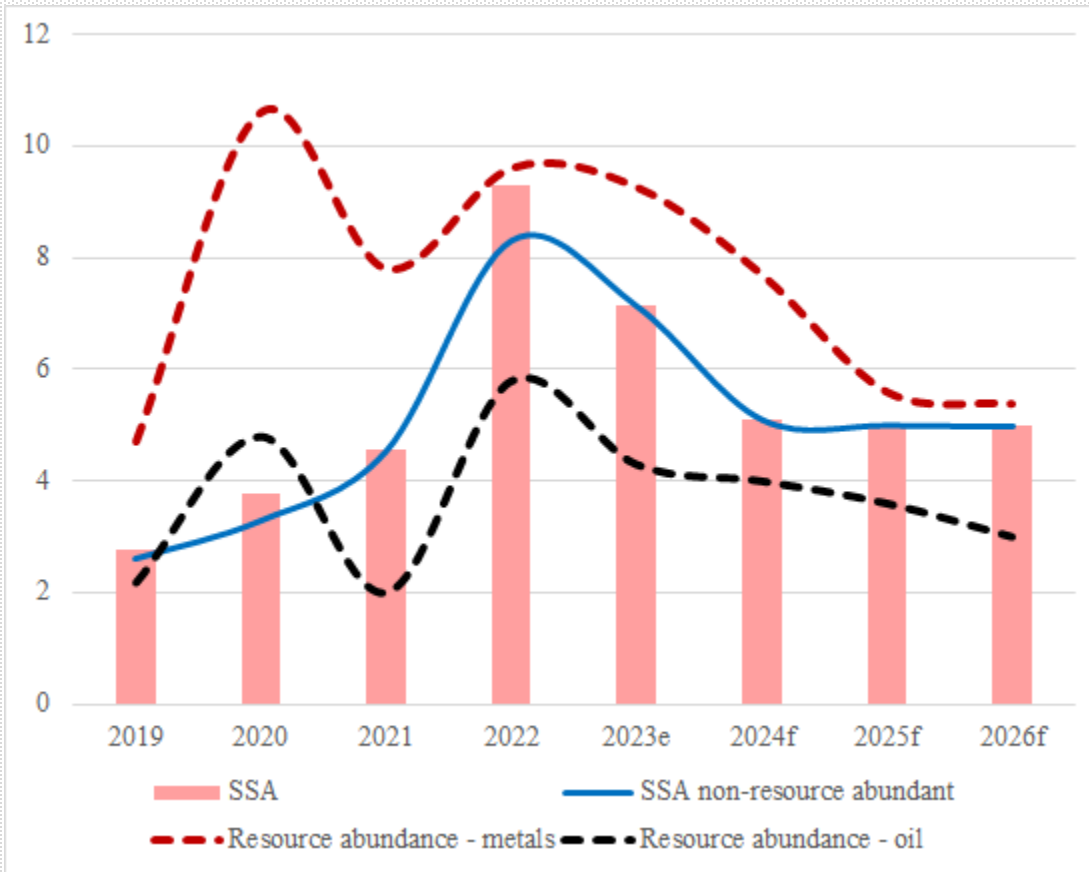
Contribution to GDP growth: Sectoral Output (%)



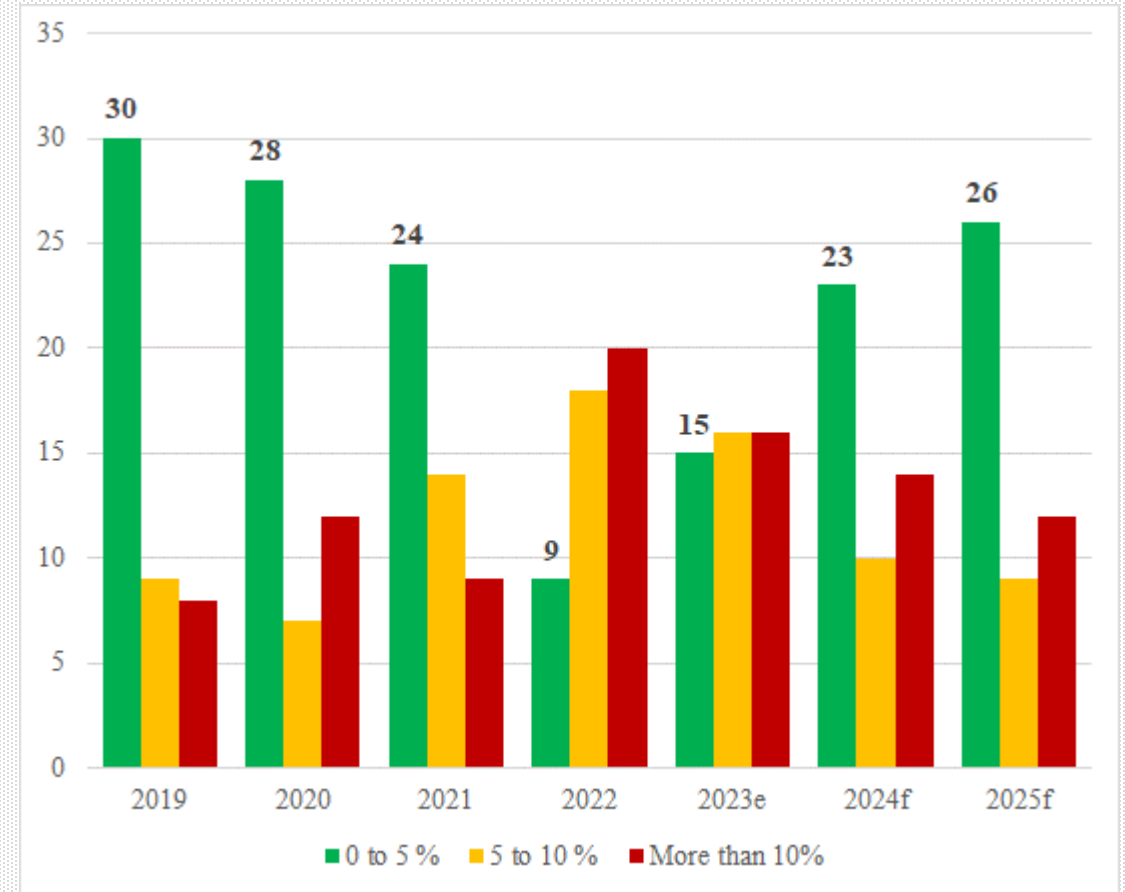
Source: World Bank staff estimates.

# DUE TO COOLING INFLATION

## Inflation in Sub-Saharan Africa (median)



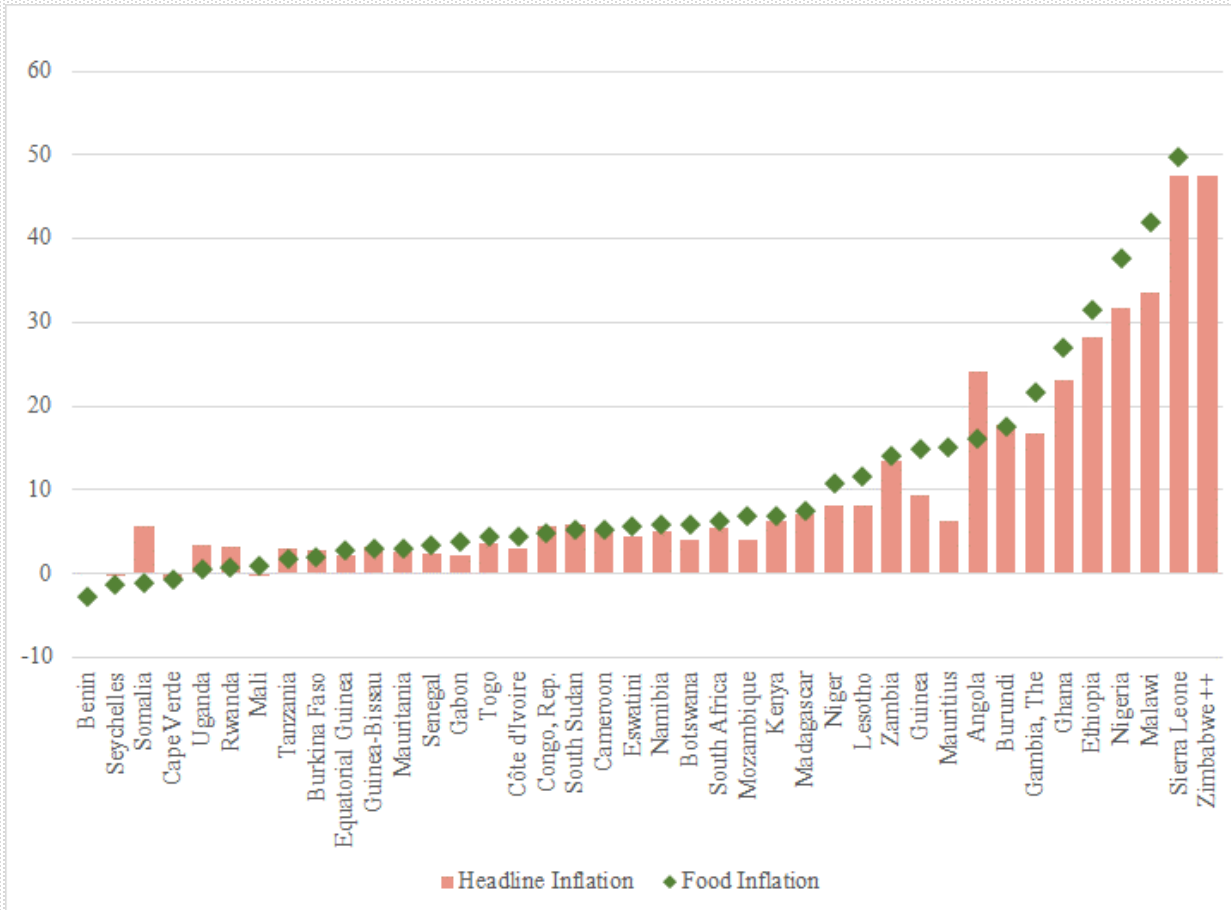
## Countries in the region with low inflation



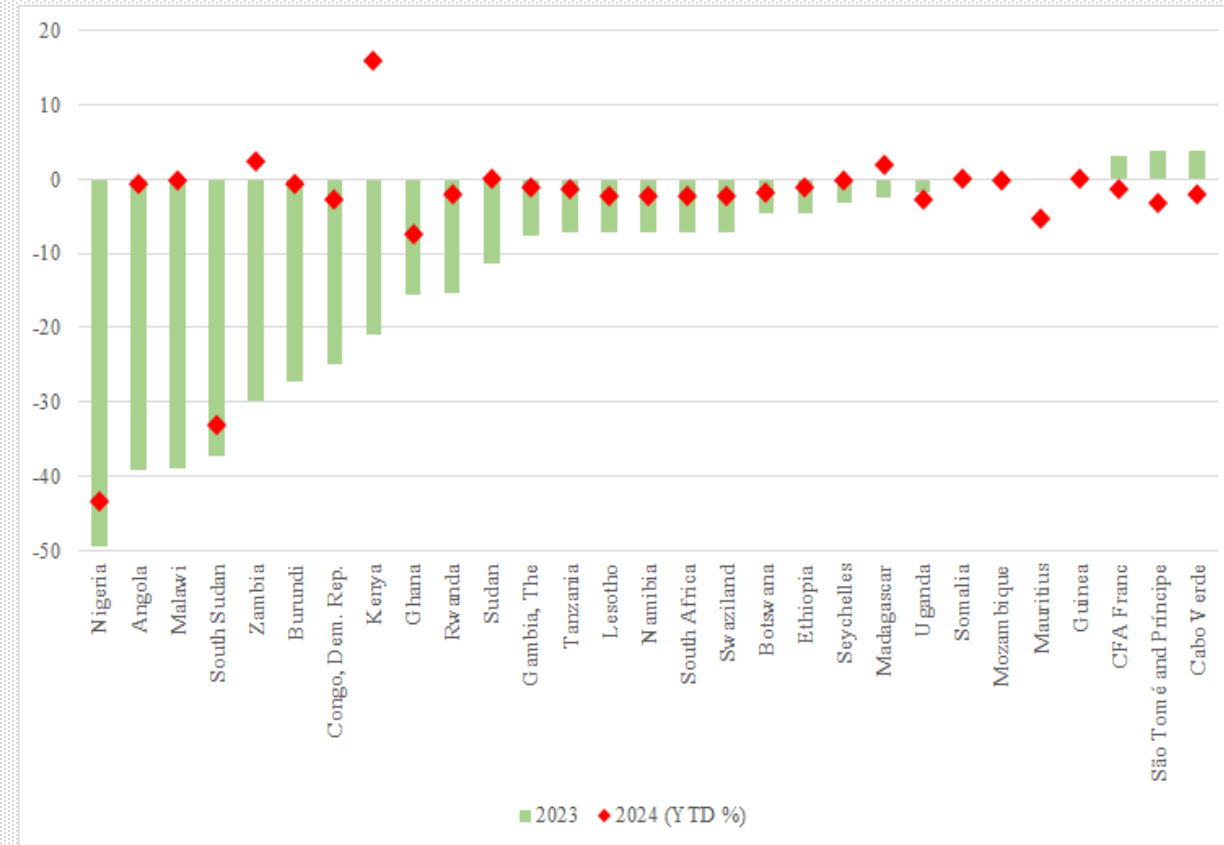
Source: World Bank staff estimates.

