Growing Fast, Transforming Slowly

- Steady growth over last decade ~ 5%
- 7 of top 10 fastest growing economies for next five years

Real GDP per capita (constant 2005 US$), Relative to 1970 level

Source: World Bank Development Indicators
Are the high GDP growth rates in SSA sustainable? Will they bring shared prosperity?

We’ve seen this movie before…

Growth in the mid-1960s to early 1970s is similar to growth in the 2000s.

This earlier growth ended in crash of mid-1970s and 1980s and SAPs.

Will it end differently this time?

Growth in GDP Per Capita, 1960-2012, (3-Year moving average)

Source: World Bank Development Indicators
Economic Transformation = Growth + DEPTH

Growth

with

Diversification
Export competitiveness
Productivity
Technology
Human well-being
The Economic Transformation Record (1970-2010)

**SSA**

- Senegal,
- Burkina Faso,
- Ghana,
- Nigeria,
- Cameroon,
- Ethiopia,
- Kenya,
- Uganda,
- Tanzania,
- Rwanda,
- Zambia,
- Botswana,
- Mozambique,
- South Africa,
- Mauritius

**ACET-15 (“Size”)*

- S. Korea,
- Singapore,
- Malaysia,
- Thailand,
- Indonesia,
- Vietnam,
- Brazil,
- Chile

*ACET-15 in SSA (2010): Population 70%; GDP 76 %; Manufacturing Value-added 85%; Agricultural Production 65%; Exports 80%
Manufacturing is declining in SSA. Without manufacturing, opportunities for economic transformation are limited.

Why?

Production Share – MVA (% of GDP)

Data Source: World Bank Development Indicators
Export Diversification: Share of Top 5 Exports

- Exports are very concentrated in SSA and ACET-15; top 5 exports products generally form over 70% of commodity exports.

- Marginal improvement over the 40-yr period in SSA and ACET; dramatic progress in Comparators over the 1980s and 1990s.

Data Source: UN ComTrade. Rev 2 Digit 3
Export Diversification: Small Share of Manufacturing Exports

Exports in SSA and ACET-15 are concentrated mostly in commodities; manufactures under 20 percent. Very little progress over the past 2 decades.


Manufacturers Exports (% of Total Goods and Services Exports, BOP)

SSA and ACET-15 exports have grown slower than those of Comparators and also slower than world exports (SSA and ACET-15 line below zero).
Labor Productivity in Manufacturing in SSA and ACET-15 low and stagnant; high and growing in Comparators.

MVA per Manufacturing Worker

Data Source: UNIDO INDSTAT2, Rev 3 Digit 2
Productivity in agriculture (cereal yields - km/hectare) is also low. There have been improvements, but the rate is slow.
Share of Medium and High-Tech manufactures (i.e. using Lall Decomposition) is low and stagnant in SSA and ACET-15, while relatively high and rising in Comparators.
Technology: Exports

Top 10 exports in Comparators have evolved gradually from Primary Commodities and Low Tech to Medium and High Tech; in Africa, we are still waiting for the change.*

<table>
<thead>
<tr>
<th>Year</th>
<th>Top 10 Exports in 1976</th>
<th>Top 10 Exports in 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>PP</td>
<td>RB</td>
<td>LT</td>
</tr>
<tr>
<td>Brazil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rep. of Korea</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burkina Faso</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cameroon</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senegal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: UN Comtrade, STTC Russia2, Digis. (Using ACPIT’s re-classification based on the 1997’s Classification of Commodity Exports)

Notes: For countries where commodity values for 1976 or 2010 were not reported, commodity values were replaced with the nearest lagged or forward value, but not more than 4 years away from the missing year.

*PP = Primary Products; RB = Resource-based; LT = Low Tech; MT = Medium Tech; and HT = High Tech
• Despite the recent welcomed change in Africa, real GDP per capita is only around 50 percent higher in 2010 than what it was in 1970 - 40 years ago.

• In the ACET-15, it is about two and half times higher. In the Comparators, however, it is 5 times higher.
**Human Wellbeing—Formal (Non-vulnerable) Employment:** Over 80 percent of employment is non-formal or vulnerable

### Some features of employment and unemployment in selected Sub-Saharan countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Informal employment (% of total employment)</th>
<th>Vulnerable employment (% of total employment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin 2010</td>
<td>92.9</td>
<td>89.9* (2003)</td>
</tr>
<tr>
<td>Ethiopia 2005</td>
<td>n/a</td>
<td>83.9</td>
</tr>
<tr>
<td>Ghana 2010</td>
<td>86.1</td>
<td>71.5</td>
</tr>
<tr>
<td>Kenya 2009</td>
<td>n/a</td>
<td>63.4* (1999)</td>
</tr>
<tr>
<td>Mozambique 2005</td>
<td>92.8</td>
<td>84.8</td>
</tr>
<tr>
<td>Rwanda 2006</td>
<td>93.9</td>
<td>76.6</td>
</tr>
<tr>
<td>Uganda 2009</td>
<td>85.5</td>
<td>82.7* (2005)</td>
</tr>
</tbody>
</table>

Meanwhile the youth population of SSA is rising very fast.

Africa's youth population to outstrip China's and India's.

Demographic dividend or Demographic Bomb?
The African Center for Economic Transformation (ACET) – Championing Economic Transformation

- Economic policy institute based in Accra, serving Africa
- Founded in 2007 to support sustained growth through transformation
- Staff of 30 from 10 African countries, global network of leading thinkers and practitioners
- Diverse board of highly accomplished leaders in business, government and global development
The ACET approach

**Analysis**
- Ask new questions about old and emerging problems
- Search for evidence around the world
- Adapt solutions to Africa

**Advocacy**
- Engage African governments
- Engage the private sector
- Broker public-private dialogues
- Share lessons among governments
- Push for action

**Advice**
- Support governments to implement policy (Think & Do)

• Review of transformation performance (Growth + DEPTH)

• The African Transformation Index

• Discussion of some key drivers of transformation and relevant practical examples for policy

• Discussion of some Pathways to Africa’s transformation based on Africa’s comparative advantage and global market trends

Informed by country case studies (Botswana, Burkina Faso, Cameroon, Ethiopia, Ghana, Kenya, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Uganda, Tanzania, and Zambia)
First ATR--Contents

Chap 1. Review of Performance, the ATI
Chap 2. The State, the Private Sector and Economic Transformation
Chap 3. Export Promotion
Chap 4. Education and Skills Development
Chap 5. Labor-intensive Manufacturing
Chap 6. Agro-processing
Chap 7. Extractives
Chap 8. Tourism
Chap 9. Regional Integration--Creating Wider Markets for Transformation