



# Re-engineering growth in an uncertain world

**STATE OF THE AFRICA REGION**  
WORLD BANK - IMF ANNUAL MEETINGS 2016

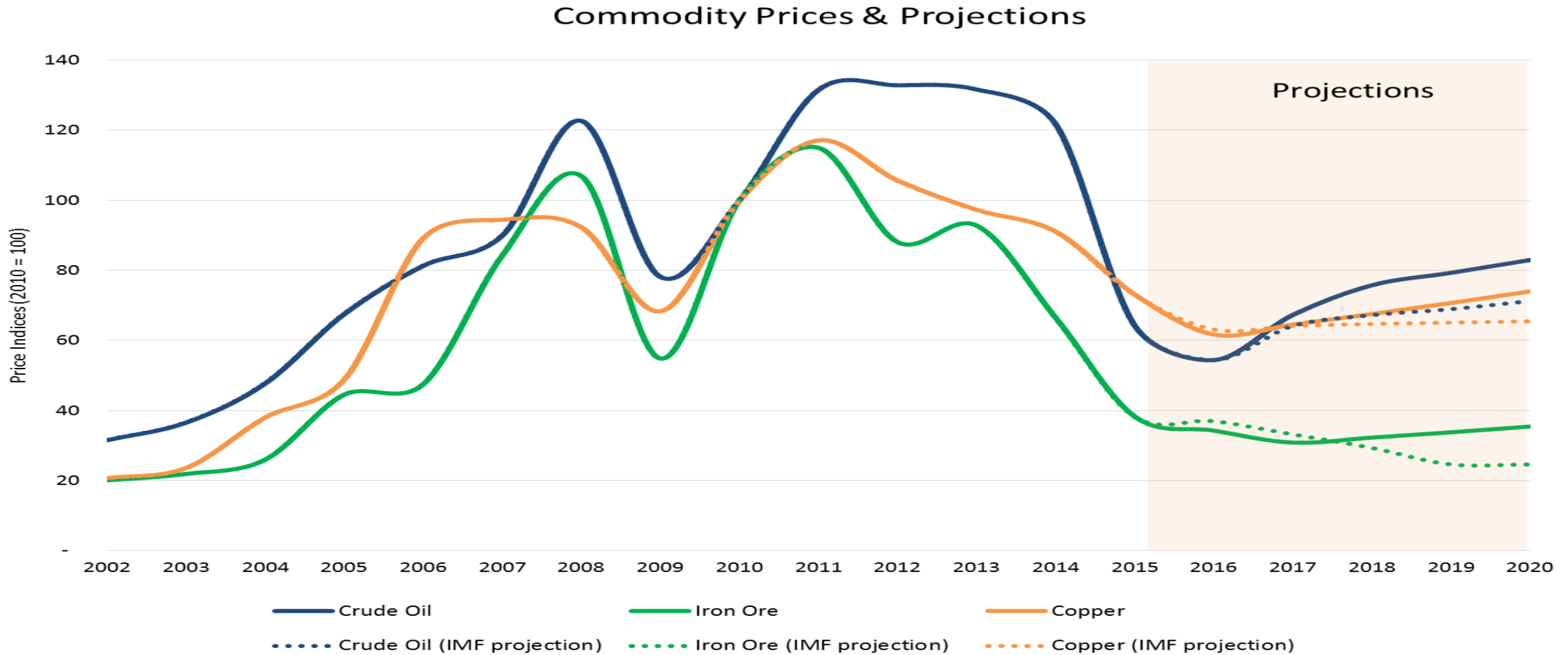
**Albert G. Zeufack**  
Chief Economist, Africa Region  
World Bank

- 1. Faltering growth, yet signs of resilience**
- 2. Africa can seize a bigger and better opportunity**
- 3. Boosting productivity and strengthening the social contract**