# FOOD PRICES AND CURRENCIES ARE STABILIZING, WITH SOME EXCEPTIONS

## Food inflation, January 2024 (% YoY)



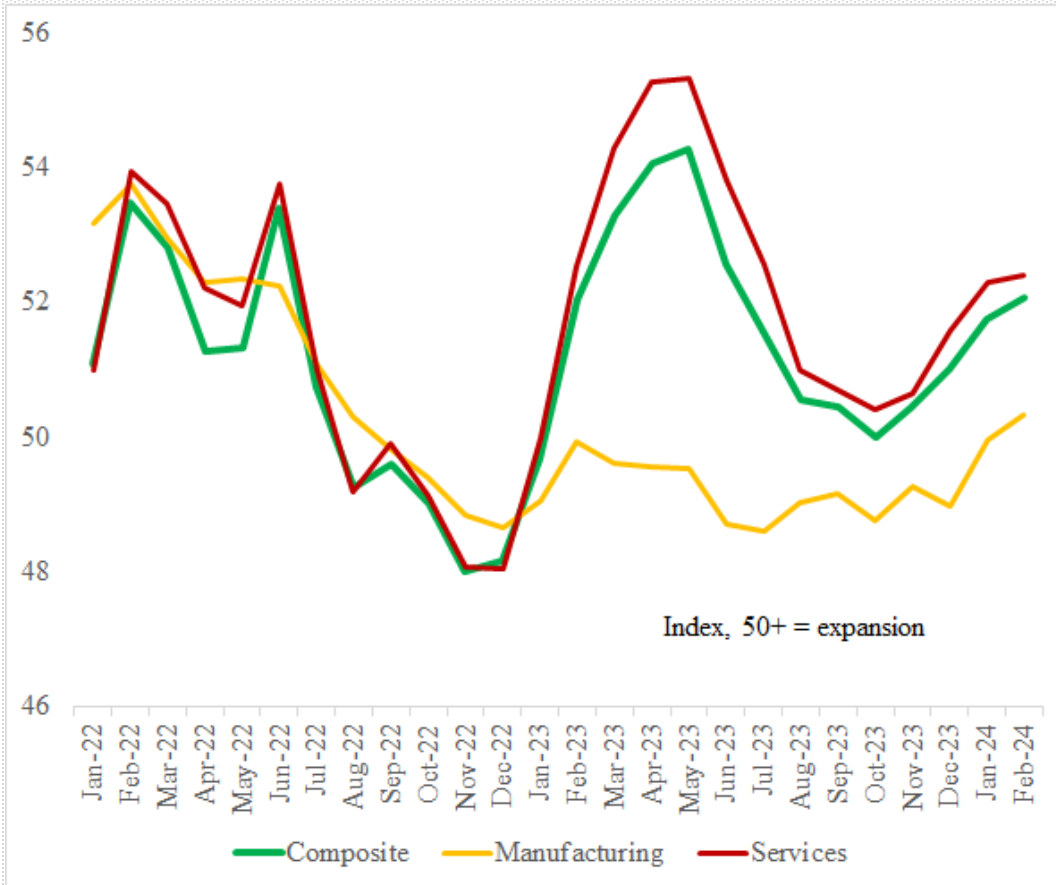
## Exchange Rate Changes, 2023-4 (% year to date)



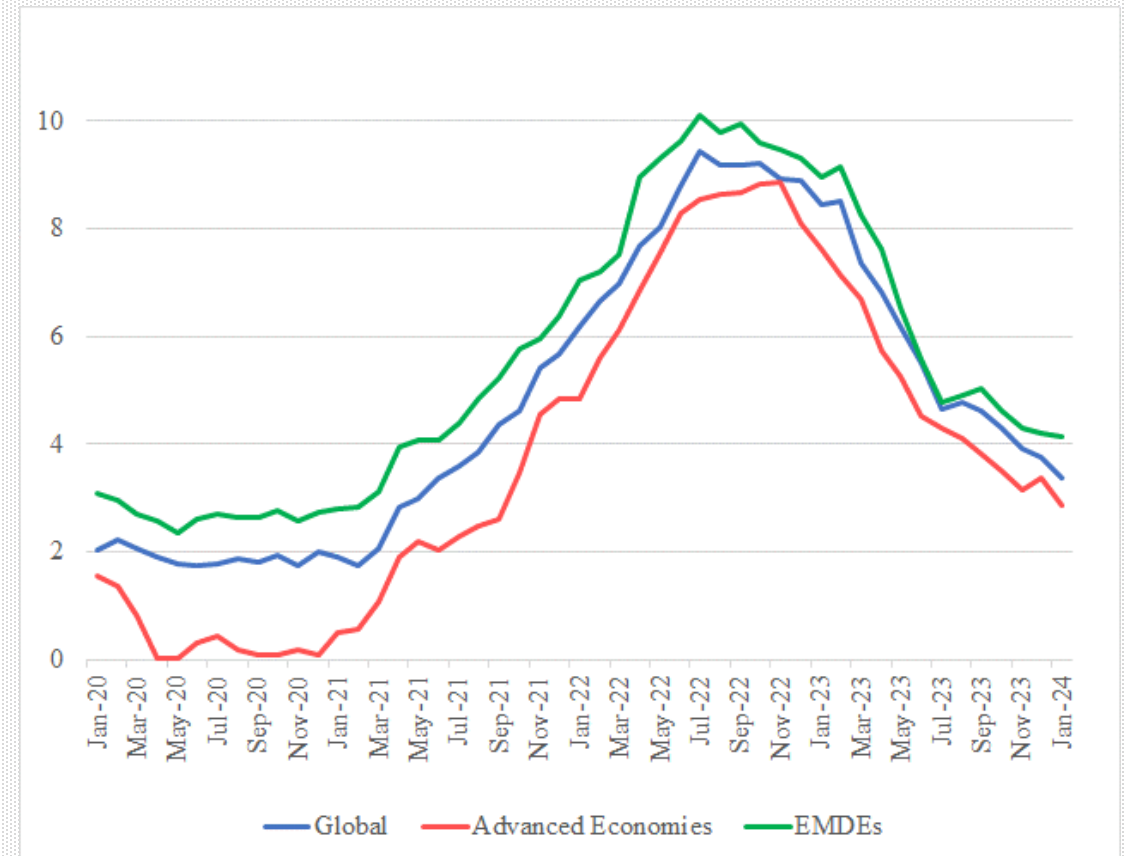
Source: Bloomberg, Haver Analytics

# OPTIMISM MAY BE RETURNING TO THE GLOBAL ECONOMY

## Global Purchasing Managers' Index



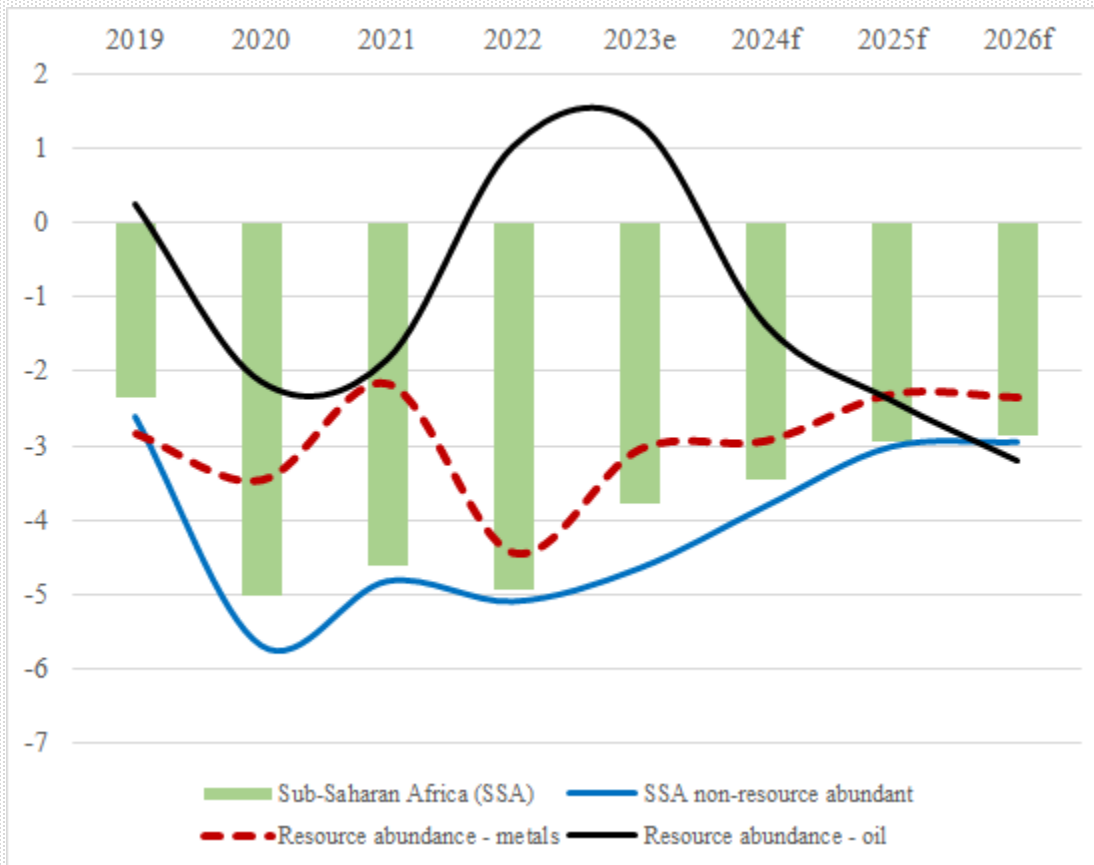
## Global inflation (% YoY)



