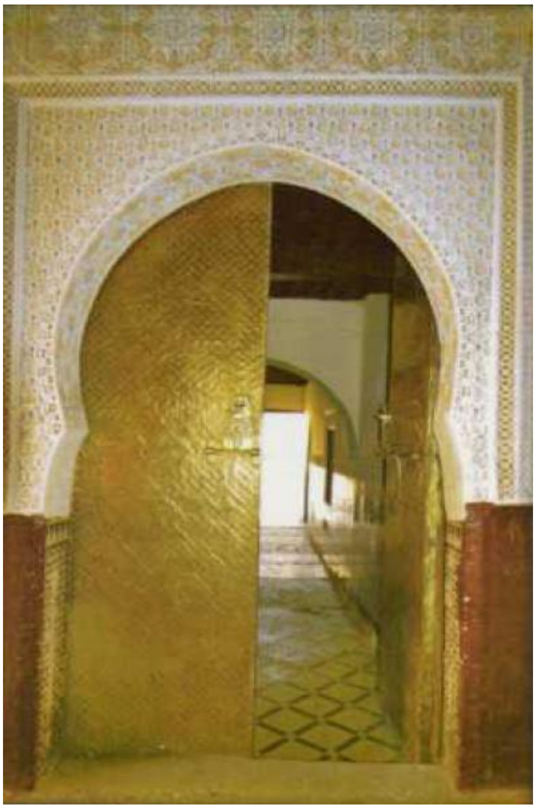
Note de l'Ifri

Maghreb Facing New Global Challenges

Is Africa's Recent Economic Growth Sustainable?



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Foreword

Hardly a week goes by without an African investors' conference or growth summit. Portuguese people are looking for jobs in Angola. Silicon Valley companies are arriving in Kenya to learn about Africa's ICT revolution. The reason behind these tendencies is that Africa's growth, since the turn of the century, has been robust, broad-based and is making important contributions to poverty reduction. If the current trend continues, most African countries will have reached middle-income status by 2020 and, by 2025, only about 13 countries will remain traditional aid recipients, most of them fragile states.

However, sustaining the trend and making it more pro-poor will not be easy. In order to attain current growth rates, Africa only needed to get a few – albeit very important – things right, in particular, macroeconomic policies and political stability. This allowed the continent to recover after two unsuccessful decades. In order to sustain its growth rate, the African continent will need to address the challenges of structural transformation, employment, infrastructure, human capital and state fragility—all of which have their roots in governance. Too many services are still failing in Africa– whether it be education, health, transport or water. For the most part, the problem is not a lack of schools, teachers, medicine, doctors or roads but a lack of institutions and incentives in order to effectively provide these services. However, the fact that Africans have overcome the macroeconomic policy failures of the past, coupled with the greater openness of African societies, the technological revolution and changing demographics make us optimistic that the remaining government failures can also be overcome and that Africa will experience sustained development.

Contents

Introduction[1]

Two competing narratives are used to describe the economies of Sub-Saharan Africa over the last fifteen years. On the one hand, GDP growth has been relatively rapid, almost 5 percent a year, despite the 2008-2009 global economic crisis, and is expected to increase to 6 percent this year. Moreover, growth has been widespread: 20 non-oil countries averaged 4 percent growth or higher for the decade 1998-2008. Africa has been attracting private capital flows which, at $50 billion a year, now exceed foreign aid. As a result of this growth, poverty has been declining. The poverty rate has been falling faster than one percentage point a year and, between 2005 and 2008, the absolute number of people living on less than $1.25 a day fell, by 9 million, for the first time. Child mortality has also been declining, with a dozen countries reducing their under-5 mortality rates faster than is required to meet the Millennium Development Goal of a reduction by two-thirds. Moreover, even though a large number of African countries are unlikely to meet the MDGs, about half of the “off-track” countries are within 11 percent of the trajectory to reach the goals. If Africa’s stable countries continue growing at the average growth rate of the last decade, most of them will have reached middle-income status by 2025.

On the other hand—and this is the competing narrative—Africa’s growth has largely followed commodity prices, and African exports are highly concentrated in primary commodities. The share of GDP held by the manufacturing sector is the same as in the 1970s. With the exception of Mauritius, no African country has achieved structural transformation. Despite overall poverty reduction, some rapidly growing countries such as Burkina Faso, Mozambique and Tanzania have reduced poverty only slightly. A third of Africa is suffering from conflict, corruption remains rampant and most of the infrastructure is in poor condition. The absolute levels of human development are the lowest in the world. Indicators of service delivery are appalling: teachers in public primary schools in Tanzania are absent 23 percent of the time and public doctors in Senegal spend a total of 29 minutes a day seeing patients. Such systems are unlikely to be able to deliver at the scale required by Africa’s population boom. Finally, Africa’s civil wars may have ended, but

[1] We are grateful to Marcelo Giugale and Aurélien Kruse for helpful comments on an earlier draft. Millicent Gitau and Manka Angwafo provided excellent research assistance and substantive inputs.

political instability is widespread: this year alone saw coups d'état in Guinea-Bissau and Mali, violence on the border between South Sudan and Sudan, as well as in eastern Congo. Extractive institutions are abundant, especially in resource-rich countries. Gabon, with a per-capita income of $10,000, has one of the lowest immunization rates in Africa. Finally, on any worldwide indicator of corruption, Africa scores the lowest.

How could these two narratives be describing the same continent? And how should we view one in light of the other? Is Africa's recent growth and poverty reduction illusory in view of the fundamental development challenges it faces? Conversely, are these development problems so serious if Africa is experiencing such rapid growth, poverty reduction and progress in human development?

This paper attempts to reconcile these seemingly contradictory narratives by first showing that Africa's recent growth is mainly due to reforms in economic policies, necessitated by misguided policies of the past (section II). We go on to show that the continent's remaining problems—lack of structural transformation, weak human capital and poor governance—reflect existing government failures that are difficult to overcome because they are deeply political (section III). However, the success of recent reforms, coupled with the increasing openness of African societies, partly fueled by information and communications technology, mean that these challenges can be addressed and that there is a good chance that Africa will experience sustained growth and poverty reduction in the future.

A "Policy-Fundamentalist" View of Africa's Recent Growth

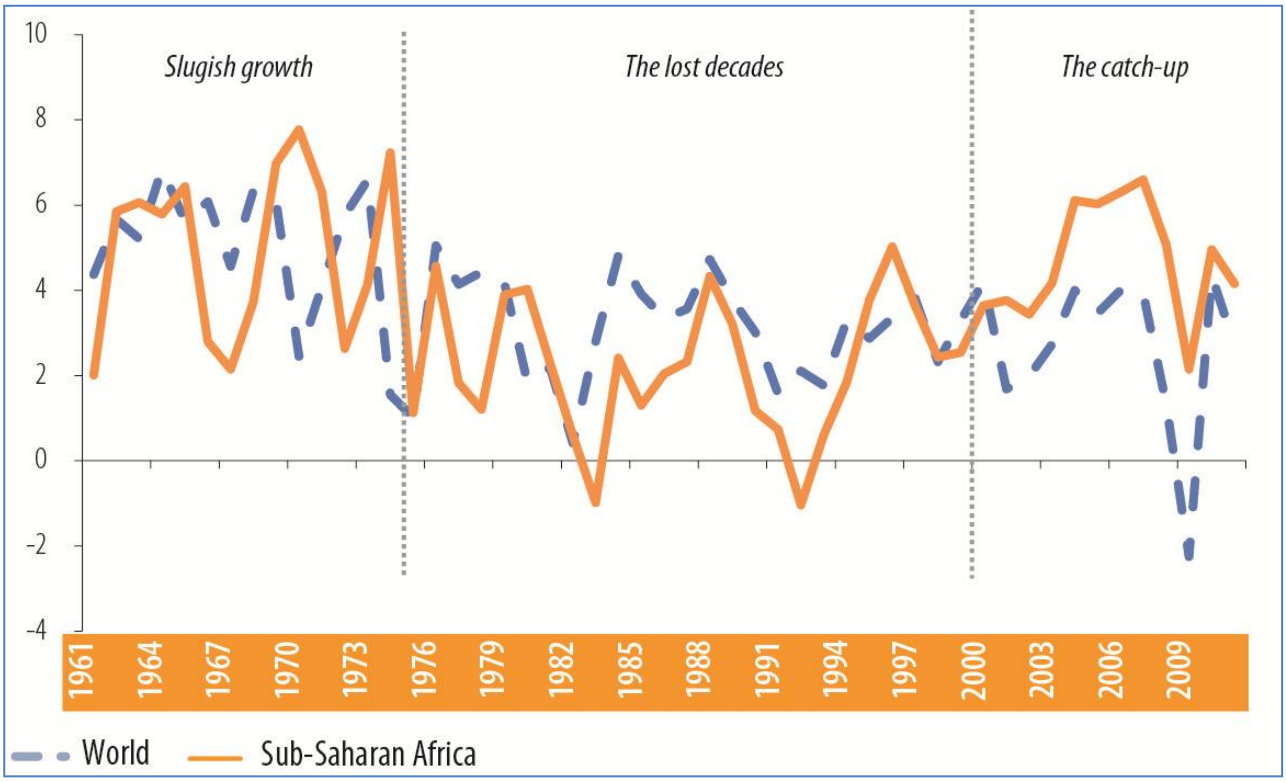
In the half a century following independence, the African continent has experienced highly uneven economic and social performances. Starting from a similar position to most Asian economies – and in many cases an even better position – Africa experienced three distinct growth episodes:

- **Post-independence sluggish growth (1960-1975).** Until the oil crisis of 1973, Sub-Saharan Africa experienced good yet uneven growth. GDP grew at an average annual rate of 4.7 percent, slightly below the global average of 4.8 percent, translating into an increase in per-capita income of 2.1 percent. By the mid 1970s the poverty rate in Africa was just above 40 percent, similar to the global average. At that time, Asia's poverty rate was substantially higher (55 percent) with East Asia being the world's poorest region with a 58 percent poverty rate (Ferreira and Ravallion, 2008).