# 1. Faltering growth, yet signs of resilience

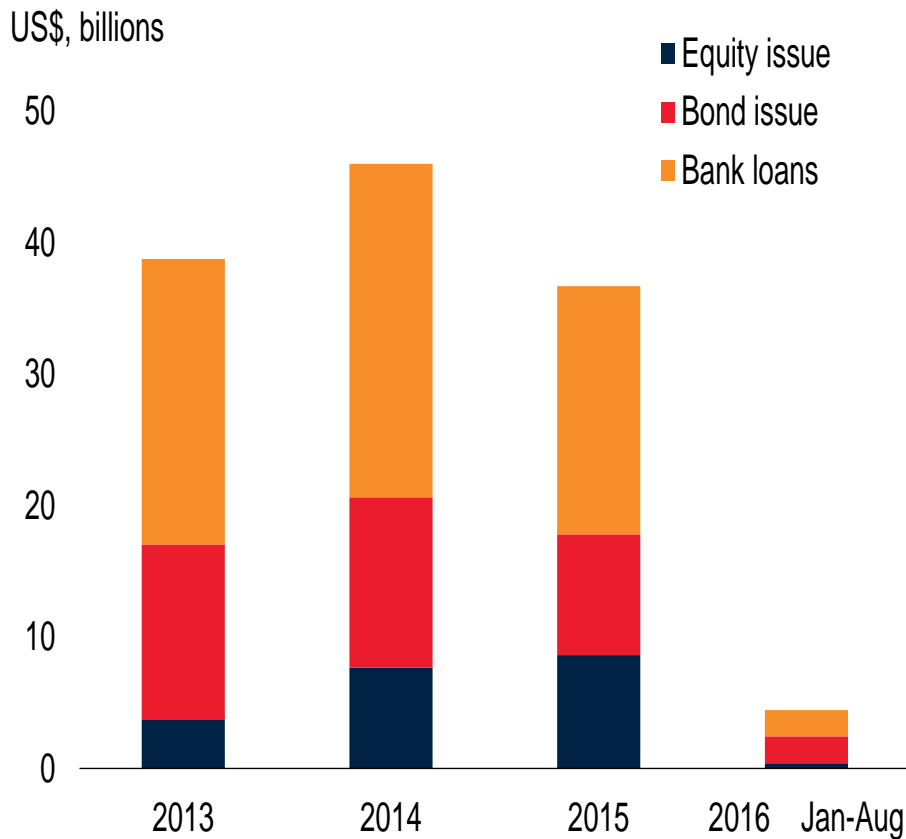


# The commodity price super-cycle has ended...

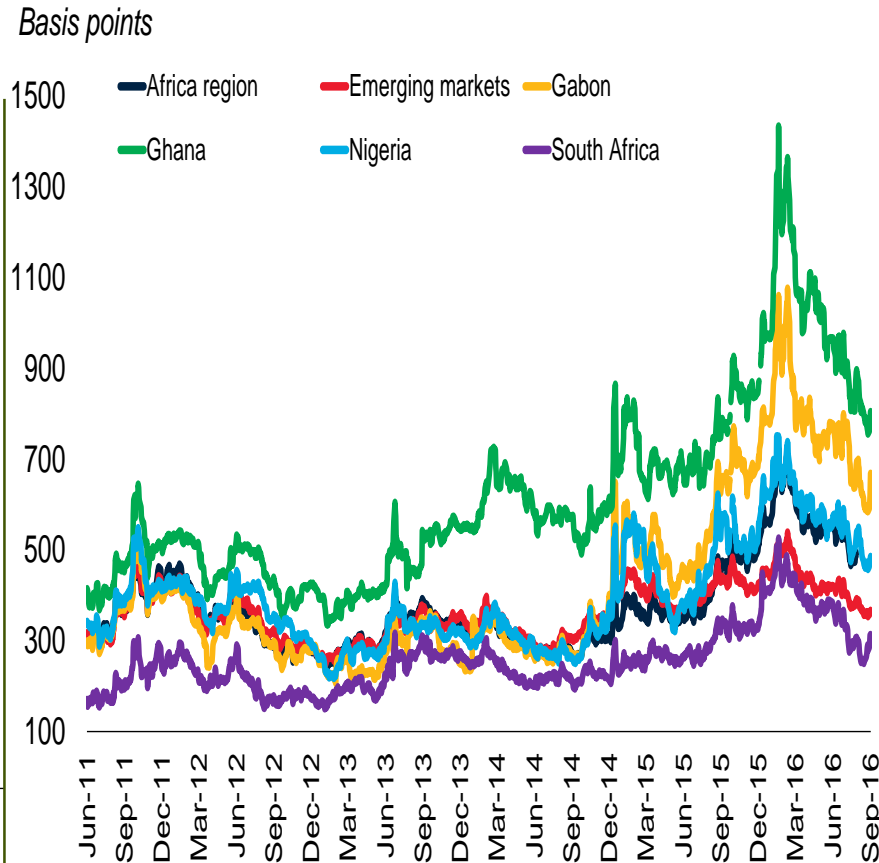


# And access to financing has further tightened

## Capital Flows to Sub-Saharan Africa

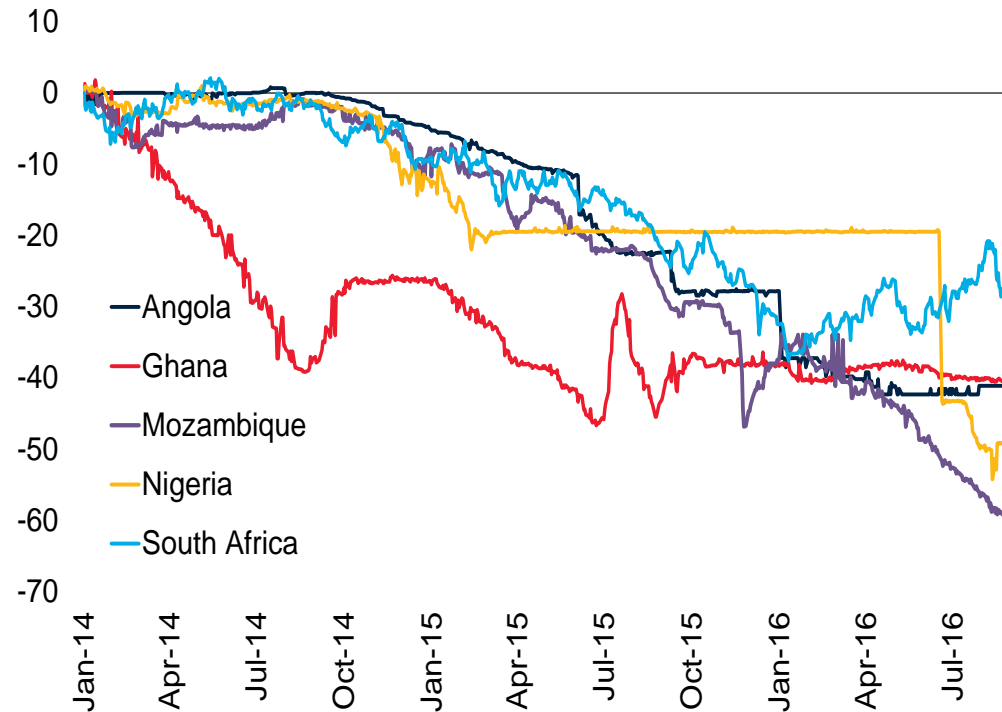


## Sovereign Spreads

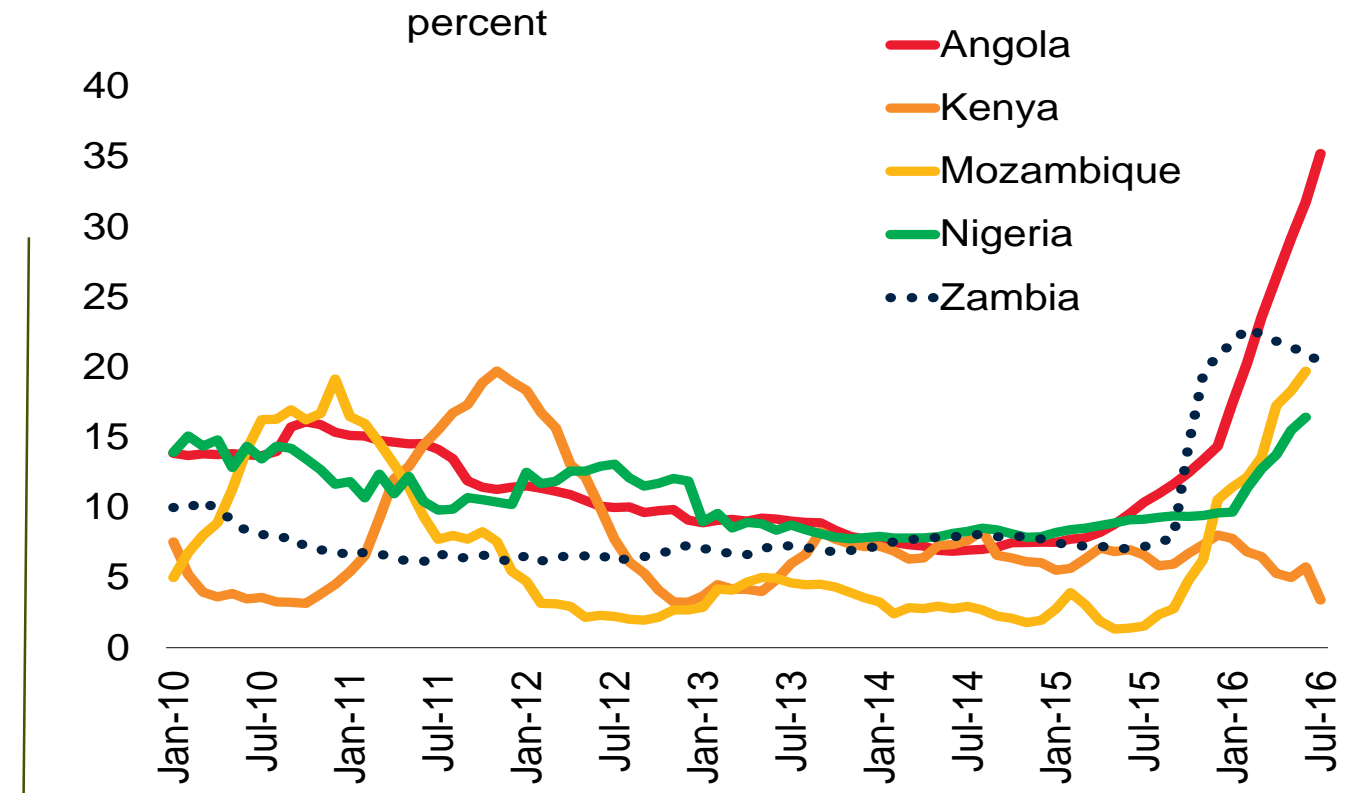


# Currency pressures have fueled inflation

LCU/US\$, percent change since January 1, 2014

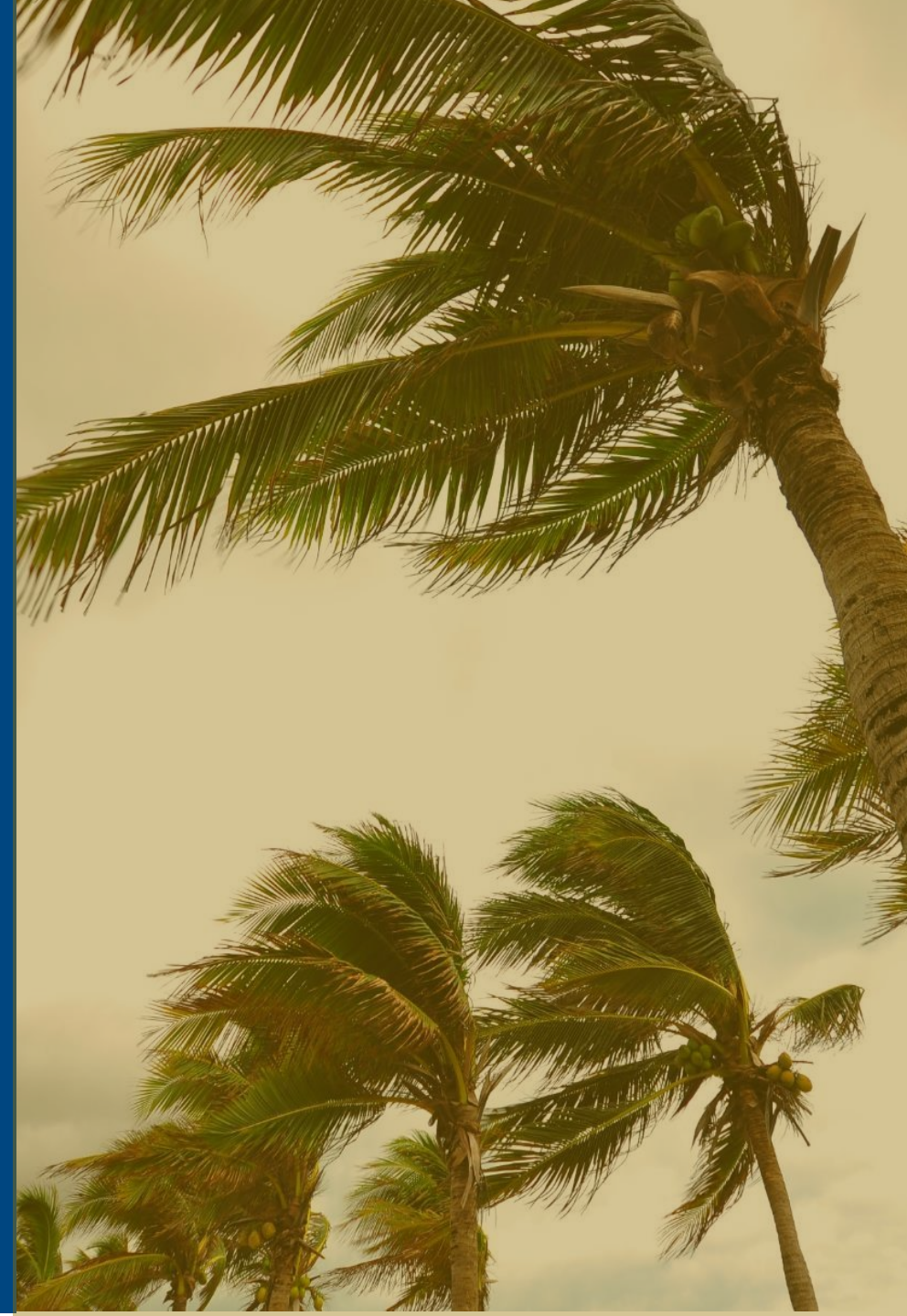


Year-on-year, in percent

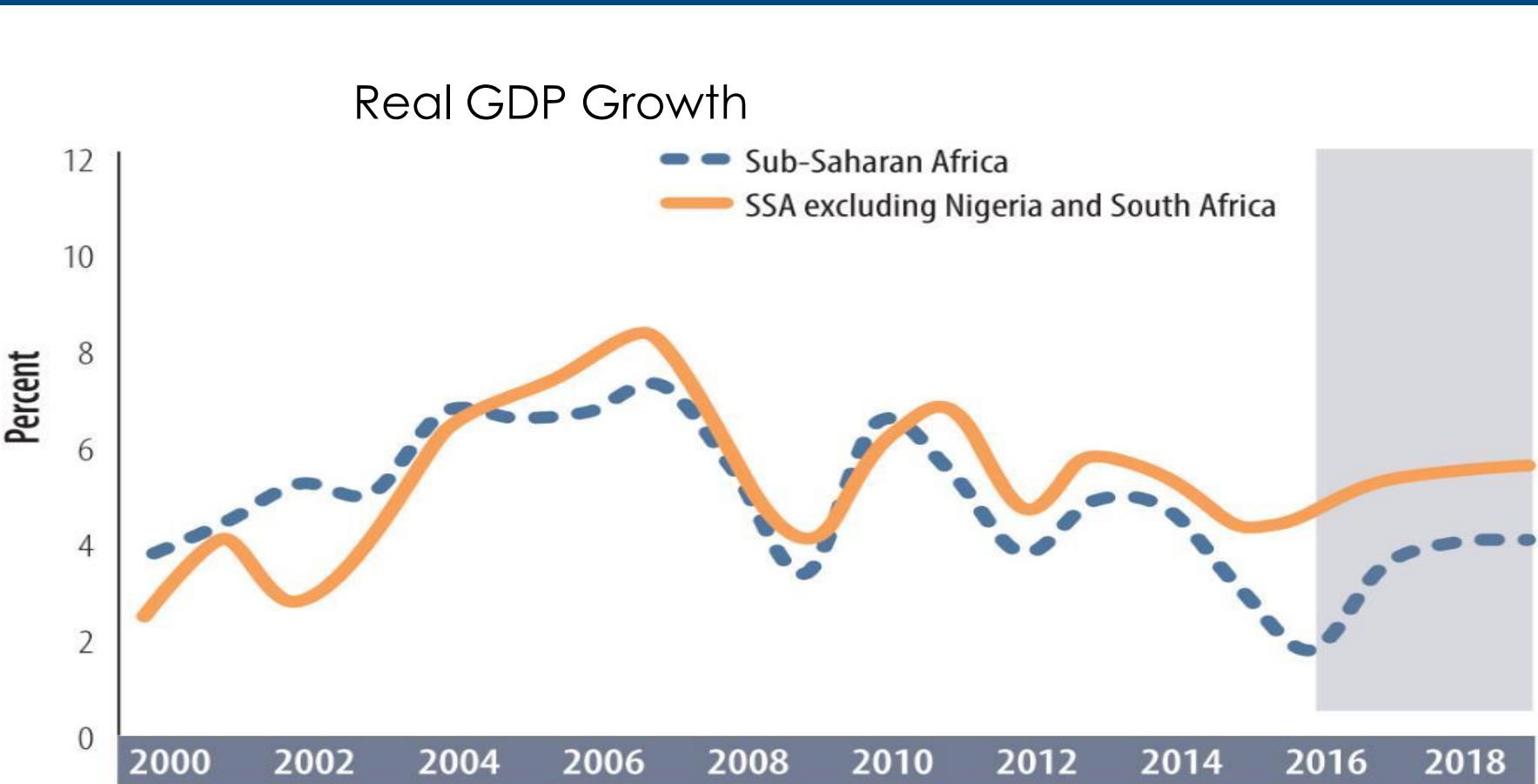


# Mounting Domestic Headwinds

- Policy Uncertainty
- Terrorism
- Elections
- Natural Disasters



# Leading economic growth to dip to a two-decade low... And negative income per capita growth...



**1.6**  
Real GDP Growth in 2016

**2.7**  
Population Growth

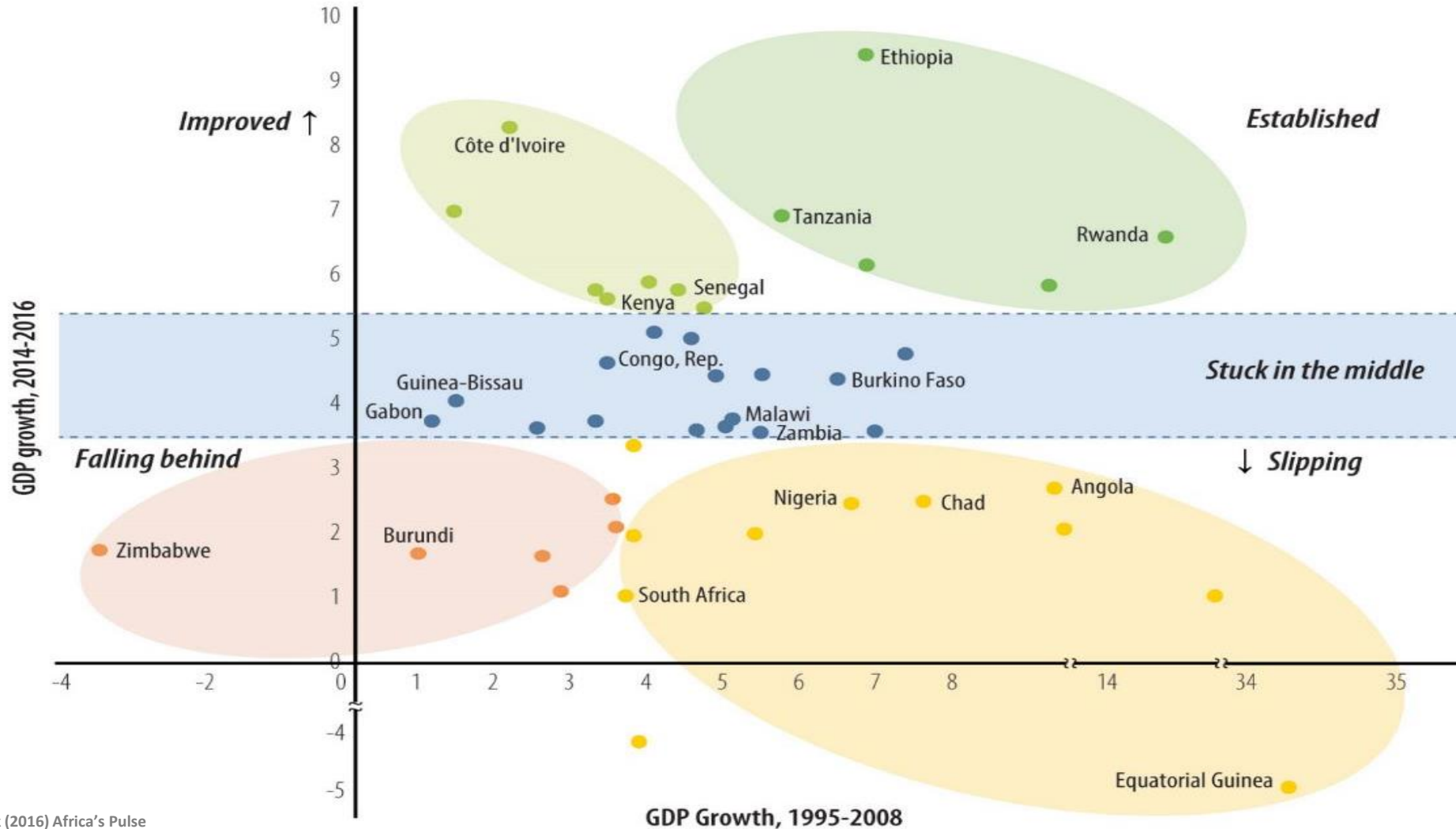
**-1.1**  
Real Per Capita Growth

8

Source: The World Bank (2016) Africa's Pulse

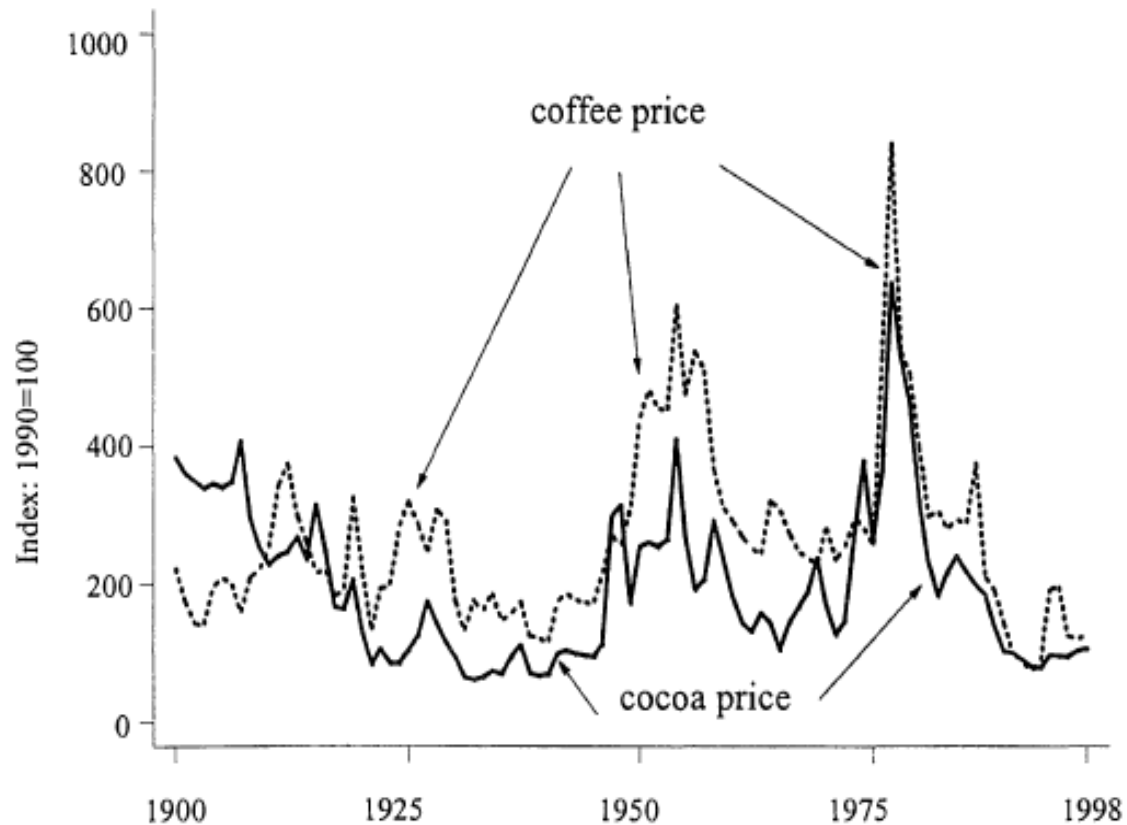


# But growth performance is not homogenous across the continent: 41% of Africans live in countries showing resilience amid weak regional growth