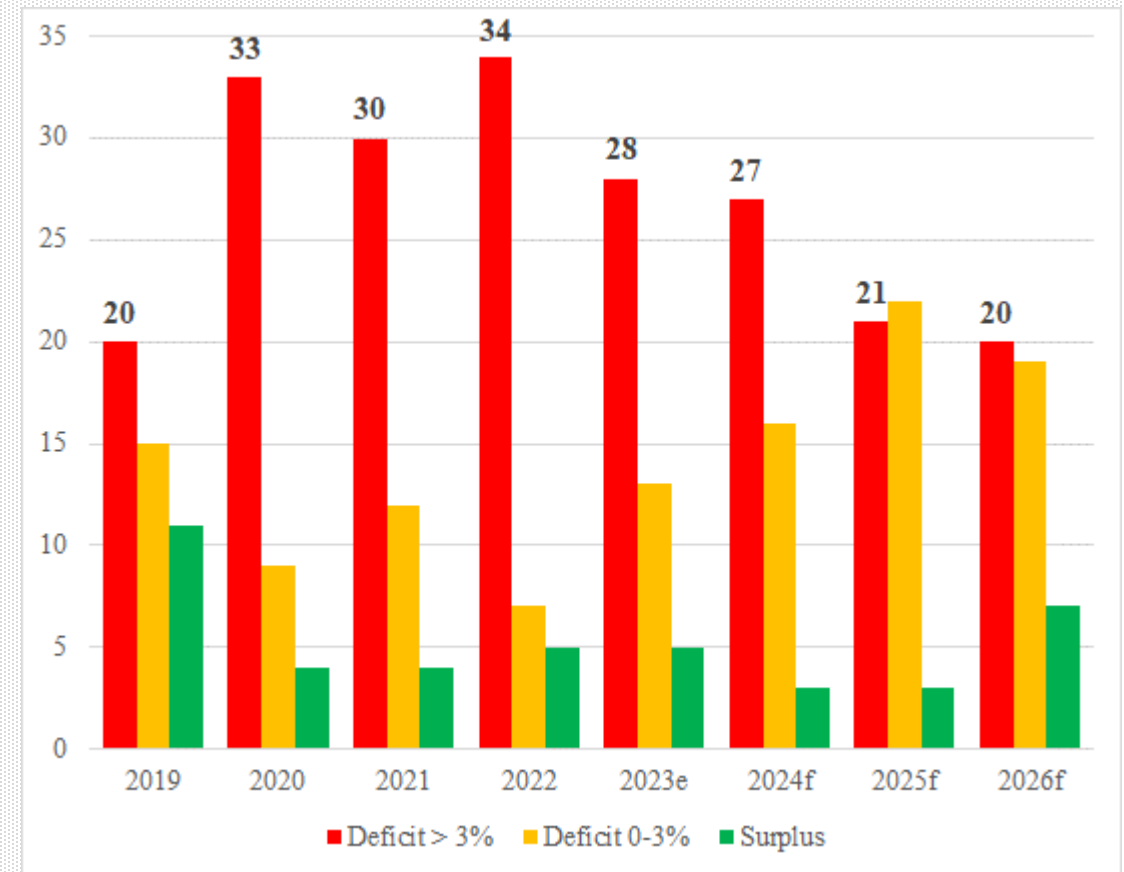
Source: Haver Analytics, World Bank.

# FISCAL DEFICITS ARE DECLINING BUT VERY SLOWLY

## Fiscal Balance in SSA (% of GDP, median)



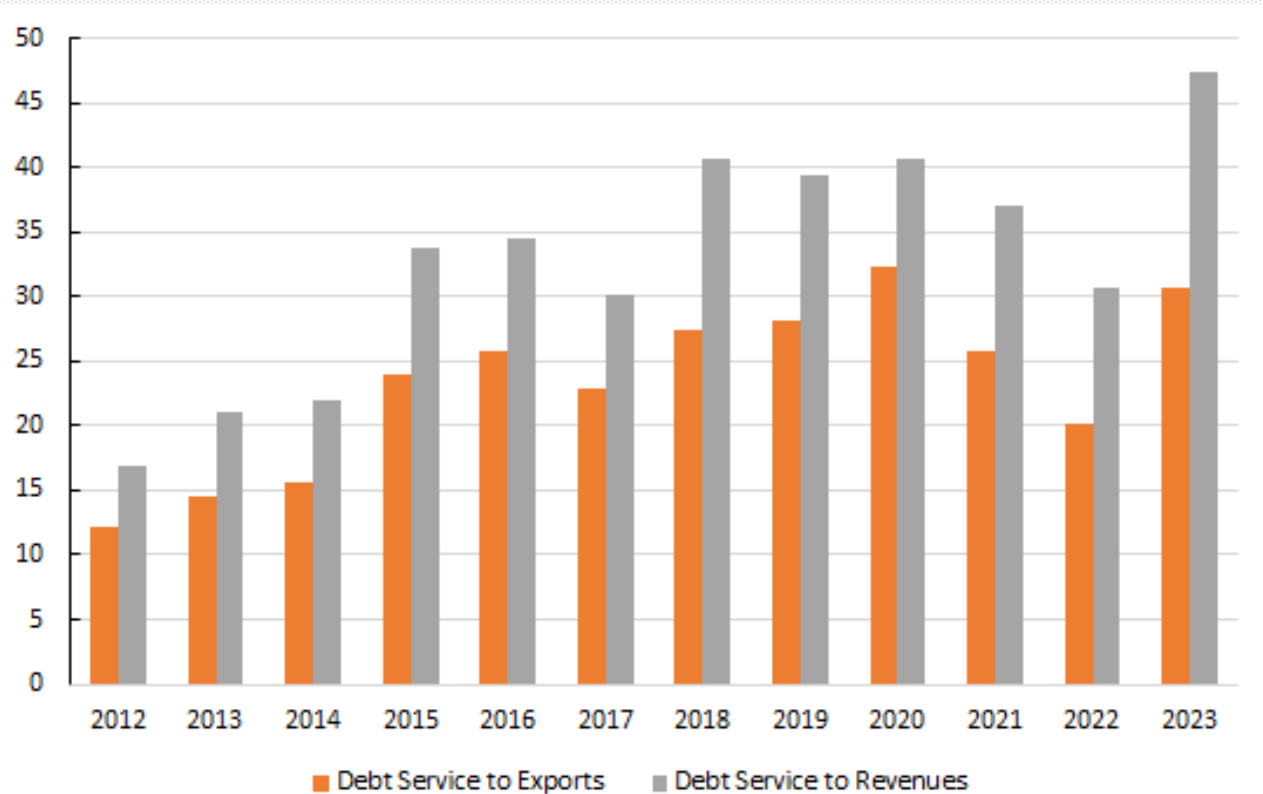
## Fiscal Balance in SSA: Country Distribution



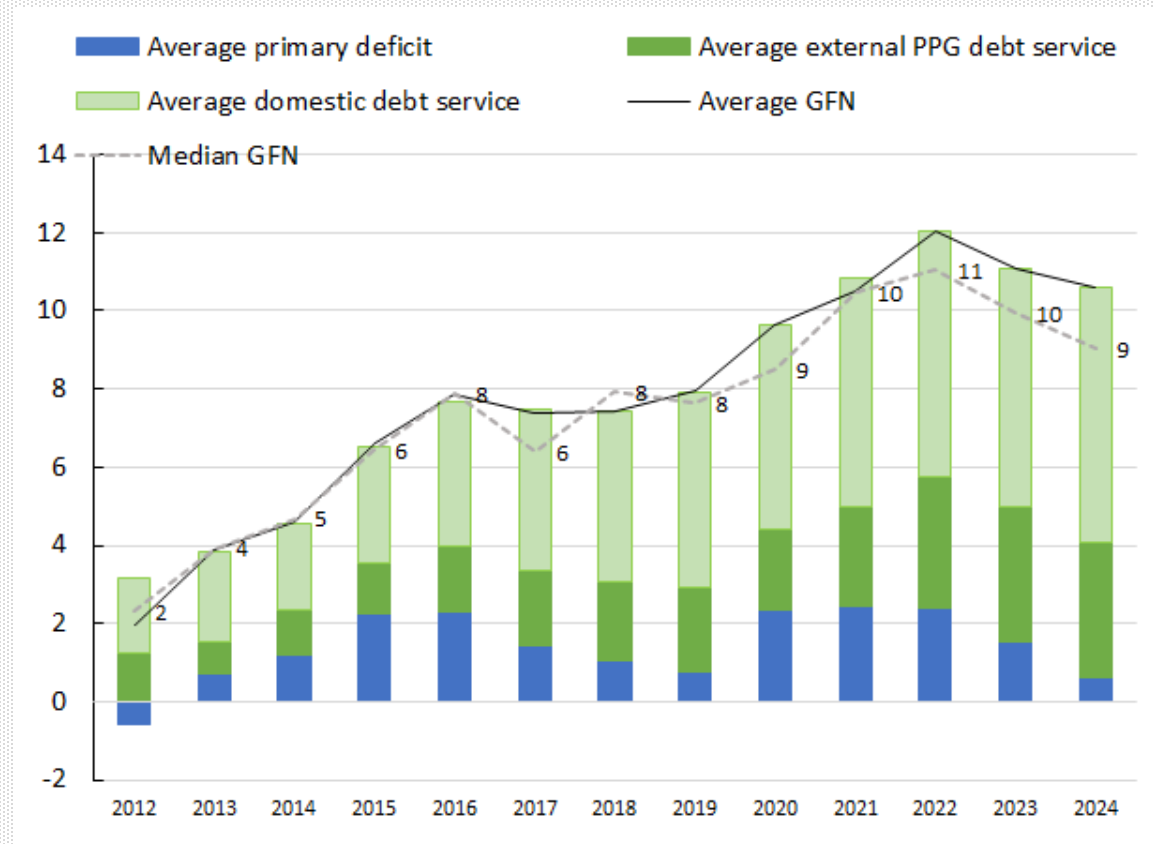
Source: World Bank staff estimates.

# RECOVERY REMAINS FRAGILE: DEBT SERVICE AND LIQUIDITY PRESSURES REMAIN SEVERE

## Debt Service Burden (% of revenues)



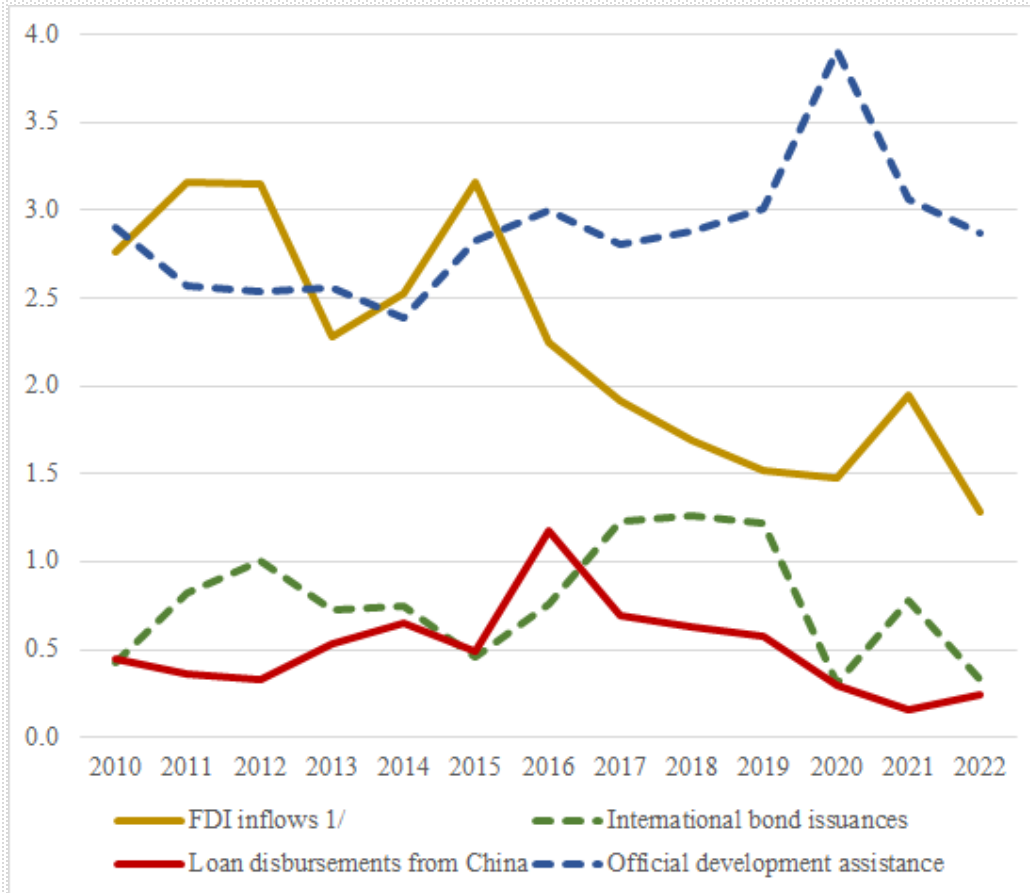
## Gross Financing Needs (% of GDP, average)



