

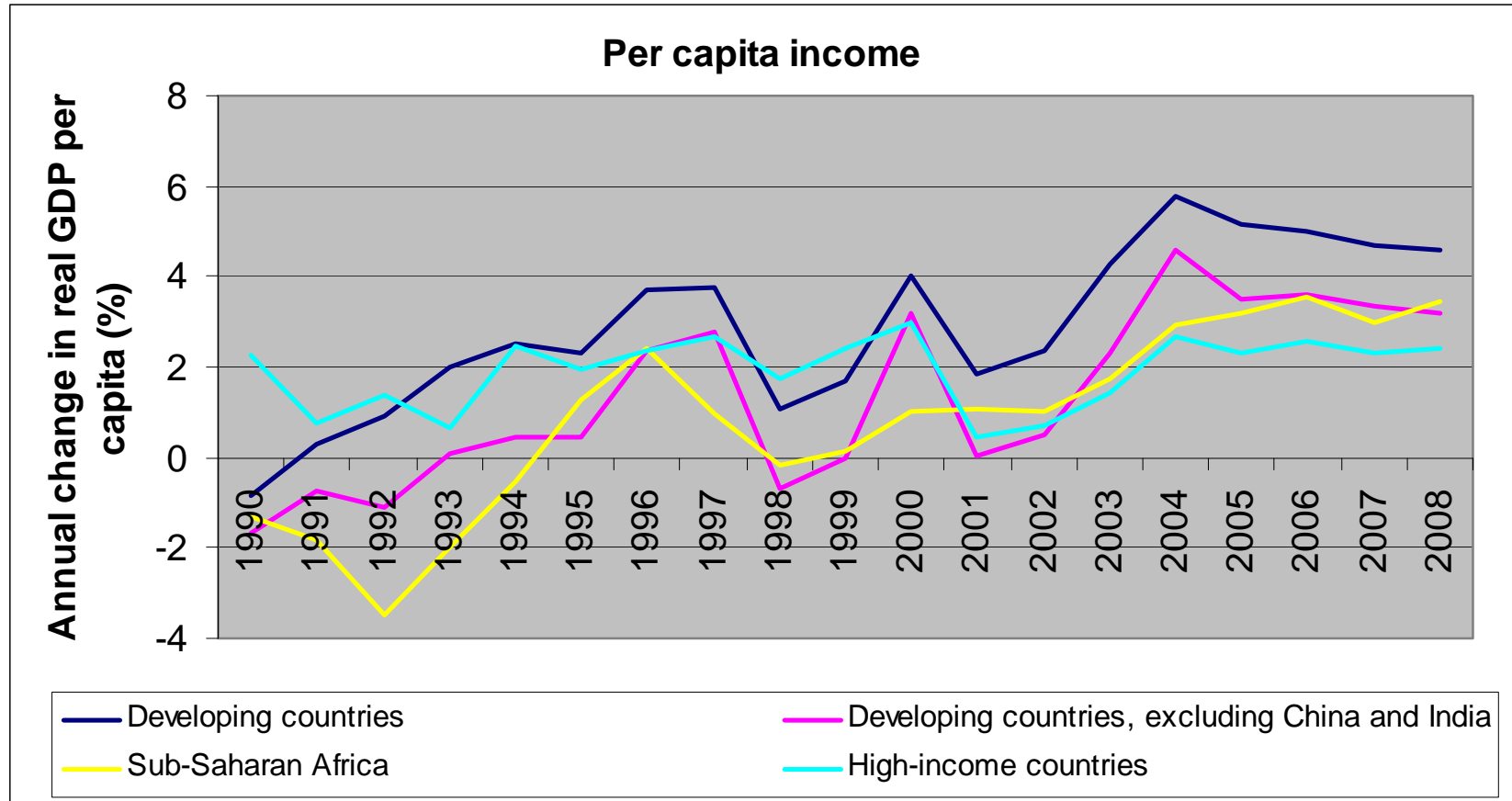
# Hunting for Leopards: New Perspectives on Africa's Recent Growth