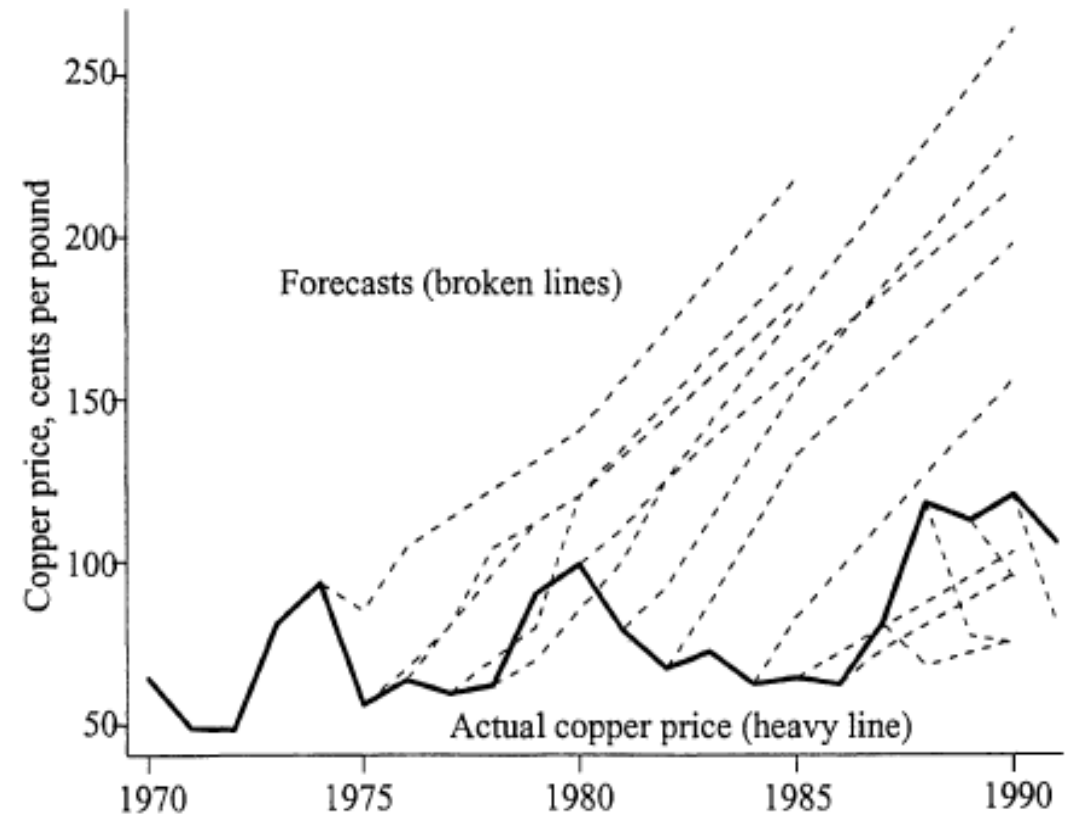
# We cannot continue relying on commodities

Real coffee and cocoa prices 1900-1998



Source: World Bank data

Actual and forecast prices for copper



Source: Angus Deaton, 1999

*“...These figures illustrate a number of features of commodity prices that have been important both in the history of Africa, as well as for the commodity price literature in economics.*

*...Putting the matter conservatively, real commodity prices show distinct lack of a positive upward trend; owners of a constant flow of primary commodity would not have seen much growth in their real income since 1900....”*

**Angus Deaton**

Laureate of the 2015 Nobel Memorial Prize in Economic Sciences<sup>11</sup>

## **2. Africa can seize bigger and better opportunities**



**Grabbing opportunities for African exports of higher value products and services in Asia**

**Deepening regional trade at home**

# Rising consumption in East Asia: An Opportunity for African exports of goods and services

**US\$ 9.5 trillion**

Private consumption in 2010 East Asia and Pacific; 34% of the global private consumption; higher than the Euro Area!

**\$25 Billion per year**

East Asia demand for world's fish and seafood, a quarter of world imports

**US\$ 16.3 Billion**

Asia-Pacific region's chocolate market by 2018

**3.2 Billion People**

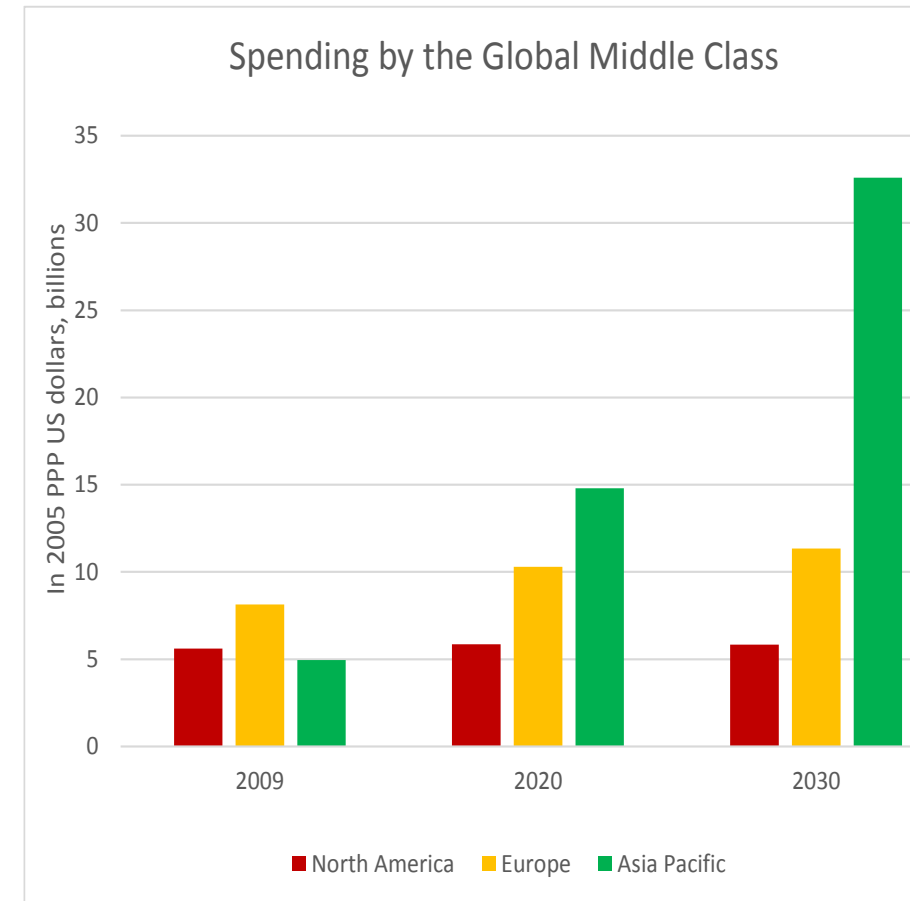
The size of the Asia's Middle-Class Population, 66% of the Global Middle Class by 2030

**340 Million**

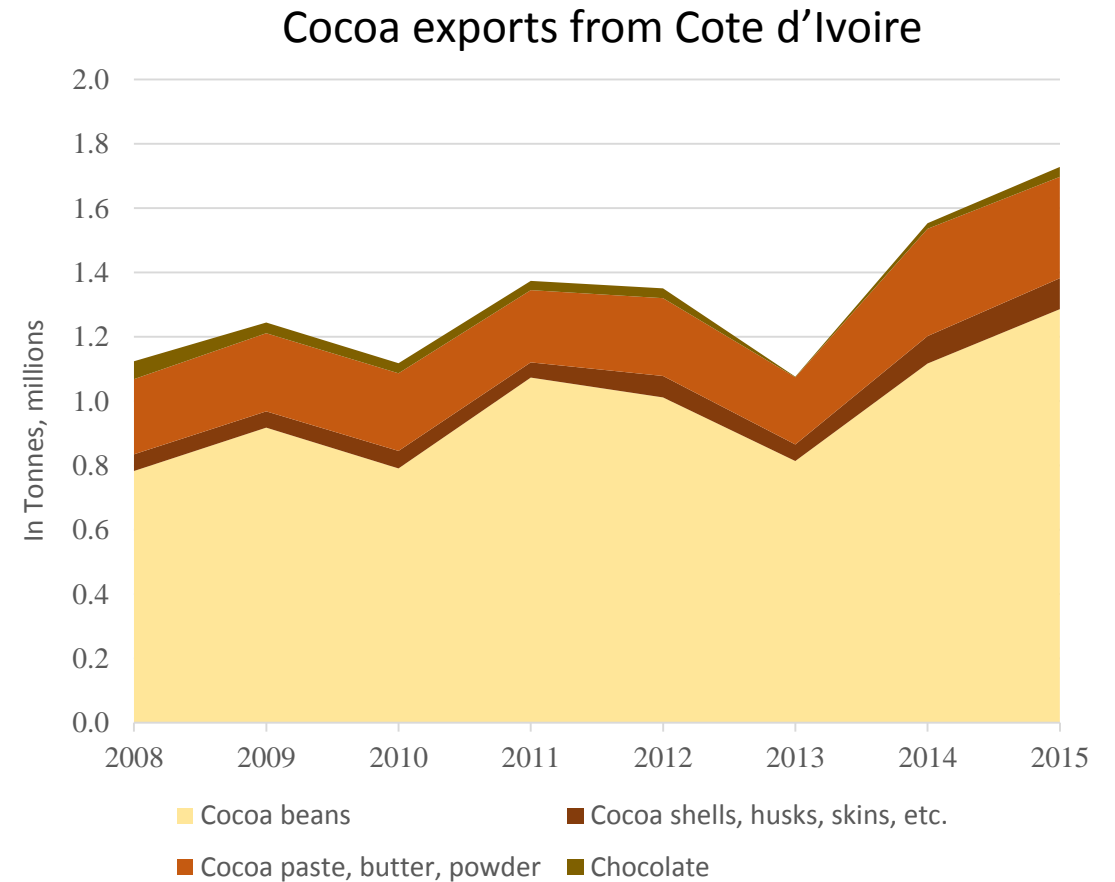
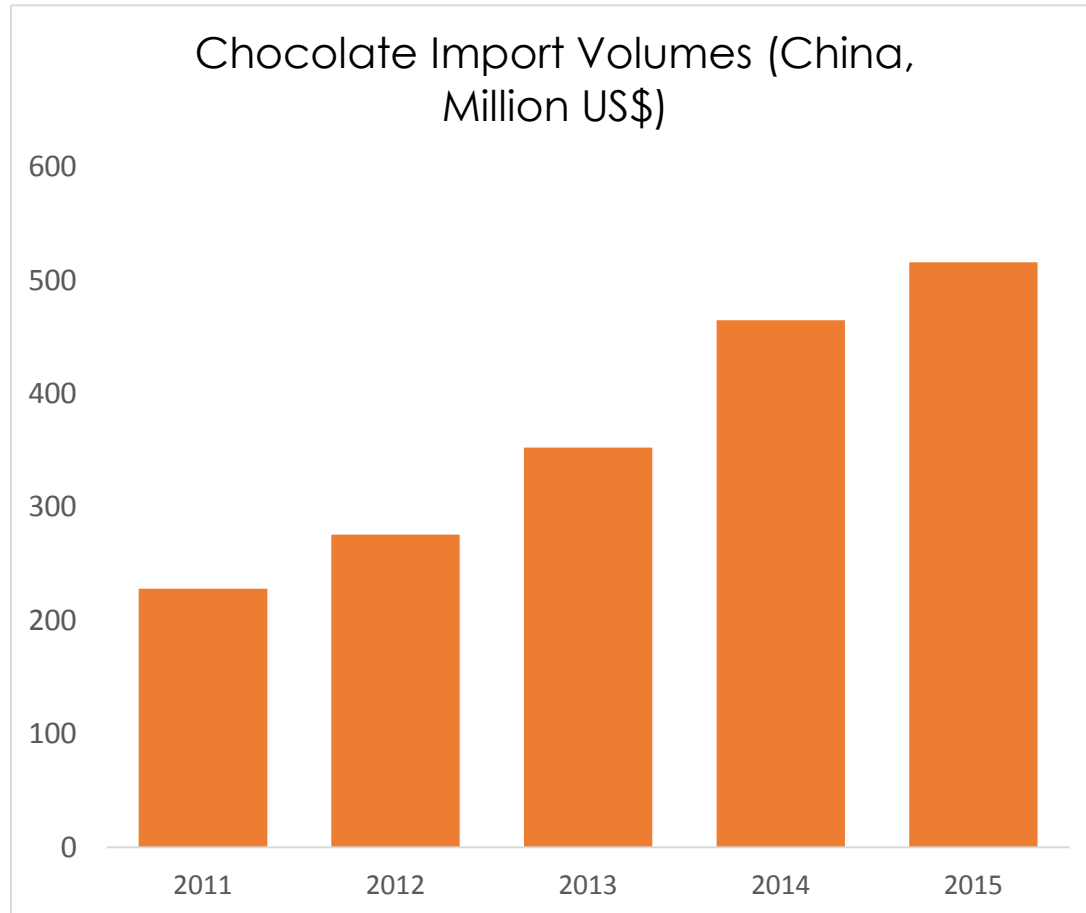
The number of international tourism departures from East-Asia and Pacific & South Asia in 2014, 28% of the world total

**50%**

East and South-East Asia's share of Global coconut and cashew nut Imports



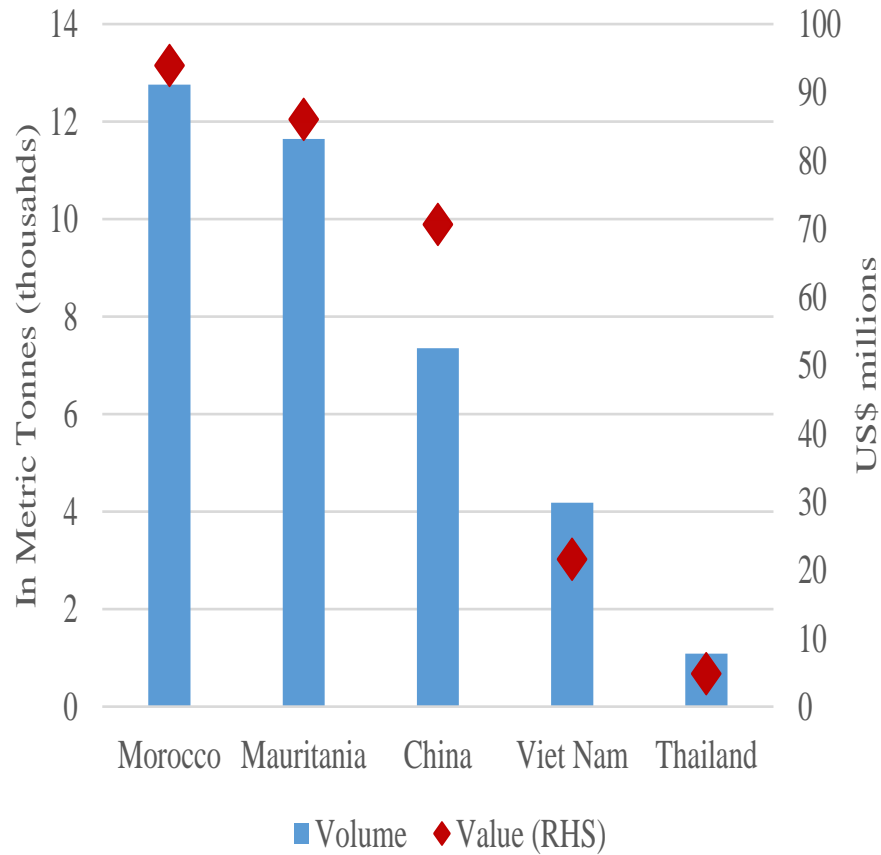
# Asia-Pacific region's chocolate market will increase by around 23% by 2018!



