



Growth and Poverty in Africa

by Finn Tarp

Day 1 Paper

S1A

Presented at REPOA's 21st Annual Research Workshop
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UNU-WIDER's 2014-18 Research Programme

- **3 Challenges**
 - Transformation
 - Inclusion
 - Sustainability
- **3 Concerns**
 - Africa's inclusive growth
 - Gender equity
 - Aid effectiveness
- **3 Audiences**
 - Decision-makers in developing countries
 - International agencies, both bilateral and multilateral
 - Global research community

WIDER Supported Research Volumes

- [Growth and Poverty in Sub-Saharan Africa](#): *Oxford University Press*, edited by Channing Arndt, Andy McKay and Finn Tarp
- [Made in Africa](#): *The Brookings Press*, by Carol Newman, John Page, John Rand, Abebe Shimeles, Måns Söderbom, and Finn Tarp
- [Manufacturing Transformation: Comparative Studies of Industrial Development in Africa and Emerging Asia](#): *Oxford University Press*, edited by Carol Newman, John Page, John Rand, Abebe Shimeles, Måns Söderbom, and Finn Tarp

Forthcoming in 2016:

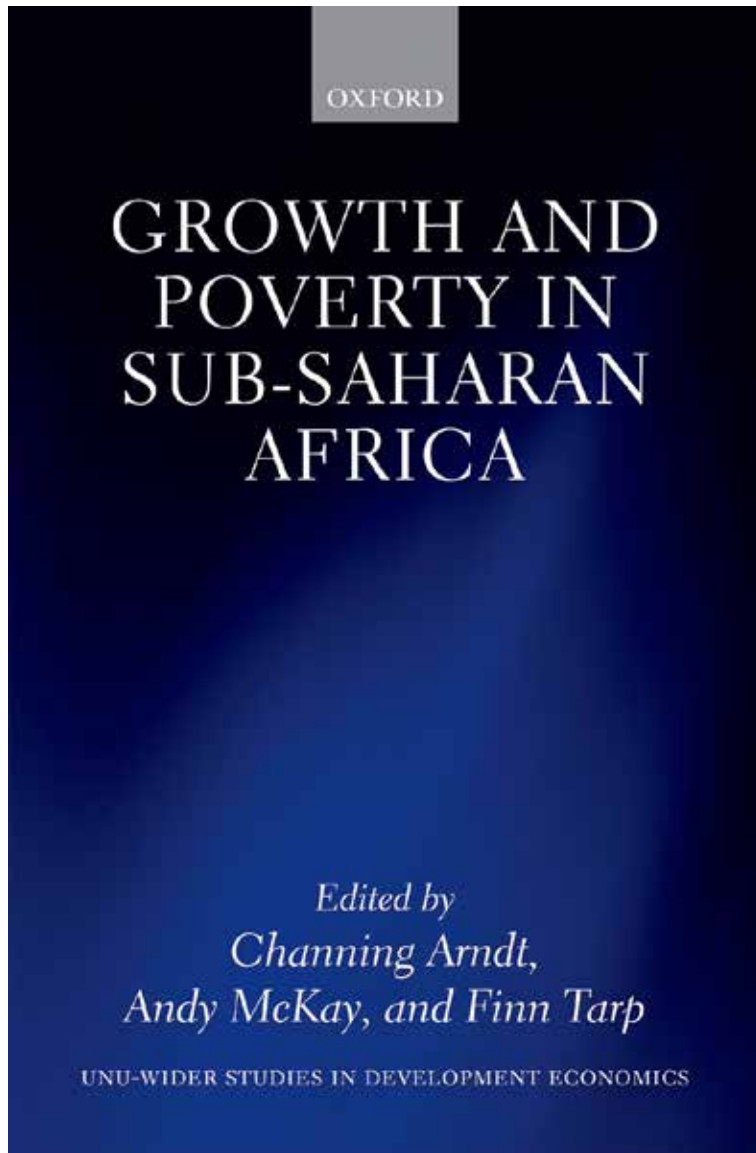
- [Beating the Odds: Jumpstarting and Sustaining Inclusive Structural Transformation](#): *Princeton University Press*, by Celestin Monga and Justin Lin (see also Justin Lin's [WIDER Annual Lecture](#))
- [Measuring Poverty and Wellbeing in Developing Countries](#): *Oxford University Press*, edited by Channing Arndt and Finn Tarp
- [The Practice of Industrial Policy](#): *Oxford University Press*, edited by John Page and Finn Tarp
- [Africa's Lions](#): *The Brookings Press*, edited by Haroon Borat and Finn Tarp
- [Growth, Structural Transformation and Rural Change in Vietnam: A Rising Dragon on the Move](#): *Oxford University Press*, edited by Finn Tarp
- [Building State Capability: Evidence, Analysis, Action](#): by Matt Andrews, Lant Pritchett, and Michael Woolcock, *Oxford University Press* (see also Pritchett's [WIDER Annual Lecture](#))
- A LOT MORE: see <https://www.wider.unu.edu/publications> and <https://www.wider.unu.edu/> including **UNU-WIDER-REPOA collaboration**, a series of special issues of journals and stand alone articles

