



WORLD BANK GROUP

Macroeconomics, Trade & Investment

Reinvigorating Growth in Resource-Rich Africa

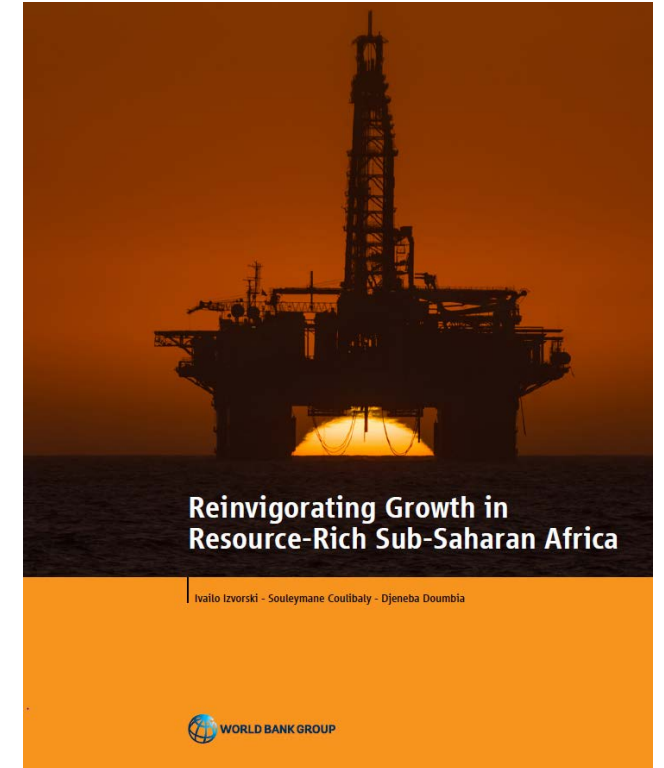
Ivailo Izvorski

Duke Conference on International Development

November 16, 2018

Key Questions

- ❖ How has resource-rich Africa fared this century?
- ❖ How rich is Africa in natural resources?
- ❖ Have natural resources delivered on their promise?
- ❖ How can governments help reinvigorate growth?



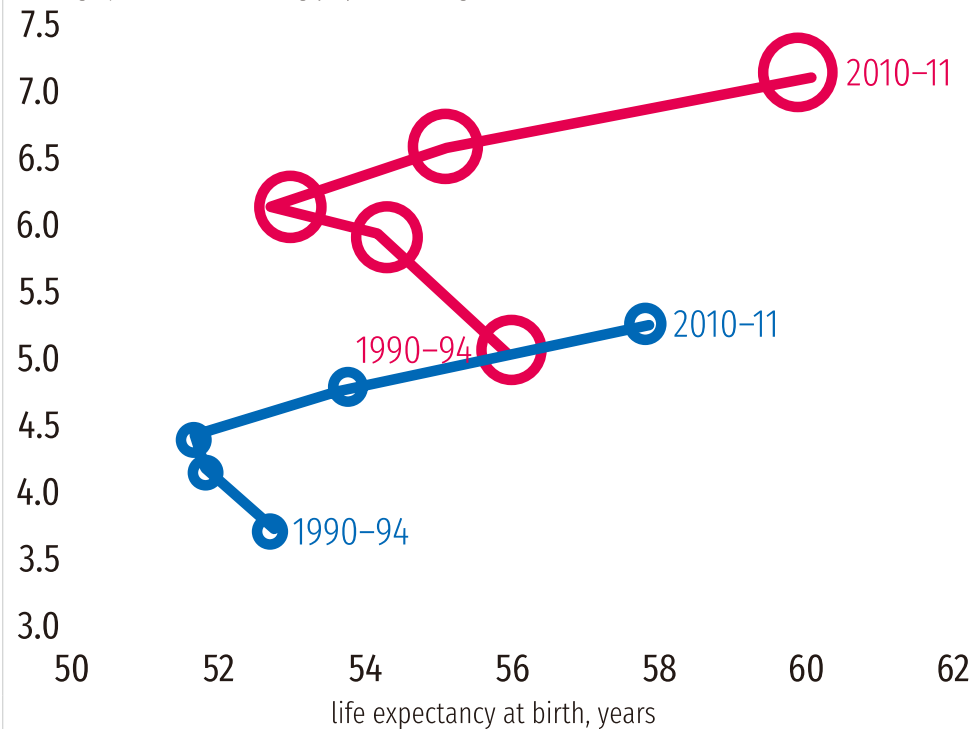
Answers

- ❖ After strong performance because of the commodity supercycle in the early 2000s, growth slowed and convergence started to reverse.
- ❖ Africa's proven natural resource wealth is not large relative to other regions but is large relative to its low human and produced capital.
- ❖ Natural resources have helped but only a part of the resource rents has been added to physical and human capital.
- ❖ A development strategy rests on these pillars:
 - Invest more and better in human capital and improve the business environment
 - Maintain a counter-cyclical fiscal policy stance and build institutions
 - Integrate regionally to overcome the low density, thick borders, and long distances

Resource-rich Africa's standards of living are rising

Figure Income, Education, and Health Indicators, 1990–2011

average years of schooling population aged 25 and over

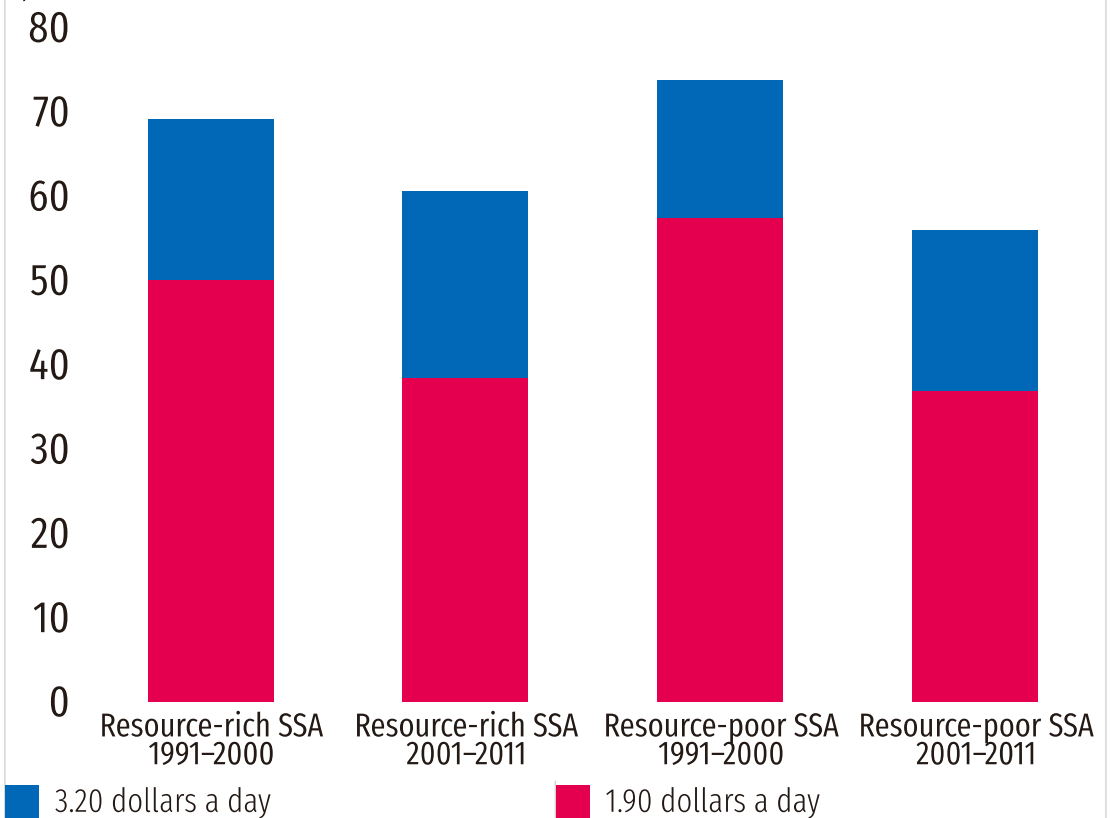


Source: World Bank WDI and Barro and Lee (2013).

Note: Each data point shows a non-overlapping 5-year average value. The size of the bubble represents the relative per capita income.