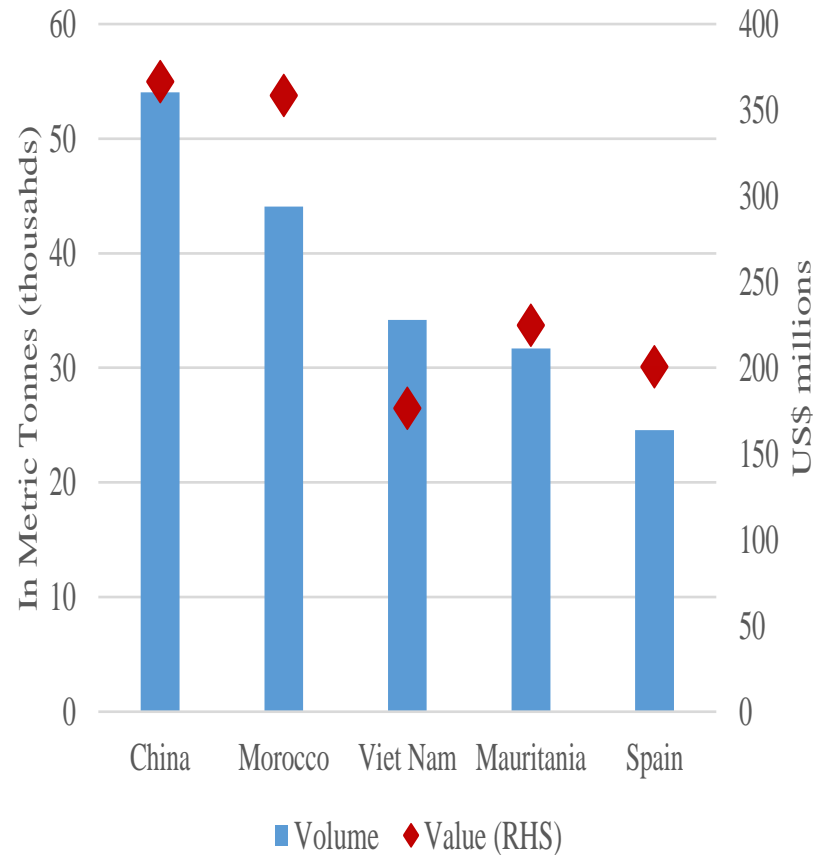
# Making it sushi-ready?

## Mauritania octopus exports to Japan

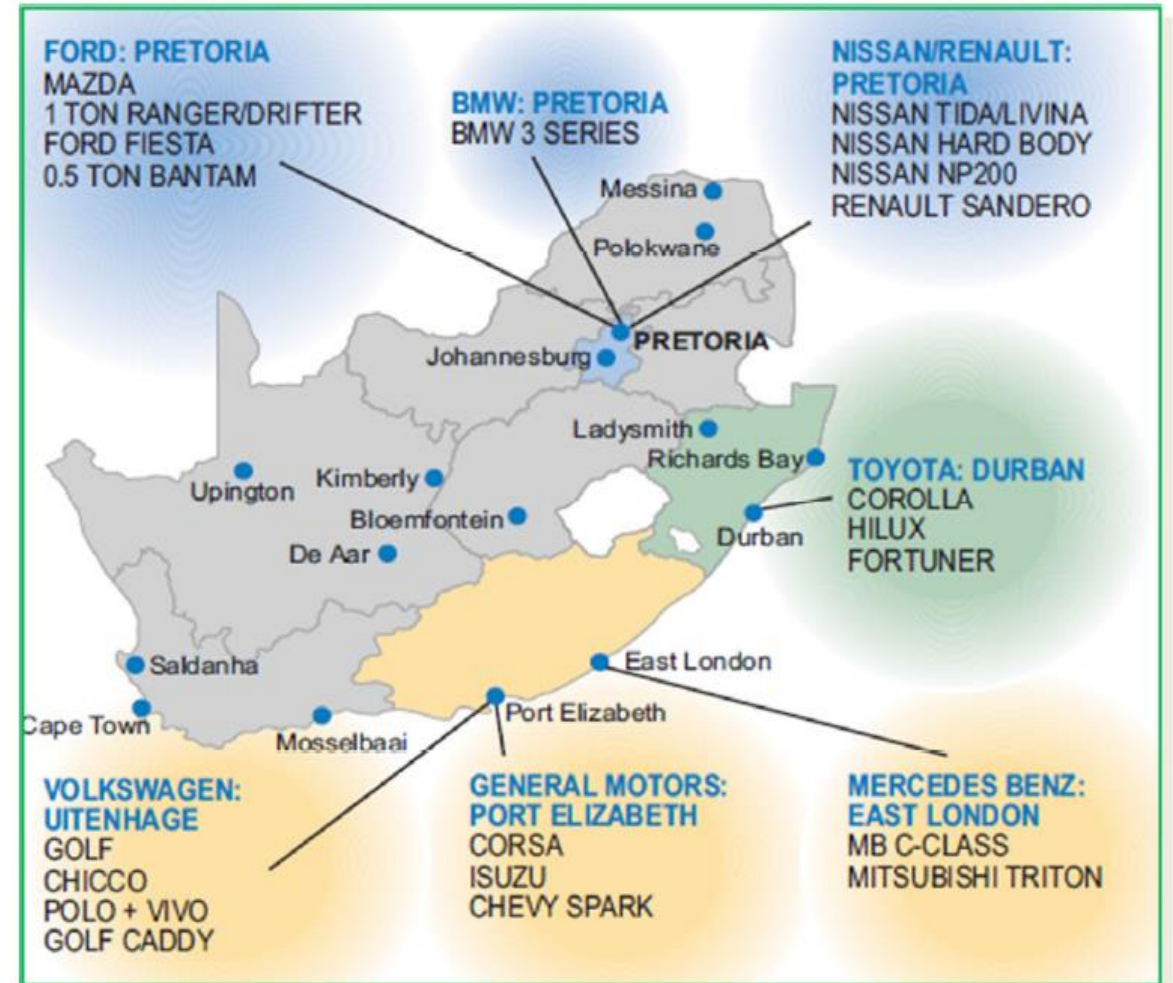
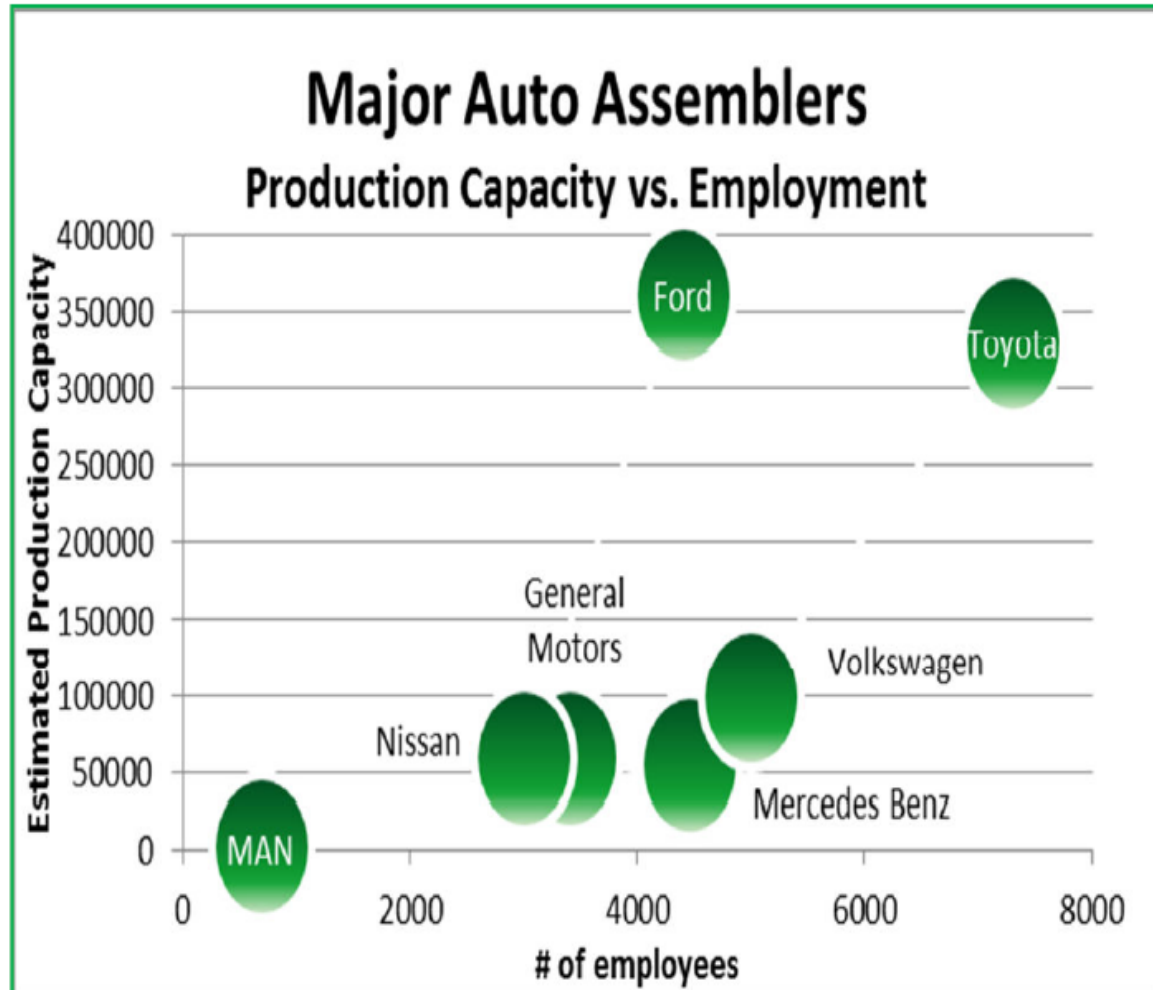
### Top octopus exporters to Japan



