

## Regional Economic Outlook

# The Great Sub-Saharan Africa Growth Takeoff: Lessons and Prospects

## Sub-Saharan Africa

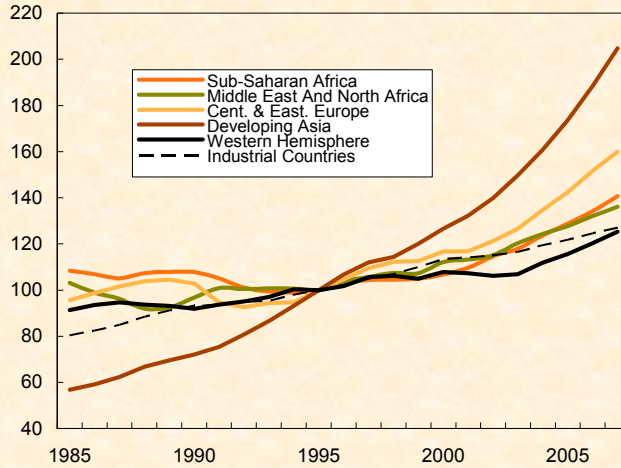
Prepared by Andrew Berg and Paulo Drummond  
African Department  
International Monetary Fund

## Main Messages

- Growth takeoff since the mid-1990s.
- Sustained growers got the critical basics right and avoided major policy failures.
- Higher aid has been part of the story.
- Growth has benefited the poor and reduced poverty in the region.
- Governments need to play a proactive role, but no simple recipe for high growth.

# Per Capita GDP: Keeping Up With Other Regions

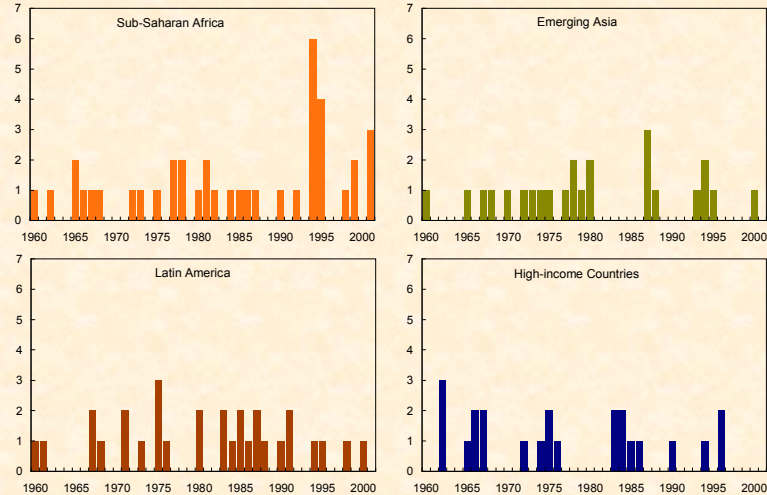
International Comparisons: GDP Per Capita  
(Index 1995=100, In real US dollar)



Source: IMF, *World Economic Outlook*.

# Unprecedented Number of Up-Breaks

Frequency of Growth Upbreaks  
(Number of upbreaks)



Source: Berg, Ostry and Zettelmeyer (2008)

## Understanding the TakeOff: Three Key Questions...

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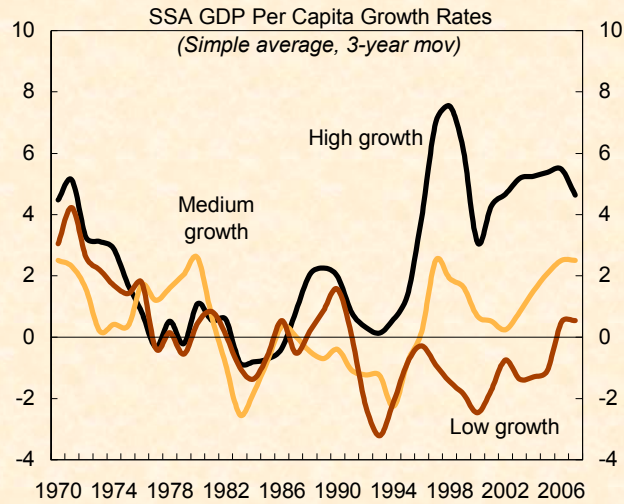
- **What is driving the stronger performance in recent years?**
- Is the per capita income growth also reducing poverty?
- What can policymakers do to sustain and accelerate growth?