- **Two unsuccessful decades (1976-1999).** From the mid 1970s onwards, the development conditions of Africa and other regions, especially Asia, started to drift apart. By the end of the 1980s, Africa became the world's poorest continent. Between 1980 and 1994, per-capita income decreased, 12 out of 15 years. While East Asia experienced remarkable growth and poverty reduction, Africa's average growth rate was only 2.2 percent which resulted in a decline of per-capita incomes of 0.5 percent a year. As a result, poverty rates increased to almost 50 percent.

- **Recovery (2000 onwards).** Since the beginning of the new century, Africa's prospects have once again transformed. Twelve years of growth rates nearing 5 percent, robust performance during the global financial crisis and improved policies allowed Africa to recover. Over this period Africa grew 2 percentage points above the global average (Figure 1). Rapid population growth and urbanization also generated new opportunities for business. Africa is increasingly seen as a new growth market.

Figure 1 – Africa’s three growth episodes: mixed, bad, better.



Source: Author’s calculations based on World Development Indicators

Africa's post-independence growth tragedy

At the time of independence, the recipe for Africa seemed simple. Building on the Harrod-Domar model of the *financing gap*, economists believed that Africa just needed transfers of financial resources to close its *development gap*. With more roads, schools and clinics, Africa would also industrialize and gain higher standards of living. However, this scenario did not materialize. The policy environment was crucial. It was important that money be used to develop industries that were competitive and that roads, schools and clinics actually be built, rather than the money being used for other purposes. Finally, it was important for schools to have teachers who could provide a valuable education to children. .

The oil crisis of 1973 exposed the vulnerability of Africa’s development model. Most countries lacked the economic strength to counter the increasing costs of oil imports. Africa’s development model was still centered on the export of primary products and the import of manufactured goods. For non-commodity exporters this created a structural trade deficit which became unsustainable when oil prices quadrupled (Collier/Gunning, 1999).

Africa's oil producing economies benefitted from higher commodity prices in the short-term. However, low investment in human development and infrastructure in addition to an increasing exchange rate provoked "Dutch Disease" and reduced the competitiveness of all other export industries. Natural resource wealth was also highly concentrated geographically which gave rise to domestic conflict, as in Chad and the Democratic Republic of Congo.

The combination of high oil prices, lack of export competitiveness and weak mobilization of revenues resulted in Africa's debt crisis that began in the late 1970s. Economic policies fueled the imbalances: exchange rates were set artificially low, creating scope for a large "black market", inflation reached record highs and marketing boards stifled the productivity of farmers. What followed were two decades of social and economic decline. Africa became the "lost continent" characterized by economic stagnation, famine, HIV/AIDS, civil conflict and corruption.

By the early 1990s, it became clear that Africa's economic model was not sustainable. The economic failures were numerous and included macroeconomic imbalances, distorted price regimes and institutional failures. Development partners found that aid-financed projects were not productive in a setting where economic policies were distorted (Devarajan, Dollar and Holmgren, 2001). This led to a new era of development thinking, characterized by "Structural Adjustment Programs (SAPs)".

The World Bank and the IMF, with the support of many bilateral partners, developed and implemented the SAPs. The new approach included relatively standard economic policy prescriptions for crisis-hit Africa, coined the "Washington Consensus". The policies included macroeconomic stabilization, economic opening with respect to both trade and investment, and the expansion of market forces within the domestic economy. Once countries subscribed to these policies, international partners resumed their aid programs.

These adjustment programs were highly controversial and were criticized by all sides of the political spectrum. Some felt that the World Bank and IMF (the International Financial Institutions or IFIs) prescriptions were too narrow and stringent, focusing excessively on budget targets to the detriment of social expenditures, and on the opening up of economies, bankrupting local industries. Others held the view that the IFIs were too generous in their aid disbursements, often accepting promises, not actions, by recipient governments.

The problem with the adjustment programs was not their substance but the methods used to implement them. African governments often had little incentive to fully implement SAPs because they were detrimental to their political interests. The fact that they were imposed from the outside made it easier for governments to reject the proposed policies.

Resistance to economic reforms was due to the socio-political configuration of African societies. Many scholars refer to the neo-patrimonial and clientelistic nature of the state in Africa (Bayart 1989, Chabal and Daloz 1999). Africa's neo-patrimonial systems have been more prominent due to a combination of demographic, social and historical influences. Low population density and a low degree of urbanization made the village the central political unit and artificial colonial boundaries hampered the development of national identities. These factors made the African continent a particularly fertile ground for the development of clientele-based political systems. Conditions in postcolonial Africa encouraged rather extreme forms of political systems based on the principle of personal rule (Killick 1993: 366).

According to Chabal and Daloz (1999), aid saved the "neo-patrimonial African state from complete economic ruin". Particularly during the Cold War, when development aid was allocated according to strategic interests rather than domestic economic considerations, the Western and Eastern blocs supported poor governance in many African countries in exchange for their leaders' loyalty. As a result, the West paradoxically reinforced inefficient and non-market-based economic structures instead of supporting social and economic liberalism.

The key lesson to draw from this is that policy reforms, especially politically sensitive ones, cannot be imposed from the outside. On the contrary, they need to be home-grown. Even if they are the same as those designed by the IFIs, policies have a better chance of being implemented and sustained if they are the result of a domestic political consensus. Good fit trumps best practice.

Policy reforms since the late 1990s and their results

Since the late 1990s, Africa has been catching up. Despite the global financial crisis of 2008-2009, African growth reached 4.7 percent a year between 2000 and 2011. Excluding South Africa, which represents a third of Africa's economy and has been experiencing slow growth rates (2.1 percent) since 2000, the continent's average growth rate was 6 percent. This robust growth performance has resulted in the first overall decline in the poverty rate since the 1970s: from 58 percent in 1999 to 47.5 percent in 2008. Growth and poverty reduction were almost universal across various countries and sub-regions: commodity exporters have grown as well as commodity importers, landlocked and coastal countries. Only fragile states have seen modest growth (Table 1).

Table 1 – Growth is all around Africa (2000-2011).

Sub-Saharan Africa	4.7
Sub-Saharan Africa (without South Africa)	6.0
Stable	5.3
Fragile	3.8
Commodity Exporters	6.1
Commodity Importers	4.0

Source: World Bank estimates.

More than a decade of strong growth has propelled part of Africa to what the World Bank classifies as "middle income", or above $1,000 per capita income. In fact, if Sub-Saharan Africa were one country it would already be a middle-income economy with an average per-capita income of around US$ 1,500. However, this average masks wide differences between relatively mature middle-income economies such as Botswana, Mauritius and South Africa, oil-rich countries such as Congo Republic, Equatorial Guinea and Gabon (many of which have extremely low social indicators and widespread poverty), a number of low-income but robustly growing economies (especially in East Africa), as well as fragile and conflict-affected countries (Burundi, D. R. Congo, Eritrea, Zimbabwe) which have experienced a decade of stagnation while the rest of Africa started to take off.

If Africa can replicate the growth momentum of the last twelve years until 2025, more than half the countries will have reached middle-income status. Under a "high-growth scenario" of a sustained 7 percent growth rate (or approximately 4.5 percent per-capita growth), almost all of Africa's stable countries, except Malawi and Ethiopia, will have reached the threshold of US$ 1000 (see Figure 1):