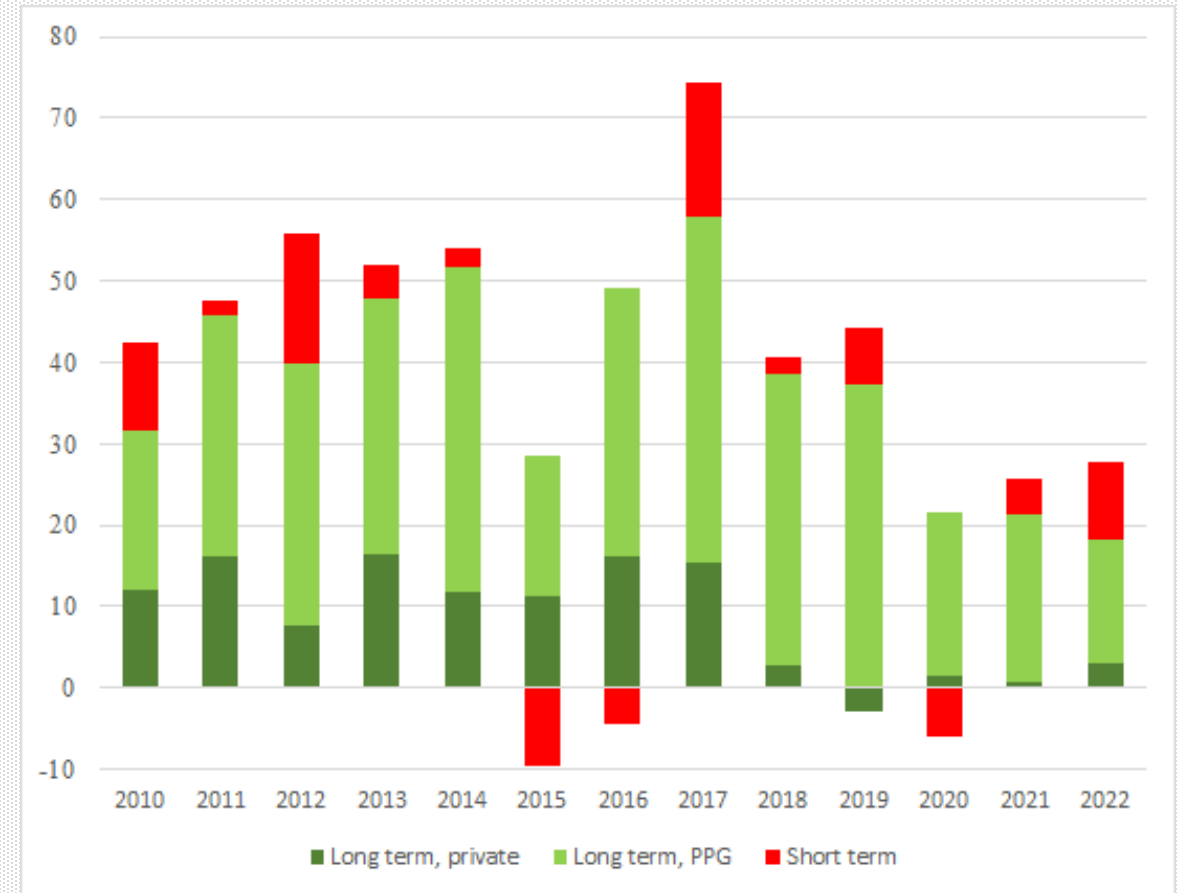
Source: World Bank staff estimates.

# FUNDING IS DRYING UP AND IT IS MORE EXPENSIVE

## Sources of Financing in SSA (% GDP)



## Net Debt Flows to SSA (US\$ billions)

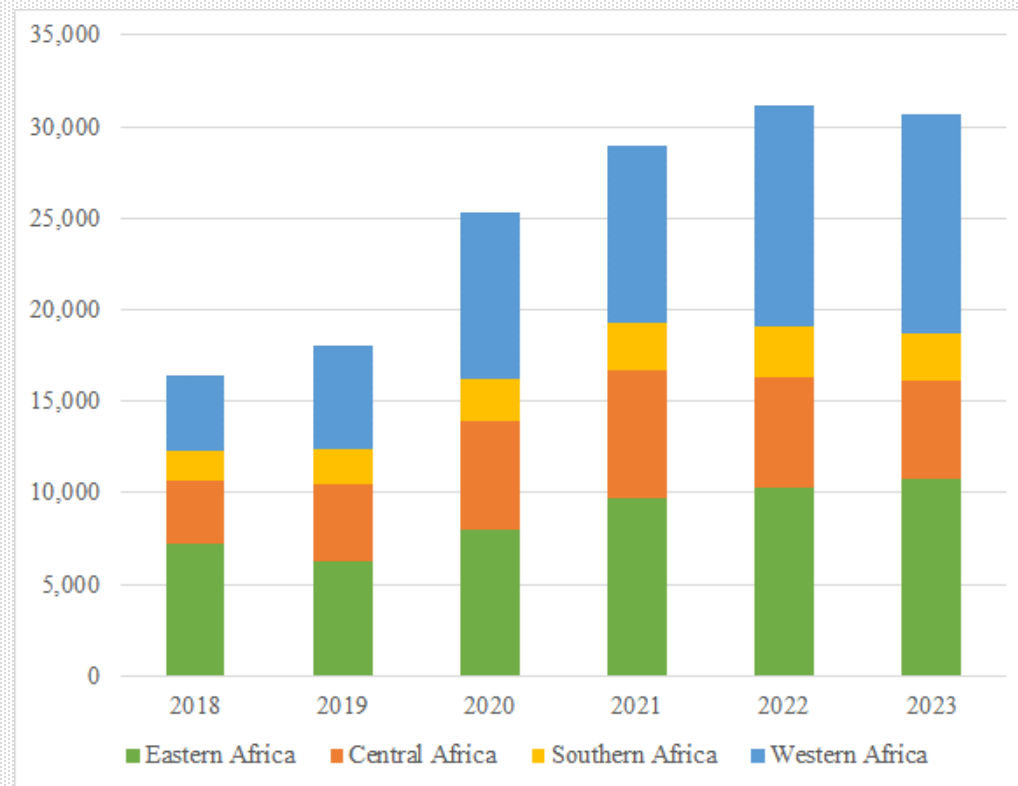


Source: World Bank International Debt Statistics, OECD, UNCTAD

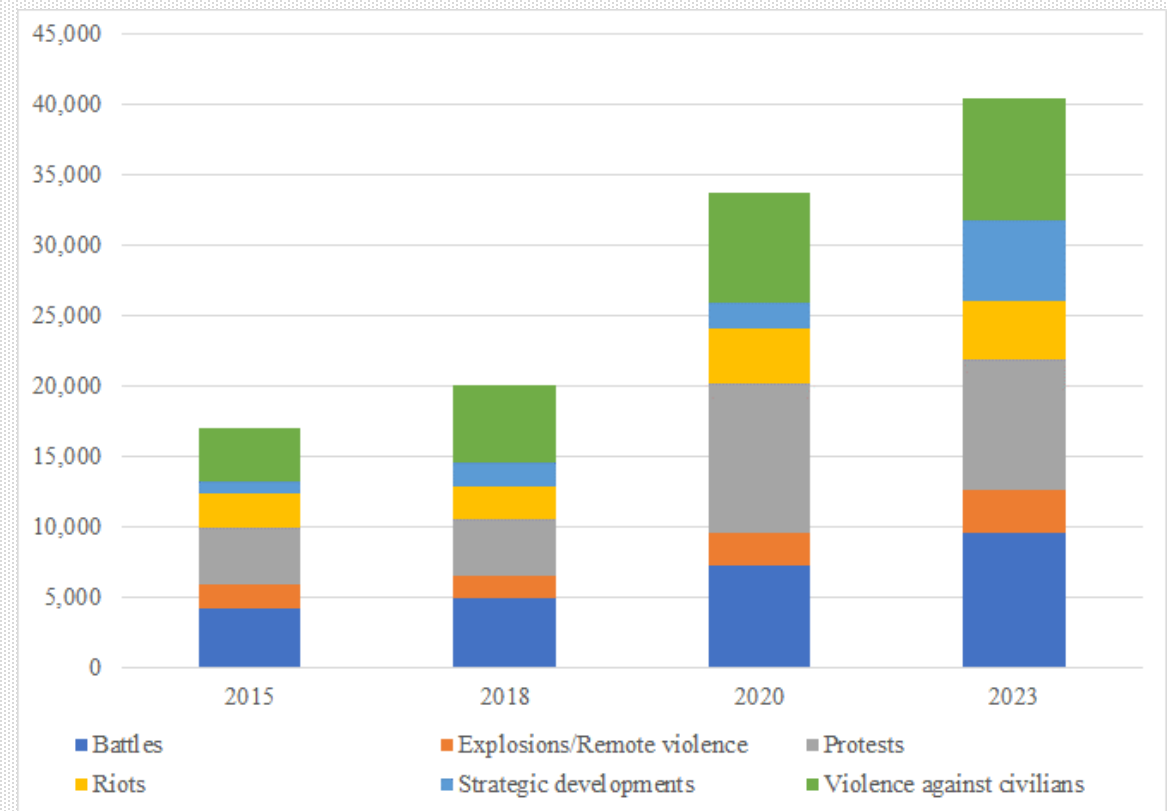


# CONFLICT AND VIOLENCE REMAINS ELEVATED

**Conflict and Violence in Sub-Saharan Africa:  
By subregion (*number of events*)**



**Conflict and Violence in Sub-Saharan Africa:  
By event type (*number of events*)**



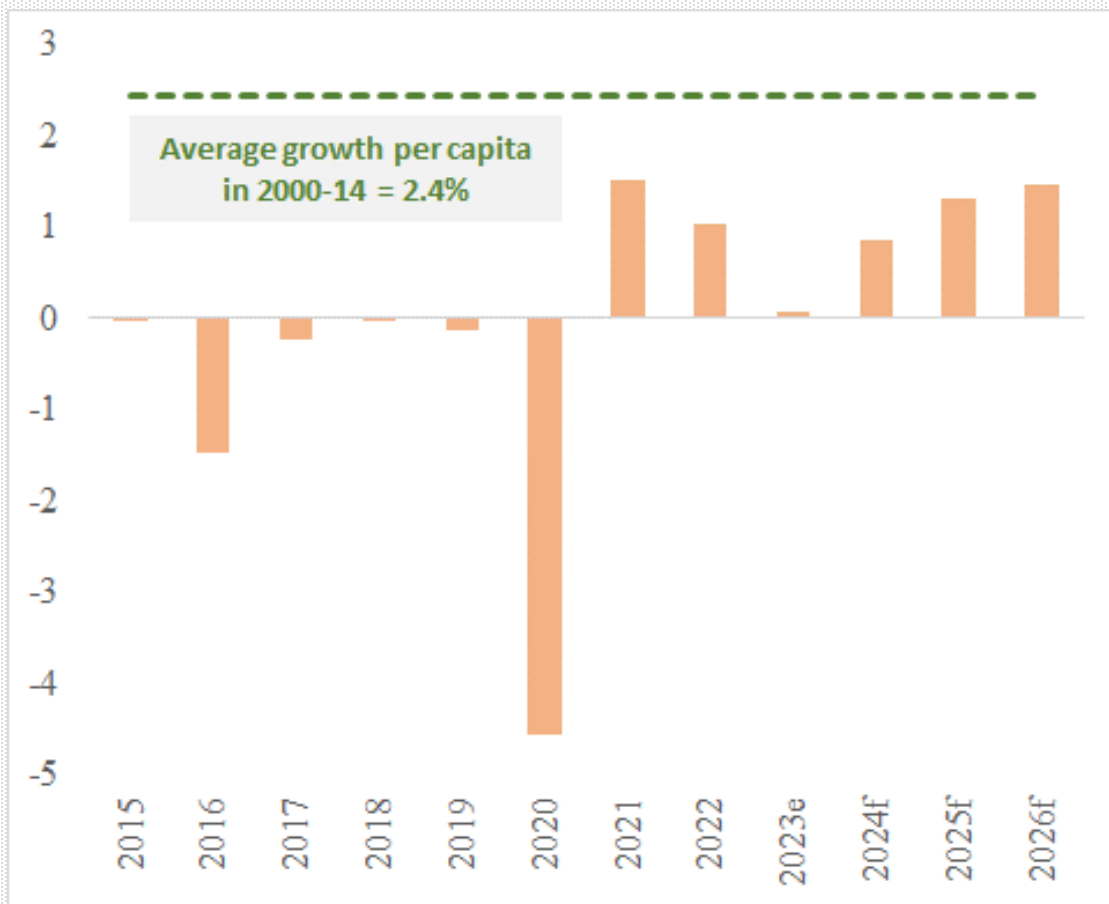
Source: ACLED data.