Figure Poverty in SSA, 1991–2011

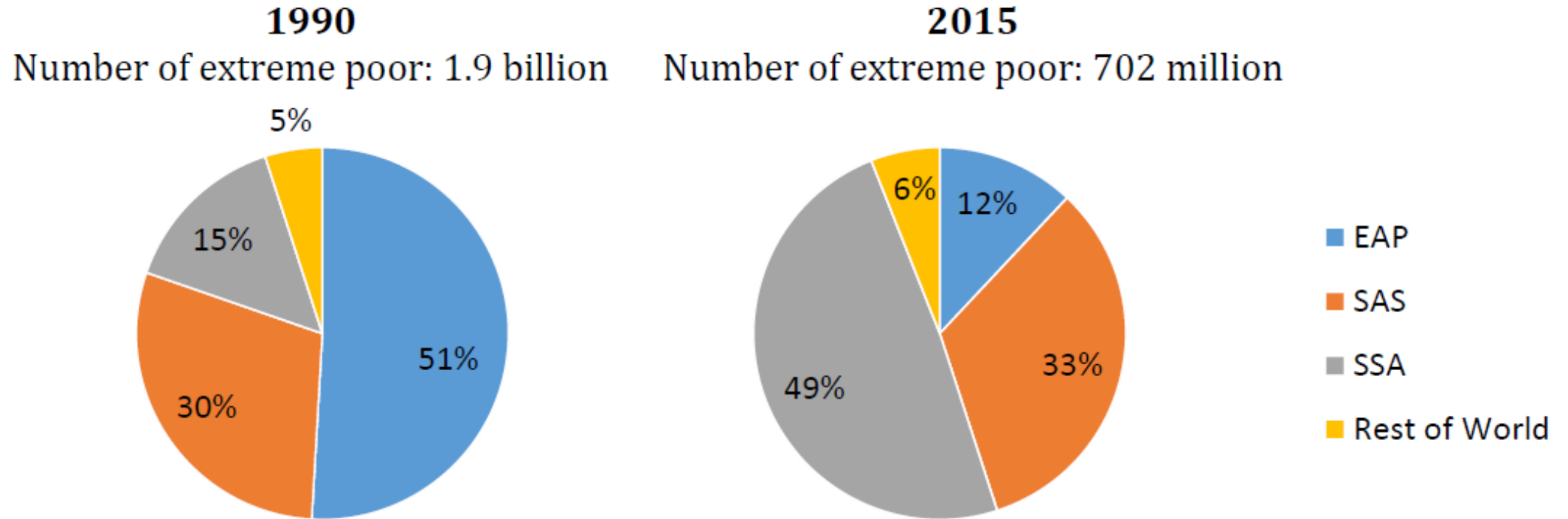
percent



Source: Data from PovCalnet, World Bank.

Stronger growth is needed to reduce poverty

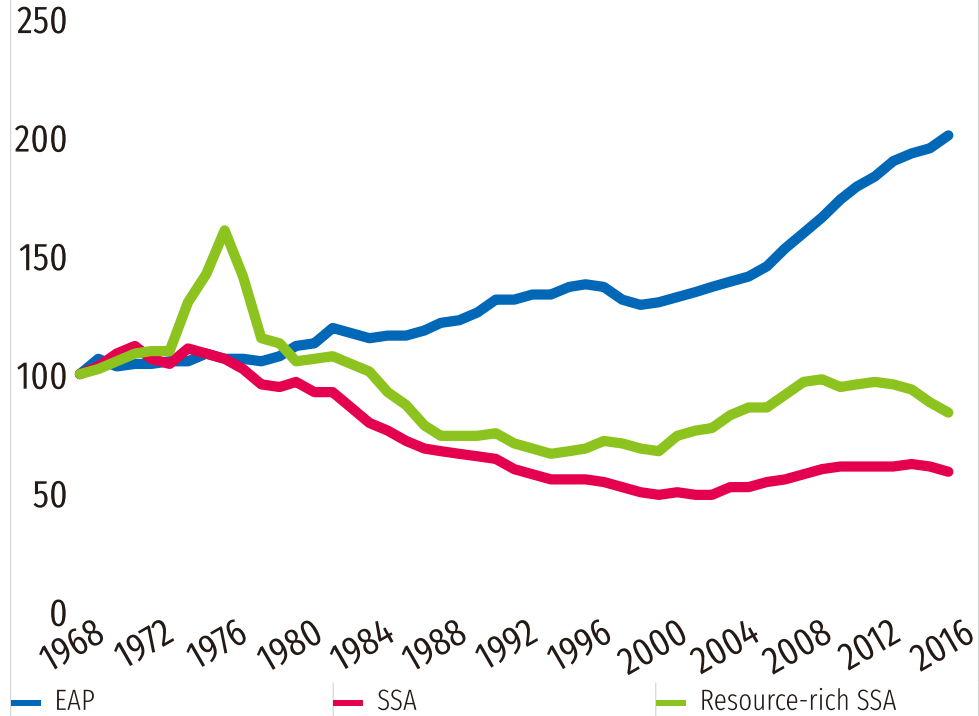
The number of extreme poor in SAA rose from 285 million in 1990 to 344 million in 2015



But GDP per capita is not converging

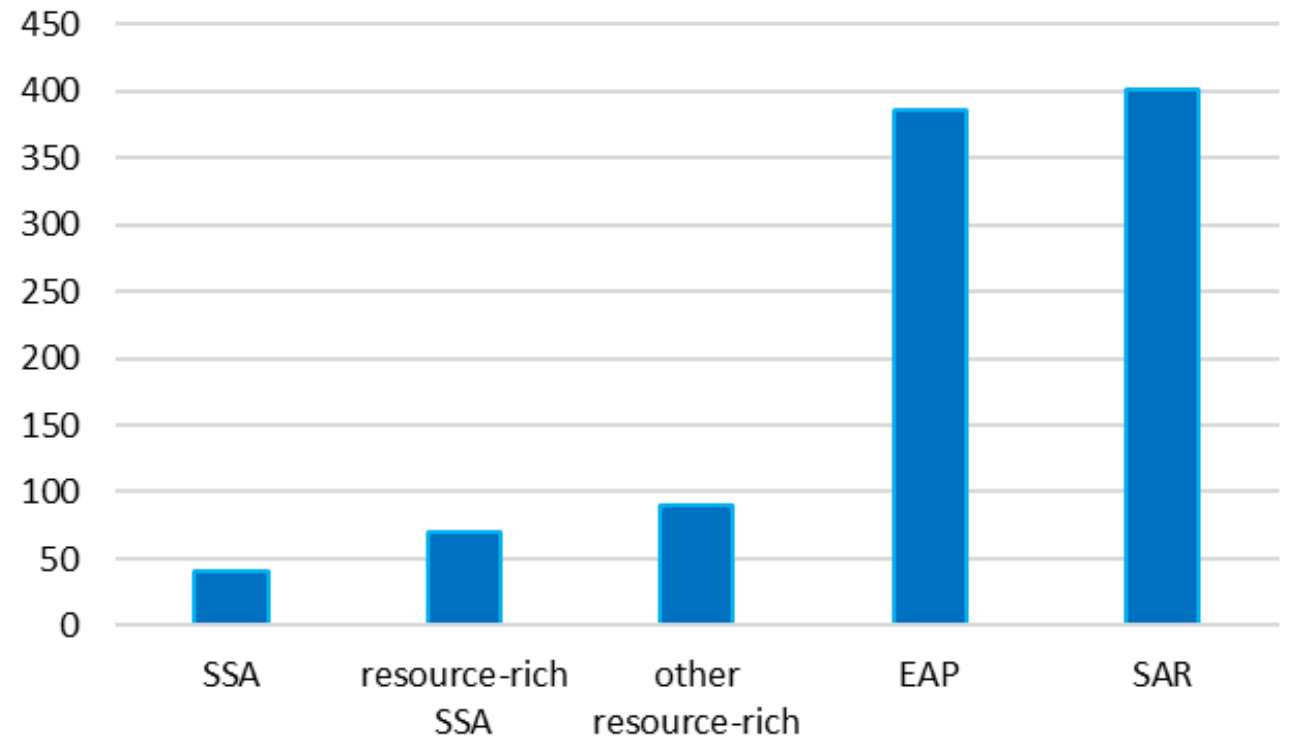
Figure GDP Per Capita Relative to the United States