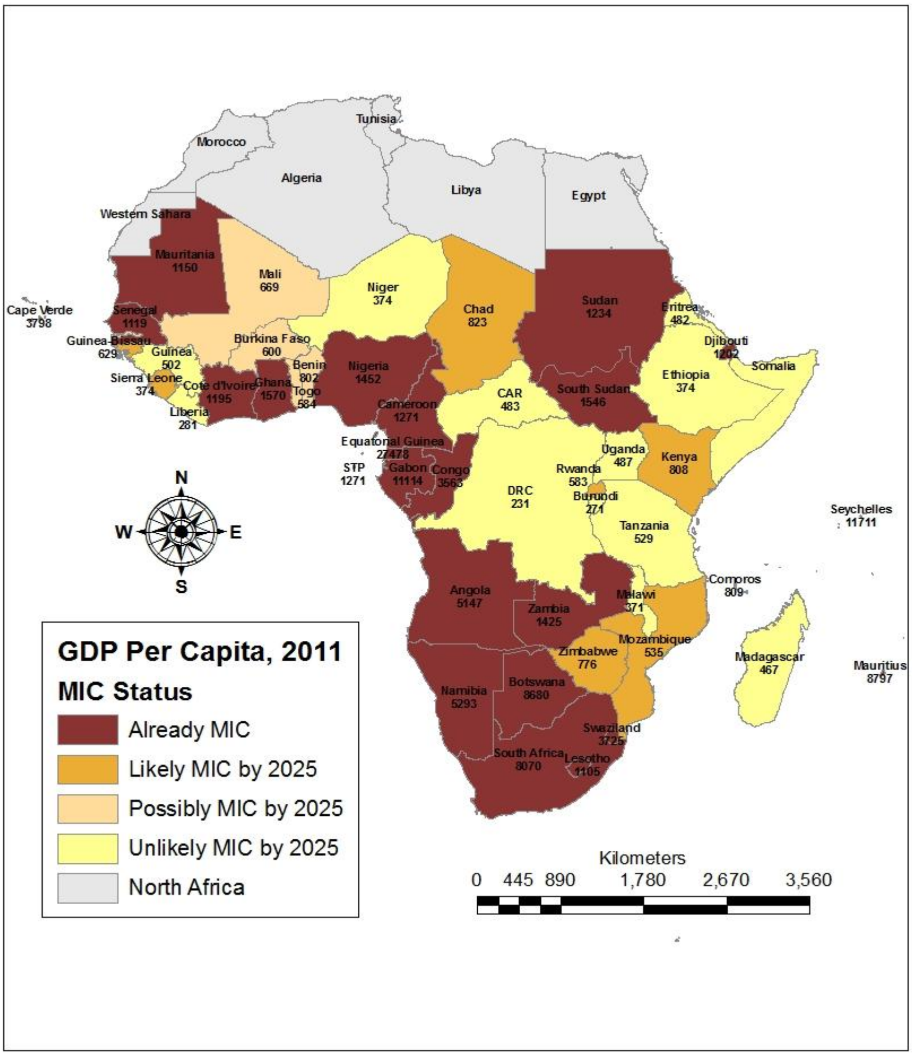
- **Already Middle-income countries (MICs).** Out of Africa's 48 countries, there are already 22 states, with a total population of 400 million, which have officially achieved middle-income status (even though half of them are still below US$ 2000).

- **Likely MICs by 2025.** Seven countries, currently representing a further 150 million people, will reach MIC-status by 2025 if current growth trends continue (e.g. Rwanda), or with some modest improvements and stabilization (e.g. Kenya, Zimbabwe).

- **Possible MICs by 2025.** Another six countries (70 million people) could reach MIC-status if they accelerate their economic performance and achieve seven percent uninterrupted growth (Sierra Leone would need to grow at an even high rate which is possible with the recent expansion in mining).

- **Unlikely MICs by 2025.** Some 13 African countries (280 million people) will almost certainly not reach middle-income status by 2025. Guinea and Tanzania could be within reach; most of the other countries are fragile and conflict-affected states.

Figure 2 – Africa's ride to Middle Income



Source: Authors' projections

As the stable countries in the developing world continue to grow and reduce poverty, fragility and conflict will become the main development challenges. Today, there are an estimated 1 billion poor people in the world – the "bottom billion" – and about half of them live in fragile states. If current trends continue until 2025, poverty will continue to decline in stable and MIC economies reducing global poverty to 550 million people, of which more than 80 percent will live in fragile states (Kharas and Rogerson 2012). The world will then have three main groups of countries: high-income economies, MICs and fragile states, most of which will be in Africa. However, the classic case countries for development aid – stable, poor countries – will start to disappear.

Explanations

A combination of four interrelated factors explain Africa's "growth recovery" since 2000, which has become the most sustained expansion since independence. These are Policy, Demography, Geography, and Technology.

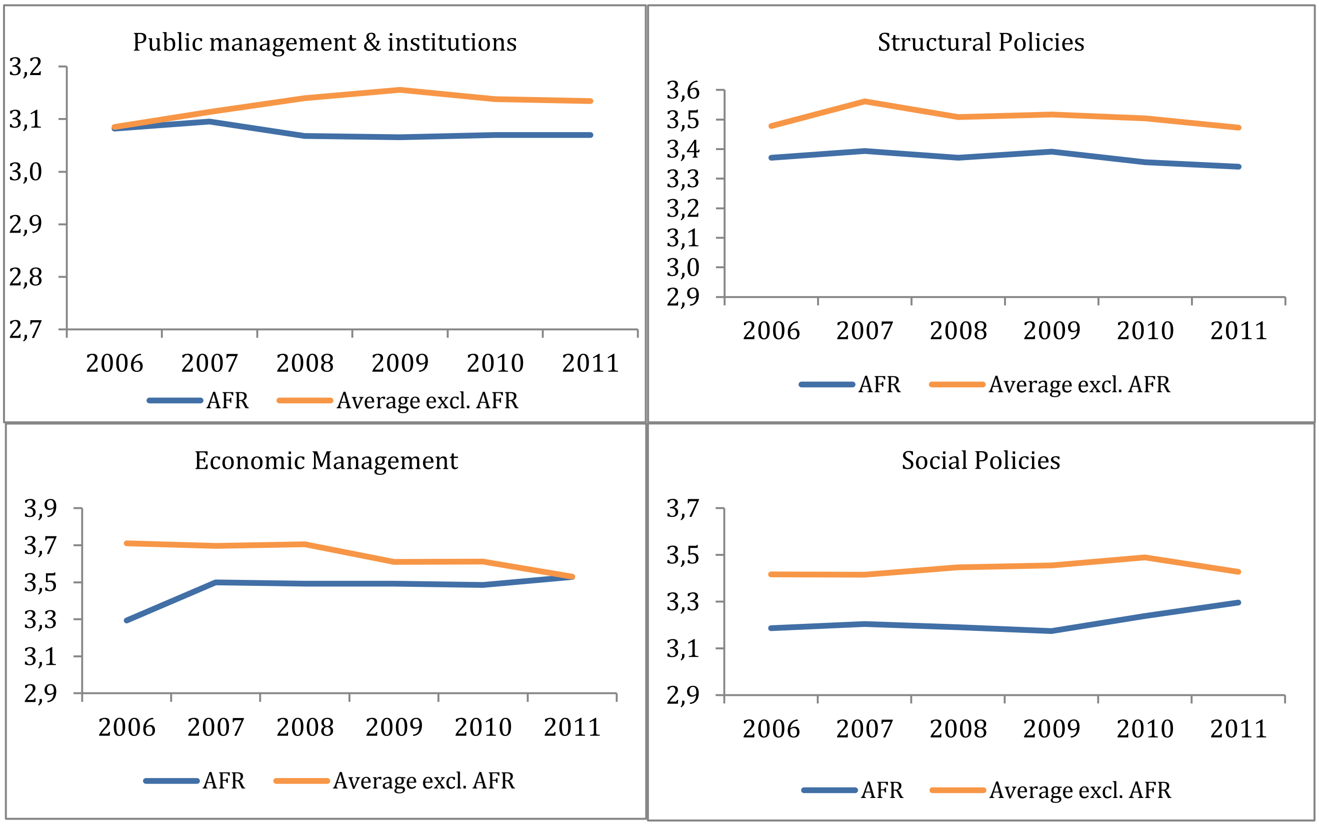
Policy

The improvement in economic conditions has been associated with better policies. Over the last decade, Africa has improved its economic and social policies. For instance, median inflation in the mid-2000s was half of what it was in the mid-1990s. Likewise, trade policy has been considerably liberalized.

To get an overall measure of policy developments, we can look at the Country Policy and Institutional Assessment (CPIA), which compares policies among low-income countries along four major categories, based on sixteen indicators. Sub-Saharan Africa has made strong progress in macroeconomic management and good progress in social policy.[2] Africa's overall macroeconomic performance is now the same as in all other developing countries. Indeed, non-fragile African countries have a higher score than other non-fragile low-income countries. In the area of social policy, Africa is also starting to close the gap. However, structural policies have not seen any improvement over the last six years, and in terms of governance, Africa's performance stagnates at a low level, even falling behind other regions (Figure 2).

Figure 3 – Africa's policy performance: Improving but not across the board

[2] The Country Policy and Institutional Assessment" (CPIA) is the World Bank's annual assessment of client countries' performance. All the numbers used in this paper refer to low-income countries.



Source: World Bank

Why have (some) policies improved? Since the end of the 1990s two main shifts have occurred on the African continent. First, there were the lessons learnt from the painful debt crisis and subsequent debt relief, which ushered in the Poverty Reduction Strategy process by which countries had to present their strategy, based on widespread consultations, to the development community. In the past, the strategy was a tripartite document involving the World Bank, the IMF and the country. The new process increased possibilities for civilian ownership of the strategy (Devarajan *et al.* 2001).

Second, with the end of the Cold War, the political sphere opened up in Africa. Although this did not bring about a transformation in governance, it did provide voice to many segments of society which had been previously marginalized. Together with rapid population growth and urbanization (see below), the demands for better social and economic policies have been growing. Since the mid-1990s, groups have encountered more means to voice their demands with more competitive politics, the freeing up of the media, and the rapid growth of communication technology from 2000 onwards (see below). In several countries (Ghana, Uganda, Nigeria, Tanzania), it also created space for technocrats trained in modern economics to take on senior positions in government.