John Page

St. Anthony's College, Oxford and  
The Brookings Institution, Washington DC



# Something new on the horizon: Africa is growing in tandem with the rest of the world

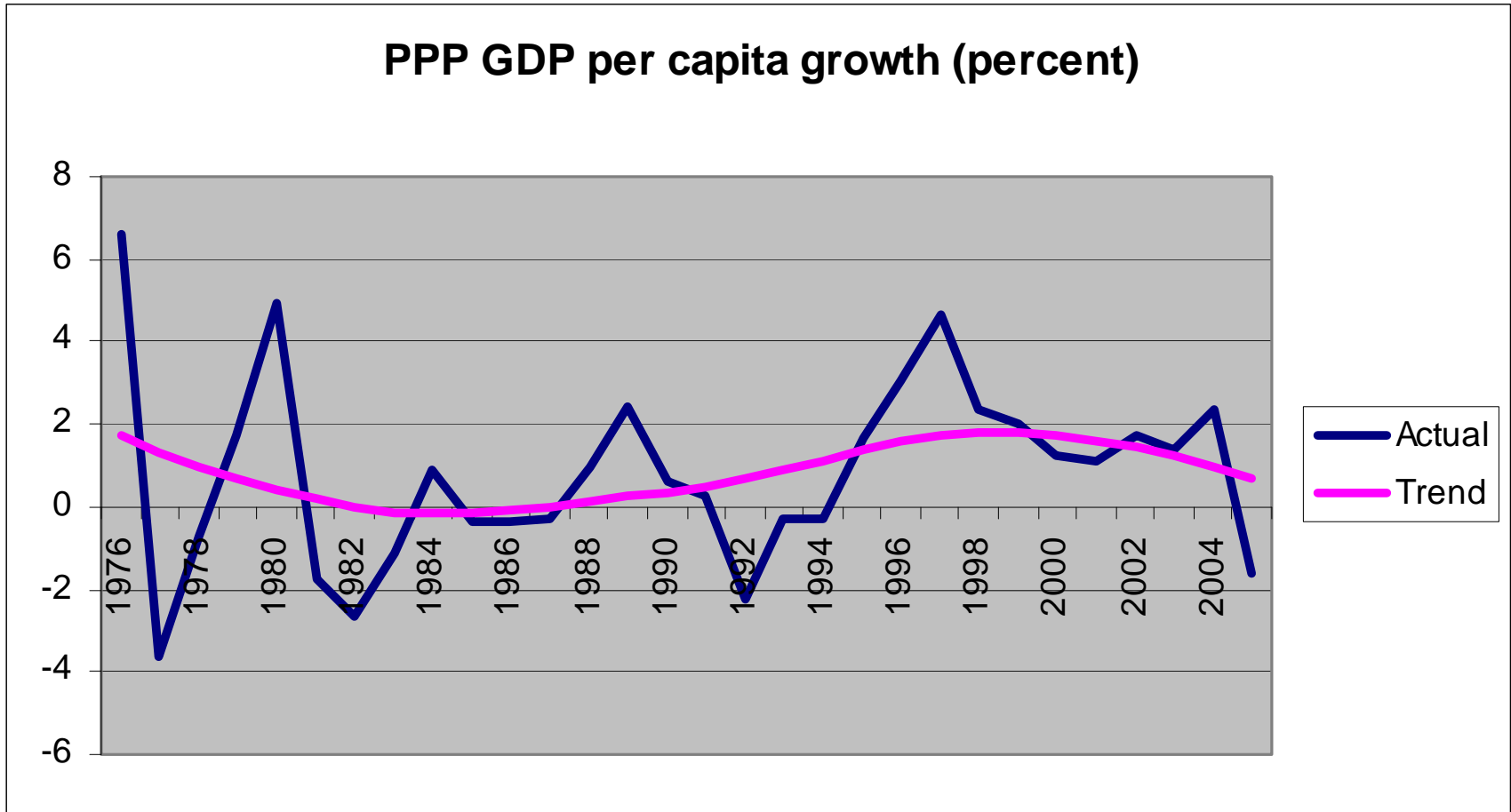


# A group of diversified sustained growers has emerged, but economic performance varied substantially

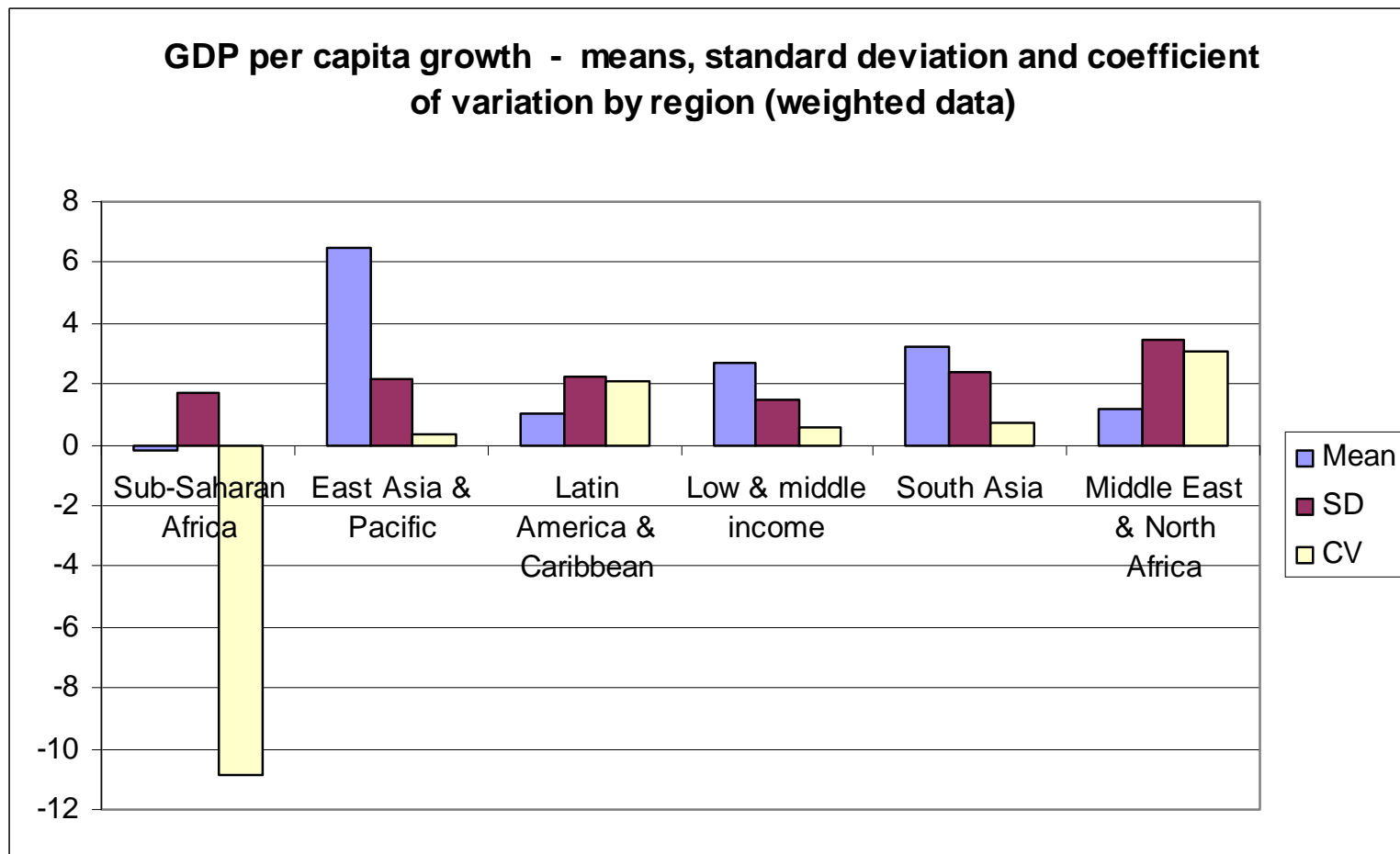
**GDP growth (%) - 1996-2005**

<b>Slow-growth economies: GDP growth less than 4 percent a year (36.7 percent of population)</b>		<b>Diversified, sustained-growth GDP growth 4 percent a year or more (35.6 percent of population)</b>		<b>Oil exporters (27.7 percent of population)</b>	
Zambia	3.8	Mozambique	8.3	Equatorial Guinea	30.8
Guinea	3.7	Rwanda	7.6	Chad	9
Niger	3.5	São Tomé and Príncipe	7.1	Angola	8.5
Malawi	3.3	Botswana	6.7	Sudan	6.3
Mauritania	3.3	Uganda	6.1	Nigeria	4.3
Togo	3.3	Cape Verde	5.8	Congo, Rep.	3.4
Madagascar	3.2	Mali	5.8	Gabon	1.1
Lesotho	3	Tanzania	5.3		
Kenya	2.9	Ethiopia	5.2		
Eritrea	2.41	Sierra Leone	5.2		
Seychelles	2.3	Burkina Faso	5		
Comoros	2.13	Mauritius	4.8		