Africa

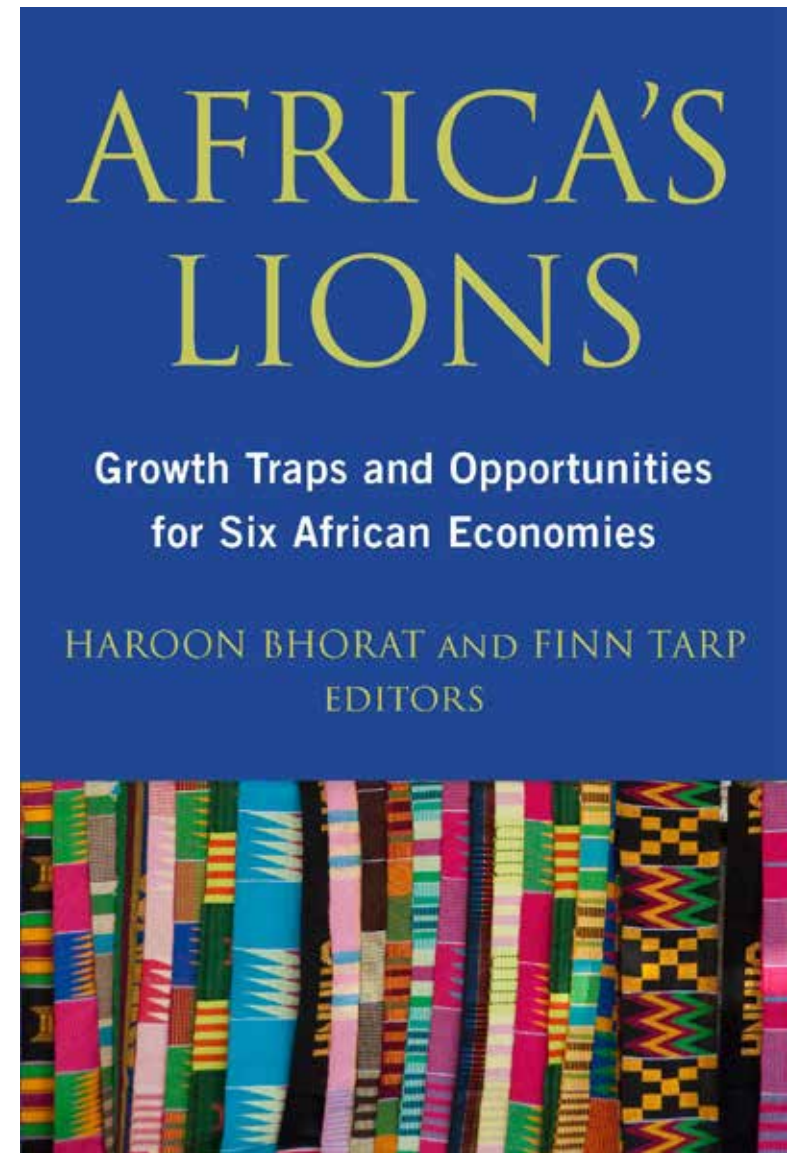
- The *Economist* (11 May 2000): Hopeless Africa
- The *Independent* (15 July 2009): Africa – the lost continent
- The *Economist* (3 December 2011): The hopeful continent – Africa rising
- A recent *Afrobarometer* survey suggests that ‘despite high reported growth rates, lived poverty at the grassroots remains little changed’ (Dulani et al. [2013](#)); and others even question the growth revival referring to poor data

WIDER's Growth and Poverty Project (GAPP)