### Top octopus exporters in the world

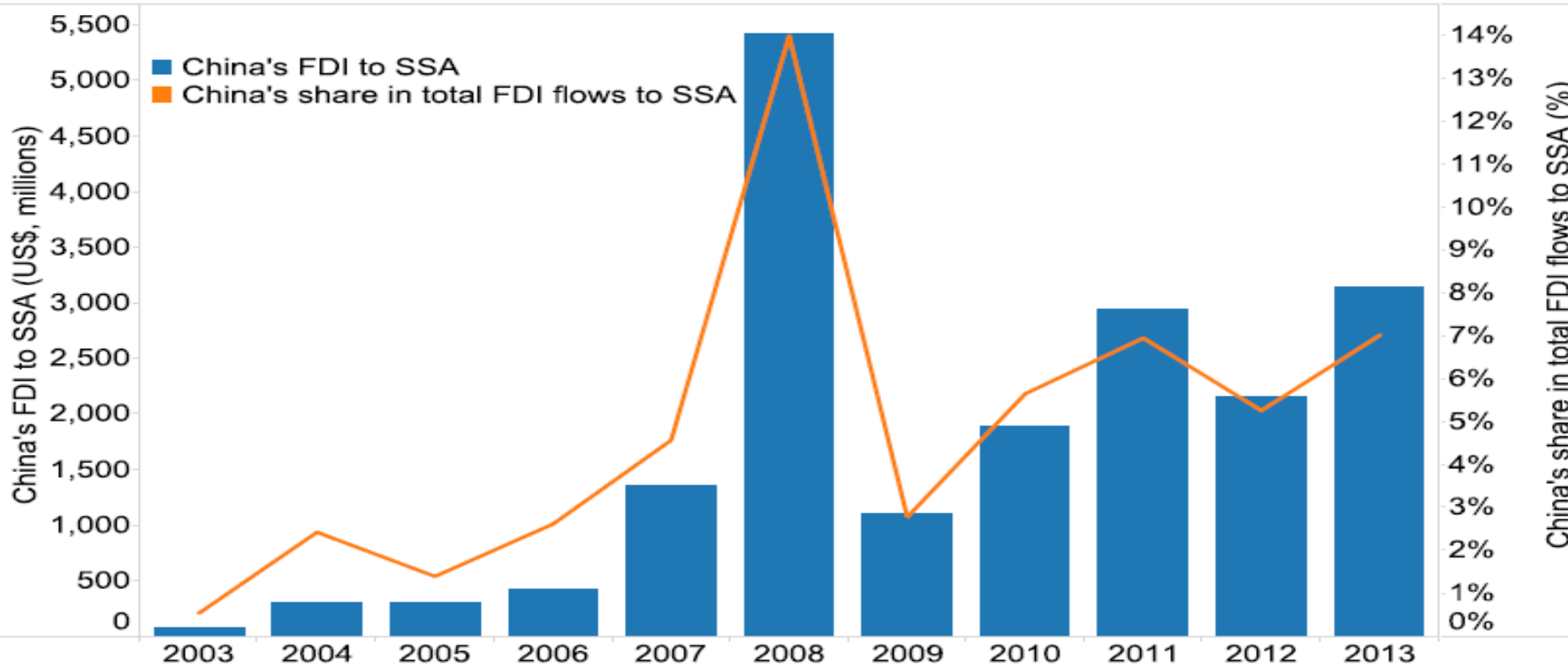


# Breaking into automotive global supply chains: Auto assemblers in South Africa





# China's FDI to Sub-Saharan Africa is still low



Source: UNCTAD 2014; MOFCOM 2014



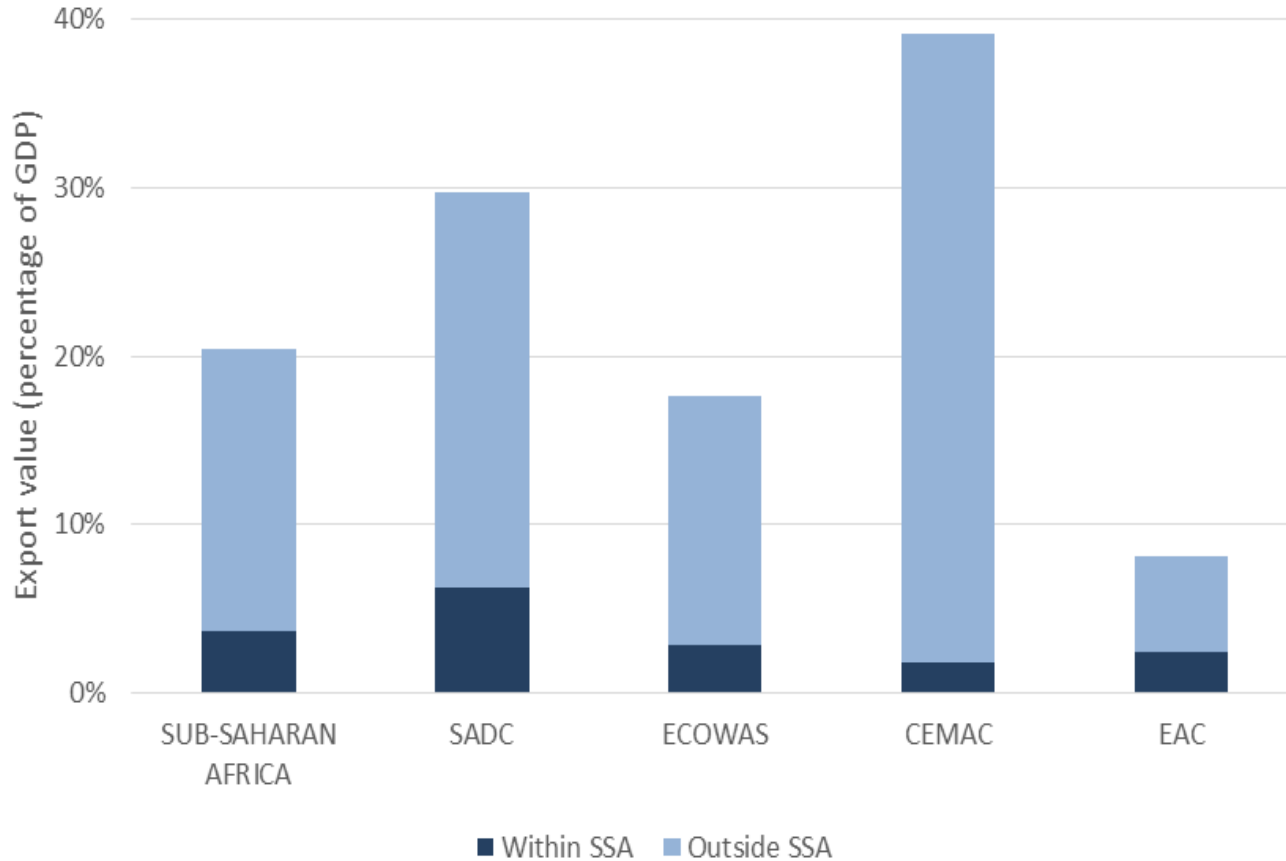
# Leveraging African Diaspora



中国和非洲通过合作生产产品

# Deepening intra-regional trade

Intra- and extra-regional exports (2013 - 2015)



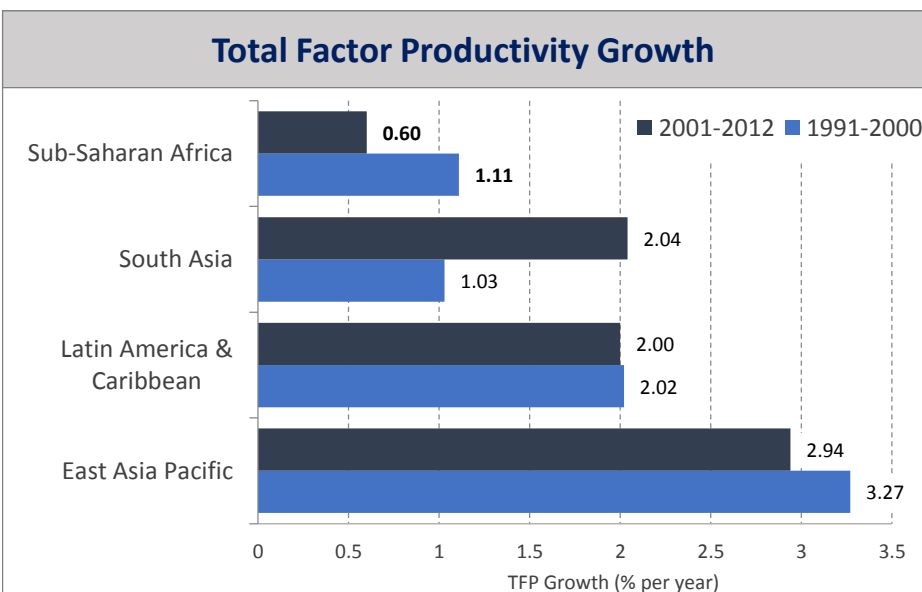
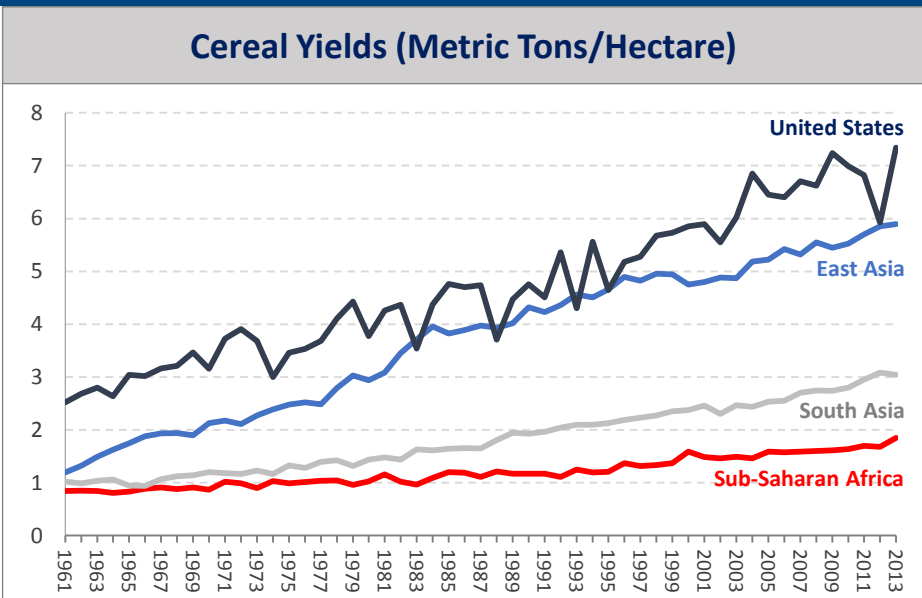
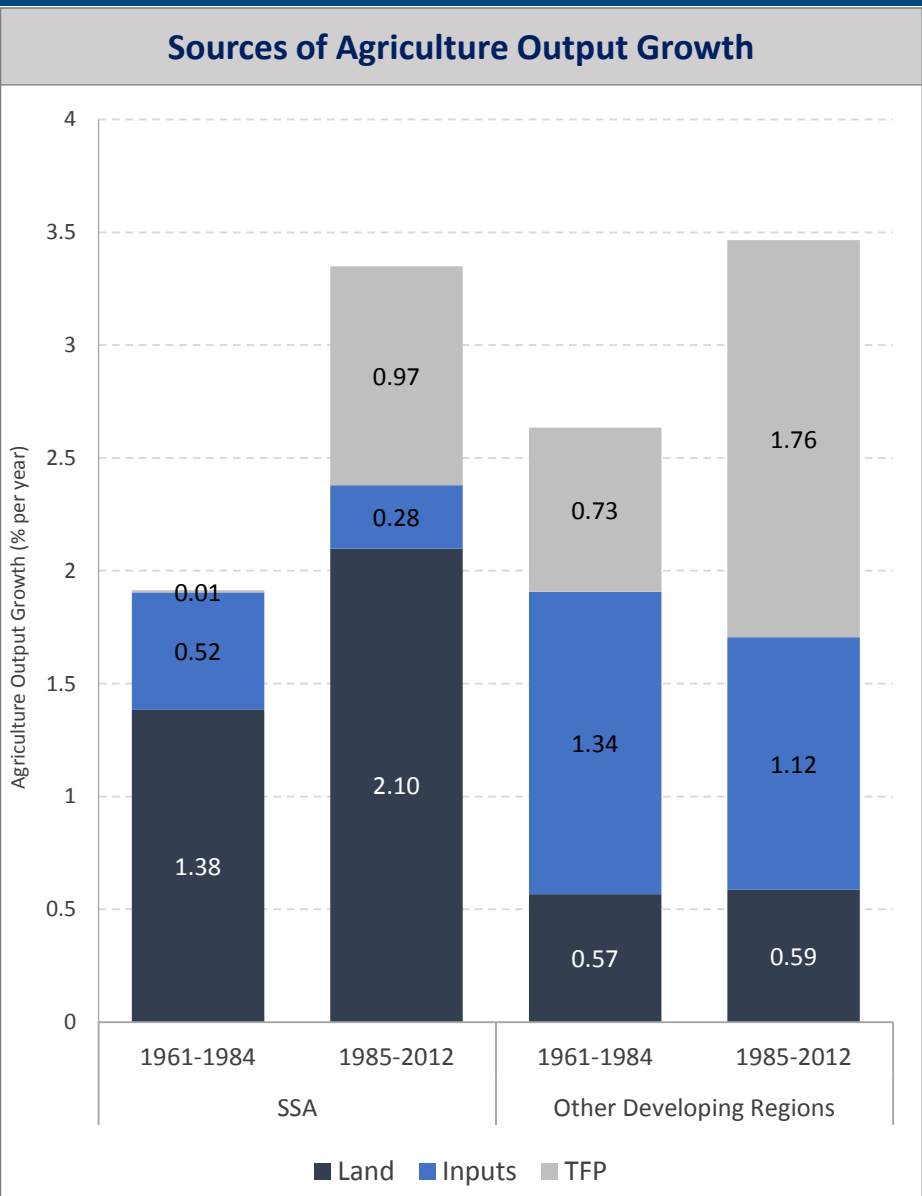
# 3. The Policy Mix

**Squarely Focus on policies to Boost  
productivity and strengthen the  
social contract**

# Capital accumulation drove most of the growth not TFP



# Agricultural growth largely driven by area expansion



Source: Goyal, A. and Nash. J. 2016 AFR Regional Flagship Study Forthcoming

# Policies for boosting productivity



## 1. Close the Infrastructure gap

## 2. Ensure markets' contestability

- **Competition (entry and exit): dismantle cartels**
- **Factor markets (land and labor)**
- **Investment climate**

## 3. Reduce the distance to the technological frontier

- **Quality Education/Skills**
- **ICT**
- **Technology Adoption and Adaption**

# Policies for reducing within-country inequalities and strengthening the social contract



创造优质就业机会 促进可持续增长

1. Youth Employment

2. Urban-rural divide in public services delivery

3. Gender gap in education and health



# Five action-items

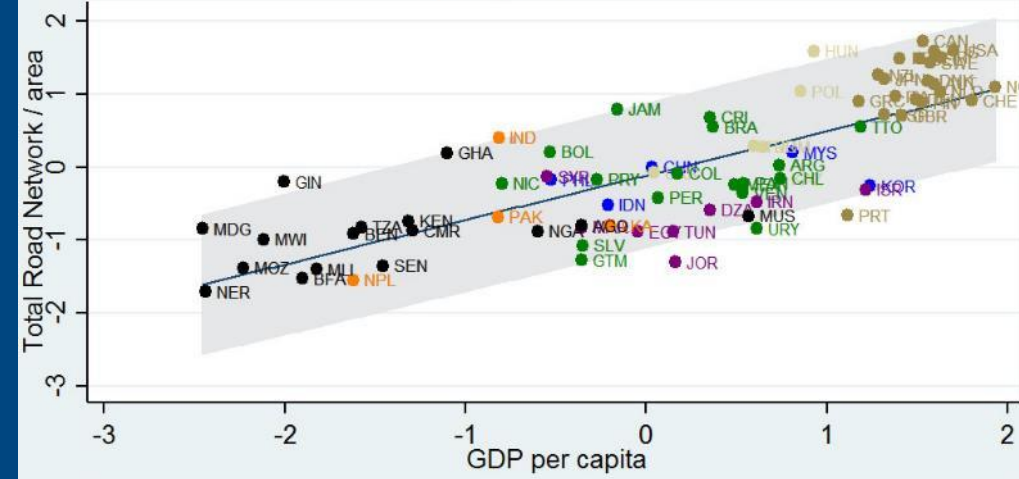
1. **Aggressively and relentlessly attract and nurture private investments in infrastructures, manufacturing and high value services**
2. **Fix Utilities once for all. They do make money elsewhere in the world when they are well managed**
3. **Step-up reforms of the regulatory framework to ensure markets' contestability**
4. **Invest in skills and technology to reduce the distance to the technological frontier**
5. **Mobilize more revenues domestically, especially from land and real estate, to deliver "spatially and gender-blind" quality public services**