Central African Republic	0.85	Ghana	4.7		
Guinea-Bissau	0.47	Benin	4.6		
Burundi	0.43	Senegal	4.5		
Congo, Dem. Rep.	0.08	Cameroon	4.2		
Zimbabwe	-2.20	Gambia, The	4.2		
		Namibia	4		

# Growth has been low...



# ...volatility is far higher than in any other region



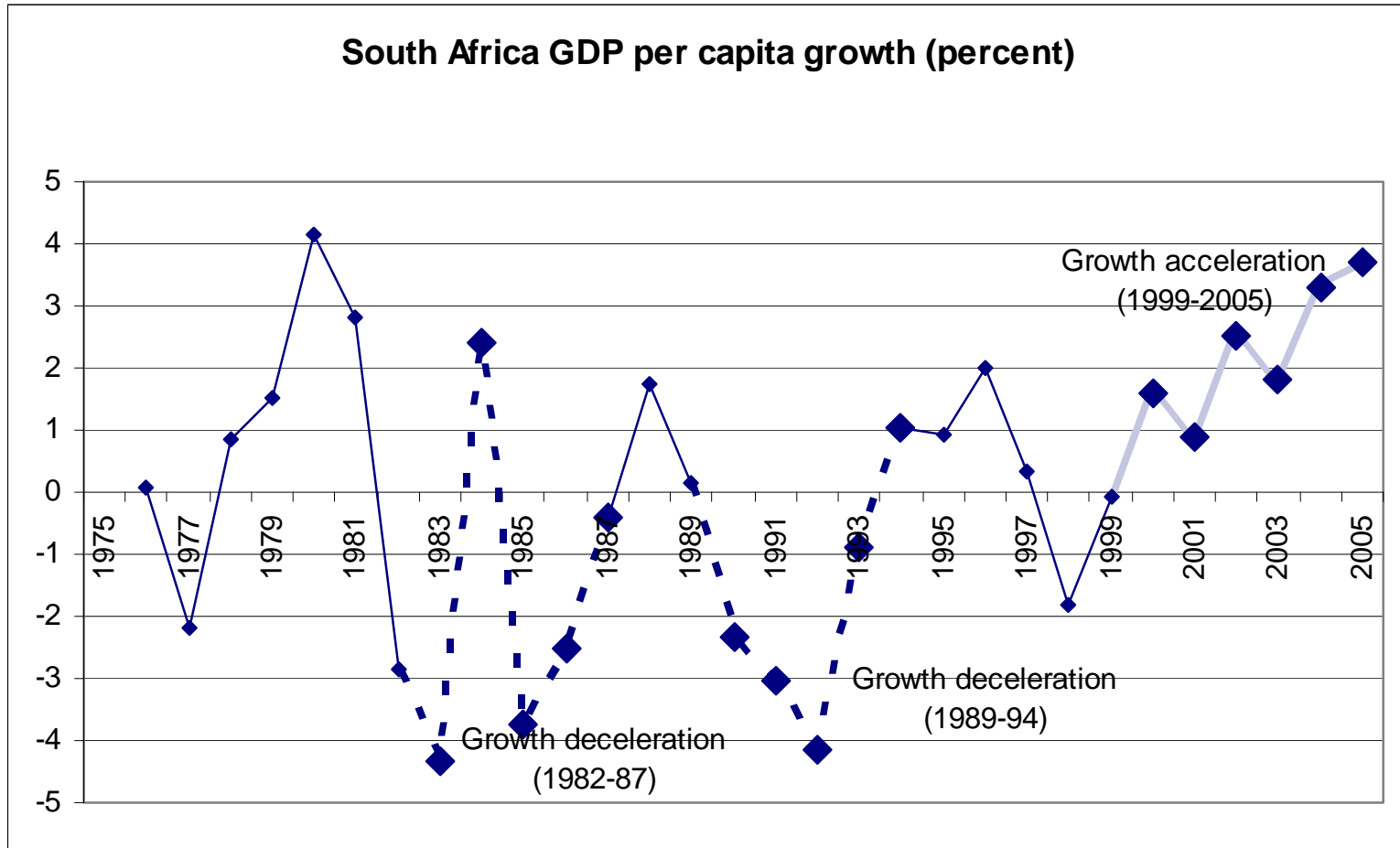
# A Structural Break

Region	1975-80	1981-85	1986-90	1991-95	1996-2000	2001-05
	<b>GDP per capita</b>					
Sub-Saharan Africa	1,928	1,844	1,782	1,648	1,668	1,768
East Asia & Pacific	905	1,227	1,686	2,407	3,399	4,595
Latin America & Caribbean	6,020	6,295	6,315	6,450	6,978	7,205
Middle East & North Africa	4,179	4,180	4,055	4,326	4,651	5,197
South Asia	1,132	1,268	1,505	1,745	2,110	2,530
Low & middle income	2,278	2,560	2,881	3,045	3,513	4,219
	<b>Growth</b>					
Sub-Saharan Africa	-0.06	-1.60	-0.21	-1.64	0.79	1.79
East Asia & Pacific	5.26	6.12	5.76	9.10	5.63	7.06
Latin America & Caribbean	3.31	-0.95	-0.43	1.61	1.53	1.21
Middle East & North Africa	-0.20	2.41	-1.20	1.18	1.91	2.78
South Asia	1.03	3.14	3.89	3.01	3.59	4.65
Low & middle income	2.79	1.99	1.93	1.56	3.23	4.58