## **What is driving the stronger performance in recent years?**

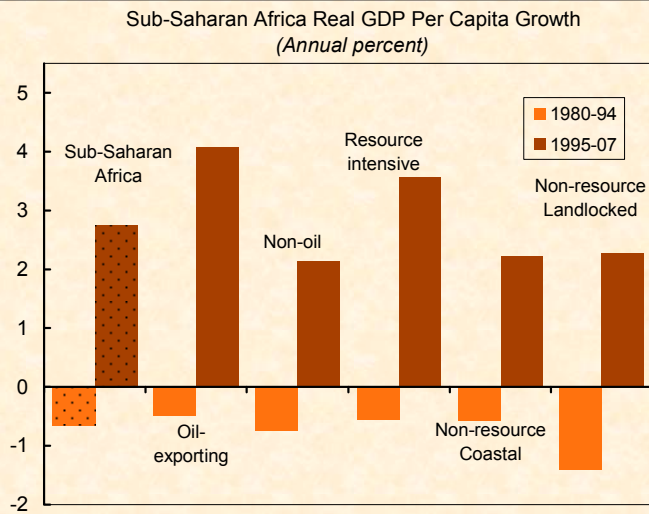
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- initial income, endowments, and geography;
- External environment: world growth and terms of trade
- absence of conflict and extreme governance failures;
- macroeconomic policies;
- Resource inflows: FDI and aid; and,
- structural reforms

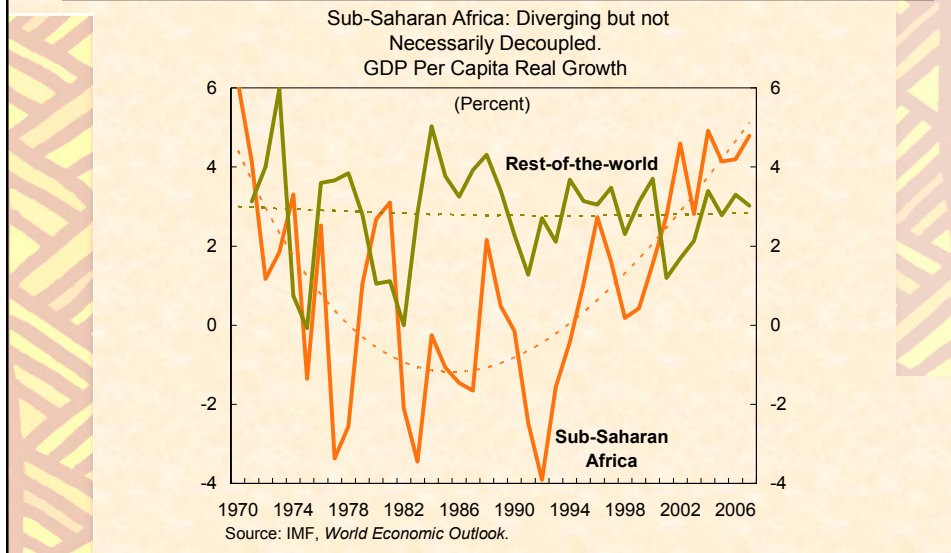
## Distinguishing Growth Performance: High, Medium, and Low Growth



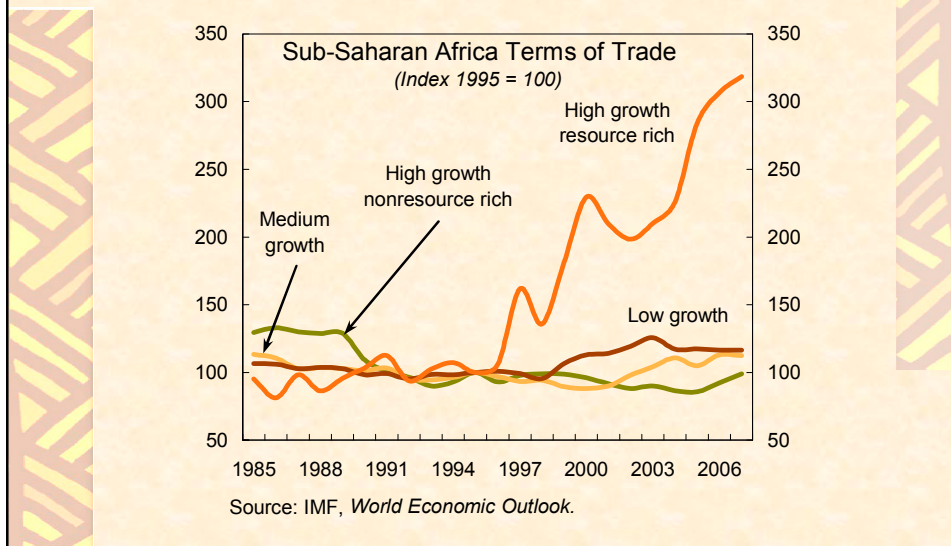
## Endowment and Geography: Fast Growth also in Landlocked Non-Resource Intensive Countries