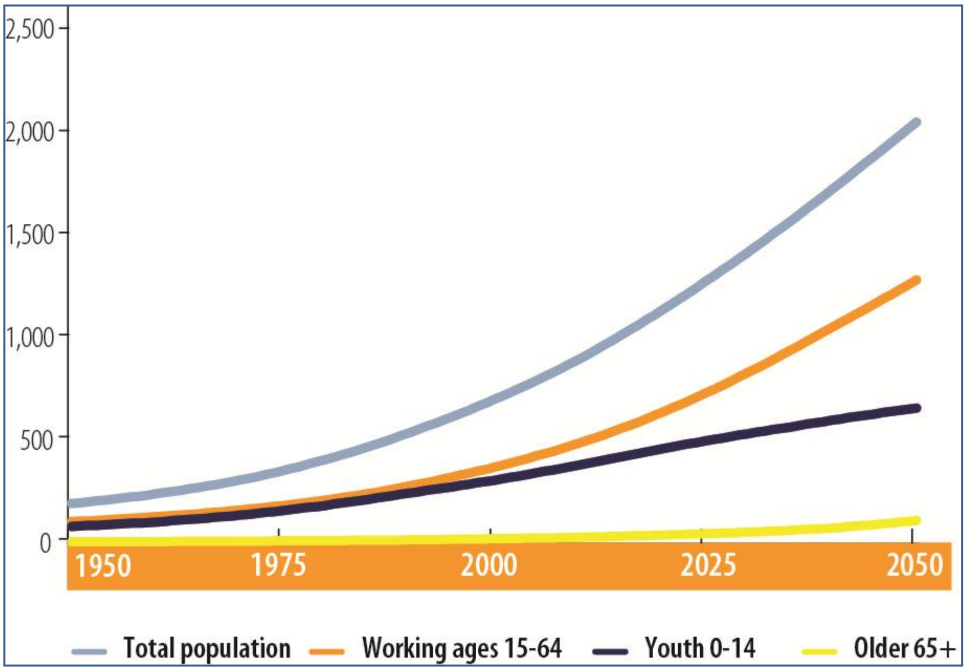
The improvement in macroeconomic policies was also the result of a rebalancing of the relationship between rural producers and urban consumers. In the past, overvalued exchange rates supported a small group of consuming urban elites who were the backbone of authoritarian regimes. This amounted to a transfer of resources *from the poor to the rich*, from rural farmers to urban elites, as Bates (1981) emphasized. With the introduction of competitive elections, the need for political support from the rural poor (who were the majority) meant that exchange rates had to become more competitive (this was also a recommendation of the Structural Adjustment Programs). The economic balance between rural and urban interests started to adjust accordingly and agro-productivity started growing again in the 2000s, even though it remains substantially below that of Asia.

Demography and geography

Africa's economic conditions also improved at a time when the possibility of a demographic dividend started to emerge. Across the world, demographic dividends are associated with better development results. A larger number of working adults generate more income and – with a falling dependency ratio – more resources can be spent on each child (the elderly not yet being a significant number in Africa). Once the demographic dividend starts to materialize, savings tends to increase, which generate higher investments and growth, thus creating a virtuous economic cycle. A larger and better-educated citizenry also tends to demand better policies, partly because the traditional clientelist model of governance begins to reach its limits. With a smaller population it was possible to distribute rents to loyal followers generating some degree of political stability (despite economic inefficiency). However, with a rapidly rising population, the clientelist model of governance risks implosion, as has happened in many conflict-affected countries.

Since independence, Africa's population grew rapidly from a very low base of below 250 million to 900 million people today. In the first four decades, family sizes were large and child mortality extremely high. Since 2000, fertility and child mortality have started to decline. Africa's population is now growing at a rate of 27 million people a year and will continue to grow at this speed until 2050. This is 1.5 times larger than the average African country (18 million). Fertility is expected to gradually decline, which will be compensated by people living longer and a larger number of young families (with fewer children). As a result, the most rapidly growing group in Africa consists of "working adults" (aged 16-64), which is growing by 19 million a year. Children (aged 0-14) will only continue to grow by 4 million annually. The dependency ratio will keep improving in coming decades and reach a ratio of two working adults per dependent by 2050 (Figure 3). Of course, whether Africa can benefit from the demographic dividend critically depends on whether the large number of young people entering the labor force will have productive jobs. This issue will be addressed in the next section.

Figure 4: Africa's demographic dividend



Source: World Bank estimates based on UN.

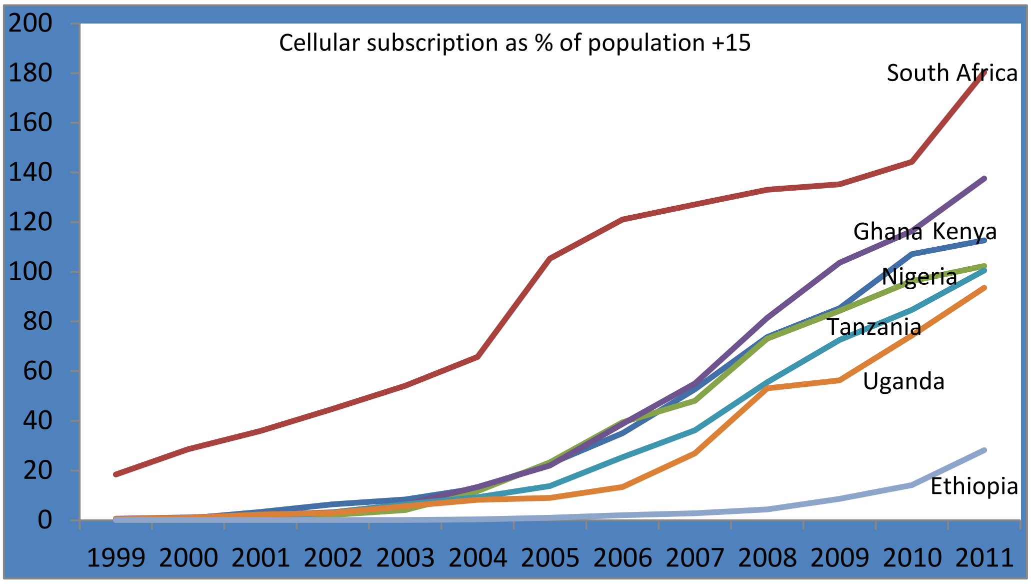
Along with rapid population growth, the number and size of African cities are also increasing, with deep implications for social and economic opportunities. No country has ever reached high-income status with low levels of urbanization. Similarly to other regions, African urbanization has two main drivers: higher densities in previously rural areas and rural-urban migration. Today, 41 percent of Africans live in cities, a figure which is increasing by an additional percentage point every two years.

By 2033, Africa, much like the rest of the world, will be a primarily urban continent. With a large urban consumer base, firms and customers benefit from *scale economies* meaning that they can produce in larger quantities at lower costs. The emergence of strong service sectors in many African countries is also associated with an increasingly urban and upwardly mobile middle class. As with population growth, urbanization will only benefit Africa if it can be effectively managed. This will depend, in turn, on the policies and institutions that support infrastructure development and basic social services. These challenges will also be addressed in the next section.

Technology

The mobile revolution is the most visible sign of Africa's emergence. It can be traced back to the late 1990s when several countries opened up their telecom sectors—another sign of the importance of policy and regulatory reforms—while technological breakthroughs generated low-cost hand-sets making telecommunications affordable. In 2000, Africans had limited telecommunication connections. Only South Africa and a few wealthy individuals had phone connections and there were no affordable cell phones. Within a decade cell phones have become ubiquitous with the exception of a few countries (such as Ethiopia, see Figure 4). In many African countries calling rates are now among the lowest in the world which has spurred global innovations such as Kenya's mobile money system (M-PESA).

Figure 5: Africa's Telecom Revolution



Source: Projections based on World Development Indicators

In countries like Kenya, the information and communication sector has become an important part of the economy, reaching 5 percent of total GDP in 2010 and growing on average by 20 percent each year (World Bank 2010). This is creating a robust "service backbone" for many other industries and hence helping to start transform the "old" economy.

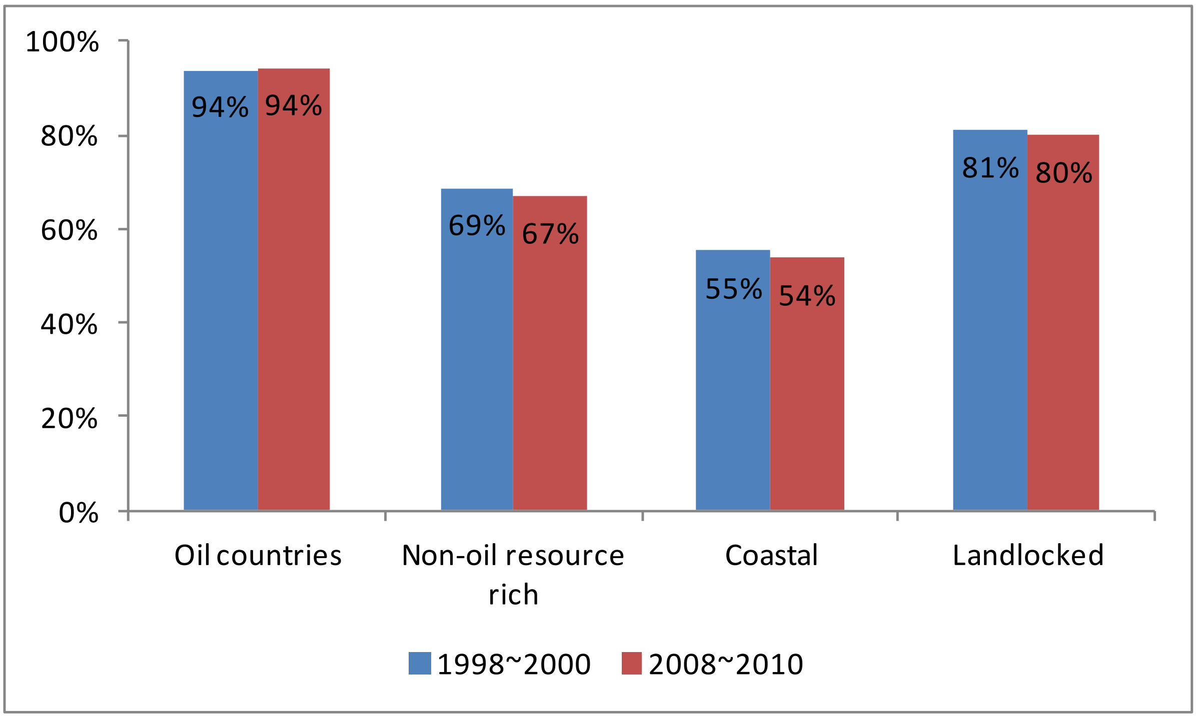
Government Failure in Interpreting Africa's Challenges