- GAPP implemented 16 carefully designed country case studies among the 24 most populous countries in Africa [covering almost 75% of the population of the region and 9 of the top 10 countries]
 - Ethiopia, Ghana, Malawi, Rwanda, Uganda, Burkina Faso, Mozambique, Nigeria, Tanzania, Zambia, Cameroon, Côte d'Ivoire, Kenya, Madagascar, South Africa, DRC
 - Conducted by analysts with expert knowledge of the context and strengths and weaknesses of the available data
- Focus on monetary and non-monetary indicators of well-being
- Key message: There is a lot to celebrate in African development – yet key challenges remain
 - By 2013 GDP/capita was only 7.7% higher than in 1974
 - So two cheers, but not three



- [Measuring Poverty and Wellbeing in Developing Countries](#)
- *Oxford University Press*
- Edited by Channing Arndt and Finn Tarp

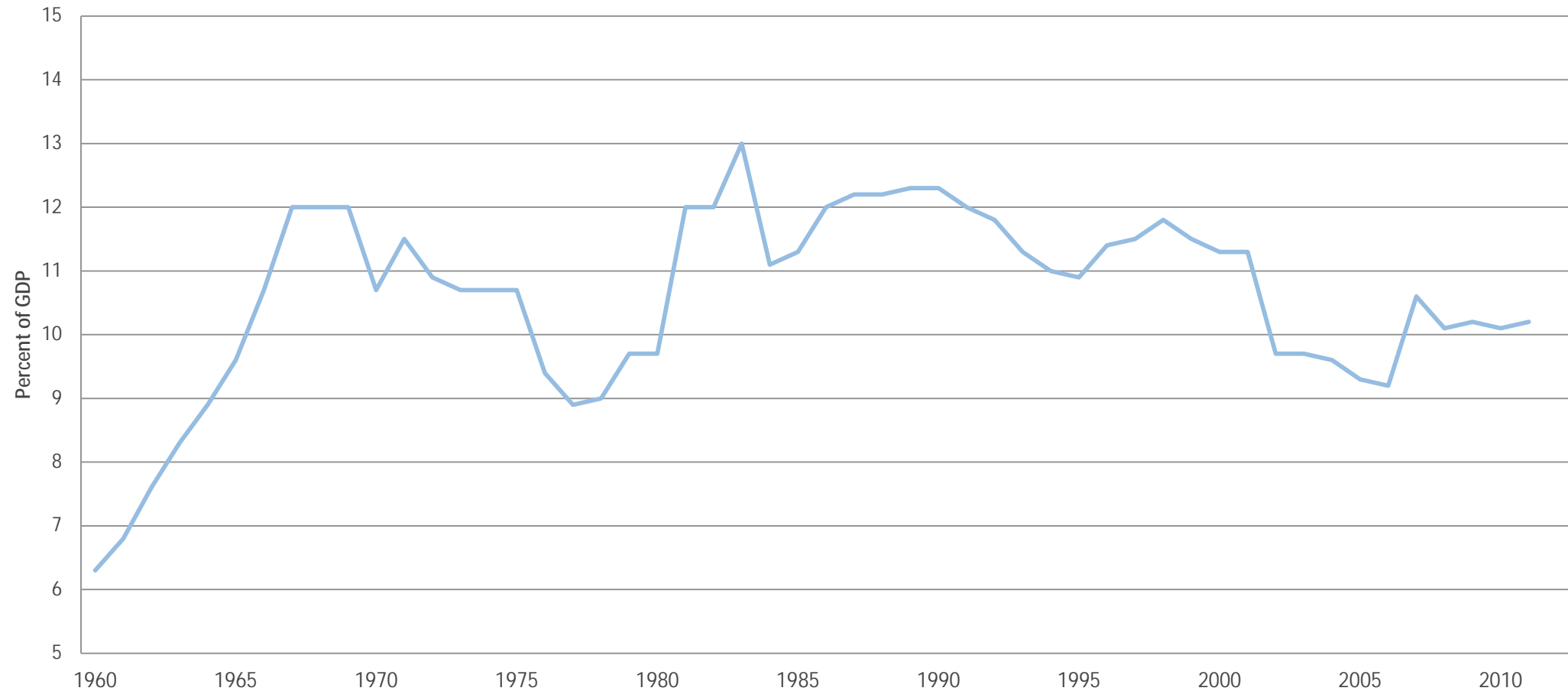


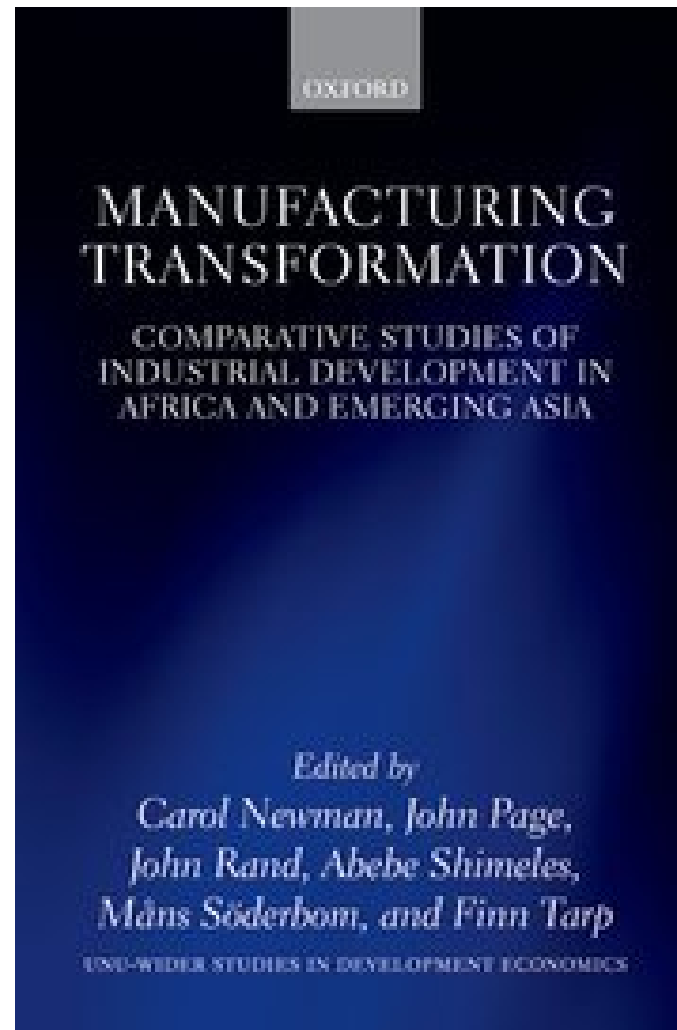
Learning to Compete (L2C)

- A four year WIDER, Brookings and AfDB research programme, which offers a comprehensive, comparative, cross-country analysis of Africa's industrialization experience
 - Ethiopia, Ghana, Kenya, Mozambique, Nigeria, Senegal, Tanzania, Uganda, Tunisia, Cambodia, Vietnam
 - By teams of national and international researchers
- Focus: Why is there so little industry in Africa; does it matter; and what can be done about it?
- Key message: changes in the global economy offer a window of opportunity – but business as usual is not enough; only with a more strategic approach to industrial development and a strong commitment of the region's political leadership can Africa industrialize.

Ending Up Where it Started

Africa has deindustrialized since the 1980s





- *The practice of industrial policy (OUP)*
- Case studies of government-business relationships
- Edited by John Page and Finn Tarp