# Tackling Structural Inequalities to Foster Growth and Reduce Extreme Poverty

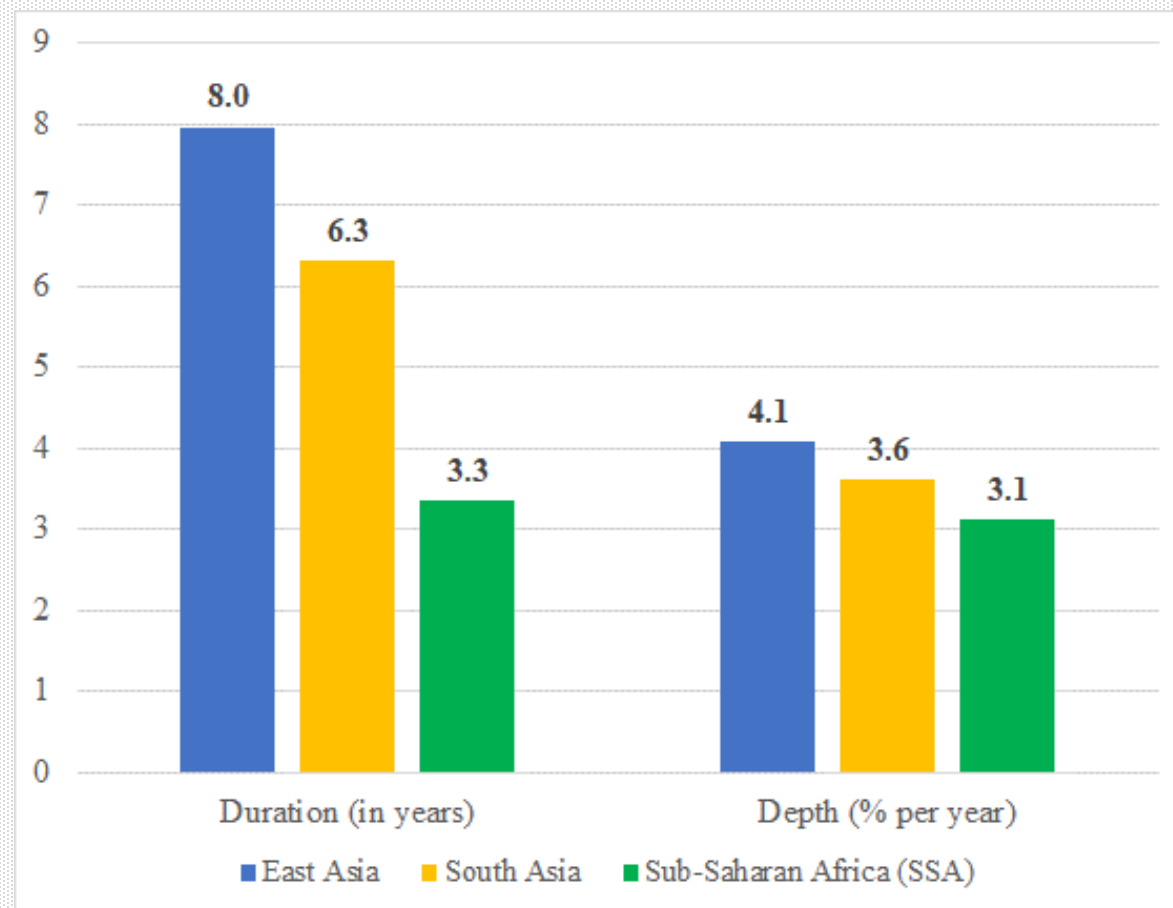


# URGENCY TO REVITALIZE GROWTH AND SUSTAIN EXPANSIONS

## GDP Growth per capita in Sub-Saharan Africa



## Shorter and weaker expansions



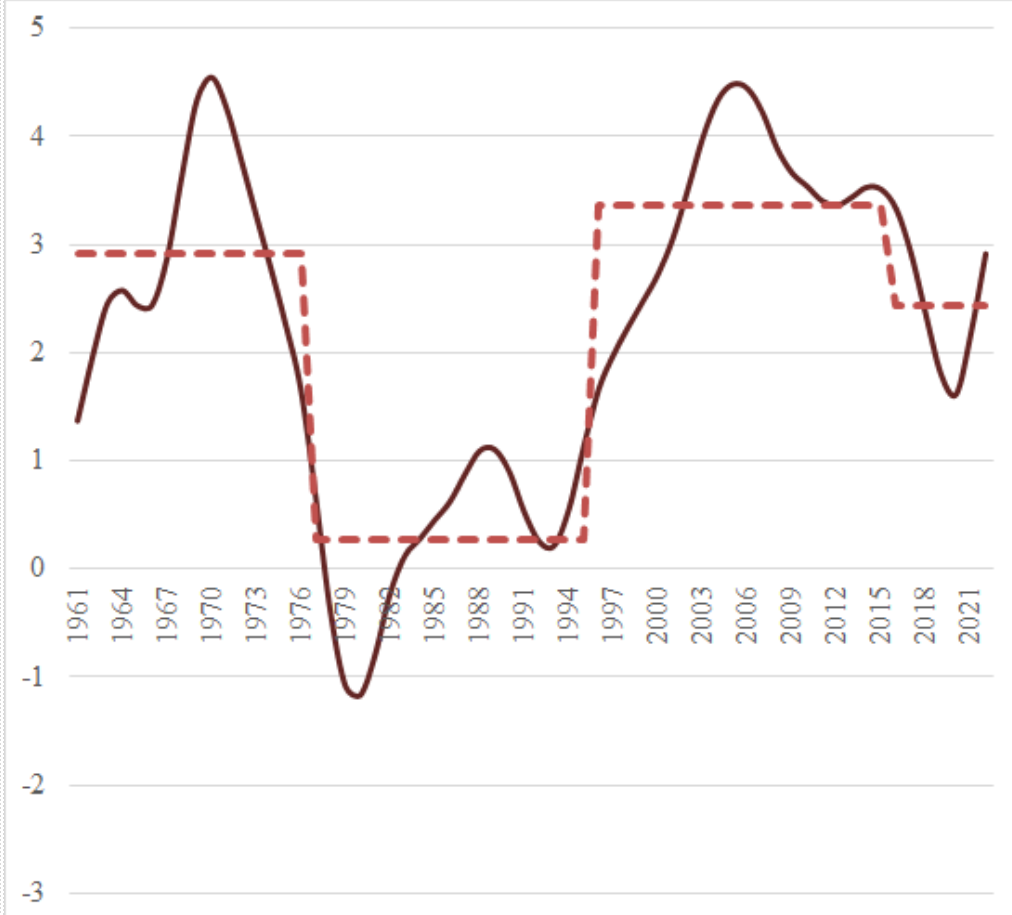
Source: World Bank staff estimates.