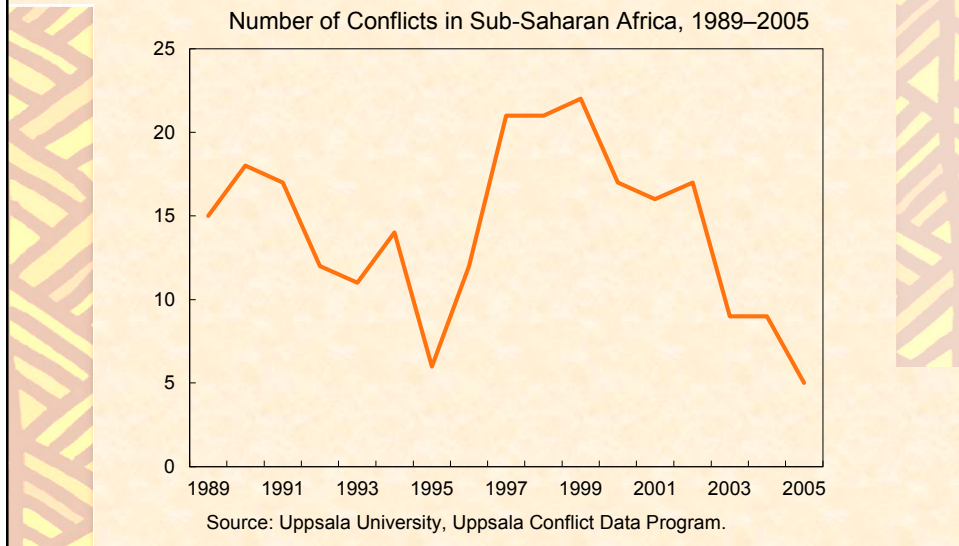
## Sub-Saharan Africa Diverging but not Necessarily Decoupled



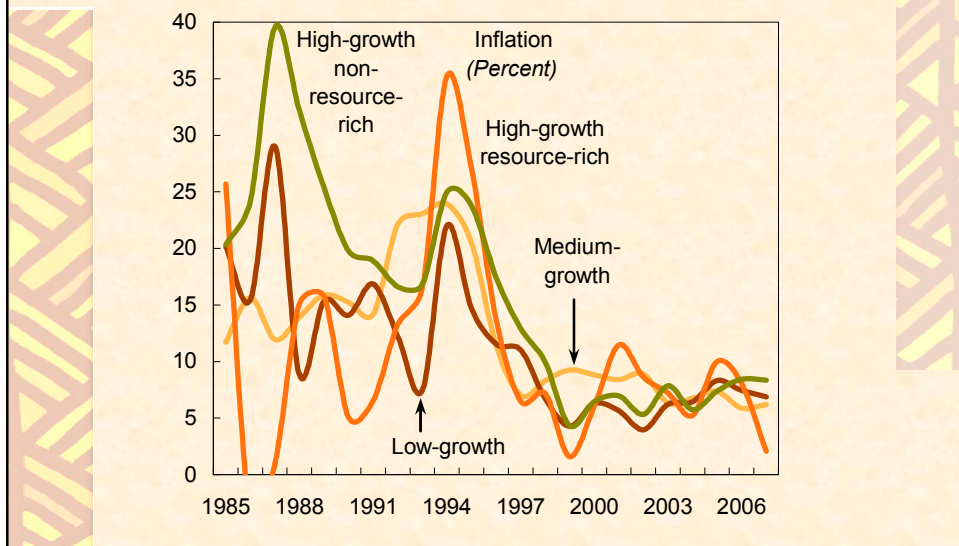
## The External Environment Favorable Terms of Trade