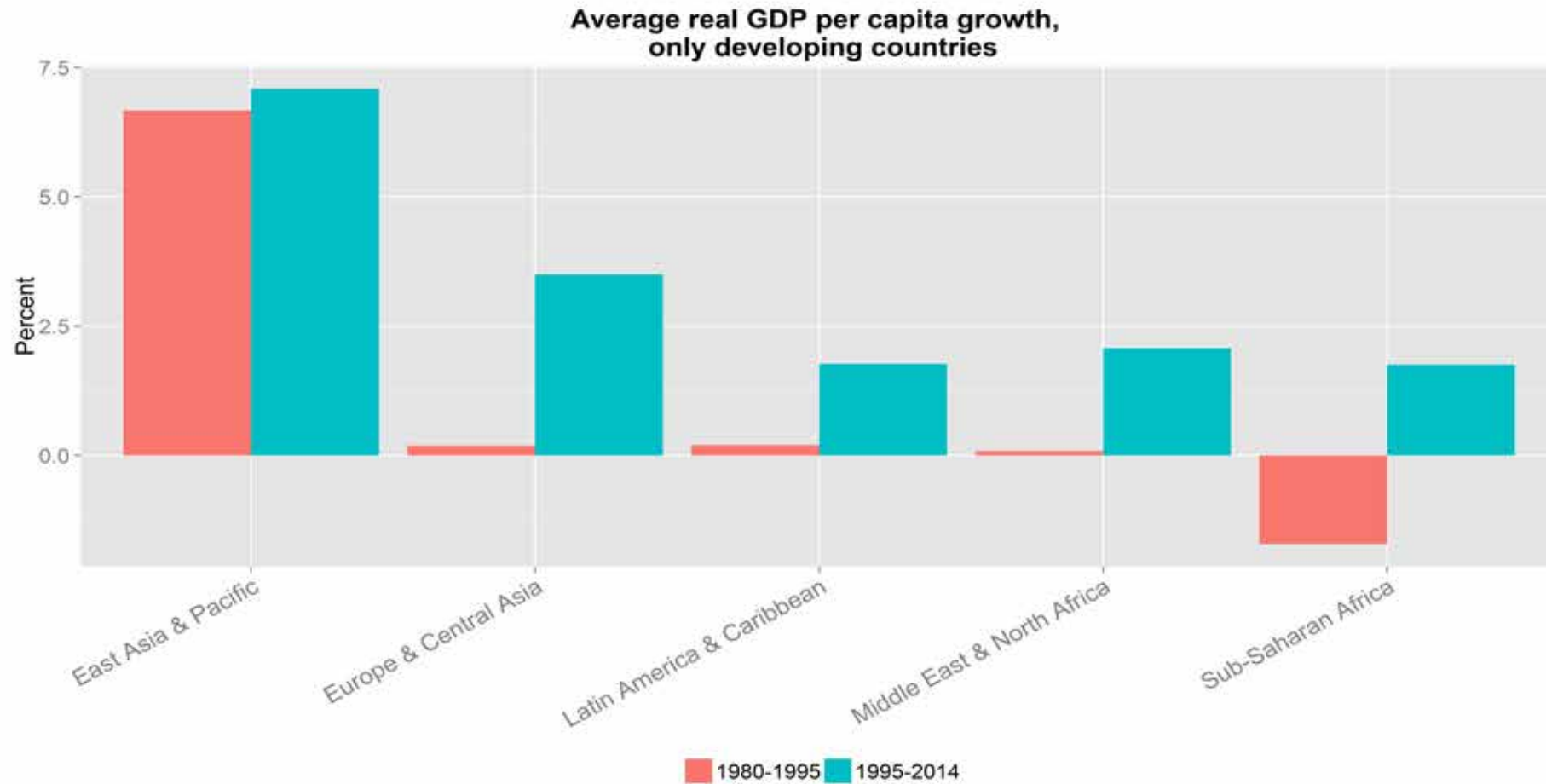


- *Special Issue of Journal of African Economies*
- Learning from exporting
- Edited by Måns Söderbom