The previous section showed that Africa's recent economic growth and poverty reduction were largely the result of macroeconomic reforms that started in the mid-1990s. These reforms were initiated and sustained because there was political support behind them. Shifts in political competition, a changing relationship with donors, a new generation of Western-trained technocrats and emerging demographic transitions all contributed to increased political support for these pro-poor reforms. However, as we pointed out in the introduction, Africa faces some deep development challenges—in growth, poverty reduction, structural transformation, human development and governance—which, at best, call into question the gains of the last fifteen years and, at worst, undermine them.

Despite Africa's robust growth performance for more than a decade, there are few signs of structural transformation. Africa's manufacturing sector remains dormant and some middle-income economies (especially South Africa) have experienced de-industrialization. And while there has been an increase in intra-African trade, Africa's links to the global economy remain weak and are concentrated in a few sectors, particularly commodities and natural resources (Figure 5).

Figure 6: Exports are not diversifying
(Share of three largest export products in total exports)

Source: COMTRADE and staff calculations



In this section, we show that each of these development challenges is the result of a government failure—where political forces conspire to keep countries in a low-level equilibrium—just as they did with macroeconomic policies in the 1970s and 1980s. Considering these seemingly intractable problems as government failures not only helps to explain their persistence amidst rapid growth, but also points to possible solutions in light of this success in order to overcome government failure in the realm of macroeconomic policy.

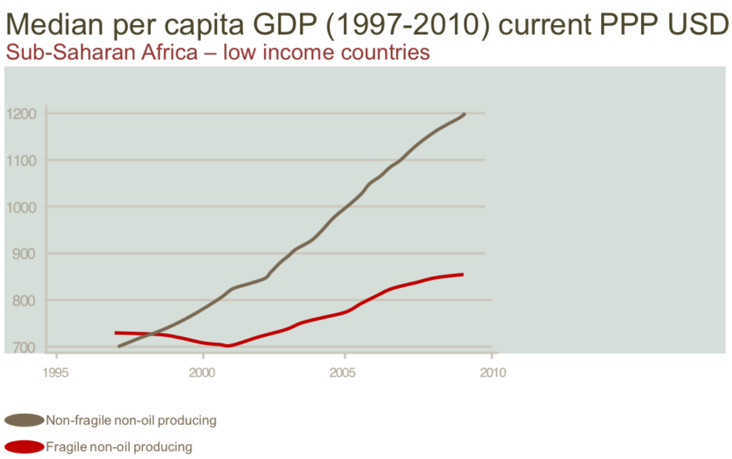
Slow-growing countries

Whereas average economic growth has remained above 5 percent a year (apart from during the 2008-2009 crisis), a significant number of African countries have been growing much more slowly. One group is the so-called "fragile states": countries where conflict or governance has deteriorated so much that the state is unable to perform its basic functions. Of the 33 fragile states in the world, 20 are in Africa. If we take out the oil-exporting countries (whose growth is essentially a function of world oil prices), the remaining African fragile states have experienced much slower per-capita growth than their non-fragile counterparts (Figure 6). Indeed, it appears as if most of the income growth in Africa has been concentrated in the non-fragile states.

That fragile states grow more slowly is not surprising inasmuch as these countries suffer from political violence, insecurity and high levels of corruption. Perhaps more surprising however is the persistence of fragility. Some countries remain in a fragile state for 20 years or more. The probability that a country that was a fragile state in 2000 be fragile a decade later is 95 percent. In a simple model, Andriamihaja *et al.* [2012] show that the combined features of fragile states—political violence, insecure property rights and corruption—coupled with a minimum level of consumption for poor people, increases the possibility that the economy get "stuck" in a low-level equilibrium trap. To emerge from the trap, the economy needs resources yet aid to these countries is limited because it is considered "unproductive". However, if aid could help a country emerge from a low-level equilibrium trap, and hence avoid 20 years of slow growth, it could be extremely productive and this is not just a theoretical possibility.

Andriamihaja *et al.* show that, while aid is globally productive (albeit marginally so) in stimulating growth, aid to African fragile states is extremely productive (about three times the coefficient on the global sample). The message here is not that policies do not matter for growth. Rather, it is that policies are fundamental only in countries where there is a minimal level of governance, i.e. the non-fragile states. In fragile states that are caught in a low-level trap, incremental policy reforms, or even incremental aid accompanied by incremental policy reforms, may not make much of a difference. This message is similar to that of the 2012 *World Development Report* on Conflict, Fragility and Development.

Figure 7: Africa's stability premium



Source: World Bank.

The government failure here is two-fold. First, the combination of political violence, insecure property rights and corruption can lead to a low-level equilibrium, from which there is no intrinsic possibility to emerge. Second, the fact that donors' considerations of aid effectiveness (namely that, in the presence of corruption say, the aid may be wasted) could overlook the possibility of helping these countries emerge from the fragility trap (or avoid falling into it) means that there is an additional coordination failure.

Fast growth, slow poverty reduction

Even among Africa's fast-growing countries, a disturbing number are not seeing rapid poverty reduction. One group consists of the oil-rich economies such as Angola, Gabon and Nigeria. Despite years of significant oil revenues, the central African countries have some of the lowest human development indicators in the world (Table 2).

Table 2: Africa's oil rich countries have poor social indicators. Rank in the Human Development Index (out of 169)

Gabon	93
Equatorial Guinea	117
Republic of Congo	126
Cameroon	131
Central African Republic	159
Chad	163

Source: UNDP Human Development Report, 2010

From an arithmetical point of view, this discrepancy is not surprising. The growth has been concentrated in the oil sector (which hires very few people and uses imported inputs), while the poor earn their living from agriculture and informal trade. There is no reason to expect that growth in one will translate into growth in other sectors. However, the tragedy is that these countries have not been able to use their oil revenues to significantly improve the welfare of their poor citizens. The possible reasons for this are numerous, from "Dutch Disease" to volatility in oil prices to poor investment choices but there is perhaps a more fundamental reason: oil revenues (unlike tax revenues) go directly from oil companies to the government, without passing through the hands of the citizens. This simple fact has at least two implications. First, citizens may not know the extent of the oil revenues. Second, they may not have as much of an incentive to scrutinize how the money is spent because they do not necessarily see it as "their" money (Devarajan, Ehrhart, Le and Raballand, 2011).

Without citizen oversight, it is easier for governments to use the revenues for their own purposes and thus have an incentive to keep their citizens in the dark. This explanation is the most flagrant in Gabon or Equatorial Guinea when one observes that if, instead of the government spending all the oil resources, it was to transfer 10 percent directly to the population (on an equal basis), they could eliminate the poverty gap many times over.

More troubling is the fact that some non-oil countries, such as Burkina Faso, Mozambique and Tanzania, have been experiencing anemic poverty reduction of 3 or 4 percentage points over five or more years despite annual economic growth rates of 7 percent. These episodes call into question the received wisdom that growth is the most powerful way of reducing poverty (Dollar and Kraay, 2003). Worse, as shown in section II, is that the growth that these countries experienced was the result of policy reforms that were resisted by political elites who benefited from the previously distortionary policy regimes. The weak record in terms of poverty reduction gives these elites ammunition to reverse some of the reforms. It also confirms the worst suspicions of the anti-globalizers: as a result of pro-trade reforms, the rich get richer and the poor get poorer.

However, a more careful look at these countries shows that the reason for poor performance in the area of poverty reduction was not that there was too much reform, but rather too little. More specifically, the reforms generated rents (and hence growth) in some sectors, especially services, but the continued presence of distortions in the sectors employing the poor meant that poverty did not decline very fast. For example, in Mozambique, growth came from large mining-related investment projects, such as Mozal, that increased aluminum exports and boosted GDP but only created 2,000 jobs. Meanwhile, most of Mozambique's labor force work in smallholder farms and household enterprises where productivity is growing very slowly. One reason for this is the poor state of infrastructure that makes it difficult for informal workers to get their produce to market. Another reason is low skills—about 50 percent of them have not finished primary school. As we will demonstrate below, both the infrastructure and skill deficit are also the result of government failure.

Tanzania has also seen limited agricultural productivity growth, despite a long-standing emphasis on agriculture (dating back to Nyerere's Ujamaa schemes) and considerable public expenditure on agriculture, especially on fertilizer subsidies. In an attempt to better target and streamline the subsidies, they introduced a market-like system of input vouchers. Unfortunately, as Pen and Christiaensen (2012) show, these vouchers were captured by politicians—about 60 percent went to elected local officials—leaving poor and marginalized farmers, who could genuinely benefit from the subsidy, excluded from the voucher scheme. Moreover, as long as the vouchers remain tools of political patronage, it will be difficult to reform the scheme and thereby accelerate poverty reduction.