1968=100, PPP constant 2011 international US dollars

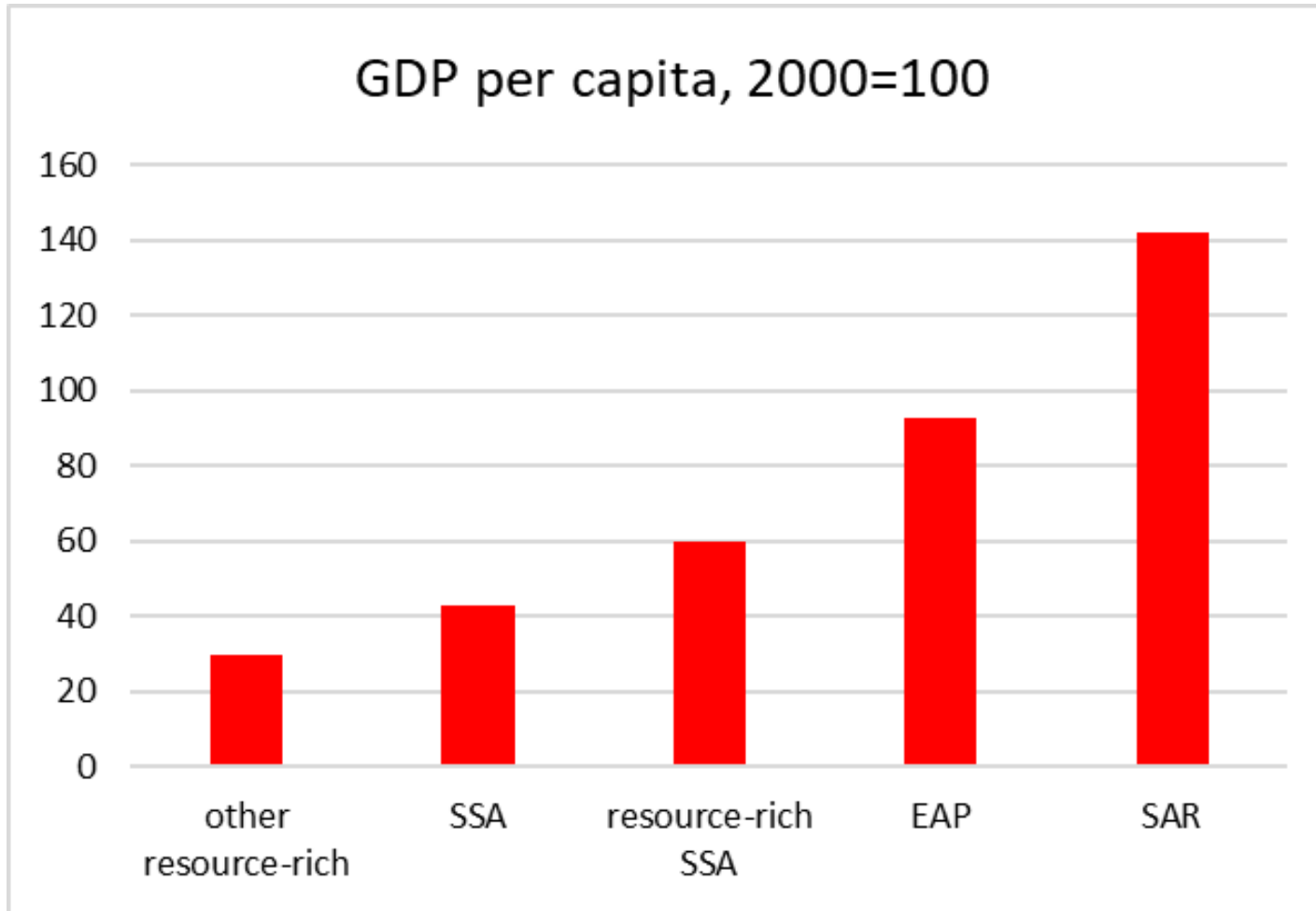


Source: Data from WDI, World Bank.