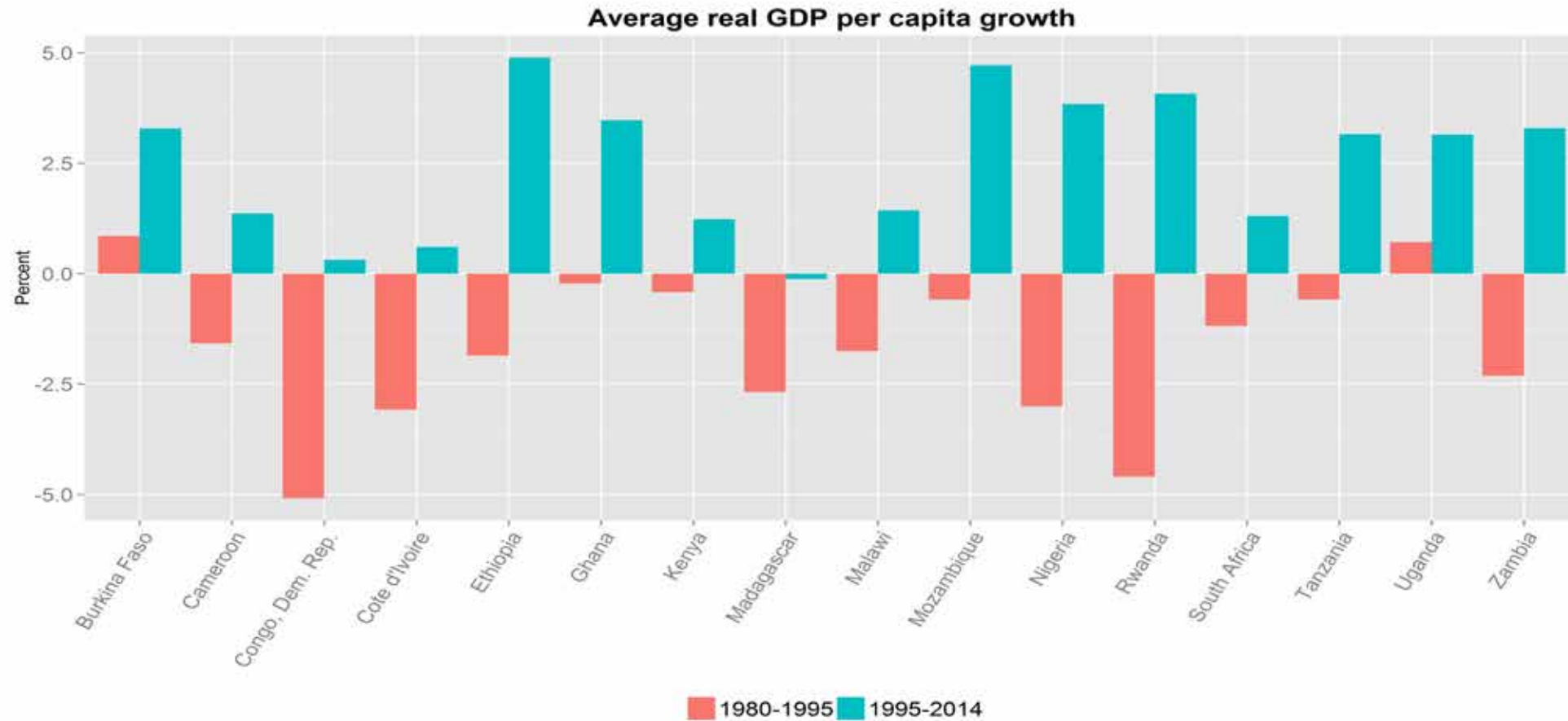
L2C Conference – Industrial development and policy in Africa



The African Turn-Around



16 Country Cases (GAPP)



Summing-Up

- Progress in SSA has been markedly better than most expected 15 or 20 years ago
- Relative to previous periods, macroeconomic management has improved significantly; a new generation of policy makers and business leaders have entered the scene; and important gains have been registered in four key areas:
 - Overall political stability (more democratic and accountable governments)
 - Rates of economic growth
 - A large array of non-monetary poverty indicators; and
 - Monetary poverty as measured by household consumption
- Commodity prices played a role; yet there is a lot more going on: durable factors of physical, human and institutional accumulation are at play

Summing-Up on Growth and Poverty Reduction for 16 Countries: Four Categories

- Relatively rapid economic growth and corresponding poverty reduction: Ethiopia, Ghana, Malawi, Rwanda, and Uganda
- Relatively rapid economic growth and limited poverty reduction: Burkina Faso, Mozambique, Nigeria, Tanzania, and Zambia
- Uninspiring or negative economic growth with corresponding stagnation or increasing poverty: Cameroon, Côte d'Ivoire, Kenya, Madagascar, and South Africa
- Low-information countries: DRC