# LOW GROWTH HAS BEEN PERSISTENT HISTORICALLY

### Sub-Saharan Africa

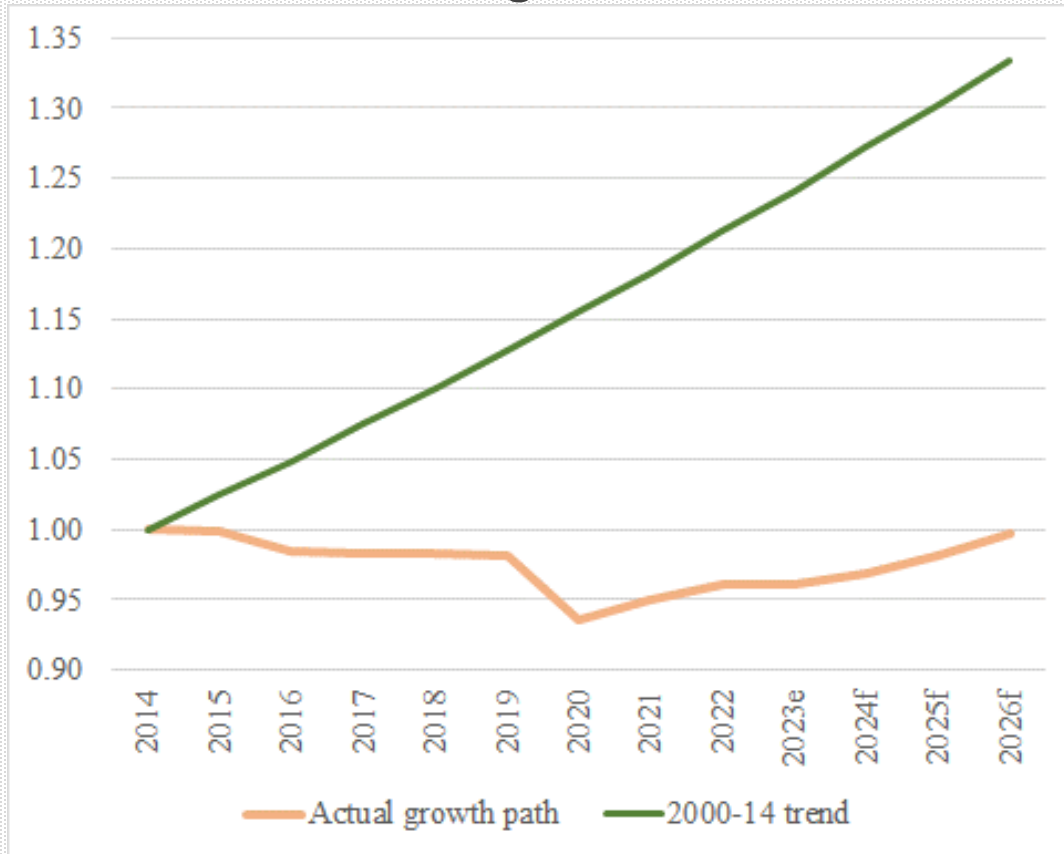


### Lower-Middle Income Countries

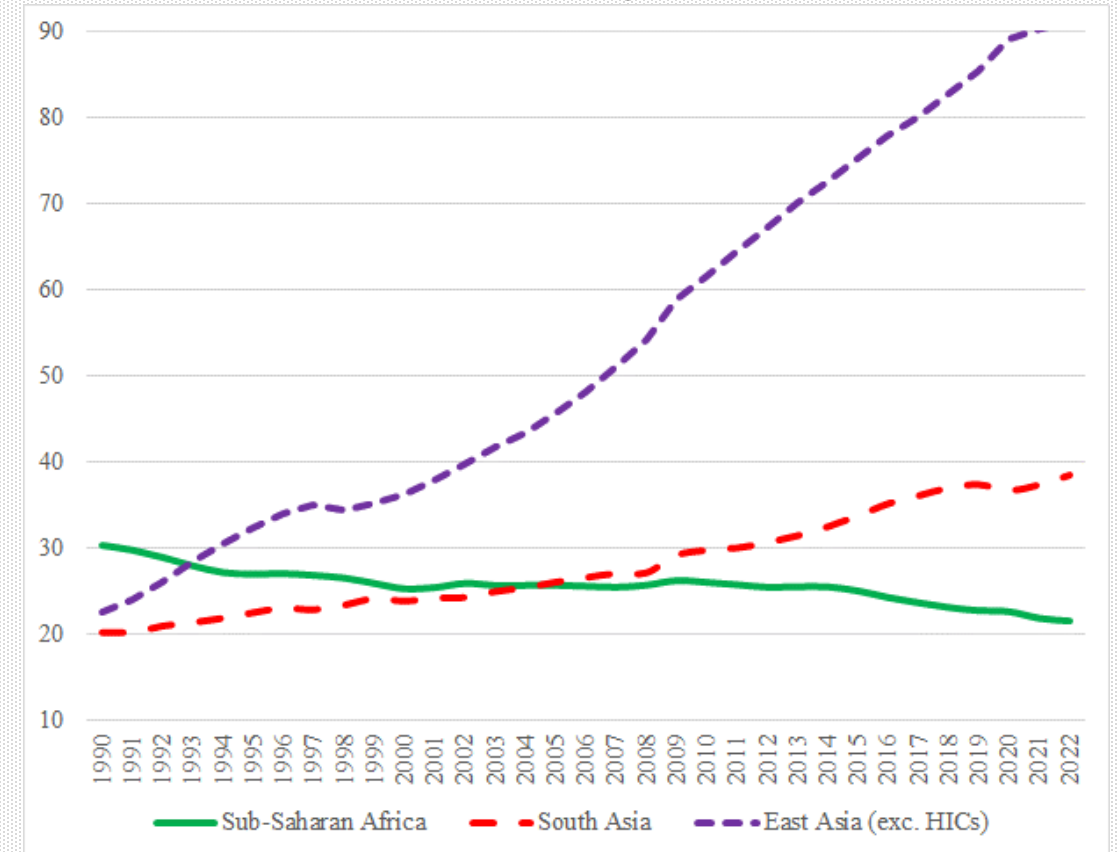


# LOW AND UNSTABLE GROWTH LEADS TO INCOME LOSSES IN AFRICA AND DIVERGENCE WITH REST OF THE WORLD

Income per capita losses due to subdued growth



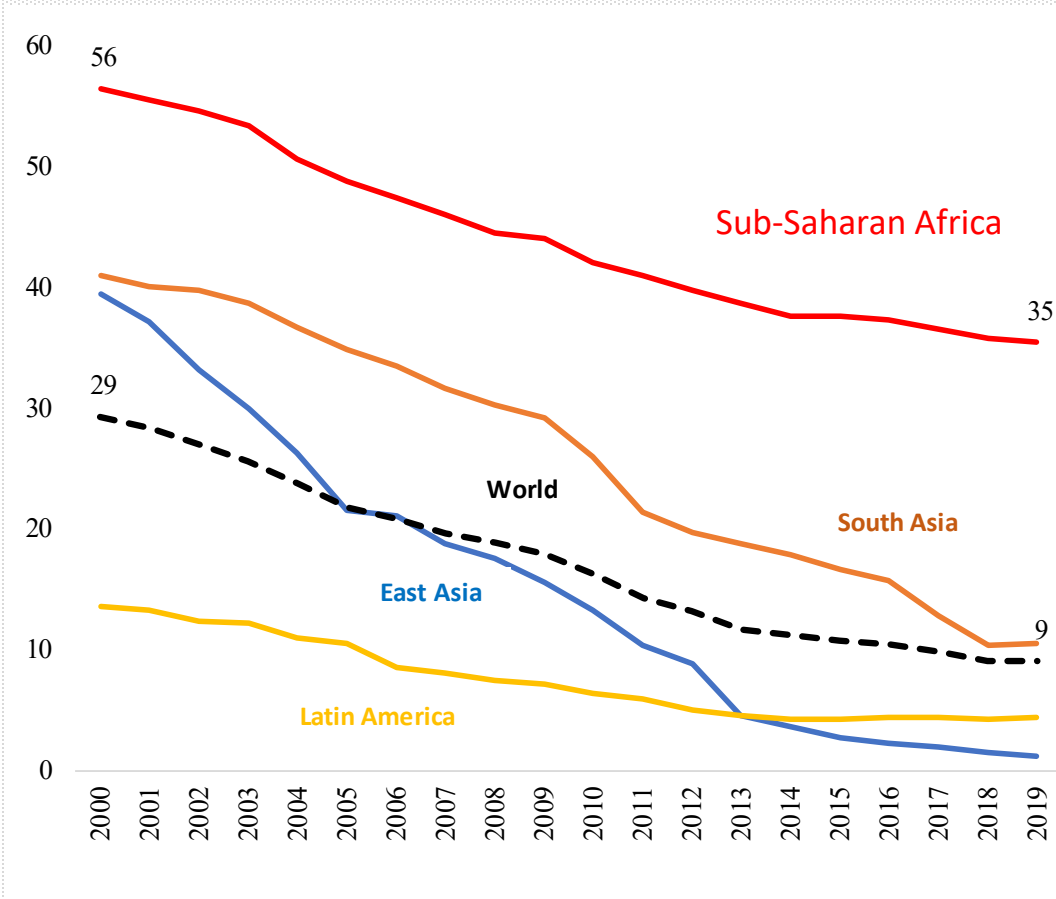
Relative GDP per capita of SSA, 1990-2022  
(World average=100)



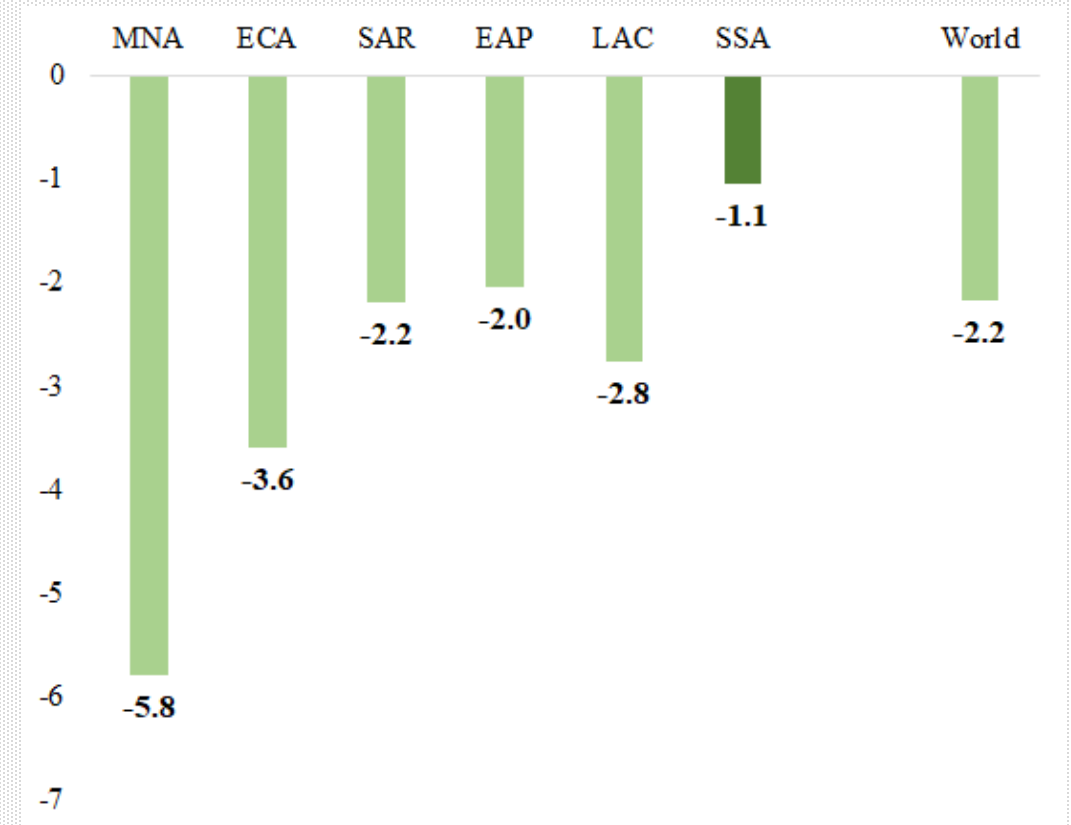
Source: Calderon, Dabalen and Qu (2024); Penn World Tables 10.01 (Feenstra et al. 2015).

# AFRICA'S GROWTH HAS HAD LIMITED IMPACT ON POVERTY REDUCTION

Extreme Poverty Rate, 2000-2019



% Change in Poverty Rate for a 1% change in GDP per Capita



Source: (A) Poverty and Inequality Platform (October 2023); (B) Wu et al. (2024)

Note: Estimates based on poverty line \$ 2.15/day (2017 PPP)

# QUESTIONS: WHY?

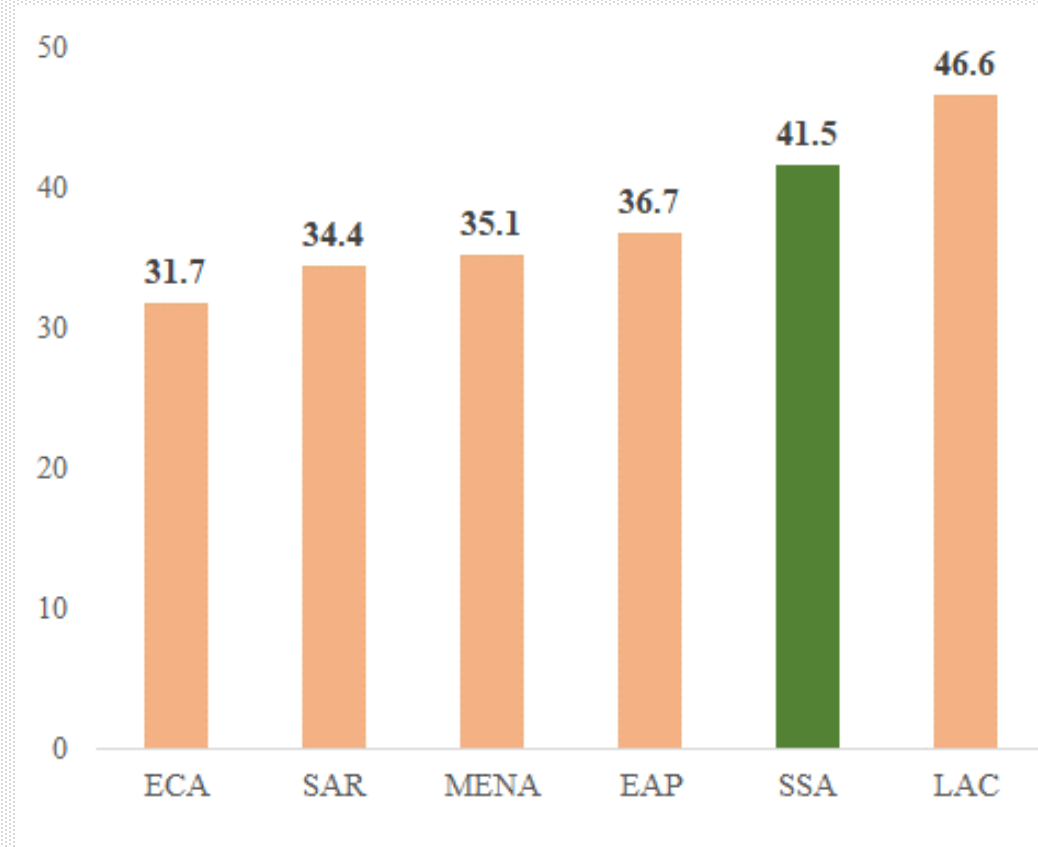
- ▶ Is it because of poor agricultural transformation?
- ▶ Is it because of low human capital? Inequality?
- ▶ What is the role of shocks?
- ▶ How about institutions ? organization of production?
- ▶ What is the role of research or lack of it?