GDP per capita, 1968=100



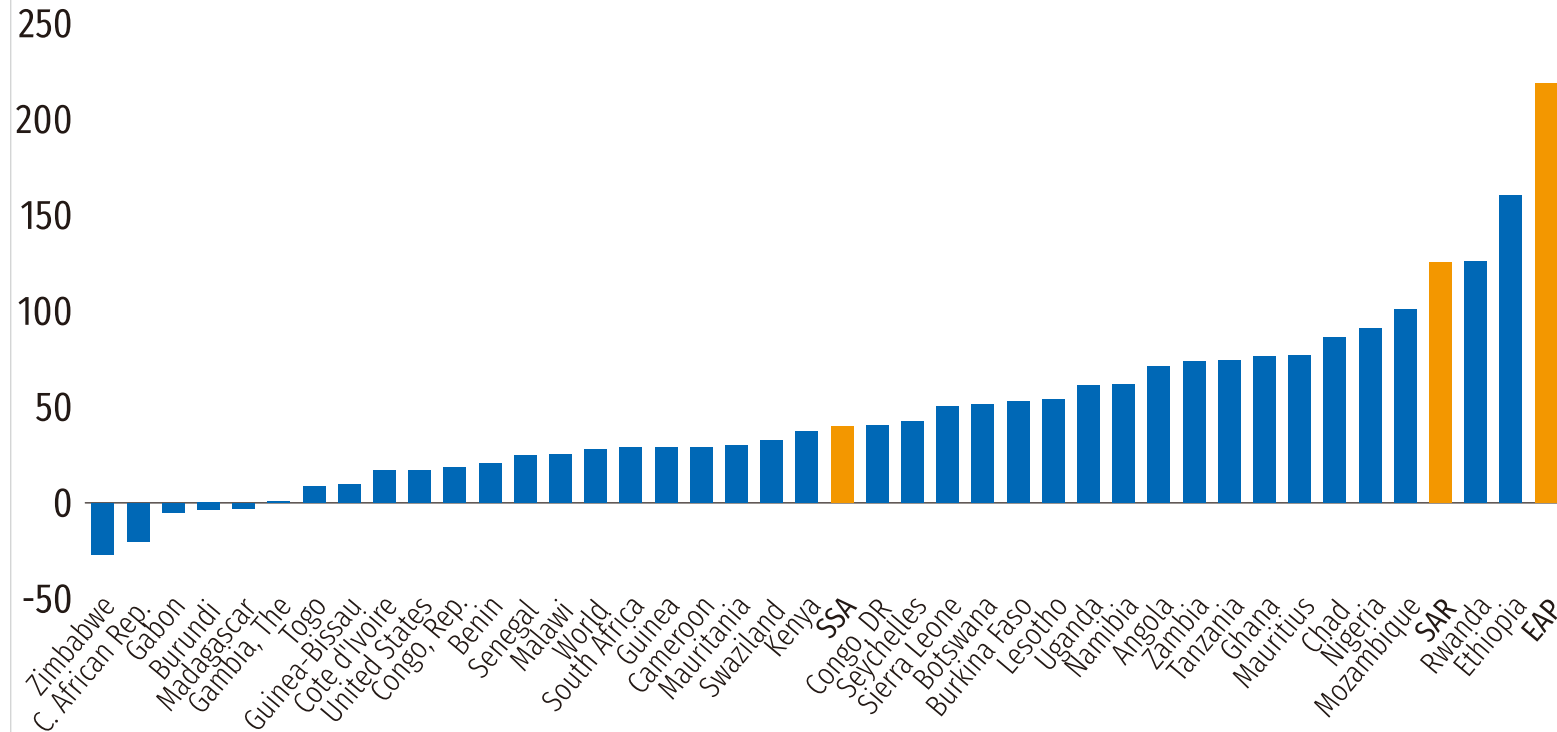
Even with faster GDP growth since 2000



Half of resource-rich SSA grow faster than SSA

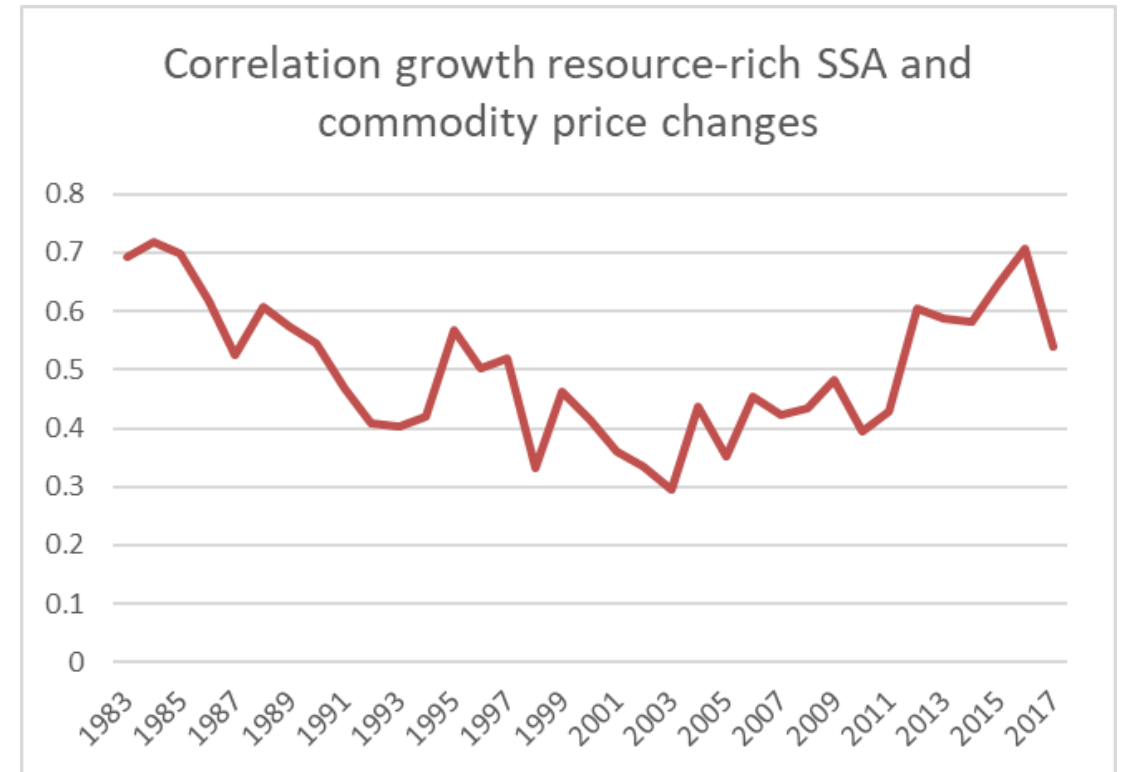
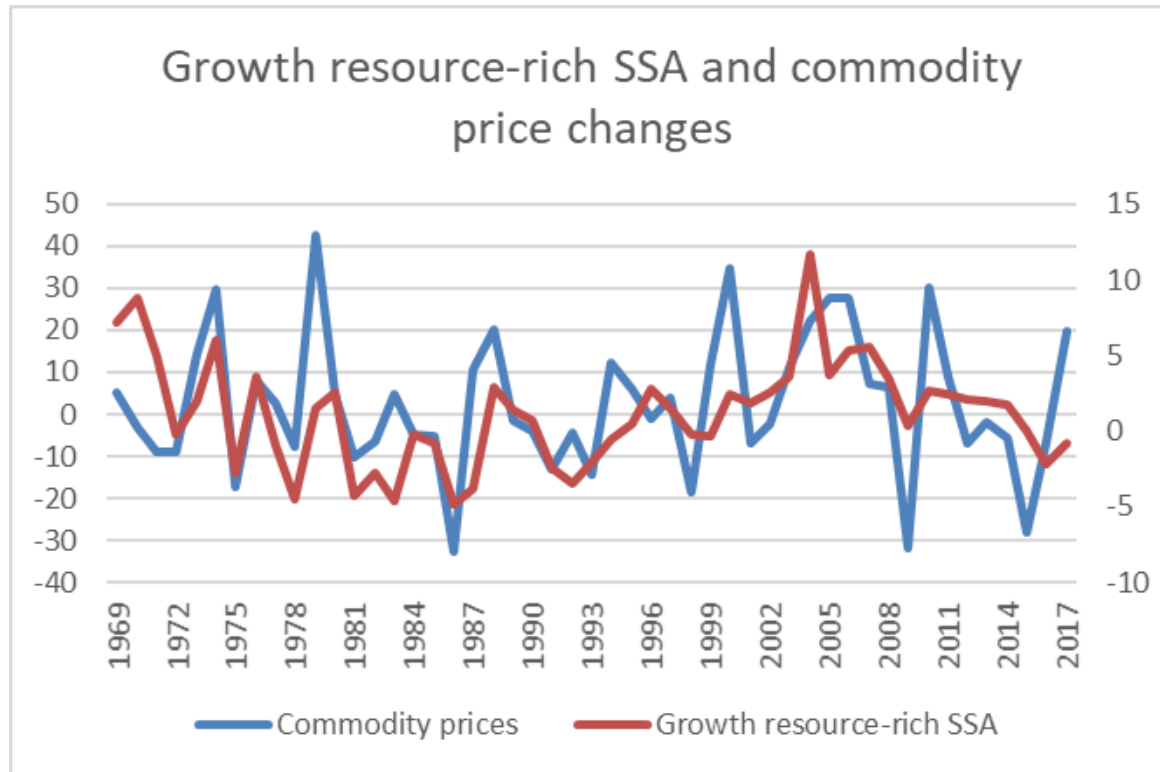
Figure Cumulative Per Capita Growth Internationally 2000–16

in percent change measured from GDP per capita in constant 2010 US dollars



Source: WDI.

High correlation b/n growth and commodity prices



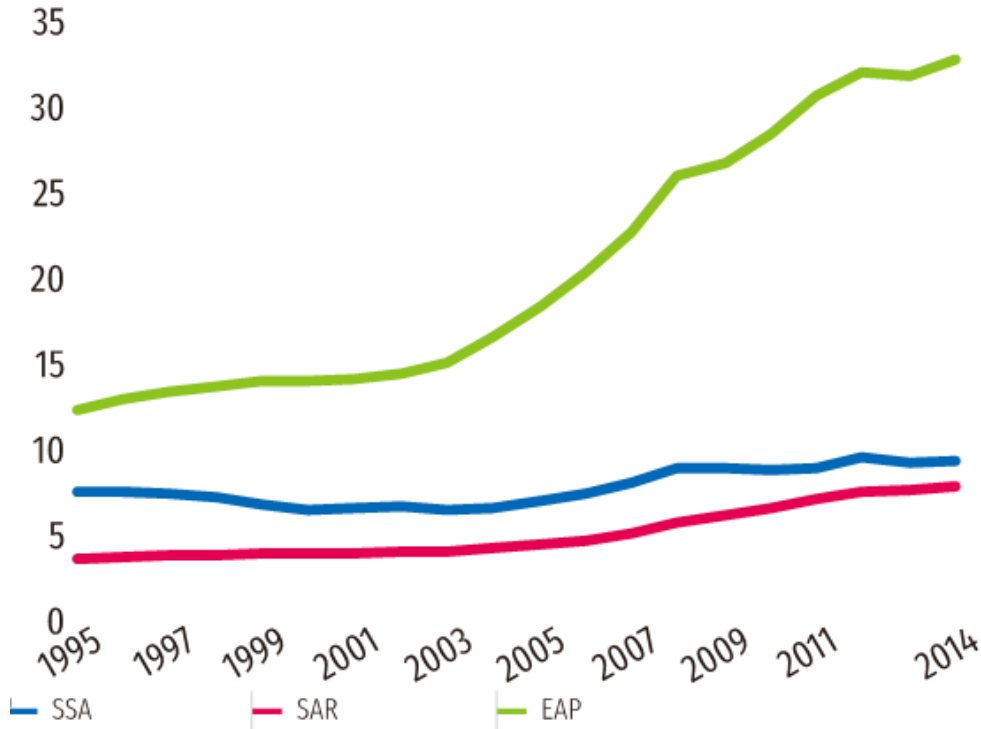
Africa's natural wealth

Africa's natural wealth lags other regions ...