## A lot happened in the short and medium term

- Several episodes of growth acceleration
- But accelerations were usually followed by growth collapses
- Thus, the very slow long run growth

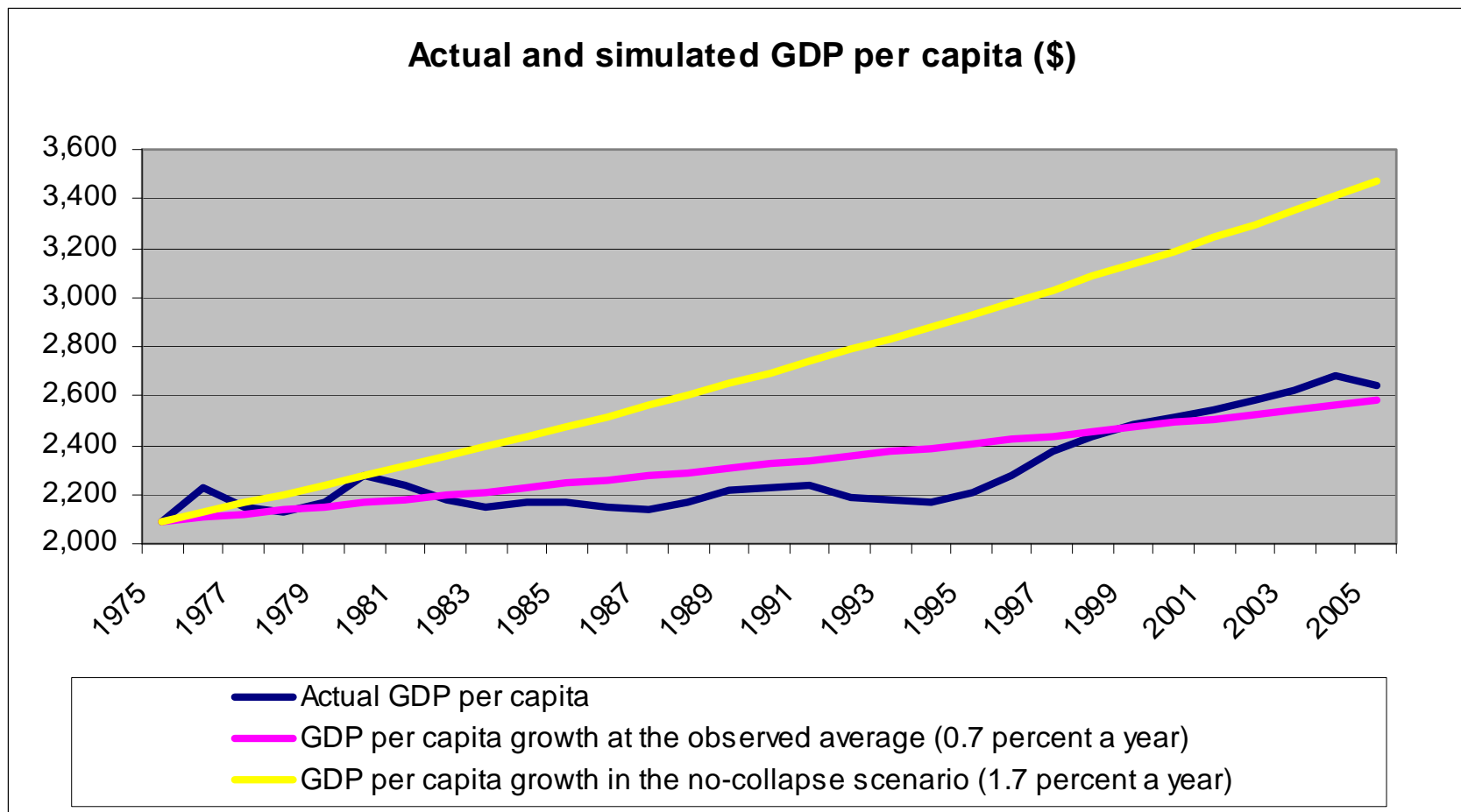
# South Africa



# The frequency of good and bad times shifted over time

<b>Period</b>	<b>GDP</b>	<b>Growth acceleration</b>		<b>Growth deceleration</b>	
	<b>GDP growth</b>	<b>Frequency (country-years)</b>	<b>Growth rate</b>	<b>Frequency (country-years)</b>	<b>Growth rate</b>
1975-2005	0.70	0.25	3.64	0.22	-2.74
1975-1984	0.13	0.04	4.61	0.18	-3.06
1985-1994	-0.23	0.21	3.21	0.36	-3.18
1995-2005	1.88	0.42	3.76	0.12	-1.29

# Had Africa avoided the bad times, it would have grown at 1.7% instead of 0.7%, and the GDP per capita would be 30% higher in 2005



## What happens in good and bad times?

- Saving and investment are higher in good times and much lower in bad times
- Trade is substantially lower in bad times
- The real effective exchange rate is more competitive in good times, but substantially less in bad
- ODA is higher in good times, far lower in bad
- Policies and institutions are poorer in bad times