# Close the gap in physical infrastructure



## Quantity Infrastructure: Total Road Network

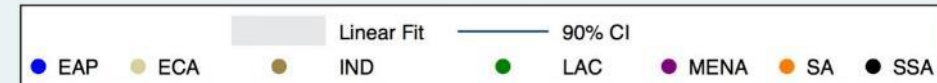
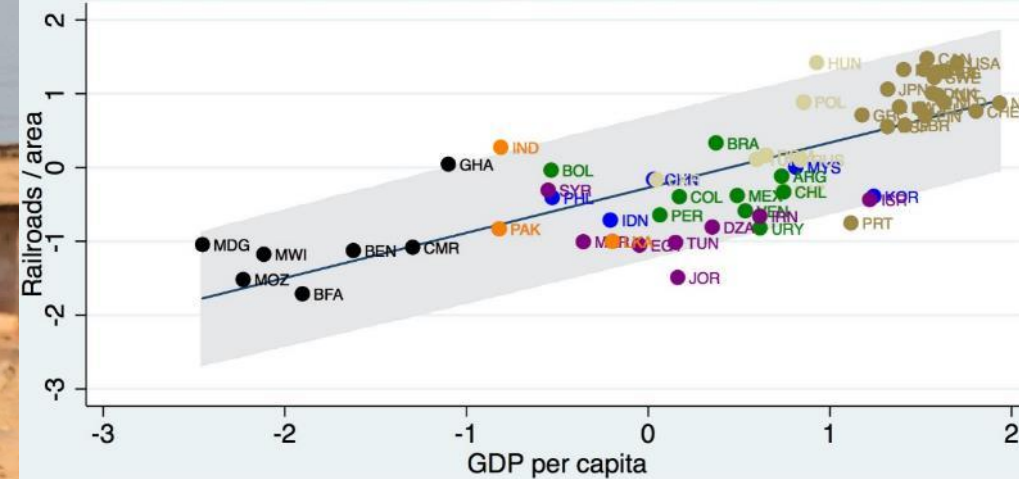
Average 2008 - 2012



R-sq: 0.6025; Observations 77; Using PWT 9.0  
Geographical and demographical residuals

## Quantity Infrastructure: Railroad Network

Average 2008 - 2012

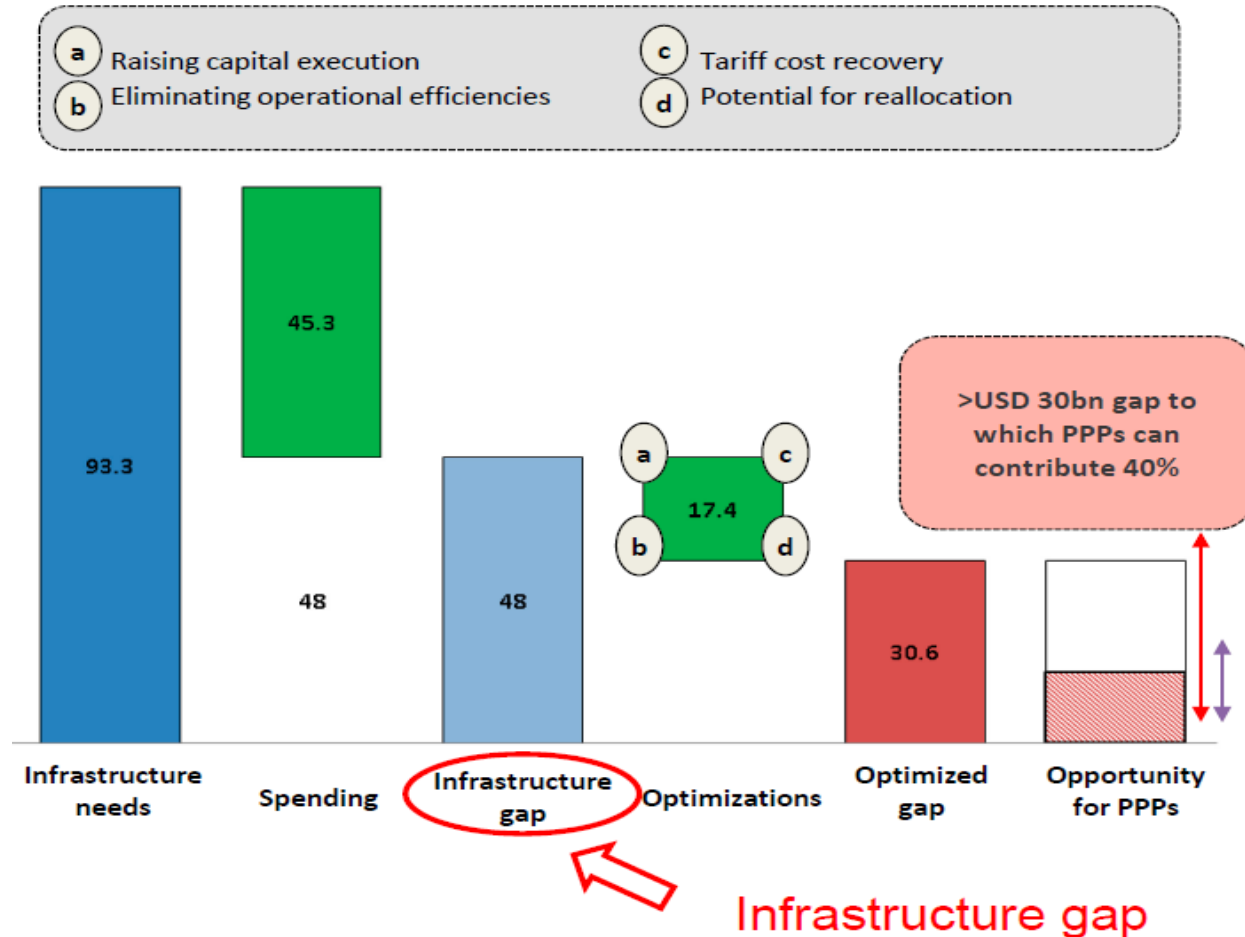


R-sq: 0.5856; Observations 59; Using PWT 9.0  
Geographical and demographical residuals

# Large gaps in energy at all levels of the sector

	Current status	Needs
Electricity access Rate	32%	Universal access by 2030
Generation Capacity (Per year)	1 – 2 GW per year	6 – 7 GW per year
Infrastructure Investment (Per year)	USD 9 – 10 Billions	40 – 50 Billion

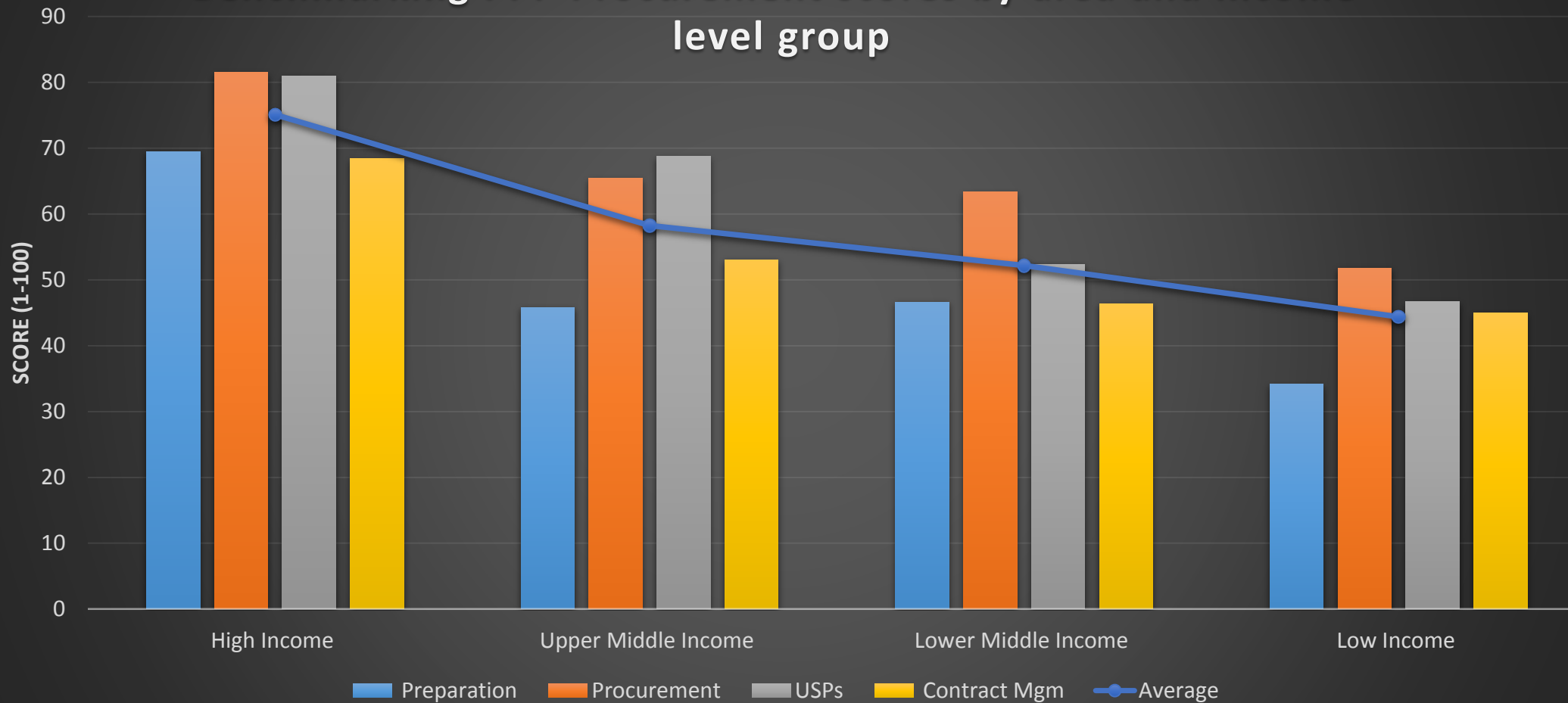
# Unlocking the potential of global capital markets and private sector to finance infrastructure development



- Africa's annual infrastructure needs estimated at **US\$ 93 billion (15% of region's GDP)**.
- **Infrastructure financing gap of US\$ 48 billion per year:**
  - **About US\$ 17.4 billion could be financed through operational optimization**
  - **PPPs potentially can contribute annually with US\$ 12 billion (40% of optimized gap)**

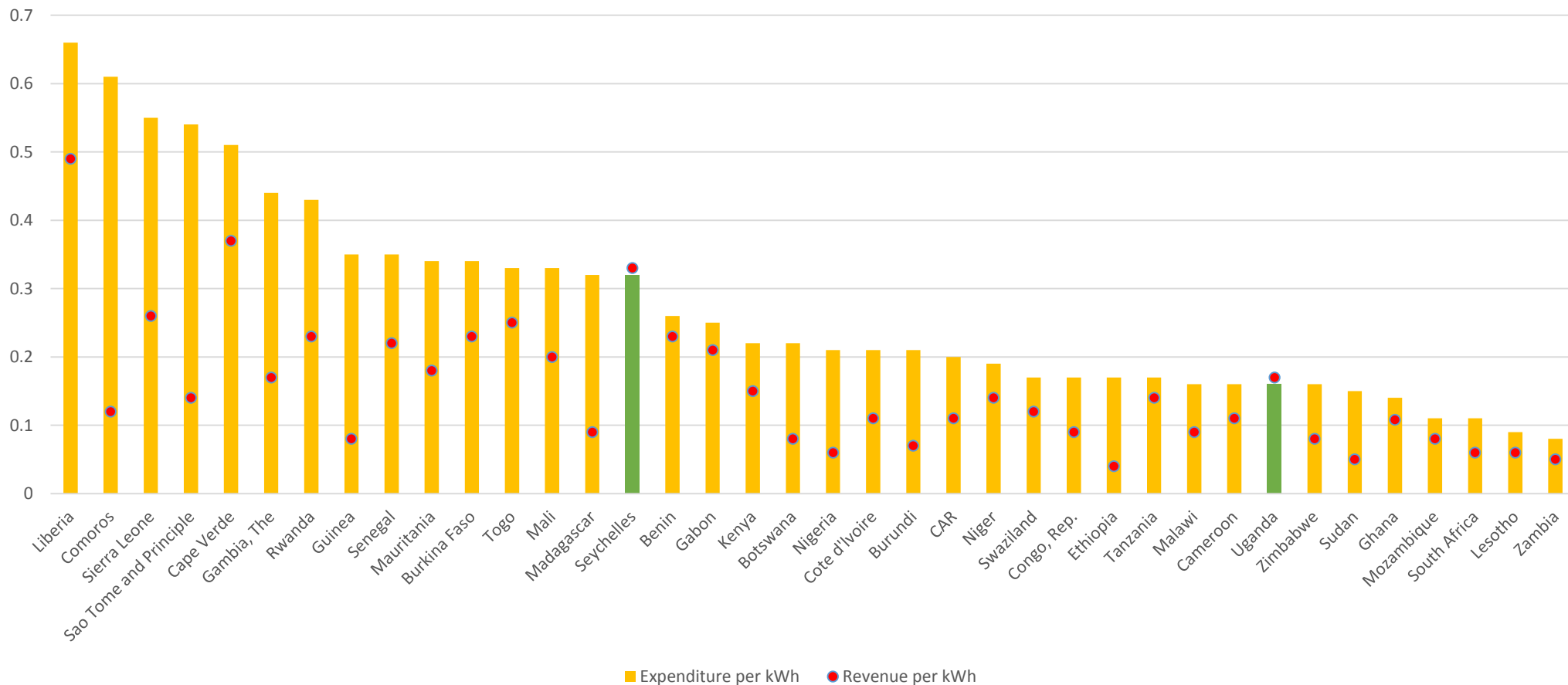
# Improving procurement frameworks: Capacity, competition and transparency are key!