Figure Africa's Natural Wealth and Per Capita Wealth, 1995-2014

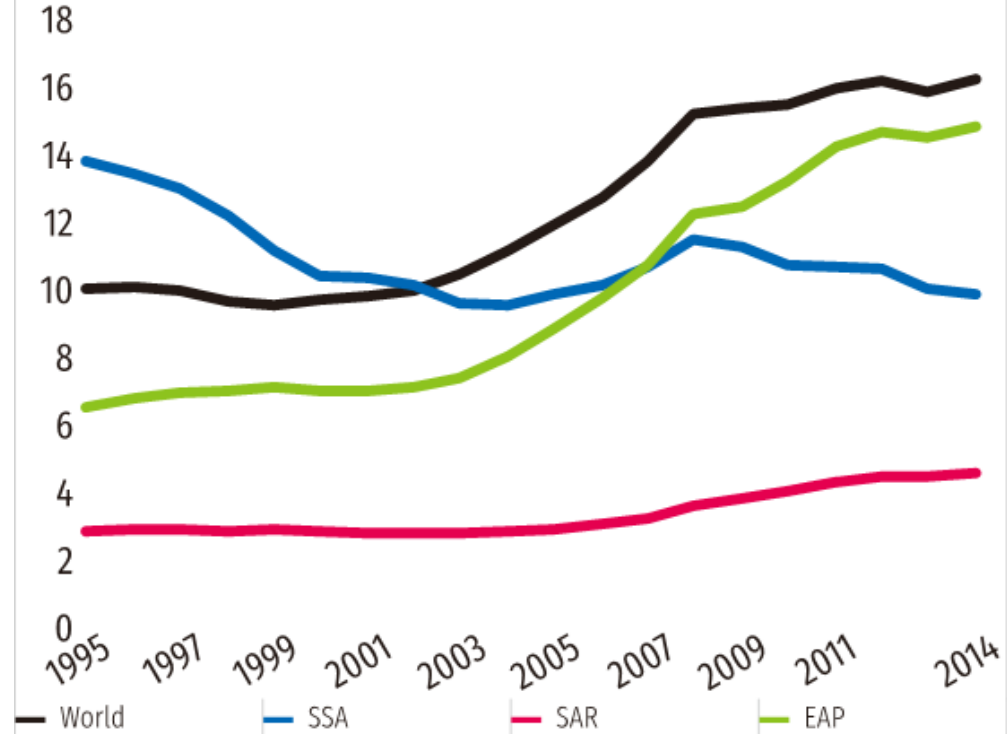
a. Overall natural wealth

in US dollars, billions



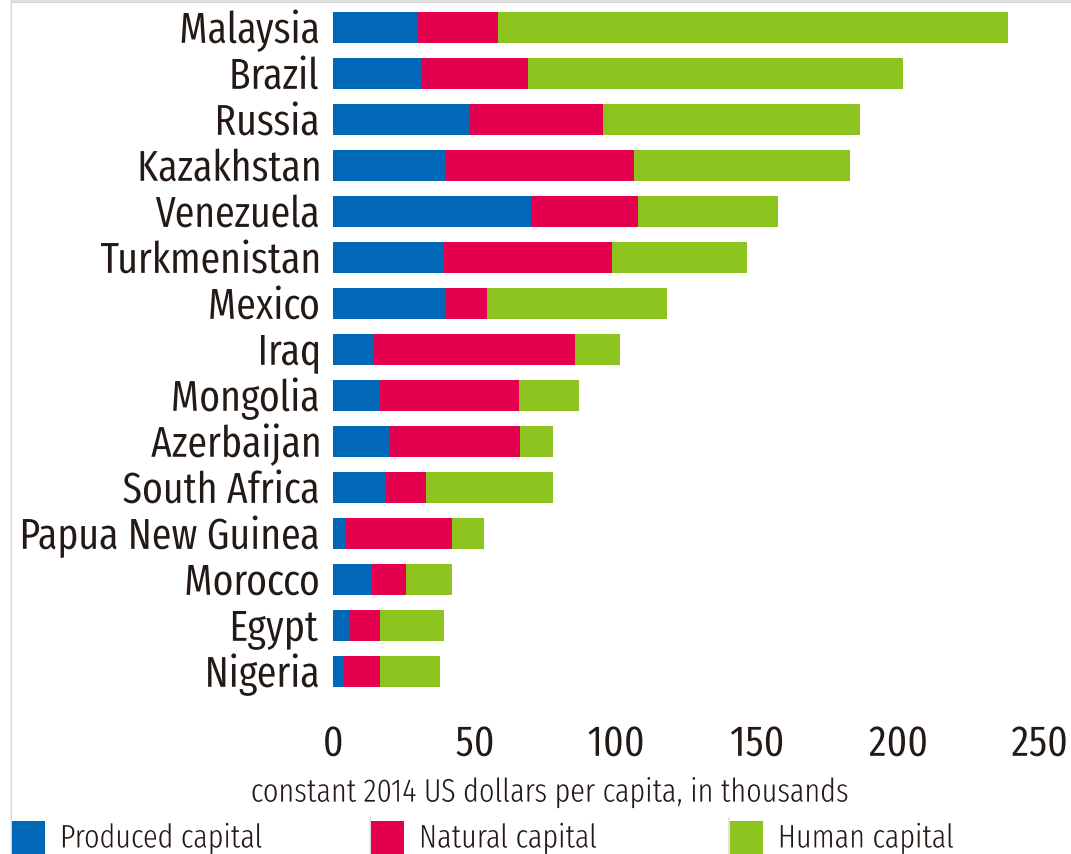
b. Natural wealth per capita

in US dollars, thousands



... and other relevant comparators

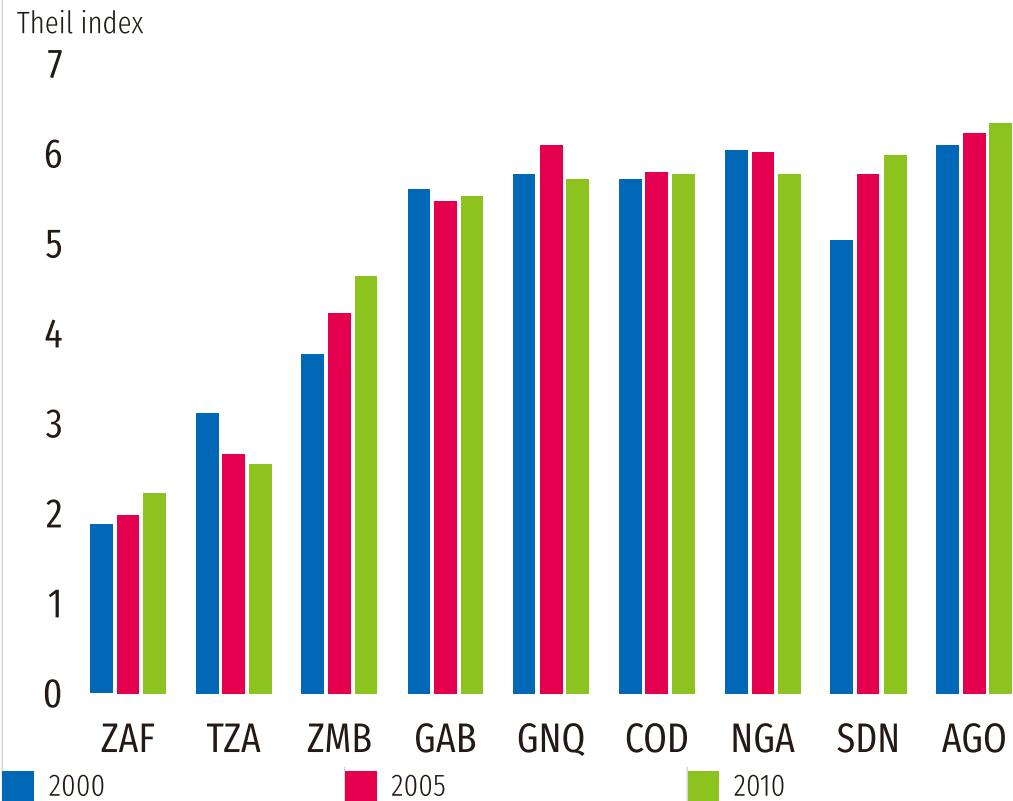
Figure Wealth of Resource-rich SSA and Other Countries



Source: *The Changing Wealth of Nations (2018)*, World Bank.

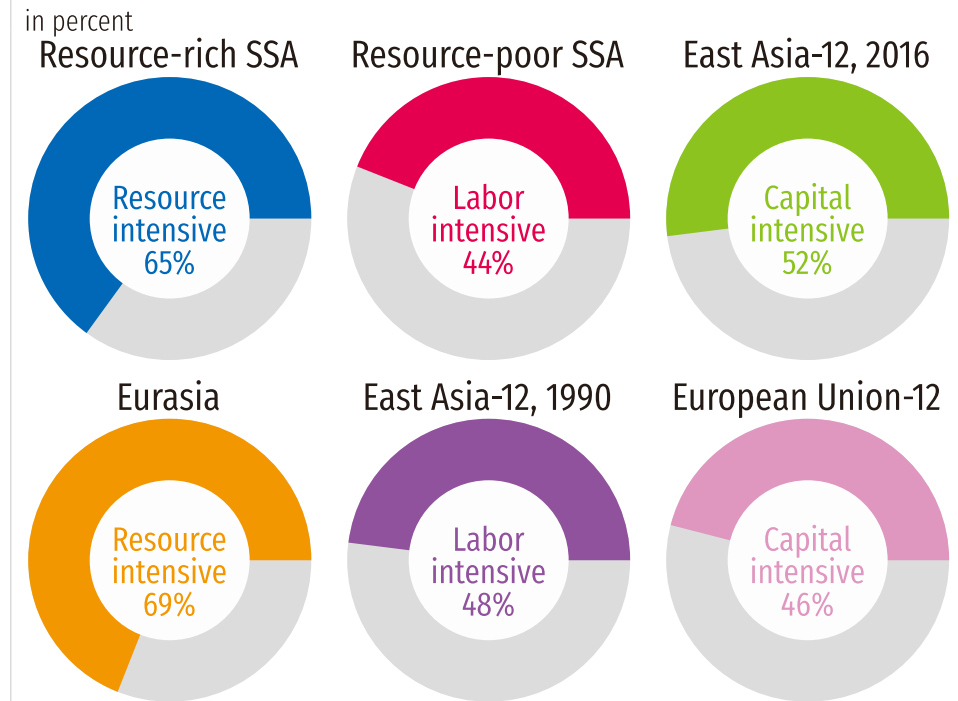
Export concentration is high, reflecting endowments

Figure Export Concentration, Resource-Rich SSA Countries, 2000–10



Source: IMF, Diversification database.

Figure Different Endowments, Different Export Intensity

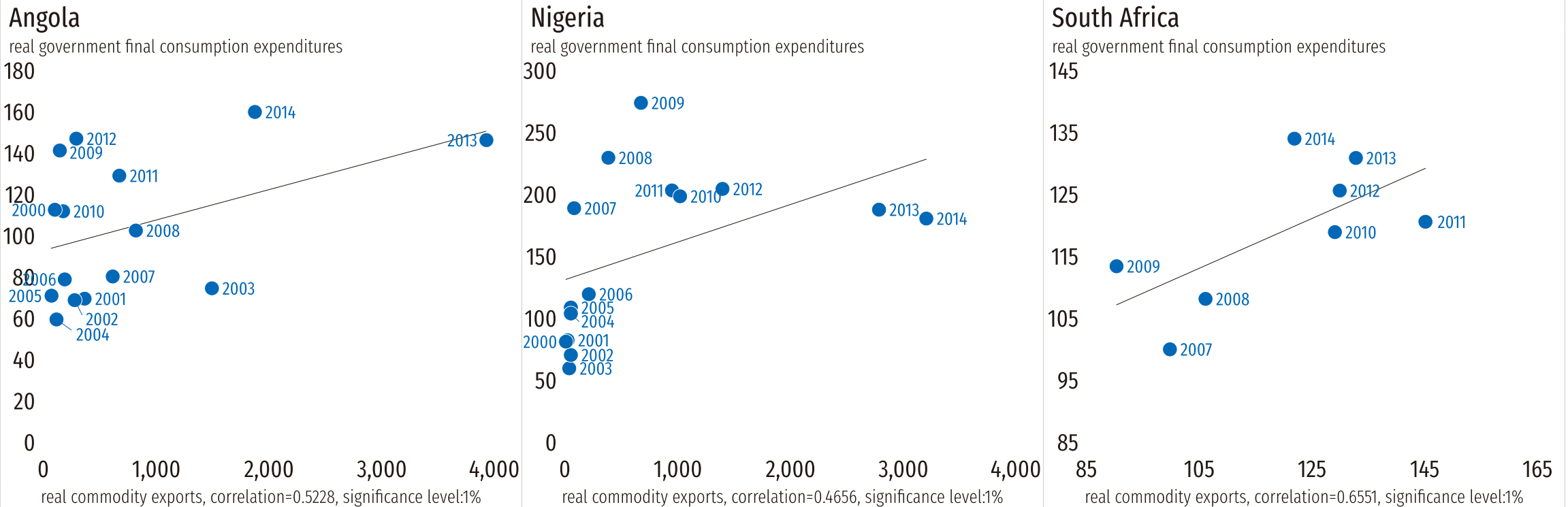


Source: Comtrade data.