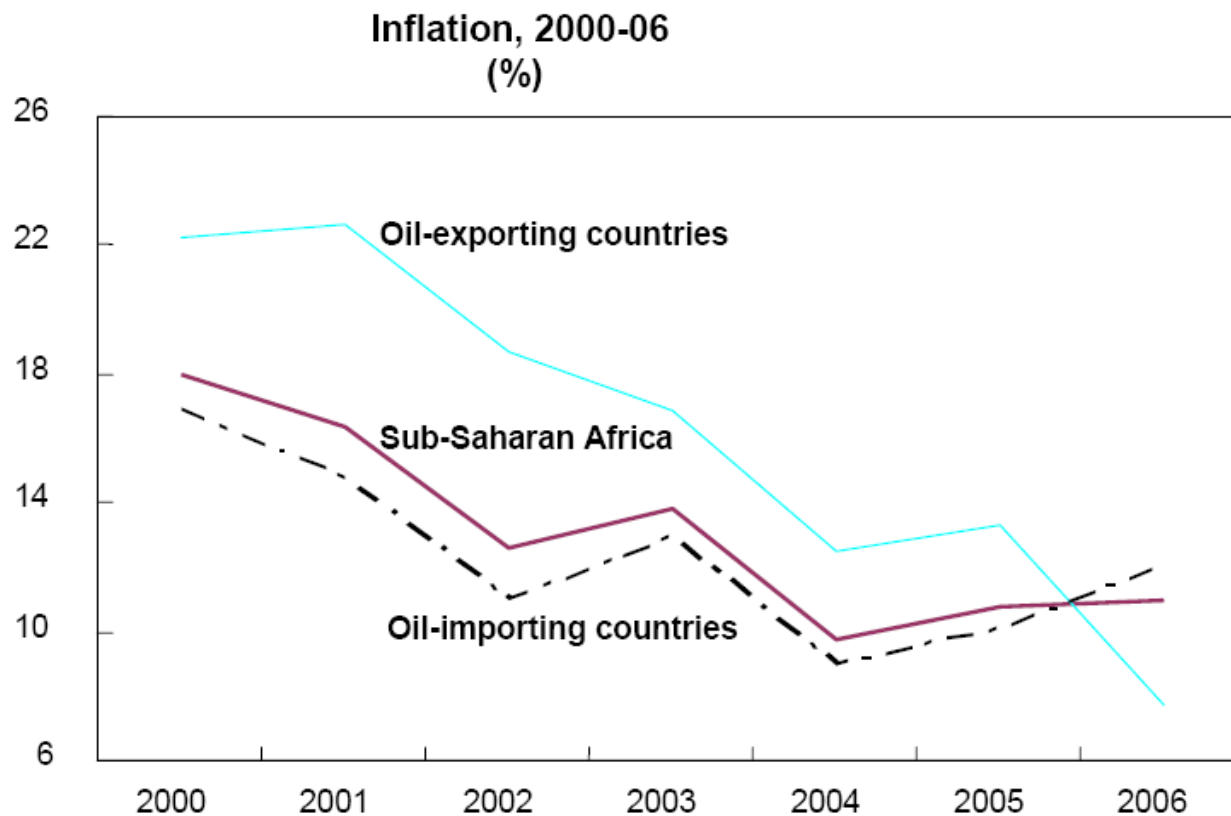
## What happens in good and bad times?

- Governance indicators get worse during bad times
- There are more conflicts during bad times
- Life expectancy is lower in bad times
- Infant and child mortality are significantly higher in bad times
- Primary school completion rates are lower in bad times

## Avoiding bad times

- The good news: many of the factors that have contributed to growth collapses have improved
  - Better economic management
  - More competitive exchange rate
  - Better institutions
  - Better governance
  - Fewer conflicts
- But: The region remains vulnerable to outside shocks and changes in commodity prices