## Benchmarking PPP Procurement scores by area and income-level group



# Fix utilities: Nearly all electricity utilities running at loss on the continent

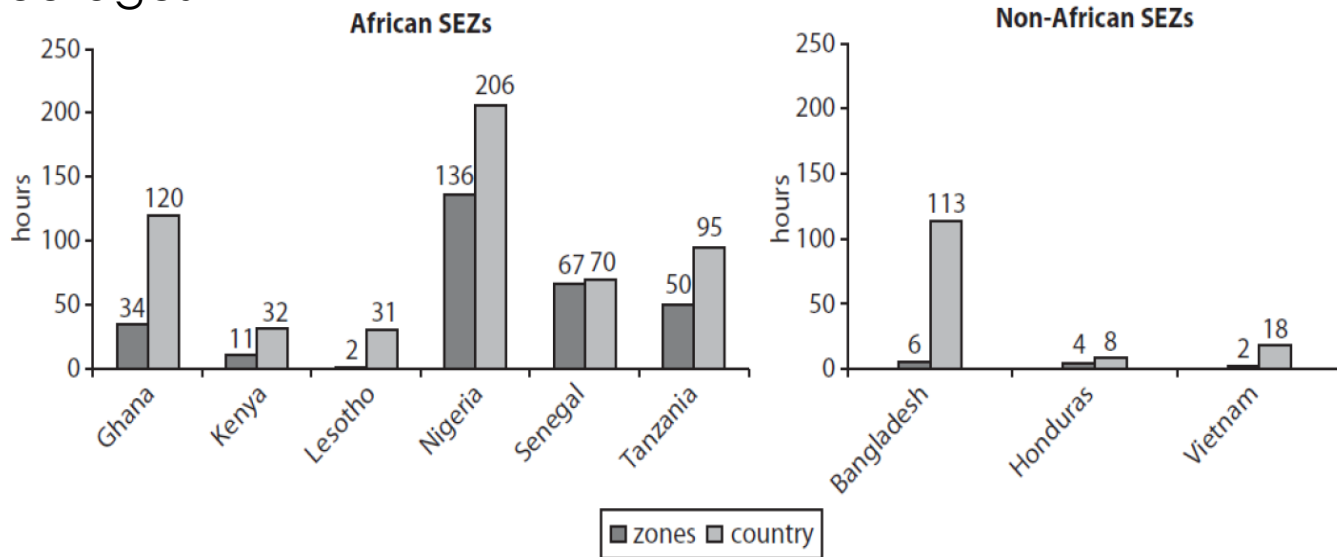
Comparison of Costs and revenue Collected per kWh billed (in 2014 U.S. Dollars )



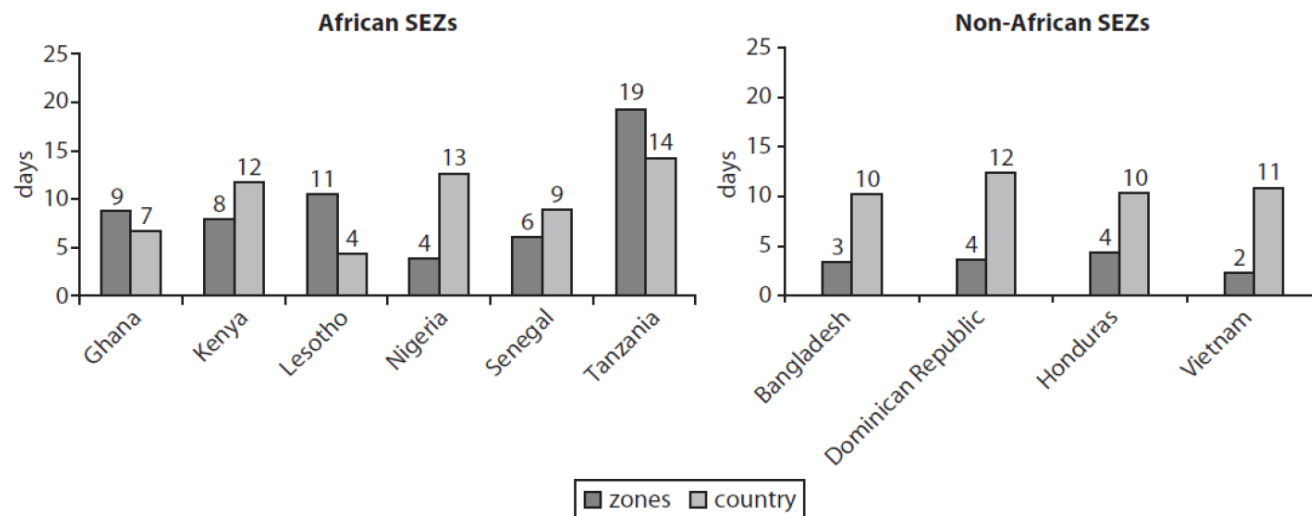
- Only Seychelles and Uganda cover their total current cost
- Lesotho and Zambia operate at less than 10 cents per kwh

Source: Adapted from Trimble et al. (2016)

## Average monthly downtime due to power outages



## Average time needed for imports through major seaport for customs clearance



Source: Zheng, Douglas (2015) Global experiences with Special Economic Zones: Focus on China and Africa.

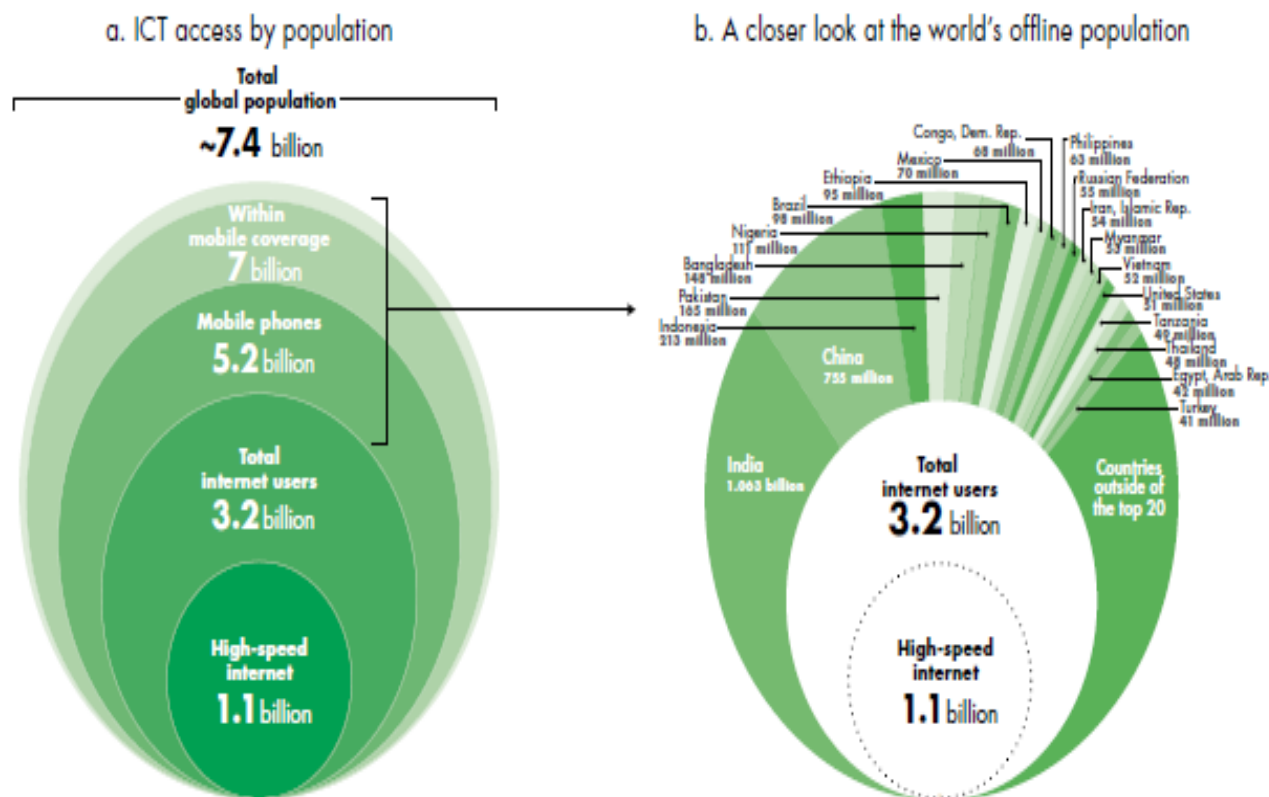
# Reduce logistic costs



# Invest in ICT to anticipate the changing jobs landscape

## DIGITAL DIVIDENDS

**Figure O.5** The internet remains unavailable, inaccessible, and unaffordable to a majority of the world's population

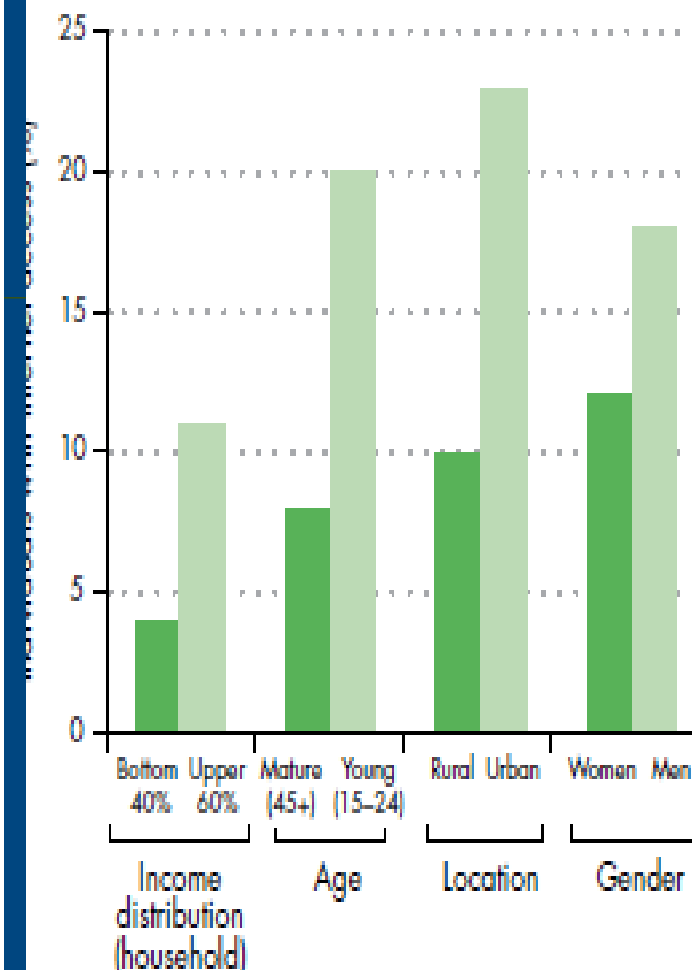


Sources: World Bank 2015; Meeker 2015; ITU 2015; GSMA, <https://gsmaintelligence.com/>; UN Population Division 2014. Data at [http://bit.do/WDR2016-FigO\\_5](http://bit.do/WDR2016-FigO_5).

Note: High-speed internet (broadband) includes the total number of fixed-line broadband subscriptions (such as DSL, cable modems, fiber optics), and the total number of 4G/LTE mobile subscriptions, minus a correcting factor to allow for those who have both types of access. 4G - fourth generation; DSL - digital subscriber line; ICT - information and communication technology; LTE - Long Term Evolution.

### a. Africa

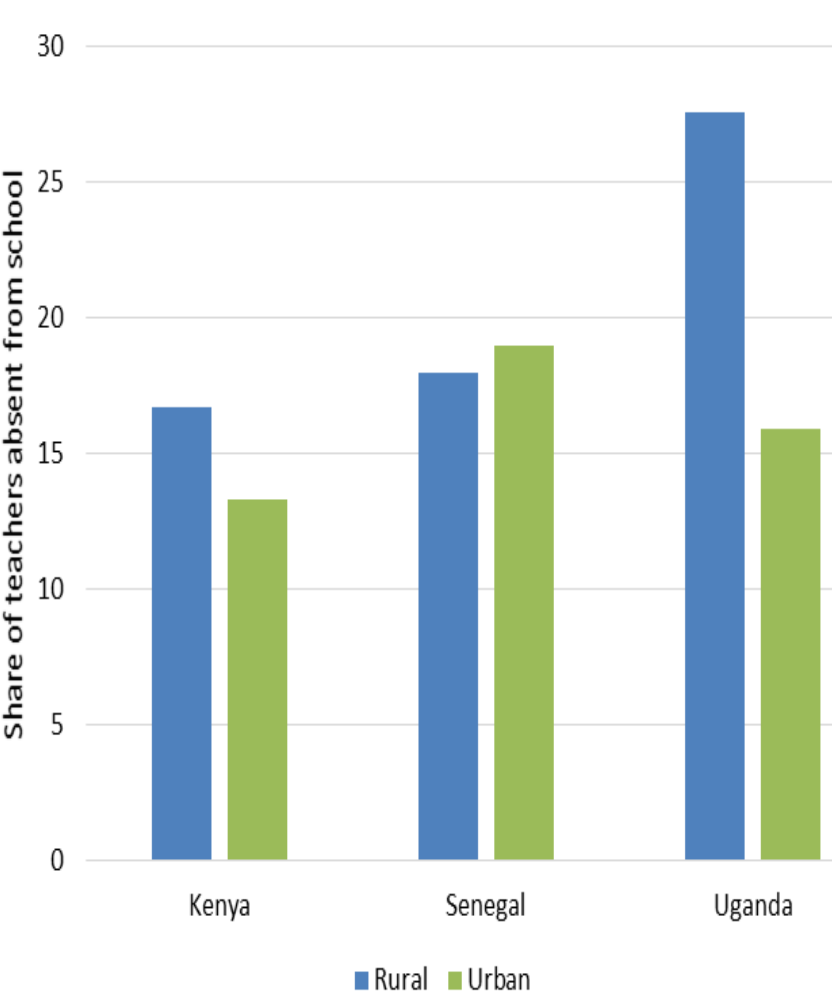
Within-country digital divide can be significant