Procyclical fiscal policy

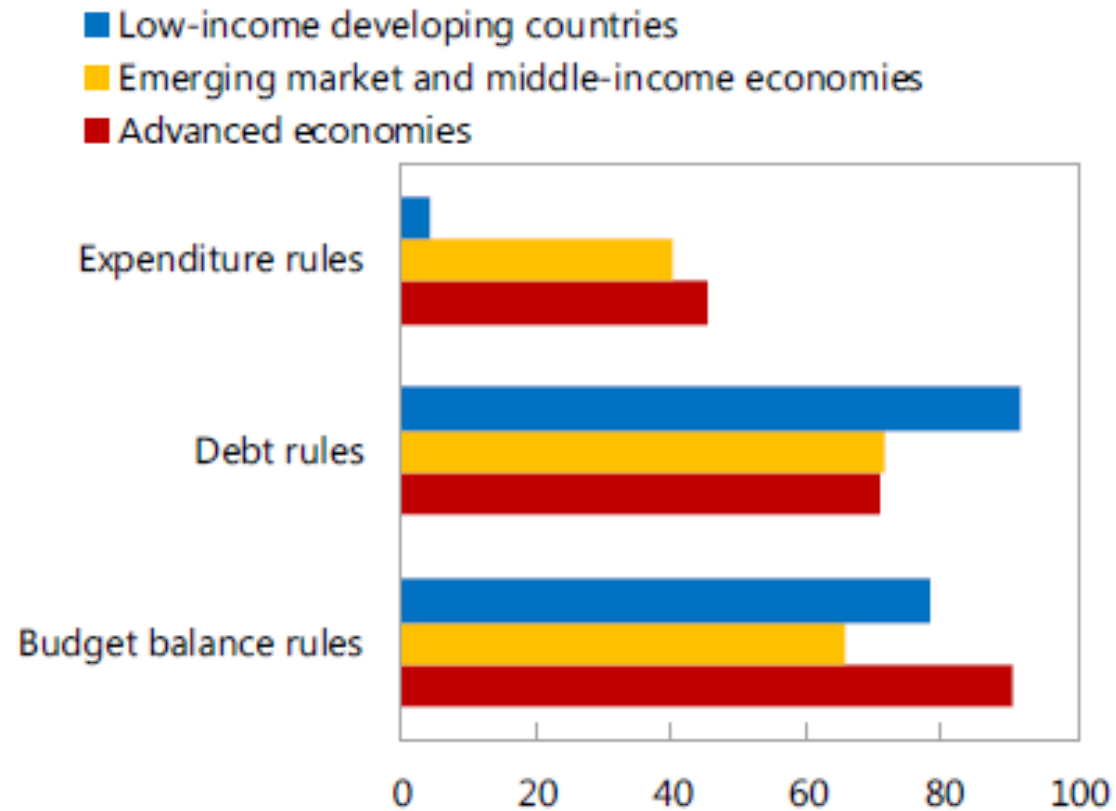
Procyclical fiscal policy is harmful for economic health

Figure Real Public Spending and Real Commodity Exports, Angola, Nigeria, and South Africa, 2000–14



Source: WDI, World Bank.

9 out of 10 LICs worldwide have fiscal rules ...



... but only 4 out of 10 resource-rich SSA countries do.

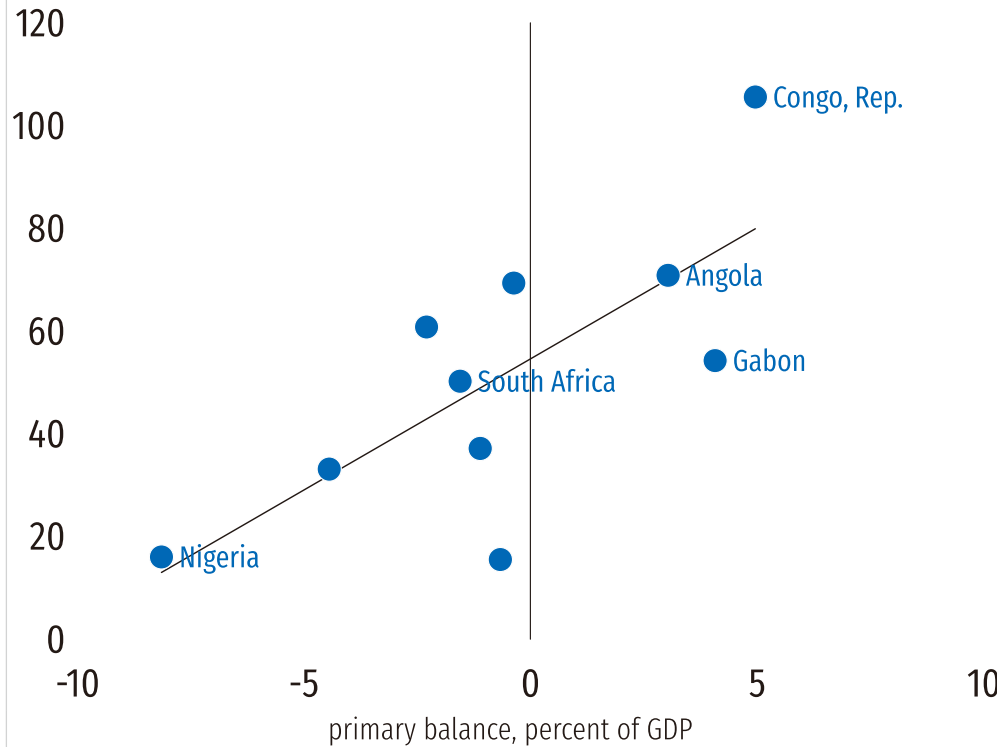
These are: Angola, Botswana, Equatorial Guinea, and Nigeria. In most of them, the rules were not followed during the boom and bust of commodity prices.