# DUE TO HIGH INEQUALITY

## Inequality in Consumption, Gini Index

Higher values of Gini indicate more unequal economies

Lower values of Gini indicate less unequal economies

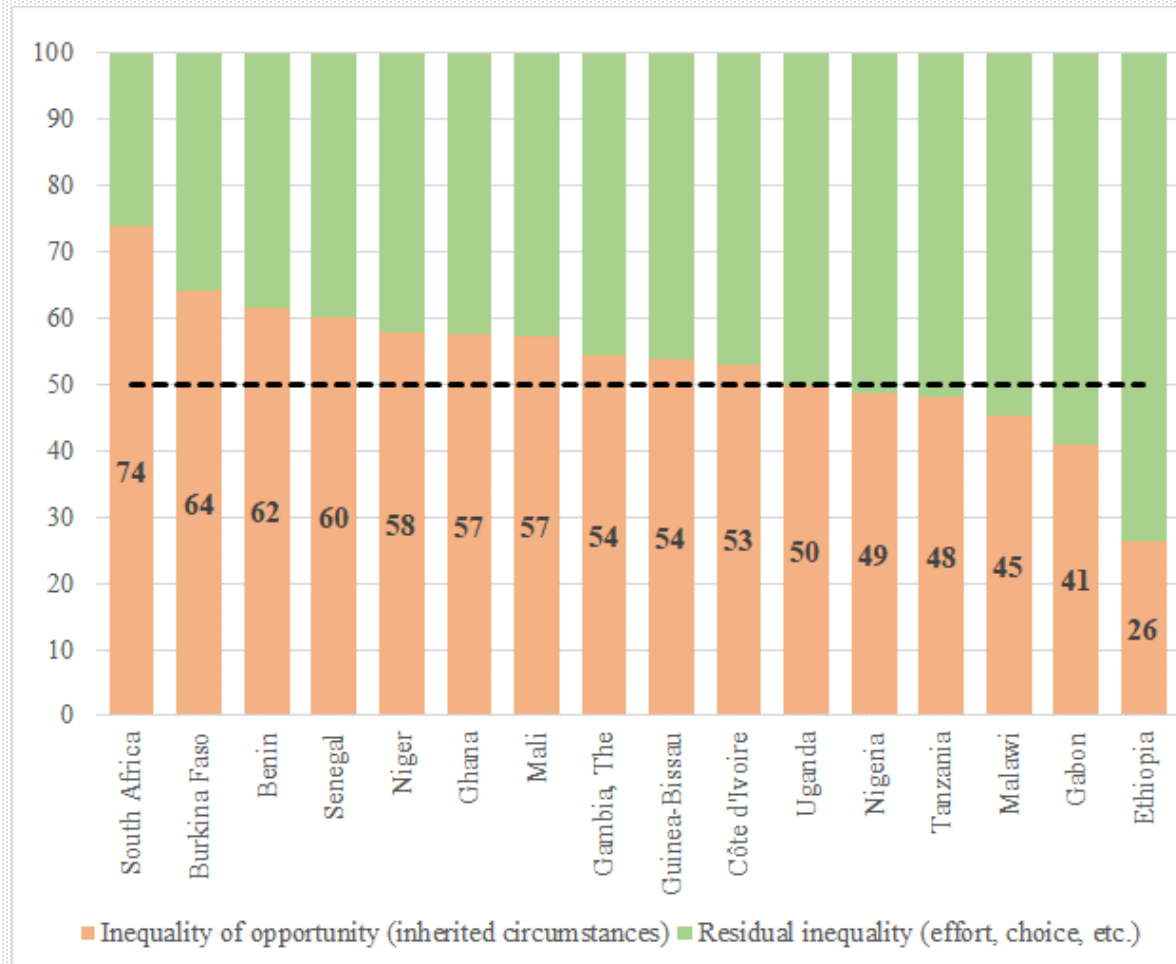


Source: Tabulations based on Poverty and Inequality Platform (October 2023), data circa 2011-2019



# WITH STRUCTURAL BARRIERS AT THE ROOT

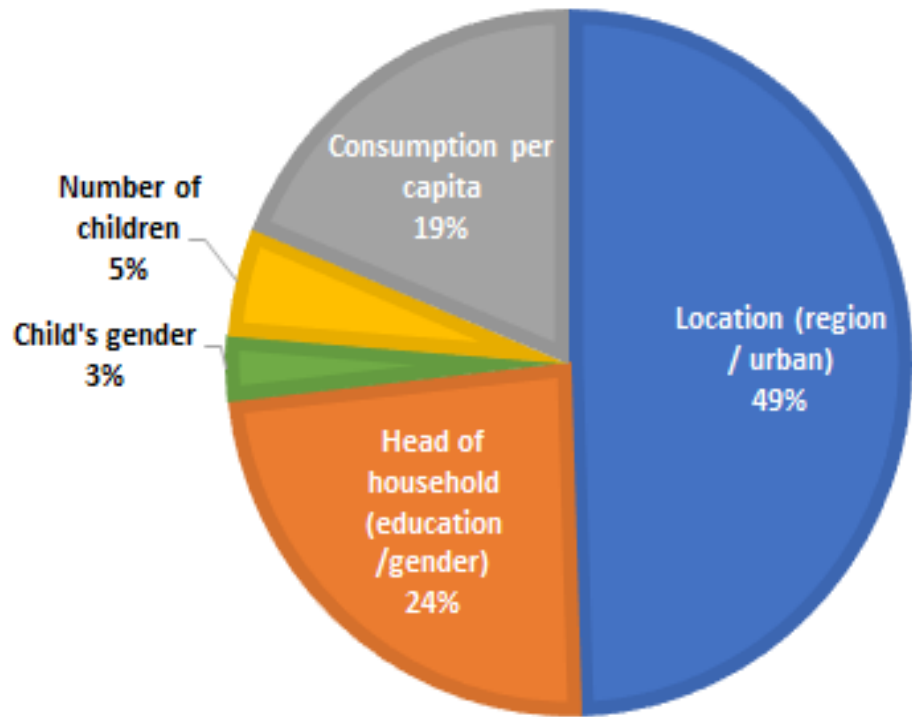
## Share of Inequality of Opportunity in Total Inequality



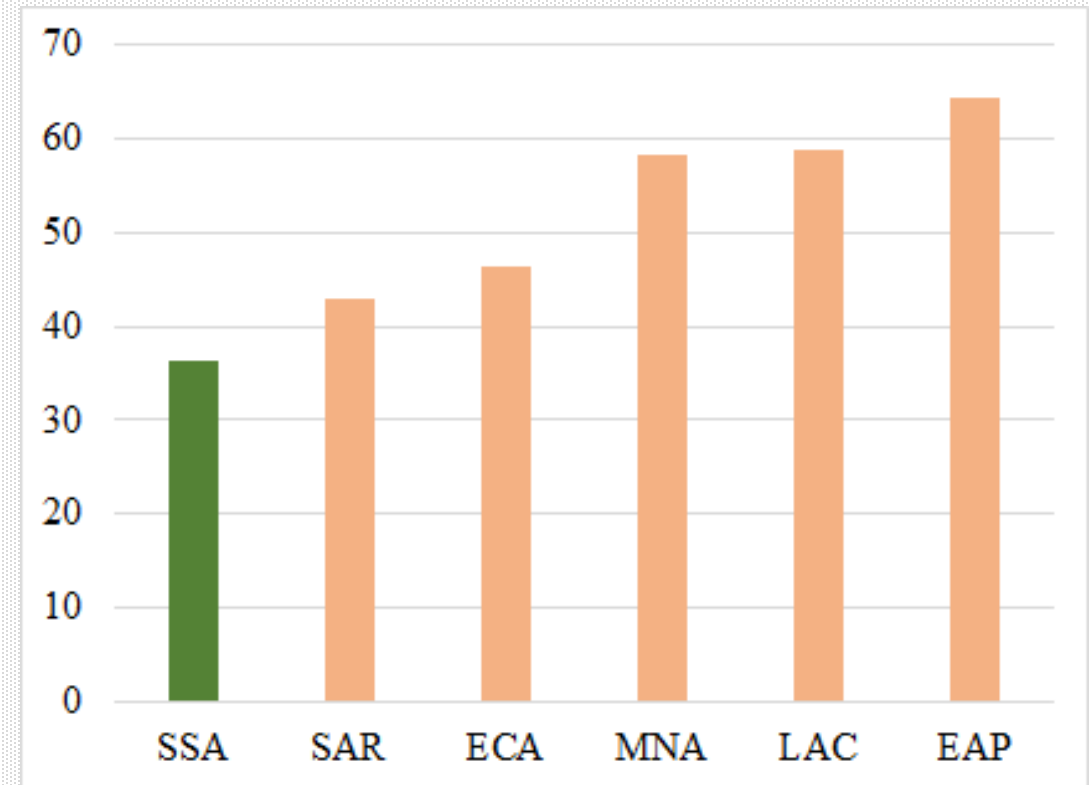
Source: World Bank staff estimates based on household budget surveys

# 1. CHILDREN'S OPPORTUNITIES ARE DRIVEN BY HOUSEHOLD CHARACTERISTICS

## Factors restricting children's access to public services



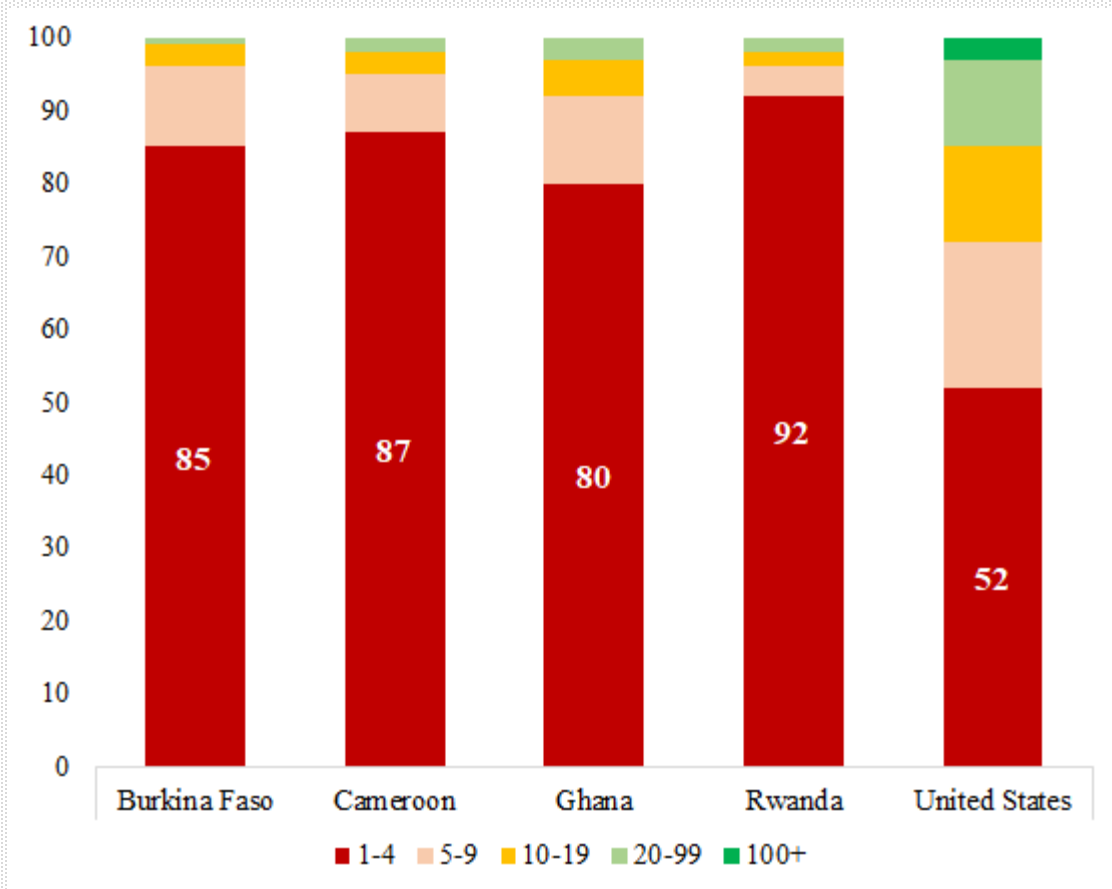
## Share of 1980s cohort who surpassed parent's educational category (%)