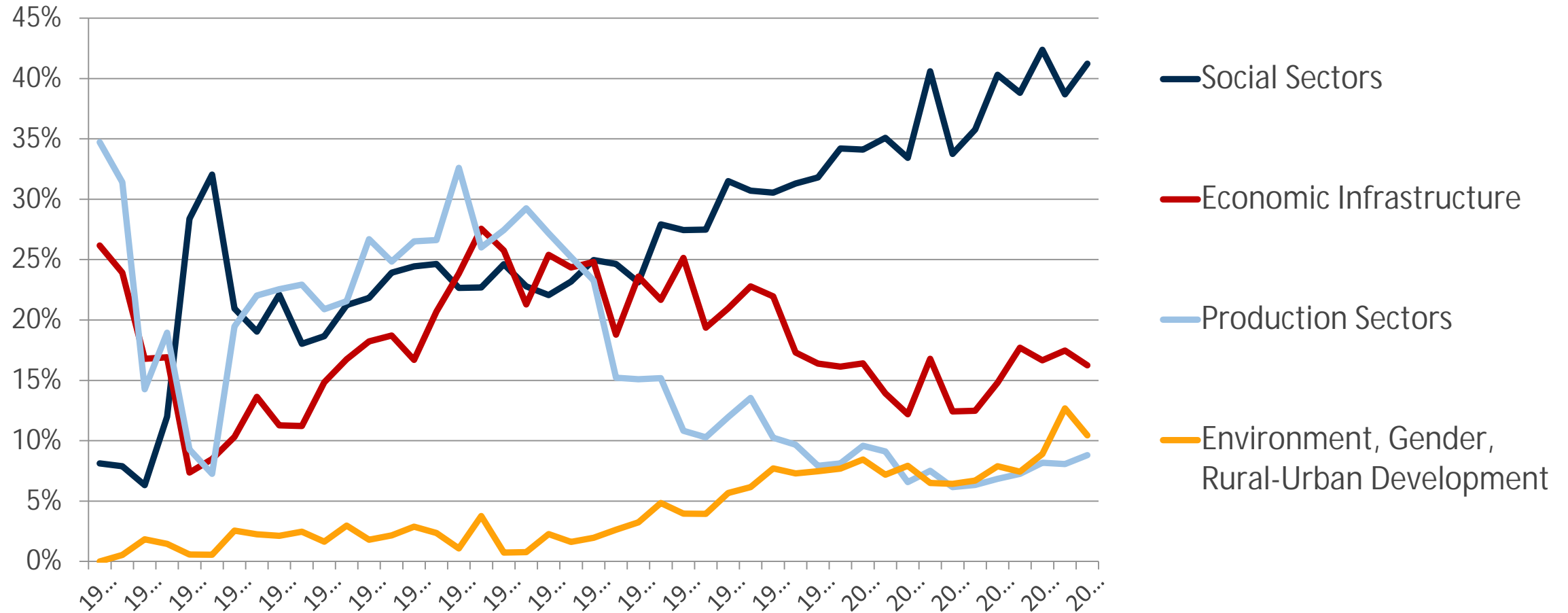
Outstanding Challenges and a Thorny Dilemma

- Structural transformation slow
- Jobs and employment creation lagging
- Agriculture and industrialization constrained
- A long walk to prosperity: recall $T \times G = 69$
- Demographic projections (2015-2050): from 7.3 to 9.7 billion, and Africa's population is set to double to 2.5 billion [bigger than both China and India and Nigeria > US]
- In other words: a lot more policy action and finance in Africa is needed

UN High-Level Panel Report on the Post-2015 Development Agenda

- Calls for:
- “..A quantum leap forward in economic opportunities and a profound economic transformation to end extreme poverty and improve livelihoods...”
- How can aid help?
- Aid to social sectors builds human capital BUT being educated & healthy is not enough

What will happen to aid allocation post-2015?



2030 SDG Agenda

- Aid helps economic growth (overall). BUT:
- To achieve the HLP 'quantum leap' it must support:
- **Structural transformation** – industrial policy & don't just focus on SMEs
- **Creation of 'good jobs'** – donors pay too little attention to employment – fragmented livelihood projects
- **State capability and legitimacy** – support domestic capability and legitimacy to deliver like a state, not just look like a state
- **Gender equity at scale** – rhetoric, but too-small-scale
- **Infrastructure** – use aid to leverage private capital (e.g. AfDB Africa50 fund). Recall **Climate change** challenge
- **Aid to agriculture** – slumped & still too low (esp. crop research). IFAD & AfDB 'going to scale'

Need: Research not Rhetoric

- Ask an engineer: do bridges work?
- Bridges work - when well-designed & built
- Ask a development expert: does aid work?
- Aid can work – when well-designed & implemented
- Instead of **rhetoric** – nothing works in development, nor in aid, & we can never know what works & why (= “all bridges fail, & will continue to fail”)...
- ... **find out**: what works? What could work? What is scalable? What is transferrable?

Private action can do much.

Remittances help build this:



But we also need to build this:



Key Messages

- No simple mapping between poor countries and poor people. Both development economists and development practitioners need to unbundle poverty on a country-by-country basis, looking for its deeper causes and policy solutions
- Finding ways to accelerate structural change in poor economies can have a high payoff in terms of employment growth and poverty reduction
- Investments in infrastructure and enhancement of firm capabilities are likely to be crucial in creating more 'good' jobs
- Agriculture remains a focus for the livelihoods of the poor – and needs more donor ambition, scale, and less project fragmentation



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