Higher primary balances coexist with more debt

Figure Primary Balances and Borrowing, 2010 – 14

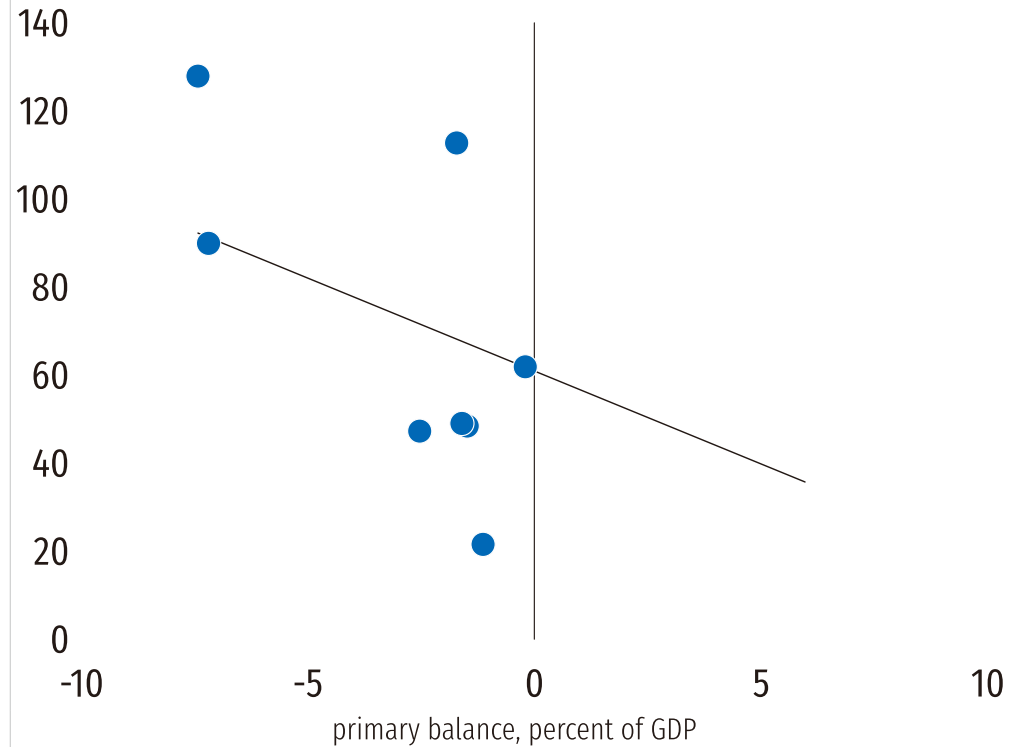
a. Top 10 resource-rich countries

gross debt, 2015–16, percent of GDP



b. Top 10 resource-poor countries

gross debt, 2015–16, percent of GDP

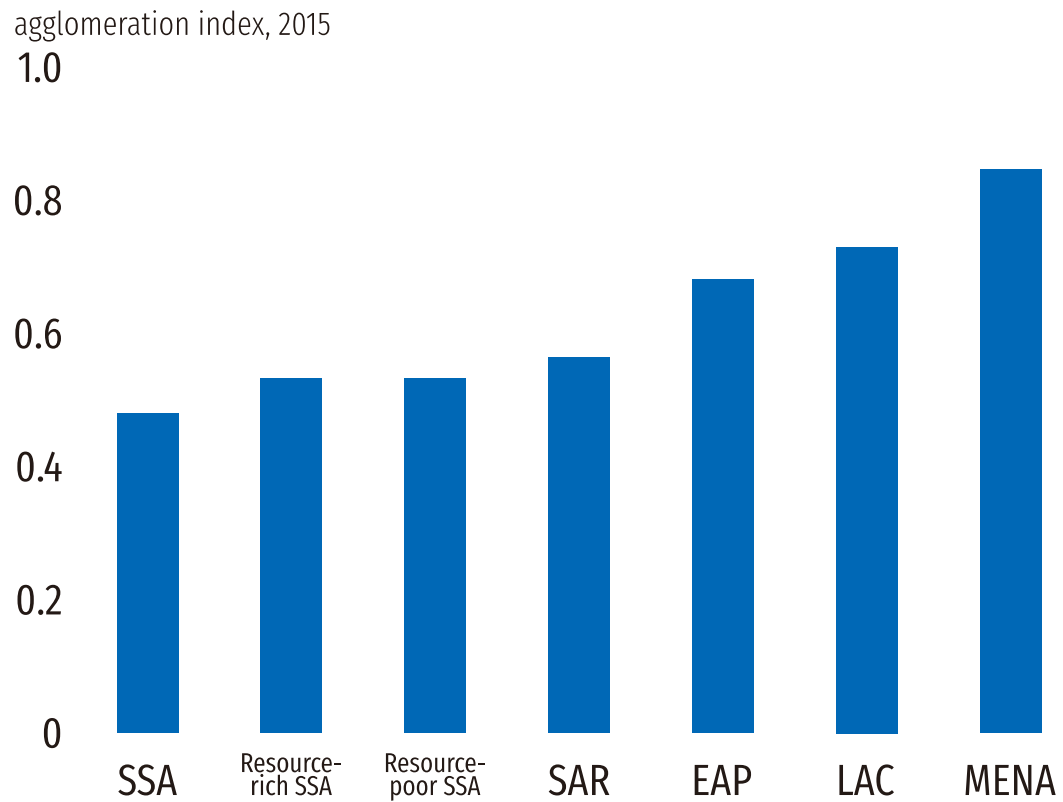


Sources: WEO.

Division and integration

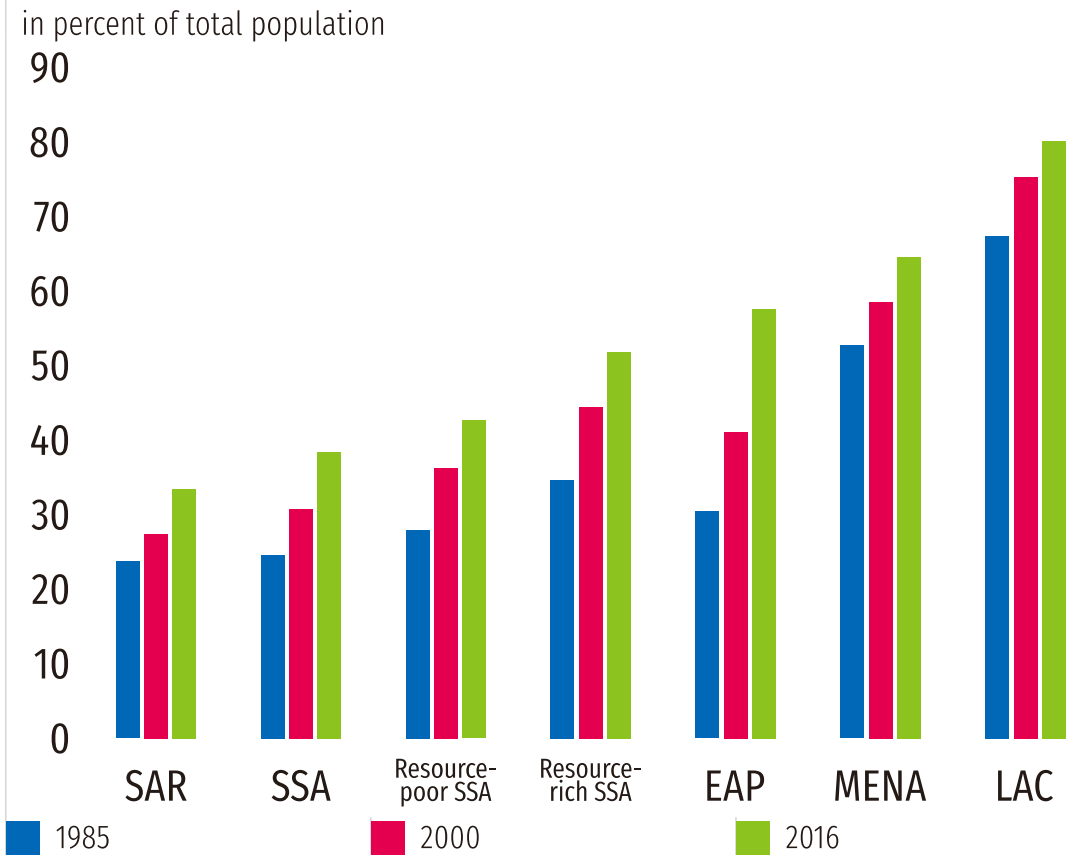
Lower but increasing population density

Figure Agglomeration in Resource-rich and Resource-poor SSA



Source: Based on population data in Global Human Settlement Layer (2015).

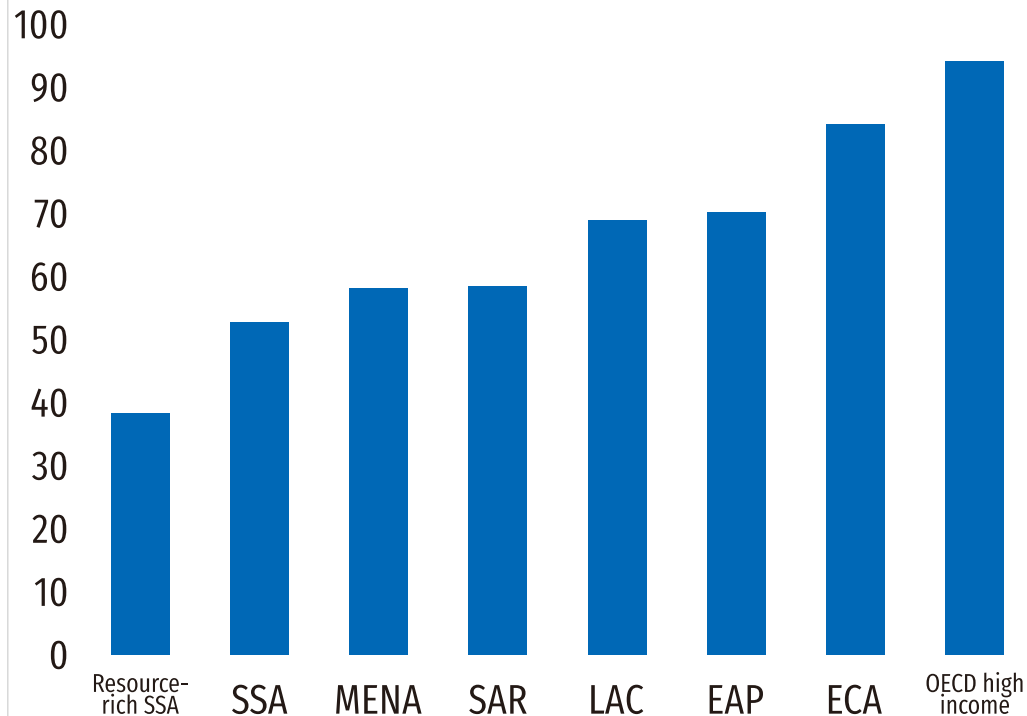
Figure International Urbanization Rates, 1985–2016



Source: WDI database.