Another reason for Tanzania's lackluster poverty performance may be that it lacks a coherent and well-functioning safety net scheme. When the country gets hit by external shocks such as floods and droughts or spikes in world food prices, the poor (who spend up to 70 percent of their income on food) have few alternatives but to cut back on their consumption, exacerbating their poverty and that of their children. By contrast, Rwanda has a unified and targeted system of safety nets. It is therefore probably not a coincidence that Rwanda reduced its poverty rate by 12 percent and Tanzania only by 4 percent even though both countries grew at about 7 percent a year for five years.

Slow structural transformation

Even among countries that have achieved both rapid growth and poverty reduction—Ghana, Rwanda, and Ethiopia are examples—there has been remarkably little structural transformation. The share of manufacturing in GDP or employment is still quite low, and scarcely higher than it was before the growth phase. Nevertheless, labor-intensive manufacturing growth is probably the best way for Africa to absorb the 7-10 million young people entering the labor force each year. This is what East Asian countries accomplished during their growth phase.

There are many reasons why competitive manufacturing has not taken off in Africa, but most of them revolve around the high costs of production on the continent. Even though per capita incomes are among the lowest in the world, wages in the formal sector are relatively high and unit labor costs even higher. A major factor explaining these high costs is Africa's infrastructure deficit. Quantitative estimates of this deficit show that Africa has a gap relative to other low-income countries and that filling that gap could contribute about two percentage points to GDP growth. In addition, the lack of infrastructure (power cuts, impassable roads, leaky water pipes) causes African businesses to have significantly higher operating costs compared to their competitors (Africa Infrastructure Country Diagnostic, 2010).

While these facts are undeniable, a closer look reveals that plugging Africa's infrastructure gap is not a matter of pouring more asphalt or building power plants. In fact, behind every infrastructure problem is a government failure stemming from a political equilibrium and these equilibria cannot be easily disrupted by investing in new infrastructure.

Road transport is perhaps the best example. African exporters face some of the highest transport costs in the world, especially in trying to ship goods from landlocked countries to the ports. However, a study by Raballand and Teravaninthorn (2010) shows that vehicle operating costs along the four main transport corridors are no higher than in France (Table 3) yet, transport prices are among the highest in the world. The difference between transport prices and vehicle operating costs are the profits accruing to trucking companies, some of which are to the order of 100 percent (Table 4).

Table 3: Africa's vehicle operating costs are no higher than in France …

	Central Africa	East Africa	West Africa	Southern Africa	France
Vehicle Operating Costs (US$ per vehicle-km)	1.88	1.33	2.29	1.88	1.59

Source: Raballand and Teravaninthorn (2010)

Table 4: … but trucking profit margins are excessive

	Accra-Bamako	Ngaoundere-Ndjamena	Mombasa-Nairobi	Mombasa-Kampala
Profit Margins (%)	80	118	66	86

Source: Raballand and Teravaninthorn (2010).

How can this industry sustain such high profit margins? The answer is because there are regulations in most of these countries that prohibit entry into the trucking industry. These regulations were introduced 40 years ago, when trucking was thought to be a natural monopoly. Although that is no longer the case, the regulations are difficult to remove because the high profits have created a lobby for maintaining them. And when the trucking industry in some countries is owned by politically-connected families, the prospects for reform are even more distant. Nevertheless, one country, Rwanda, has managed to deregulate the trucking industry and transport prices fell 75 percent in real terms.

The situation with Africa's ports is even worse. With the exception of Durban, African ports have the longest dwell times in the world. The average is about 15-20 days, compared to 3-4 days in most other ports and just a few hours in Singapore (Table 5). Moreover, these dwell times seem immune to changes in ownership (public to private to public-private partnerships) and to the construction of new berths to expand the capacity of the port. The explanation, as Raballand et al (2012) show, is that many importers use the port as a storage facility. For example, in Douala port, storing goods in the port is the cheapest option for up to 22 days. Meanwhile, terminal operators earn revenues from storage and customs brokers can pass on the costs of longer dwell times to the importer and, ultimately, the consumer. Finally, importers with oligopolistic power in domestic markets find it in their interest to keep dwell times—and hence operating costs—high, in order to deter entry by potential competitors. In short, the long dwell times are the result of a coalition of importers, terminal operators and customs brokers.

Table 5: The average dwell time in Sub-Saharan African ports is about 15-20 days.

Port	Average dwell time (number of days)
Durban	14
Douala	19
Lomé	18
Tema	20
Mombasa	11
Dar es Salaam	14
Average (excluding Durban)	16

Source: Raballand *et al.* 2012.

Africa's water and electricity deficits also stem from a political problem, one that has to do with pricing. Governments typically priced water and electricity below costs, sometimes also with the intention of protecting the poor. As a result, the utilities providing the service required a subsidy to operate. Since the subsidy came from the government, this policy gave politicians considerable say in how the utility was run and who received the service. In particular, the services were delivered to neighborhoods that the politicians favored, which were not necessarily where the poor lived. Furthermore, the subsidies rarely covered costs, so the utilities lacked maintenance, leading to leaky pipes and power blackouts. The rich opted out of the system and used their own water tanks and electricity generators. The poor, not being connected, had to buy water from private vendors, or use candlepower for lighting, at about 5-16 times the meter rates.

Not surprisingly, as van Ginneken and others (2012) demonstrate, the poor only benefit half as much from water subsidies than as they would if the subsidies were distributed randomly across the entire population. Again, this is a political equilibrium. The rich have opted out of the system, the poor are not connected to the grid and politicians want to practice political patronage with the subsidies. No one has an incentive to vote for decreasing the subsidies—even though such a move would expand supply and possibly enable poor people (who are already paying higher prices) to be connected to the grid. In fact, politicians can claim that raising prices discriminates against poor people and block such a reform. The net result is that the percentage of households with access to water has declined in rural Tanzania and almost every urban area of Africa (van Ginneken and others, 2012)

In addition to infrastructure, a host of other factors serve to drive up the cost of doing business in Africa. The World Bank's *Doing*

Business indicators rank African countries lowest among all regions of the world. While there has been progress recently—last year, 36 out of 46 African countries reformed business regulations, and Rwanda and Sao Tome and Principe are among the world's leading reformers—the fact remains that the costs of starting and running a business in Africa are, on average, the highest in the world. Furthermore, not only do African countries have some of the most complex business regulations, but they are also the least transparent (Doing Business 2012).

These regulations did not come about by accident, nor is their persistence due to lack of government capacity. They exist in order to serve political interest. If these interests are sufficiently powerful, they can block attempts at reform. For instance, Ethiopia has yet to see significant telecom and financial sector reform, even though studies have pointed to these as being critical to private-sector growth. As a result, the country has some of the lowest cell-phone penetration rates in Africa and a shallow financial sector. Efforts at reform are resisted partly because the state-owned telephone monopoly is quite lucrative and the government prefers to direct credit to favored groups.

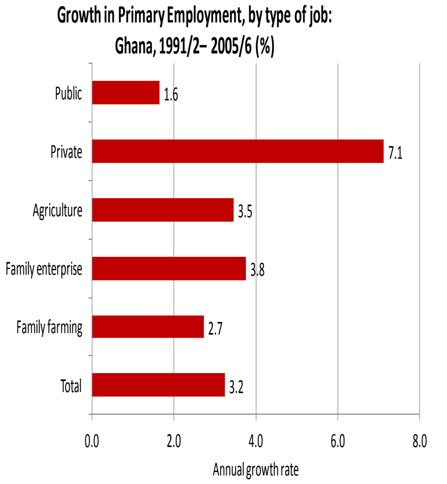
How can this impasse be broken? A recent study of light manufacturing in Ethiopia (Dinh et al. [2012]) points to a possible solution. Looking at footwear and garments, the authors show that a handful of reforms, targeted at these sectors, could make Ethiopian firms, which currently employ about 9,000 workers, as competitive as Vietnamese firms, which employ one million workers. Most of the reforms have to do with relaxing the regulations that have impeded firm growth in general—telecom, financial and land regulations—as well as some that are sector-specific, such as import tariffs on leather goods. The study suggests overcoming the political obstacle to reform by appealing to another political problem, namely, employment, especially youth employment. If the benefits of these reforms in terms of jobs exceed the political costs then the balance may tip in favor of reform, albeit in selected sectors.

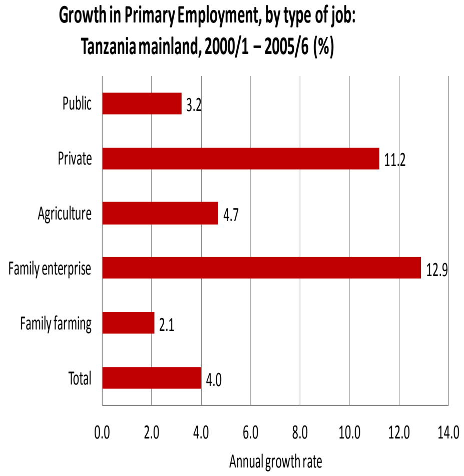
In fact, a review of African success stories (Chuhan-Pole and Angwafo [2011]) shows that most cases of firm growth happened when regulations were relaxed and the government's role was rationalized. The cut flower industry in both Kenya and Ethiopia boomed when land markets were partially deregulated. Other successes, such as Mali's mangoes, Zambia's Zambeef and Lesotho's textile industry, can also be attributed to governments providing the necessary public goods (such as transport infrastructure) while minimizing interference in private goods such as imported inputs.