# Macro management has improved



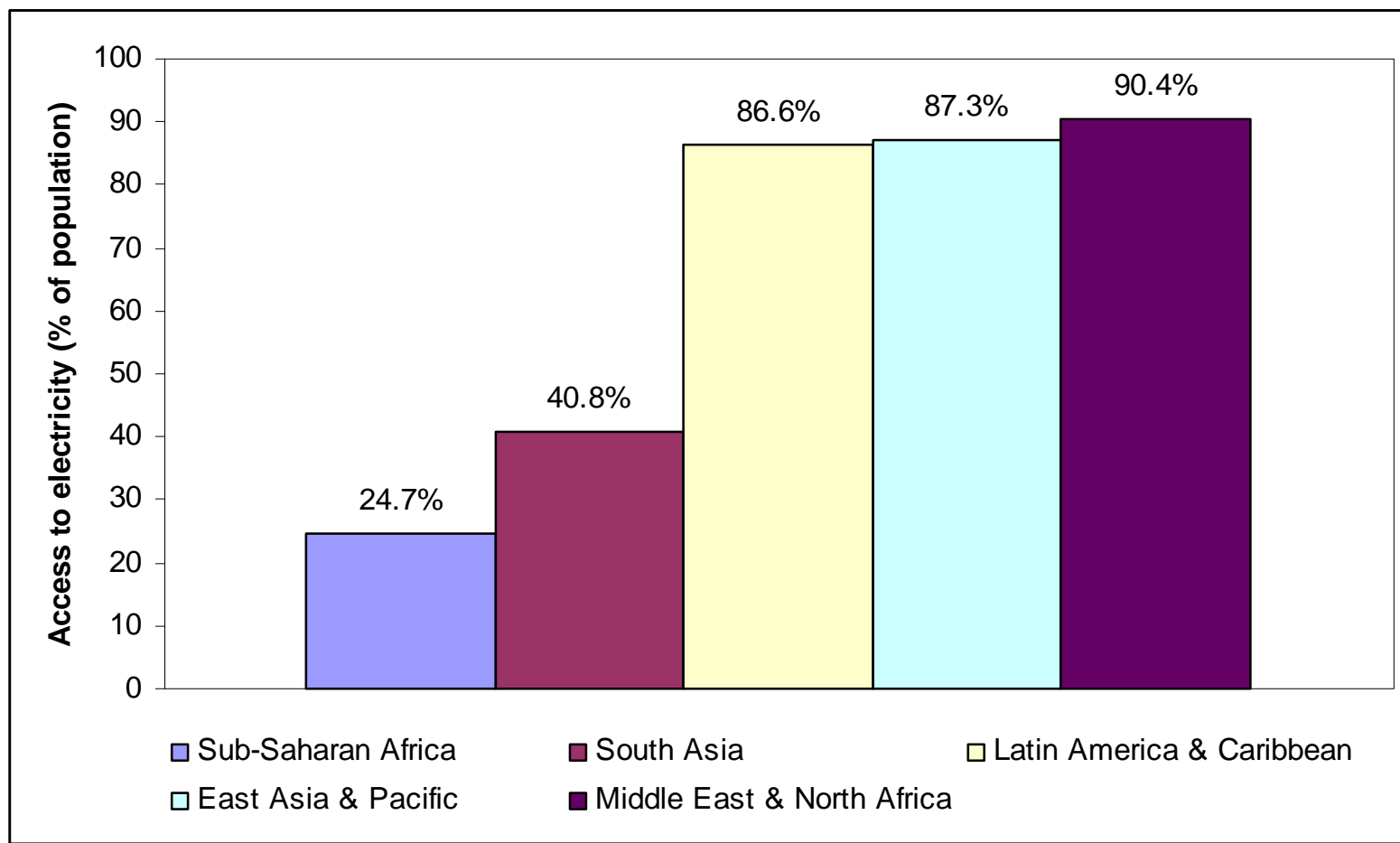
## Sustaining good times

- Accelerating productivity, and increasing private investment
  - Improving the investment climate
  - Improving infrastructure
  - Spurring innovation
  - Building institutional capacity

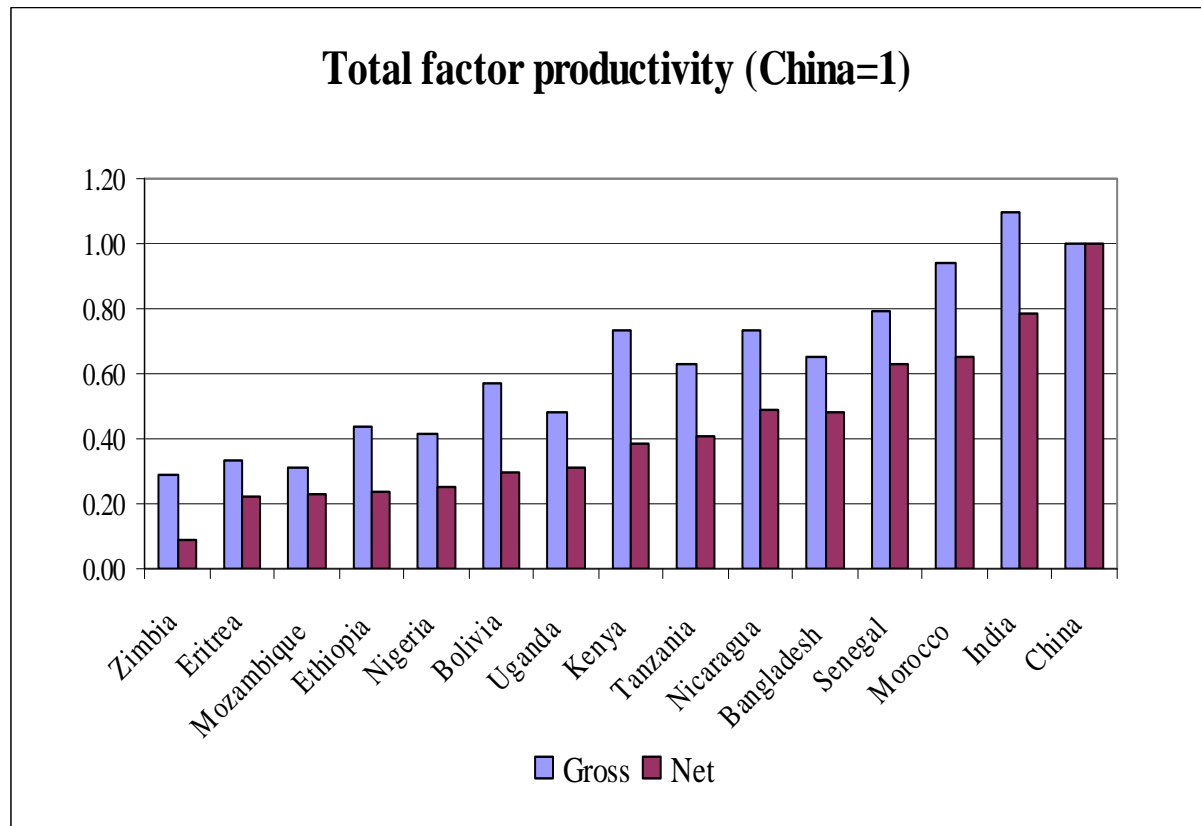
## Average ease of doing business rank

<b>Region</b>	<b>2006</b>
East Asia & Pacific	76
Europe & Central Asia	77
Latin America & the Caribbean	87
Middle East & North Africa	96
South Asia	107
Sub-Saharan Africa	136