Source: Global Monitoring Database, World Bank Staff Calculations

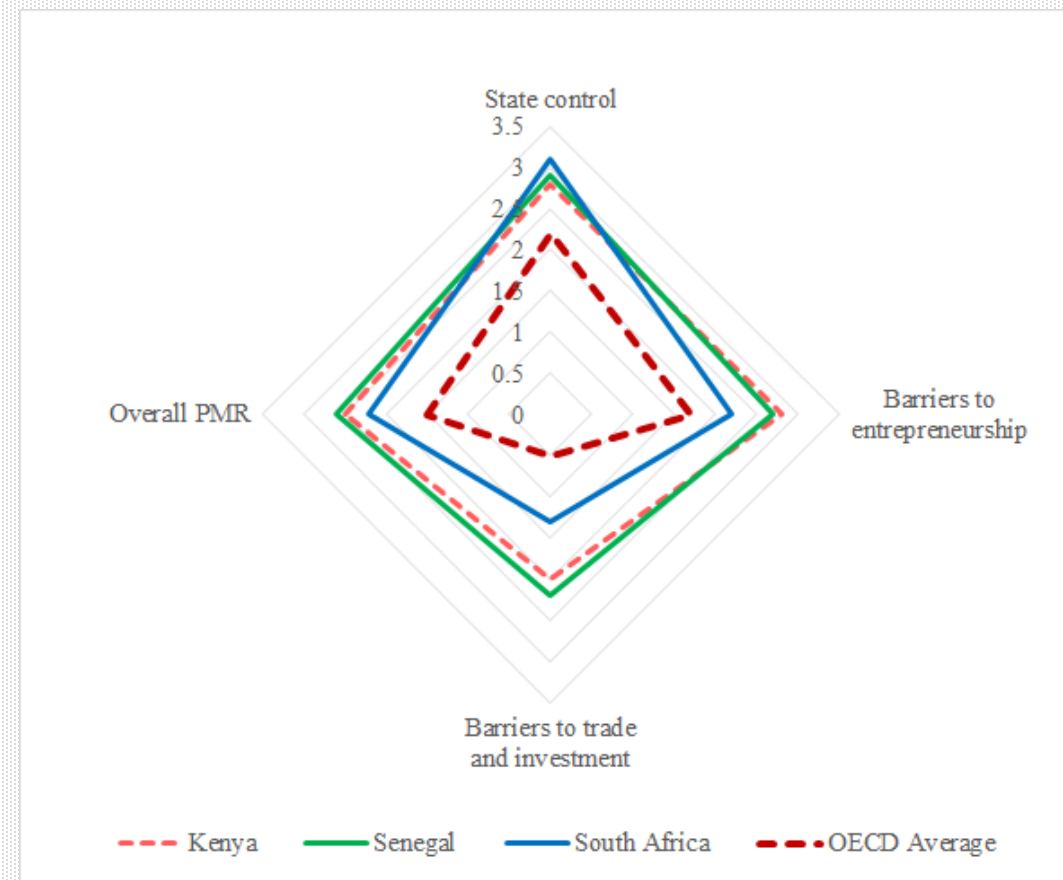
## 2. MARKET DISTORTIONS LEAD TO RESOURCE MISALLOCATION

Firm size distribution in SSA and the U.S.



Source: Abreha et al. (2023)

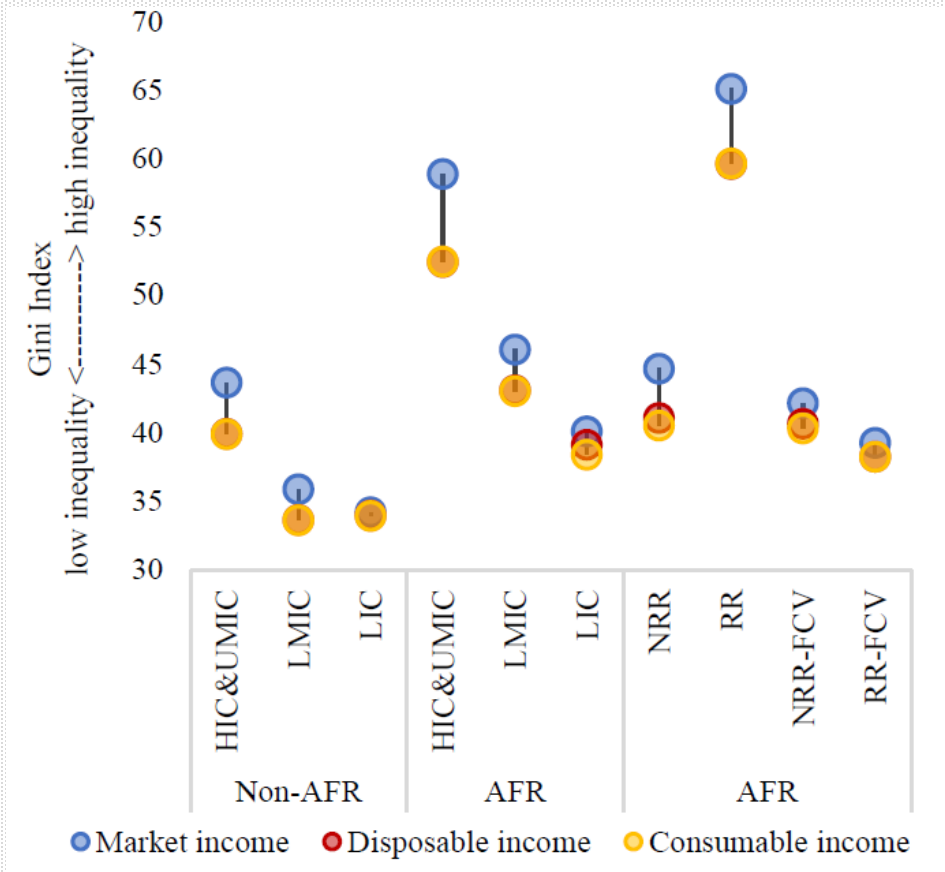
Product Market Regulations in SSA  
(Higher means more restricted)



Source: OECD and WBG. Note: PMR=Product market regulation

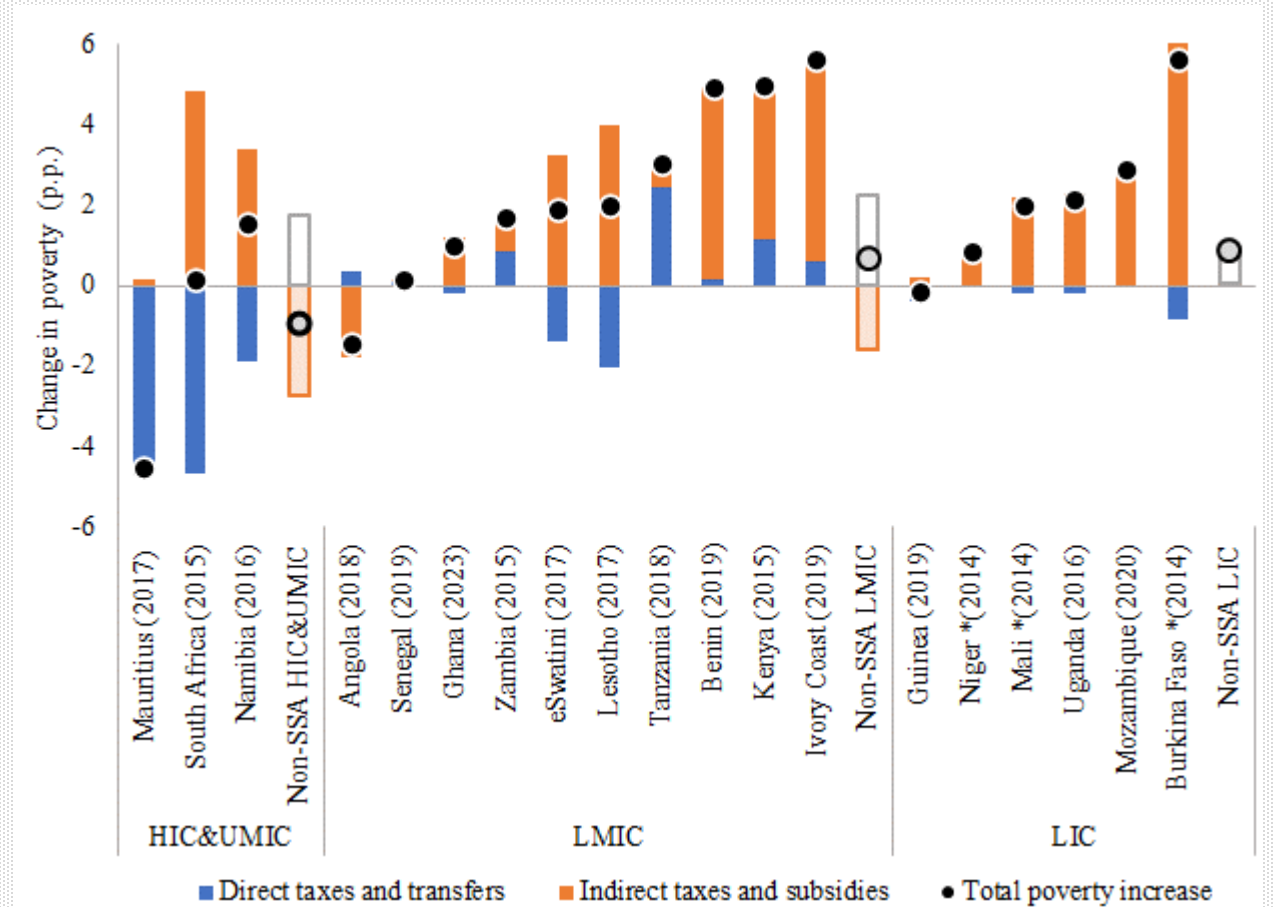
# 3. TAX POLICY REDUCES INEQUALITY BUT MAY NOT BE PRO-POOR

## Fiscal Redistribution and Inequality



Source: World Bank staff estimates based on CEQ studies

## Impact on taxes, transfers, and subsidies on Poverty



Source: World Bank staff estimates based on CEQ studies

# REDUCE STRUCTURAL INEQUALITY TO REVITALIZE GROWTH



## Restore Macro Stability

- Adhere to monetary and fiscal discipline (central bank independence, fiscal rules, fiscal councils)
- Implement measures to enhance transparency in budget planning and procurement
- Build technical capacity around debt management and transparency (reprofiling and restructuring, contingent liability management).



## Promote Inter-Generational Mobility

- Invest in nutrition to reduce stunting in early childhood (school feeding program)
- Expand foundational learning (especially reading) and teacher training during basic schooling
- Focus access to services reform on under-served populations and regions.



## Support Market Access

- Remove size-dependent distortions (firm size, talent misallocation)
- Improve justice service delivery
- Proactively engage with the private sector to encourage market access (AfCFTA implementation and transport corridors)



## Ensure Fiscal Progressivity

- Utility reform (energy subsidies, water tariffs)
- Eliminate VAT exemptions and implement strict oversight of new tax expenditures.
- Coordinate and harmonize regional taxes
- Focus domestic revenue mobilization on high-net-worth individuals: income and property taxes



**THANK YOU!**