The biggest success story in Africa, as pointed to in the previous section, is the telecommunications revolution that has spread throughout the continent (except Ethiopia) to the point where well over half of the population, and more than 90 percent of adults, have access to a cell phone (more than the number with access to a clean toilet). Recognizing the potential of the telecom industry, governments throughout the continent gave up the national monopoly, deregulated the old industry and provided a minimalist, regulatory framework for the new one. These examples provide powerful lessons for reforming the business climate in politically contentious settings.

Important as it is, improving the business climate will not achieve structural transformation in Africa. The reason behind this is that business regulations affect less than 10 percent of the labor force, those working in the private, wage employment sector. Most Africans work in smallholder farms and household enterprises, what is often called the informal sector. In fact, for those low-income countries where there is data, the private wage employment sector has been creating jobs at a faster rate than GDP has been growing (Figure 7). However, that growth is from such a low base that it does not come close to absorbing the 7-10 million new entrants into the labor force every year. Instead, most young people will end up working where their parents do, in smallholder farms and household enterprises. In Uganda for instance, even under the most optimistic assumptions about GDP growth and the growth elasticity of wage employment, in 2020, over 70 percent of the labor force will still be in the informal sector (Table 6). Informal is normal.

Figure 8: Employment growth in Tanzania and Ghana





Source: Fox, Louise and Thomas Pave Sohneson, 2012

Table 6: Until 2020, Uganda's employment will remain predominantly informal

	Share of all workers		
	2005/06	2010	2020
Private wage employment - agriculture	4.5%	4.5%	4.5%
Private wage employment - non-agriculture	8.9%	11.0%	15.9%
Wage employment - government	3.0%	2.6%	2.0%
Self-employed & family workers - agriculture	70.3%	65.9%	58.9%
Self-employed & family workers non-agriculture	13.3%	15.9%	18.7%
All economically active	100.0%	100.0%	100.0%

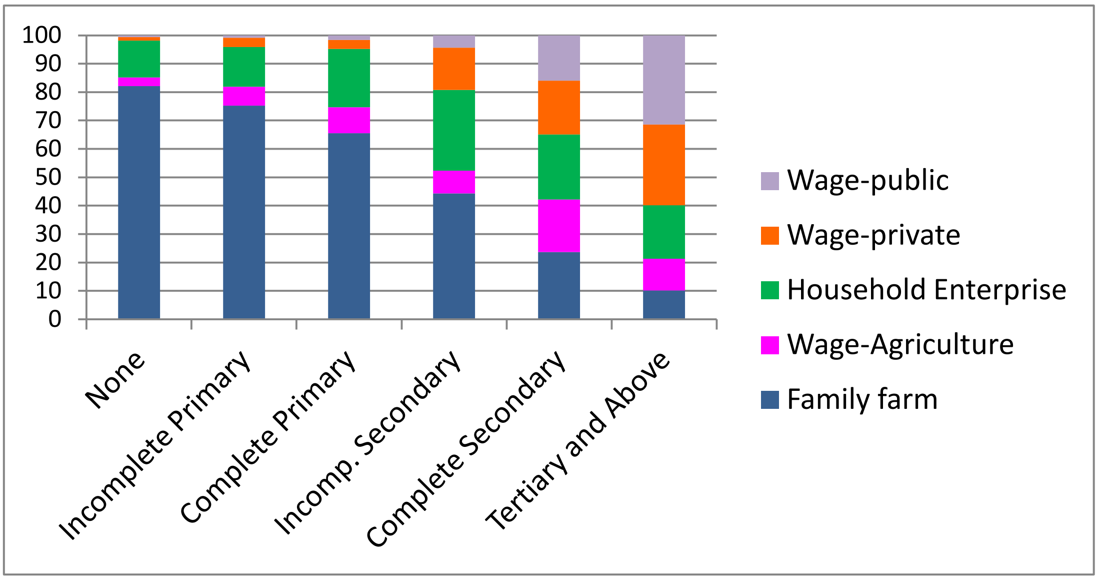
Source: Fox, Louise and Thomas Pave Sohneson, 2012

The challenge of structural transformation in general and youth employment in particular, therefore, is not just to create more wage and salary jobs—important as this may be—but to increase the productivity, and hence earnings, of the majority of young people who will be employed in informal farms and household enterprises.

How can this be done? In general, workers' productivity can be increased by (i) demand-side measures, such as better infrastructure and business climate, that lower the costs of production and hence increase the demand for labor; and (ii) supply-side measures that improve the skills of workers. In the case of farms, as long as the strategy is geared towards increasing agricultural productivity, it will result in higher incomes, but lower demand for labor in agriculture. This is how all economies develop, Africa is no exception: the share of workers in agriculture has been declining in most countries. In the case of household enterprises (where the farm labor typically moves to), the scope for growth is limited. Most of these enterprises are tiny—literally mother and father or father and son shops. They do not benefit from capital investment and economies of scale of larger enterprises. Small and medium enterprises that hire 5-20 people enjoy higher productivity but very few household enterprises grow into larger ones; most remain very small or die out.

There appears to be greater scope for supply-side measures. People with primary education or less are disproportionately concentrated in the informal sector (Figure 8). By increasing the skills of school leavers, we can increase their productivity in agriculture and non-agriculture household enterprises. With higher skills, new entrants can increase their earnings by moving out of the agricultural sector and eventually the household enterprise sector. Such an investment will not be lost if the worker moves out of the informal sector as he or she takes their human capital with them. This brings us to the question of raising the human capital of Africans, the subject of the next sub-section.

Figure 9: Education of the labor force by employment type.



Source: Fox, Louise and Thomas Pave Sohneson, 2012

Weak human capital

As mentioned earlier, despite a decade and a half of economic growth, some poverty reduction and improvement in human capital indicators, Africa still has the lowest levels of human capital in the world. On one level, this is not surprising, given that upon independence, most African countries only had a handful of people with higher education qualifications. Furthermore, Africans' health status, starting from a low base, has been subjected to a number of killer diseases, including HIV/AIDS. However, on another level, the weak human capital base is distressing because considerable resources, from donors and African taxpayers, have gone into the health and education sectors, and yet the human development indicators remain low. In particular, there does not appear to be a correlation between public spending on health or education, and health or education outcomes (World Bank, 2003). As pointed out earlier, the oil-rich central African countries are near the bottom of the human development index; two of the continent's richest countries, Gabon and Equatorial Guinea, have the lowest immunization rates in Africa.

Nor is there a strong connection between access to basic services (primary school enrolment rates, presence of primary health clinics) and education or health quality. Post-apartheid South Africa, for instance, saw a significant increase in public spending on schools to redress the inequitable allocation of the past. While enrolment rates rose dramatically, learning outcomes hardly changed. Only two in five young adults complete secondary education and South Africa scores below other African countries in standardized tests. In Tanzania, where nearly everybody is enrolled in primary school, about 20 percent of 7th grade students could not read a paragraph in Kiswahili, 30 percent could not do a two-digit multiplication problem and 50 percent could not read English (even though English is the medium of instruction in secondary school) (Twaweza, 2011). These results are particularly troubling if, as we said earlier, the main way to increase productivity of informal workers is to enhance their skills.

At least three factors contribute to ineffective public spending and the weak link between access and quality. Firstly, resources allocated to addressing the problems of poor people do not always reach the front-line service provider. A landmark public expenditure tracking study (Reinikka 2001) showed that in Uganda, of the non-wage resources allocated to public primary schools, the share that arrived at the school was 13 percent. A subsequent study in Chad for health spending showed that the share arriving at primary clinics was less than one percent (Gauthier and Wane, 2009, Table).

Secondly, even when resources get to the school or clinic, the provider is often not there. Teacher absenteeism rates in Uganda and Tanzania were about 27 and 23 percent respectively (World Bank, Bold and Svensson). Health workers in Senegal and Tanzania are absent 20 and 21 percent of the time respectively.

Thirdly, even when providers are present, the quality of the service is exceedingly poor. Teachers in Uganda spend less than 20 percent of the time in class teaching. Their counterparts in Tanzania spend slightly more (about a quarter of the time) but only 11 percent of the teachers had the minimum knowledge of language required to teach. The situation in the health sector is even worse: the total amount of time spent seeing patients is 29 minutes in Tanzania and 39 minutes in Senegal.

Not every country in Africa suffers from these service delivery failures, however. For instance, Rwanda's Results-based Financing (RBF) scheme pays a bonus to doctors based on the number of children they immunize or number of pregnant mothers they examine (the number is verified by an independent NGO). The result has been a substantial improvement in various health indicators (Table 7).

Furthermore, inasmuch as the scheme was developed in an unsystematic fashion, there is some evidence that these improvements were due to the RBF (Gertler et al 2009). Similarly, Ethiopia is on track to reach five of the Millennium Development Goals (MDGs) due in part to their Protecting Basic Services program, which transfers resources to the lowest tiers of government based on verifiable plans and monitorable indicators. In addition, communities play a role in the allocation of resources.

Table 7: Rwanda's rapid improvements in health.

Indicator	2005	2008
Delivery in health center	39%	52%
Vaccination (all)	75%	80%
Use of insecticide-treated bednets by children under 5	4%	67%
Modern contraception	10%	27%

Source: Gertler et al 2009.