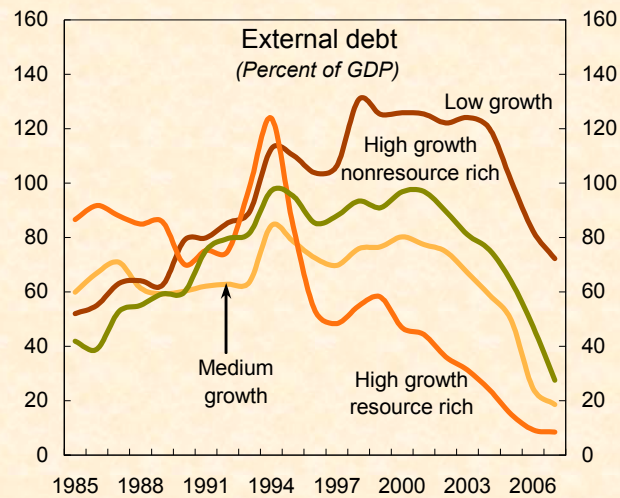
## Avoid Policy Failure Conflicts Have Diminished



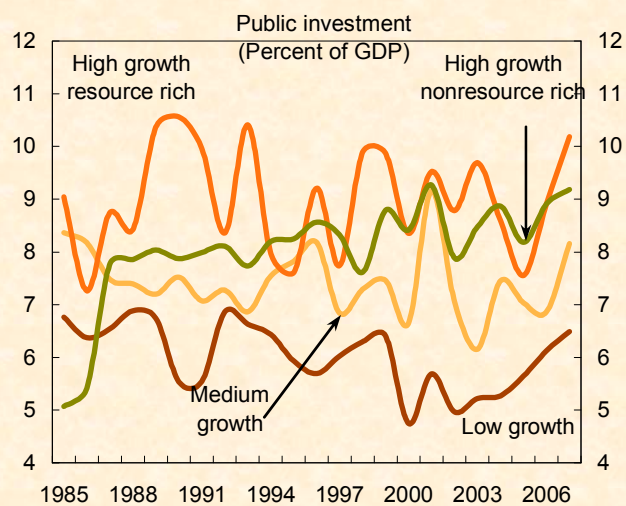
## Get The Basics Right (I): Stable Macro — Low Inflation



## Some Conditions Help (I): Sustainable Debt

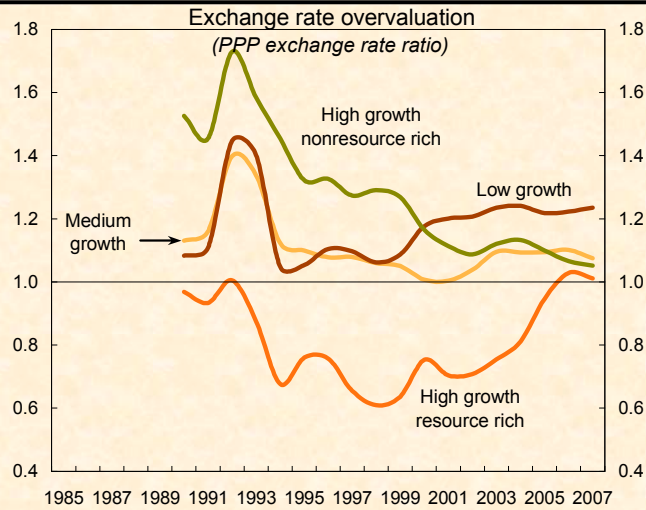


## Some Conditions Help (II): Space for Public Investment



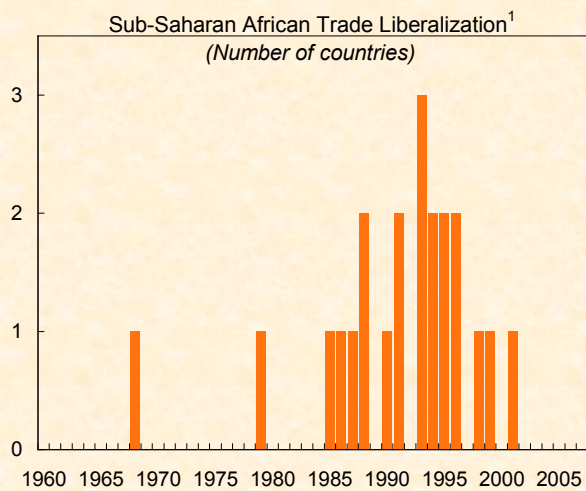
Source: IMF, African Department database.