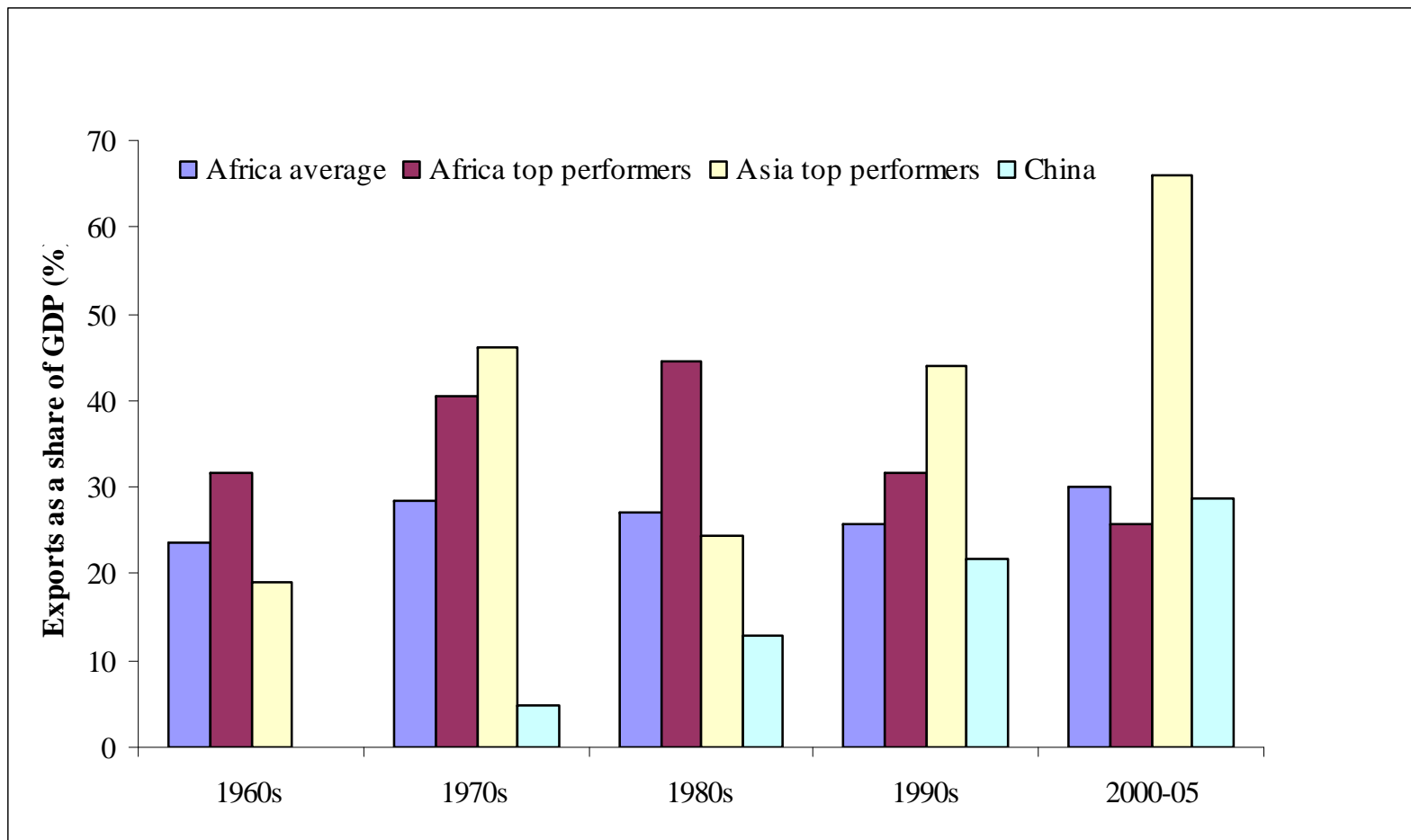
# Access to infrastructure is a major bottleneck



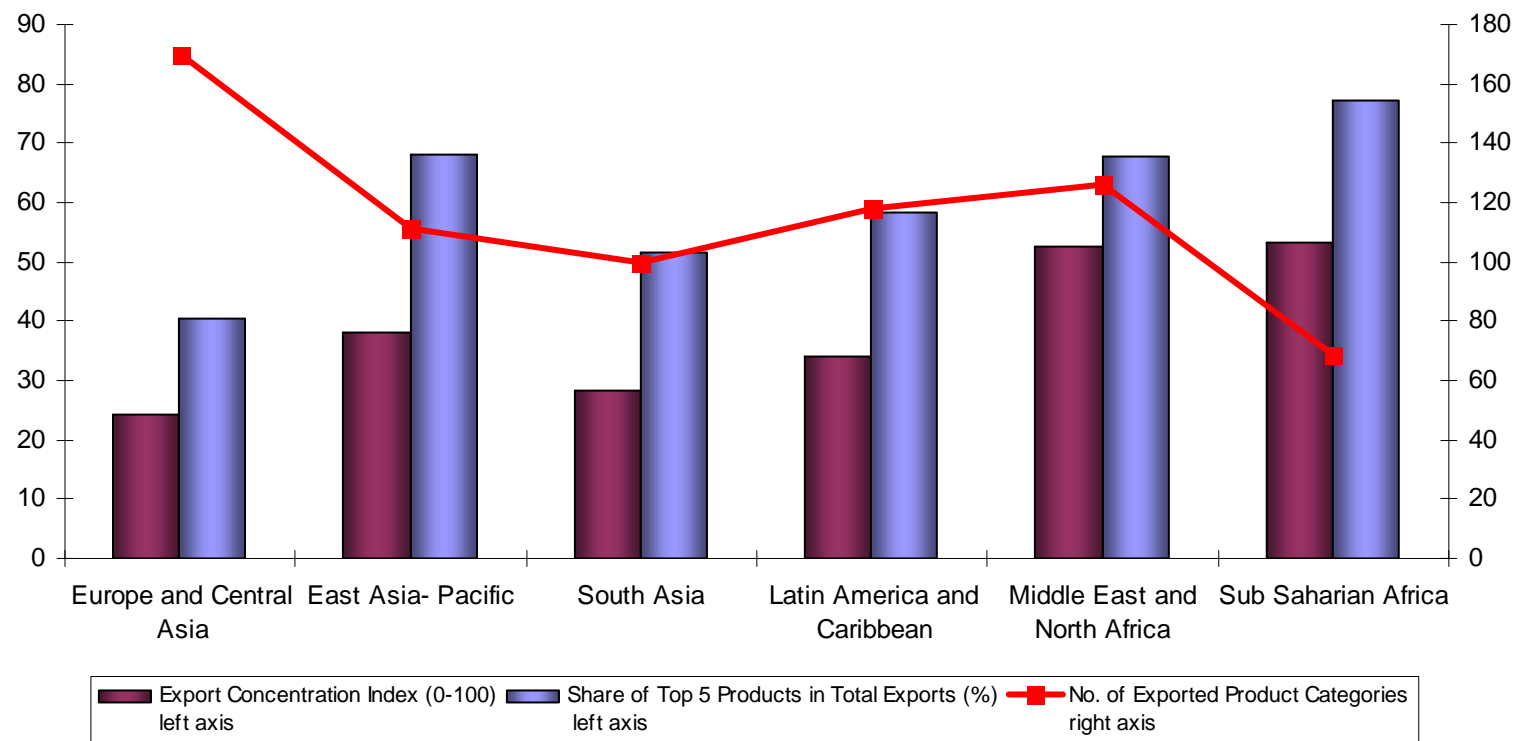
## Indirect costs are much higher, and net productivity is much lower than factory floor productivity due to high costs of doing business