These exceptions help to define the general principle underlying service delivery failures: basic public services are (also) by and large captured by political elites at the expense of the poor's human capital. The leakage of public funds is the most straightforward example. Since these are non-salary expenditures, there is plenty of leeway in adjusting the amount sent down to the lower level. Moreover, as Reinikka and Svensson (2004) show, the final amount arriving at the school may depend on the school principal's bargaining power vis-à-vis the government bureaucrat or local politician. In the case of health, the leakage is mainly in the form of drugs, which are easy to steal and worth a lot on the open market.

The poor performance of service providers is slightly more subtle. Teachers are often political operatives in local areas. Being among the more educated people in the community, they run the political campaign for the local politician. In return, they receive a job from which they may be absent. The result is another political equilibrium, one involving politicians and service providers, with the losers being poor children. The fact that unqualified teachers receive these jobs is further evidence that these posts are being used for political patronage. If teachers and doctors coalesce into teachers' and medical unions respectively, their bargaining power increases further.

The power of political forces to thwart service delivery innovations is illustrated in a recent study by Bold, Svensson, Kimenyi and Sandefur (2012) of a scheme that attempted to address absenteeism by introducing contract teachers in Kenya. The scheme was implemented by one of two randomly chosen methods: (i) by an

NGO and (ii) by the government. Student learning outcomes improved when the scheme was implemented by NGOs but did not in the government-run cases. The interpretation, based on further information about the situation in Kenya, was that teachers' unions opposed the introduction of contract teachers. They were able to lobby the government to implement the scheme weakly. The NGOs did not succumb to the same pressure.

The bottom line is that efforts to solve problems of teacher absenteeism with "technical solutions" such as introducing contract teachers or electronic methods of monitoring will not succeed if the underlying political system is not aligned with them (Devarajan, Khemani and Walton, 2012). Conversely, when the political system is supportive—as was the case in Rwanda and Ethiopia above—there is a greater chance that the innovation will be adopted.

To return to the problem we started with, if the key to Africa's youth employment challenge is enhancing their human capital, it is clear that the delivery of public services (in all its dimensions) needs to be improved. Doing so will require addressing the deeply political constraints that have allowed such poor services to persist. Only then will Africa's young people obtain the skills and good health that will increase their productivity and enable them to participate in the continent's structural transformation.

Conclusion

This paper has attempted to explain the apparent dichotomy regarding Africa—strong growth and poverty reduction on the one hand, lack of infrastructure, employment and human capital on the other—by examining the role of policy and institutions in the evolution of African development. The growth and poverty reduction of the last decade were the result of improvements in the macroeconomic policy environment and political stability. The remaining challenges of infrastructure, employment and human development also have their roots in weak policies and institutions—what we call "government failures."

In light of these deep government failures, is Africa's recent economic growth and poverty reduction sustainable? Our cautious answer is "yes", based on a number of considerations. First, as shown in section II, the recent growth itself was the result of overcoming government failures in the form of distorted macroeconomic policies. Whether because of the debt crisis or political change, there was a domestic consensus around the continent in favor of prudent macroeconomic policies. Furthermore, these policies delivered growth, which created political support for further reforms. That African policymakers continued with prudent macroeconomic policies through the global economic crisis of 2008-2009 showed that the political support for these policies was robust (Devarajan and Kasekende, 2011).

Today, the combination of democratization, demographic change, rapid urbanization, increasing levels of education, and the almost complete connectedness of the continent through cell phones, have substantially altered Africa's policymaking processes. It is possible that the same forces that led to the pro-growth reforms of the late 1990s and early 2000s will help propel the continent into an era of pro-poor reforms in the coming decades. In particular, we see two related factors contributing to an optimistic view of Africa's future:

- *Political support based on reform successes.* There are many more reformers inside and outside government in African societies. At the same time, there is more political space to voice alternative views and challenge government policies. The debates in Ghana over the revenue management bill or in Kenya over devolution are cases in point. These debates make it easier to develop a domestic consensus around reforms. Even those who are opposed to reform are less likely to resist if they feel they have been consulted in the debates. Furthermore, as aid becomes an increasingly smaller share of African countries' budgets (Fengler and Kharas, 2010), the role of aid donors in domestic policy debates is diminishing, resulting in more home-grown reform efforts. As a result of better economic policies, there is also less need to "impose reform" from the outside.

- *Transparency and information.* Cheap phones and low calling rates have changed many economies in Africa. Indeed, he telecoms revolution will now impact political processes and reform. Cell phones enable poor people to know what is going on (as with Ushahid's platform). They can learn about the regressive nature of government subsidies or the anti-poor bias of types of infrastructure spending, for example. However, cell phones also enable politicians to know what citizens are thinking (whether they want to or not). This two-way communication system means that the voice of people living in marginalized areas is now heard in the national capital. It also means that people can discover what their peers are thinking, greatly lowering the costs of mobilizing collective action. Since governments are already aware of these facts (due to the experience of the Arab Spring), they are constantly on alert about perpetuating anti-poor policies.

While nothing is certain in this world, the combination of greater openness in African societies and the technological revolution, coupled with the forces of urbanization and demographic change, makes us optimistic that Africans can overcome government failure and embark on a period of sustained economic growth and poverty reduction.

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Annex

Table 1 – Africa's ride to Middle Income (2025 GDP per capita projections and estimates)

	GDP per capita 2011	GDP pc 2025 Base Case	GDP growth base case	GDP pc 2025 at 7% growth	Current population growth	Projected population growth (2011-25)
Equatorial Guinea	27478	76652	12.4	46960	3.0	2.4
Seychelles	11711	15941	2.5	25678	0.6	0.6
Gabon	11114	12814	2.5	20644	1.9	1.8
Mauritius	8797	14102	3.8	19752	0.6	0.4
Botswana	8680	14274	4.2	19028	1.4	0.9
South Africa	8070	11859	3.5	17211	1.2	0.5
Namibia	5293	7959	4.6	10254	1.9	1.5
Angola	5147	12339	9.5	9516	3.0	2.5
Cape Verde	3798	7556	6.0	8410	1.0	1.0
Swaziland	3725	4118	2.2	6862	1.0	1.1
Congo, Rep.	3563	5143	4.7	6616	2.7	2.1
Ghana	1570	2896	6.6	3025	2.5	2.1
Nigeria	1452	2536	6.5	2681	2.6	2.5
STP	1473	2517	5.7	2573	1.7	1.8
Zambia	1425	2075	5.6	2401	2.9	3.1
Lesotho	1106	1714	3.9	2381	1.1	0.9
Cameroon	1271	1581	3.4	2323	2.2	2.0
Cote d'Ivoire	1195	1606	3.8	2256	1.9	2.1
Sudan	1234	1863	5.3	2221	2.6	2.2
Djibouti	1202	1608	4.0	2098	2.0	1.8
Mauritania	1150	1676	4.9	2095	2.5	2.1
Senegal	1119	1403	3.9	1950	2.7	2.4
Chad	823	1788	9.2	1423	2.7	2.5

	GDP per capita 2011	GDP pc 2025 Base Case	GDP growth base case	GDP pc 2025 at 7% growth	Current population growth	Projected population growth (2011-25)
Comoros	809	969	3.8	1364	2.6	2.3
Kenya	808	1040	4.2	1401	2.7	2.5
Benin	802	978	3.9	1352	3.0	2.6
Zimbabwe	776	1010	3.8	1345	0.4	1.9
Guinea-Bissau	629	686	2.2	1152	2.1	2.0
Mali	669	938	5.4	1110	3.1	2.8
Gambia, The	625	832	4.6	1078	2.9	2.5
Togo	584	694	2.9	1077	2.2	1.9
Rwanda	583	1131	7.7	1059	3.1	2.6
Sierra Leone	374	1330	9.4	1045	2.5	1.9
Mozambique	535	1108	7.7	1033	2.5	2.2
Burkina Faso	600	879	5.8	1000	3.1	2.9
Guinea	502	835	6.1	919	2.1	2.4
Tanzania	529	907	6.9	913	3.1	3.0
CAR	483	603	3.5	877	1.9	1.9
Uganda	487	847	7.4	814	3.4	3.0
Eritrea	482	515	2.8	802	3.1	2.5
Madagascar	467	542	3.7	769	2.9	2.7
Ethiopia	374	864	8.4	750	2.4	1.9
Niger	374	457	4.3	614	3.6	3.5
Malawi	371	464	4.7	590	3.1	3.2
Burundi	271	341	3.4	502	2.6	1.7
Liberia	281	534	8.5	456	4.5	2.5
Congo, Dem. Rep.	231	349	5.1	424	2.9	2.4
Somalia						2.7
South Sudan*	1,546					

Source: WDI and Authors' projections

* South Sudan became independent in 2011 and does not have GDP estimates for previous years which could be used to project it forward

Note:
The projections for 2025 are based on the following GDP and population growth assumptions:
GDP-growth projections. Until 2014, this paper uses the projections of the World Bank's Global Economic Prospect (www.worldbank.org/gep). For the period between 2015 and 2025, there is a base case and a scenario with 7 percent growth (high case for most but not all countries). The base case uses the average growth rate of 2001-2011 for the projections until 2025. In selected countries which experienced low or negative growth in the past and which are now experiencing a recovery (e.g. Zimbabwe, Cote d'Ivoire) the average growth rate of fragile states (3.8 percent) has been applied.
Population growth rates (2011-2025) represent the average expected population growth by country (UN population prospects).