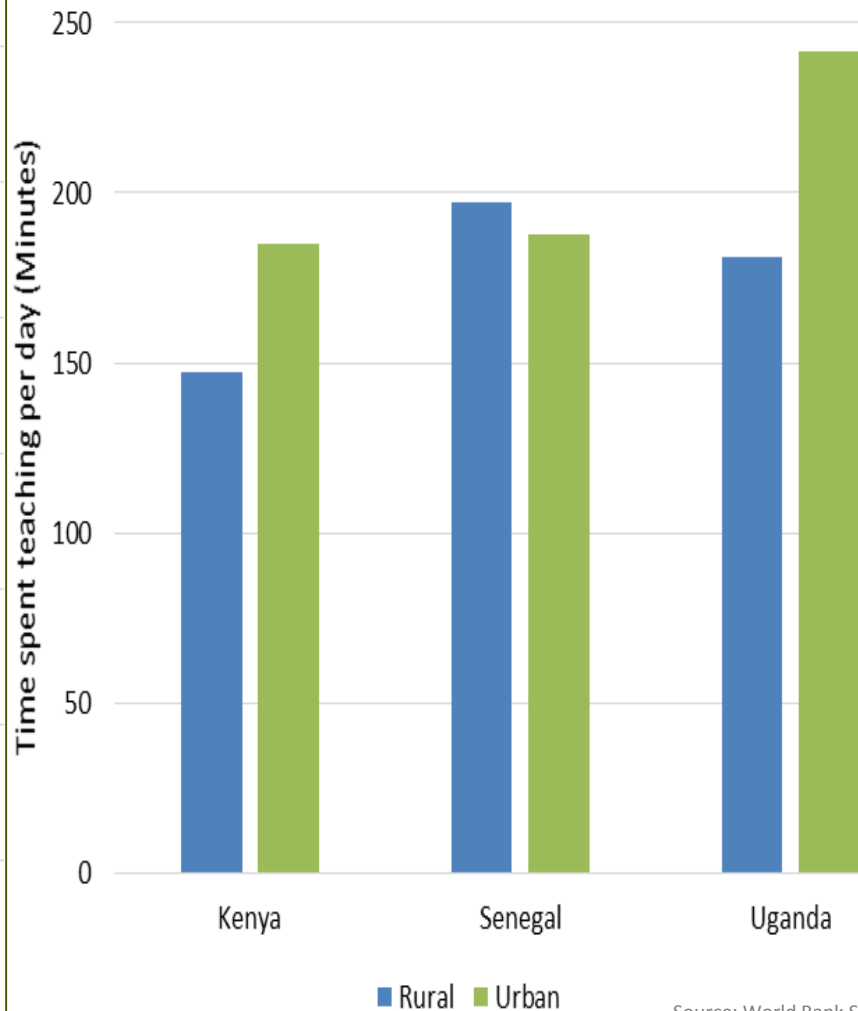


# Urban-rural gap in quality of education

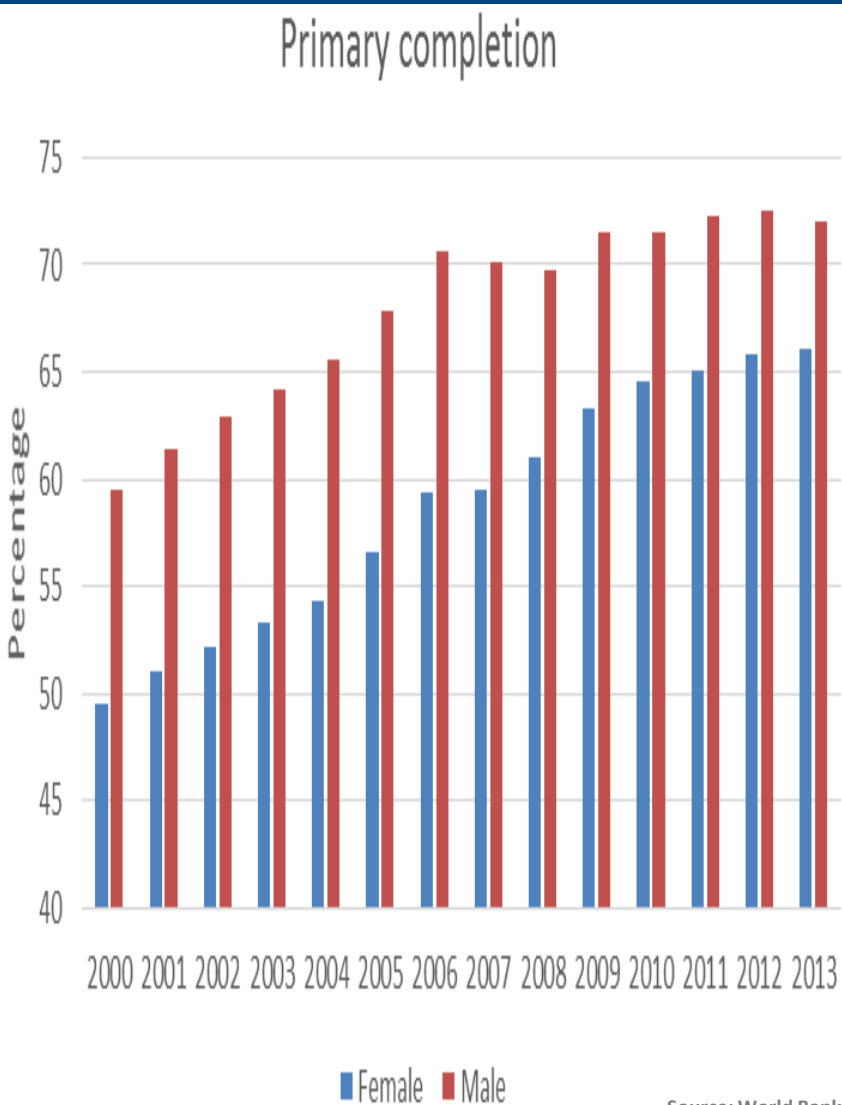
## Absence of teachers at school



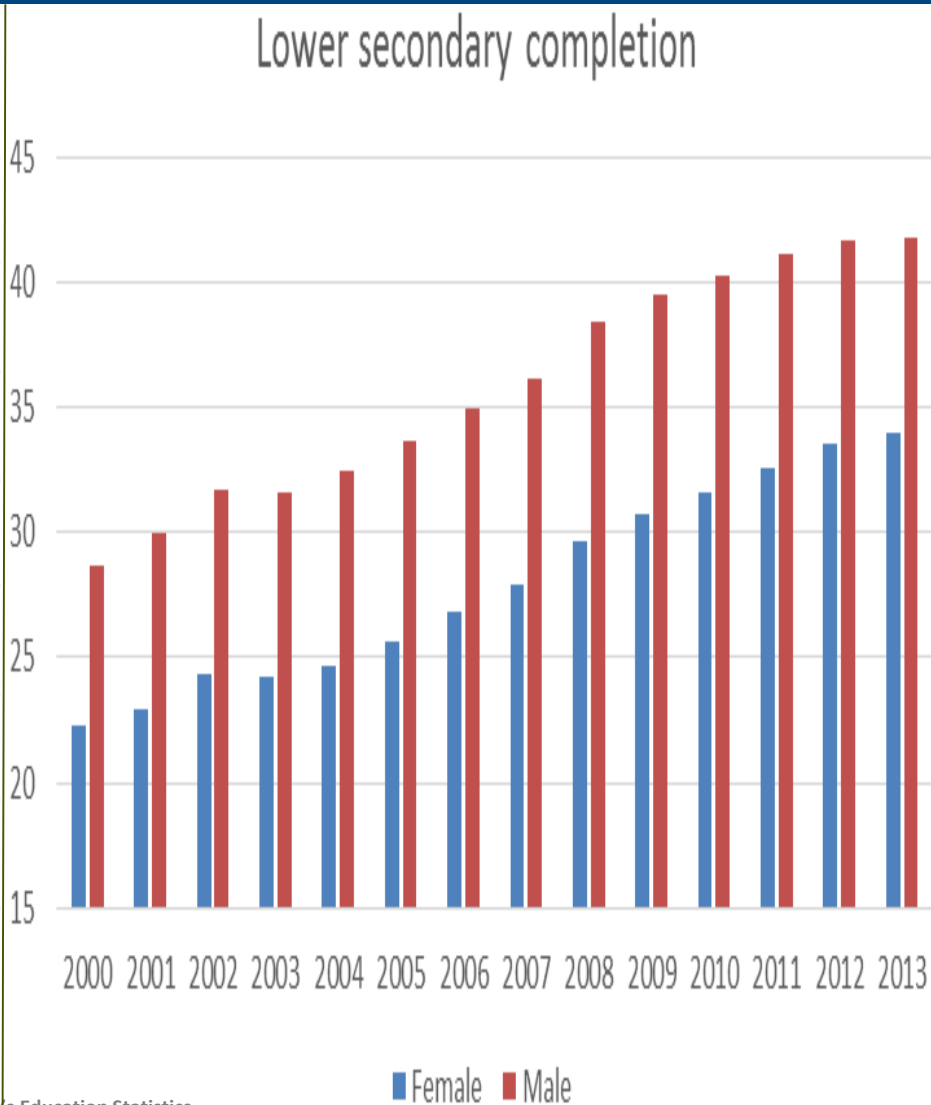
## Time spent teaching



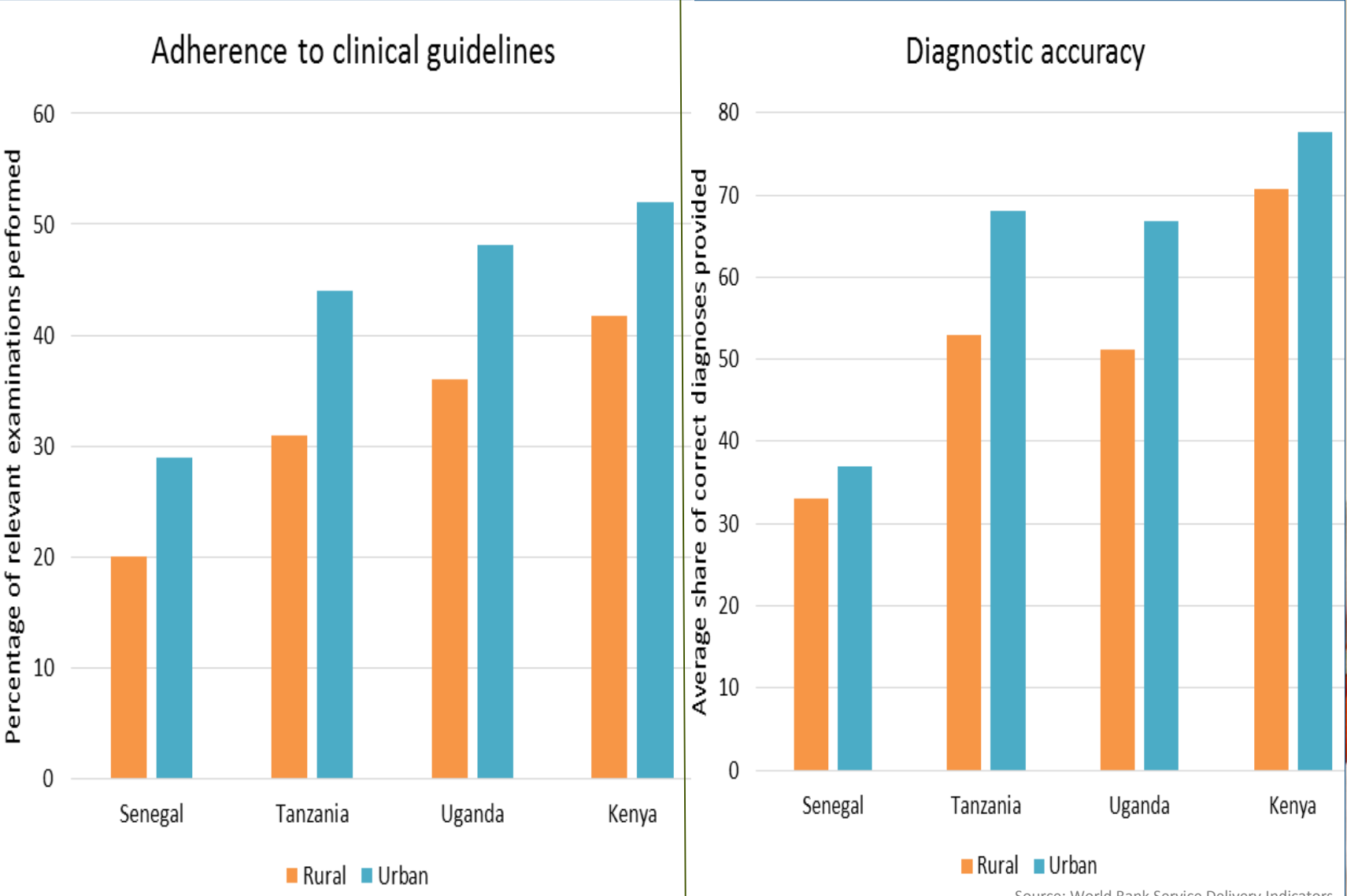
# Gender gap in education



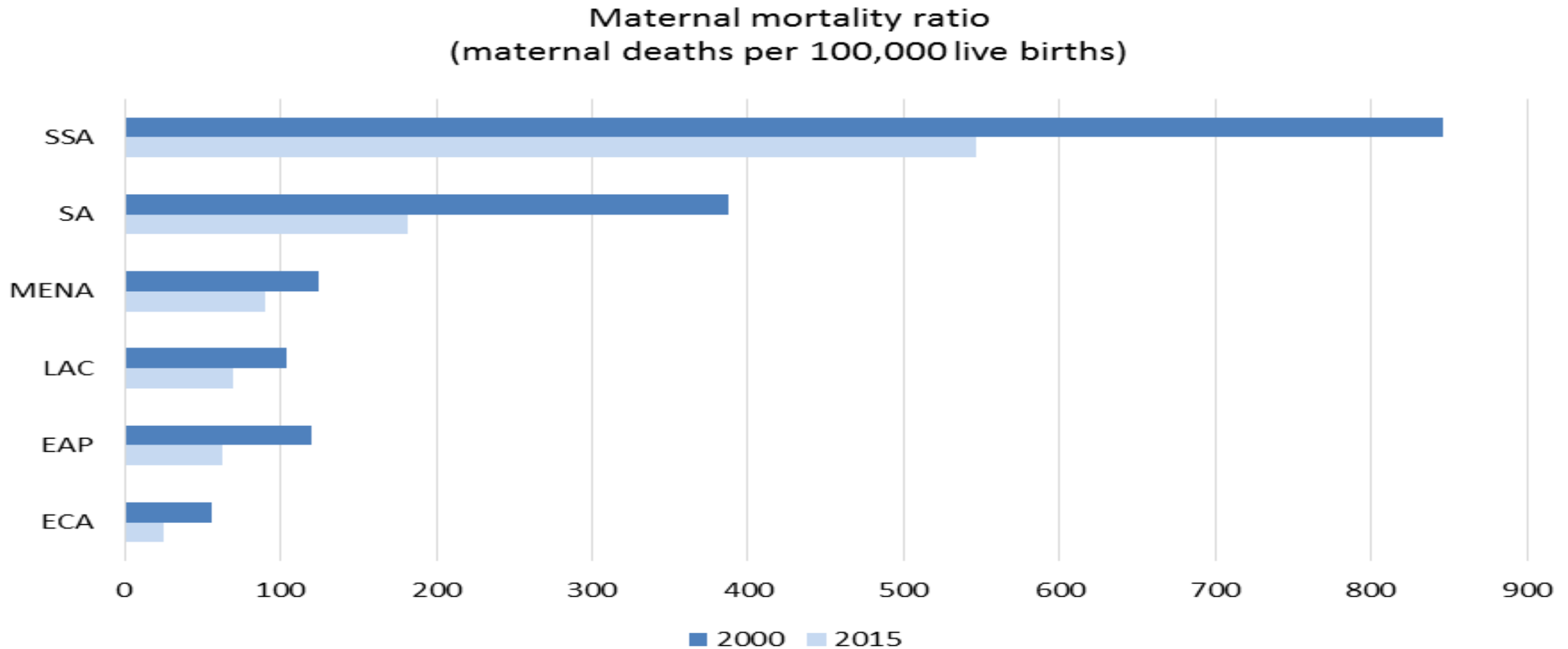
Source: World Bank's Education Statistics



# Urban-rural gap in health



# Maternal mortality still too high in Sub-Saharan Africa



# Accelerate progress toward universal health care in Africa

## Financing

- More and better spending and effective financial protection

## Services

- People-centered, quality and multi-sectoral action

## Equity

- Targeting the poor and marginalized and leaving no one behind

## Preparedness

- Strengthening health security

## Governance

- Political and institutional foundations for the UHC agenda



**Thank you!**