## Some Conditions Help (III): Avoiding Overvaluation



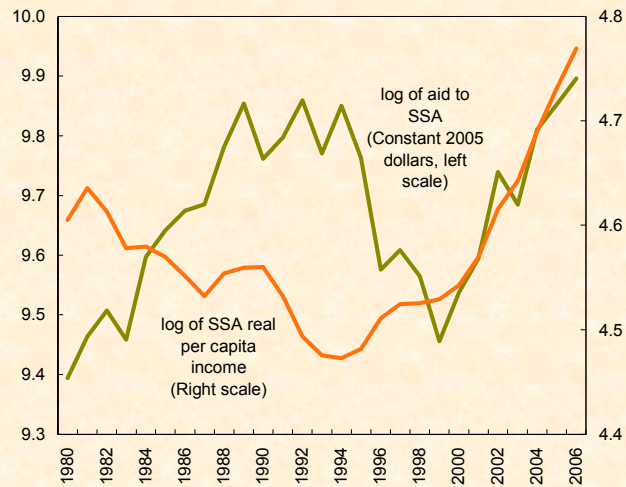
Source: IMF, *World Economic Outlook*; and IMF, staff calculations.

## Some Conditions Help (IV): Liberalized Trade



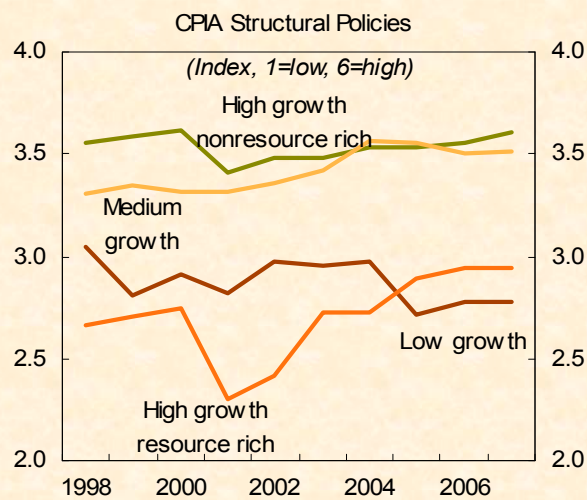
<sup>1</sup> Six of the high growers liberalized trade during the 1990's  
Sources: Wacziarg and Welch (2008); and UNCTAD.

## External resources: Rising Aid Inflows



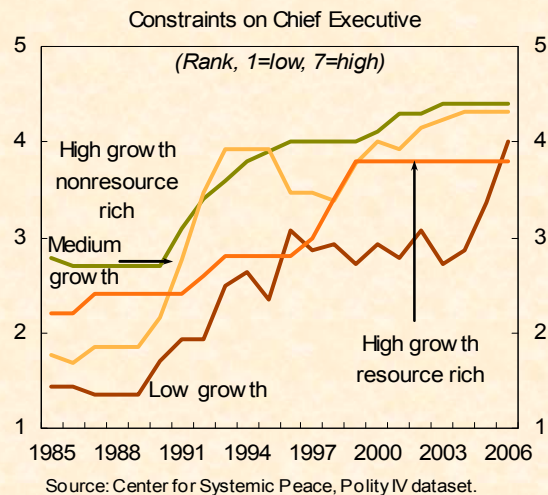
Sources: Roodman (2006), and IMF, staff calculations.

## Structural Policies Reform I



Source: World Bank IDA Resource Allocation Index.