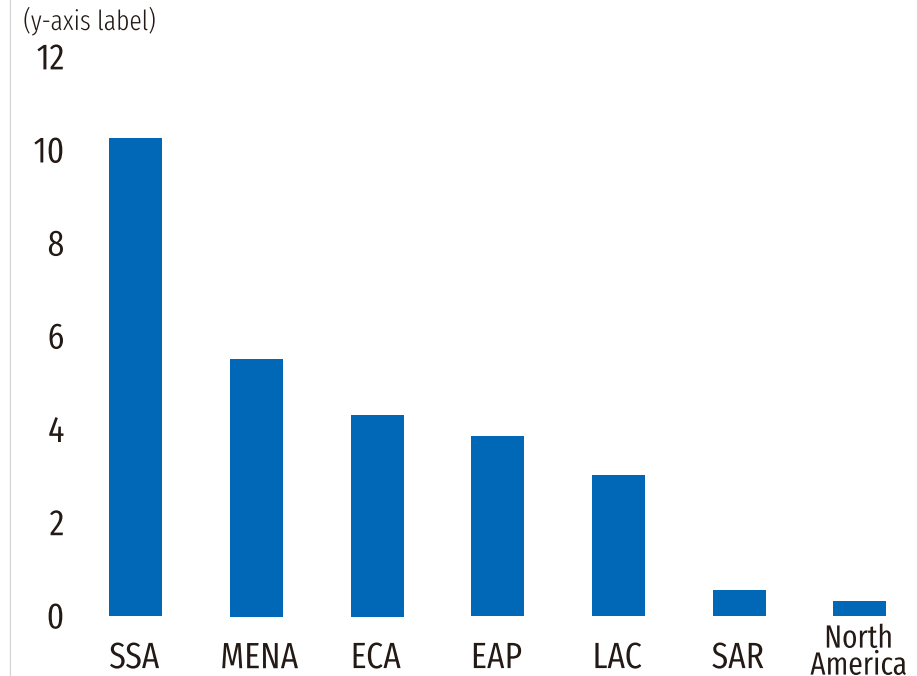
Thick borders, long economic distances

Figure Ease of Trading across Borders, Resource-rich SSA, 2018, Distance to Frontier



Source: Doing Business, World Bank (2018).
Note: Higher suggests closeness to the frontier.

Figure Economic Distances in Regions Compared, 2016

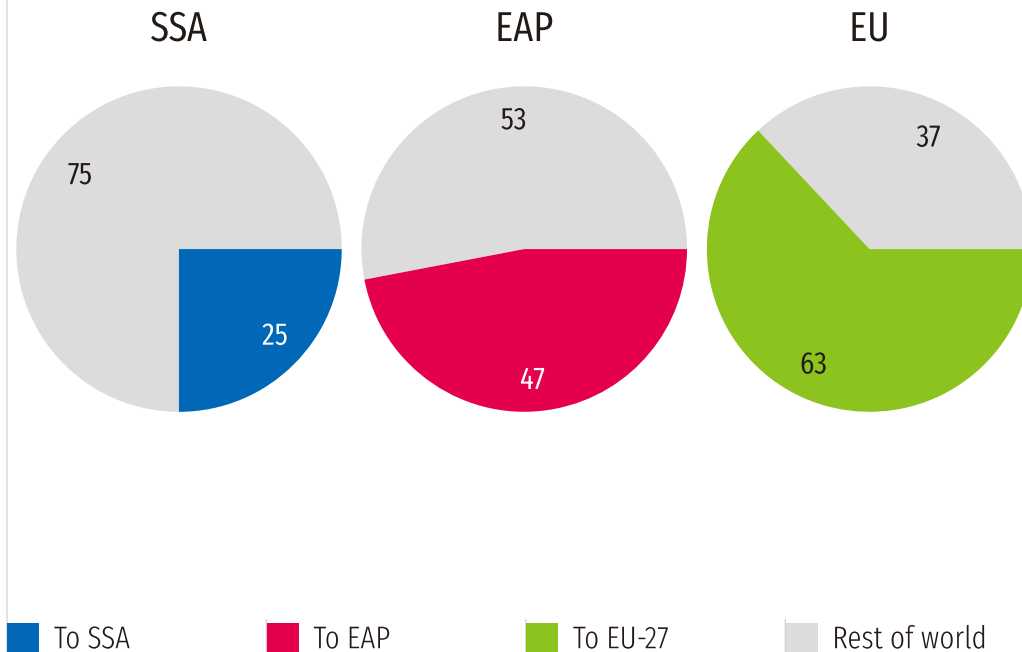


Note: The index of economic distance is based on Manners and Behar (2007): $Economic\ distance_i = \frac{\sum_j GDP_j d_{ij}}{\sum_j GDP_j}$. GDP in 2010 in constant US dollars in 2016. d_{ij} is distance between the most populous cities in countries i and j . Economic distance measures for regions are then aggregated using population weights: $Economic\ distance_r = \frac{\sum_j POP_j d_j}{\sum_w POP_w}$. POP_w is the world population.

Modest intraregional trade

Figure Intraregional Trade, SSA, EAP, and the EU, 2016

in percent

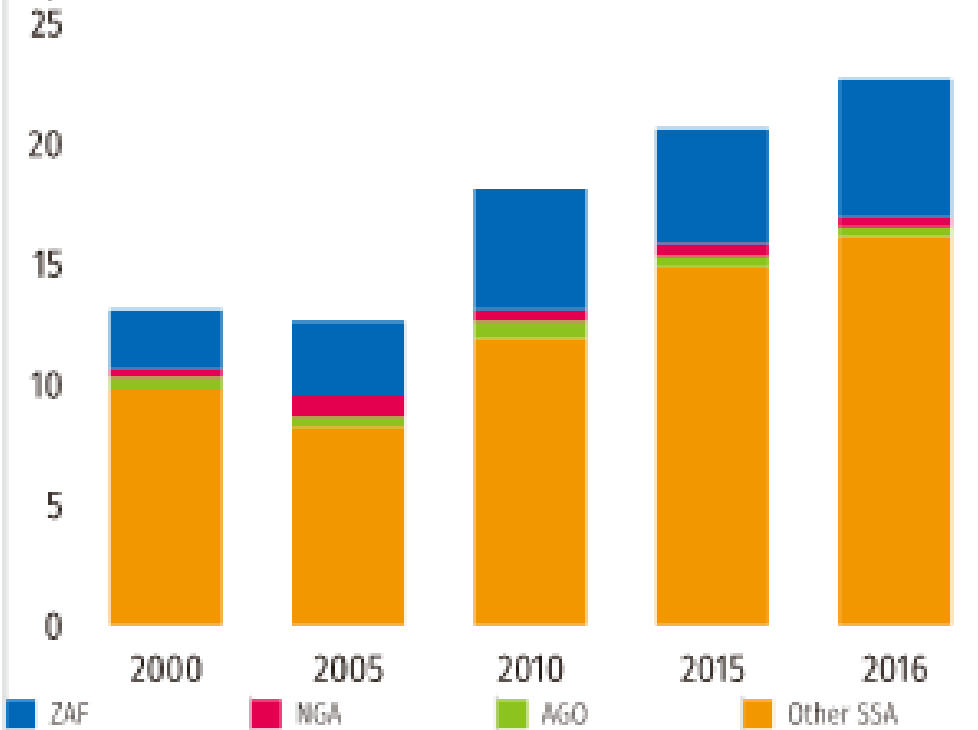


Source: UN COMTRADE, BEC classification.

Note: SSA includes only 28 countries because of data availability problems.

Figure Exports from SSA to Angola, Nigeria and South Africa

in percent of total



Source: IMF Direction of Trade Statistics (DOTS) database.

Note: The indicator used is exports of goods, free on board (FOB), US Dollars.

No spillovers

- ❖ Small bilateral correlations of growth in South Africa with Botswana, Namibia, and Swaziland; and Nigeria with Chad.
- ❖ No significant spatial correlations in SSA as a whole.
- ❖ No growth spillovers from the three largest MICs to the rest.

In summary

- ❖ After strong performance in the early 2000s, growth slowed and convergence started to reverse.
- ❖ Africa's proven natural resource wealth is not large relative to other regions but large relative to its low human and produced capital.
- ❖ Natural resources have helped but only a part of the resource rents has been added to physical and human capital.
- ❖ A development strategy rests on these pillars:
 - Invest more and better in human capital and improve the business environment
 - Maintain a counter-cyclical fiscal policy stance and build institutions
 - Integrate regionally to overcome the low density, thick borders, and long distances

Thank you



Reinvigorating Growth in Resource-Rich Sub-Saharan Africa

Ivailo Izvorski - Souleymane Coulibaly - Djeneba Doumbia



<http://documents.worldbank.org/curated/en/617451536237967588/Reinvigorating-Growth-in-Resource-Rich-Sub-Saharan-Africa>