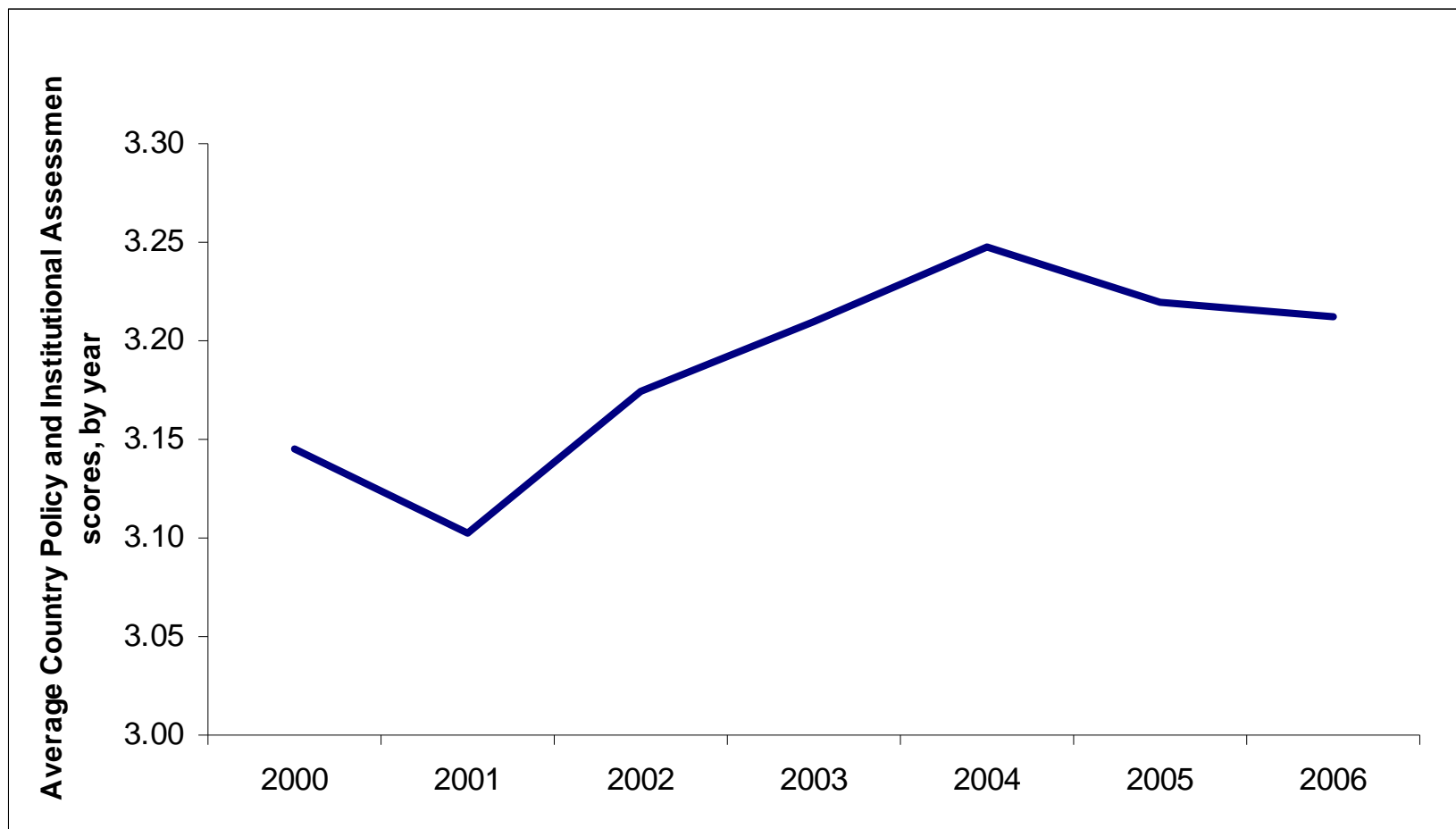
# Exports have declined in importance for Africa's top performers



# ...and export diversification is very low



# Structural policies have improved, but more can be done



# Identifying leopards

## Conditions

- The average growth for the economy equals or exceeds the average growth for the entire period 1975-2005 (0.71%)
- The average growth rate for the economy in the period 1995-2005 equals or exceeds the average growth for 1995-2005 (1.88%)
- The frequency of growth accelerations for the economy during 1995-2005 equals or exceeds the average frequency for 1995-2005 (0.42)
- The growth rate of the economy during growth accelerations in 1995-2005 equals or exceeds the average for all growth accelerations 1975-2005 (3.64%)

## Countries meeting all conditions

- Angola – resource rich
- Botswana – resource rich
- Cape Verde
- Chad (BB) - resource rich
- Equatorial Guinea – resource rich
- Mozambique
- Sudan – resource rich
- Tanzania

# Conclusions

- Growth has been low and volatile
- Growth has accelerated since the mid 1990s
- Success has been more about avoiding bad times than sustaining good times
- Some positive developments but economic “fundamentals” remain weak
- A small number of countries have emerged as possible “leopards”, but it remains uncertain as to the durability and sustainability of their growth