## Structural Policies Reform II

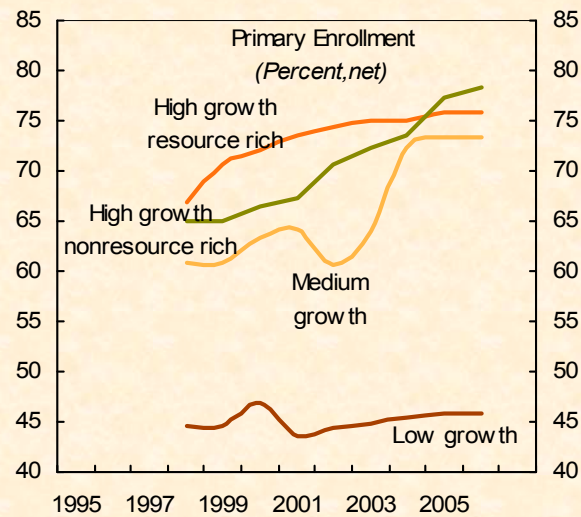


## To Recap: What has been driving performance in recent years?

- Direct access to the sea, being resource-rich, or high levels of economic institutions, not required for fast growth.
- Need to get the basics right: no conflicts and a stable macro.
- Fast growth has generally followed structural adjustment that reduced state controls and liberalized trade and markets.
- A clear set of sufficient conditions for rapid growth does not emerge. But fast growers have done better in building reserves, sustaining public investment, and avoiding overvaluation of the real exchange rate, and on some measures of broad policy reform.
- Aid helps governments invest and provide services, and it may help sustain growth.



## Growth Has Generally Implied Improvements in other MDG Targets: Primary Enrollment



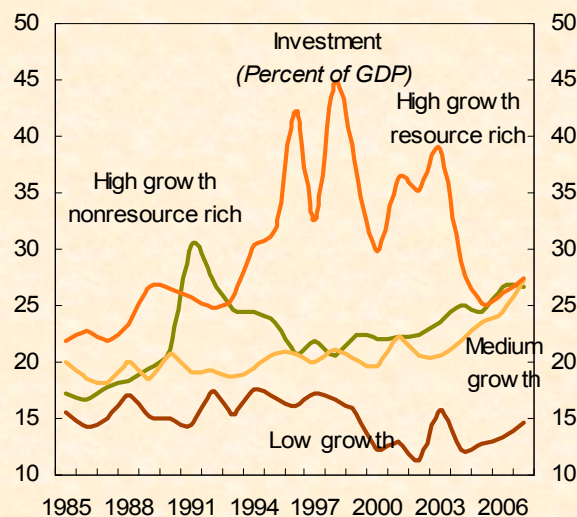
## Sustaining the Takeoff What Will It Take (I)?

- **Reform strategies: challenge of defining and achieving them**
- **Key policy challenge: improving the institutional environment**
- **Resource-rich countries need to make the most of the boom**

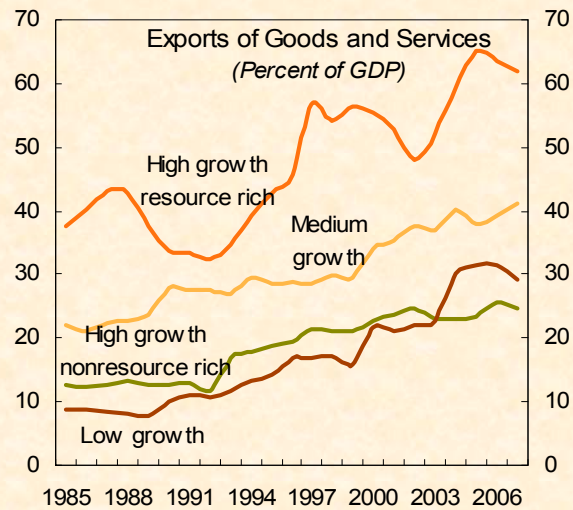
## Sustaining the Takeoff What Will It Take (II)?

- Important to assure that the benefits to reform remain broad-based.
- Role of structural transformation: agenda of promoting private sector and export-led growth.

## With Supporting Conditions, Rising Investment Ratios



## Growth of Exports



## Sustaining the Takeoff What Will It Take (III)?

- **Adapting to a shifting global environment**
- **Short-term policy challenges if mishandled, could derail the reform effort.**

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THE END

## Some Caveats

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- The chapter does not attempt to present new statistical analyses of growth or even a comprehensive review of the vast literature.
- Rather, it draws on recent comprehensive studies, applying them to explain the current growth takeoff.