Main Drivers of Africa’s Economic Performance

Chapter 2
2 Main Drivers of Africa’s Economic Performance

2.1 A Decade of Robust Growth

Africa’s economic growth over the past decade has been robust. Figure 2.1 displays the trends in Africa’s GDP between 2000 and 2012, with projections for 2013 and 2014. The figure shows that since 2000, economic performance has been impressive, averaging more than 5 percent. Average growth in sub-Saharan African (SSA) was especially higher at 5.6 percent relative to 4.5 percent for North Africa. In 2011, growth in North Africa was affected by the Arab uprising, which also dragged Africa wide growth rate to 3.4 percent from 5 percent in 2010. Nonetheless, in 2012, growth in North Africa rebounded strongly to about 10 percent, lifting Africa’s growth to nearly 7 percent. As Figure 2.1 shows, Africa’s economic growth rate between 2013 and 2014 is projected to remain relatively solid, averaging above 4 percent.

Since 2008, the world economy has undergone significant strain, impacting on growth across all the regions. However, in the face of these global headwinds and domestic supply shocks and civil conflict, Africa has been resilient. Thus, between 2008 and 2011, the period of great global uncertainty, the African economy grew by more than 4 percent, ahead of Latin America and Caribbean (3.4 percent) and Europe and Central Asia (0.2 percent). However, Africa’s growth was half the growth rate in East Asia and the Pacific (8.5 percent), which benefited

Figure 2.1: Africa’s Economic Growth (2000-2014)

Source: African Development Report 2012 team based on data sourced from the AfDB database.
from China’s continued expansion. Thus, comparatively, Africa has weathered the effect of the global economic crisis more strongly than in previous episodes.

Although real GDP growth has been robust, in per capita terms, Africa still lags behind other developing regions, such as East Asia and the Pacific and the Latin America and Caribbean countries, as shown in Figure 2.2.

### 2.2 Factors Underlying Africa’s Recent Economic Growth

There is a wide discussion of the factors underlying Africa’s renewed economic growth (see AfDB et al., 2012; AfDB, 2011; McKinsey & Company, 2010;). The role of high commodity prices on driving growth has dominated the discourse. Between 2000 and 2010, 30 percent of the continent’s GDP was linked to the use/exploitation of natural resources (AfDB et al., 2011; McKinsey & Company, 2010). Export of agricultural products, oil, metals and minerals account for some 70 percent of the export revenue for SSA (Mills and Herbst, 2012). For example, the high economic growth observed in some oil exporting countries such as Angola and Chad can be directly linked to increases in commodity oil price which more than quadrupled to US$ 112 per barrel in 2012 from less than US$ 20 per barrel in 1999. This reflects Africa’s continued dependence on natural resources.

However, not all fast-growing countries are dependent on natural resource commodities. An analysis of the sectoral patterns shows that growth in Africa has become increasingly broad based, with other sectors gaining in importance in recent years (McKay, 2013). In particular, African countries have seen an increased share of agriculture, manufacturing and services. Thus, Africa’s growth has been more than a resource boom (see Figure 2.3). Indeed, some non-resource exporting countries, such as Rwanda and Ethiopia, have registered higher growth rates in the last decade comparable to that by some of their counterparts heavily reliant on commodity exports.

Regardless of the composition of exports, one of the key drivers of Africa’s growth has been the increasing orientation of trade towards fast-growing emerging markets. This has

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**Figure 2.2: GDP Per Capita by Region (Constant 2000 US Dollars)**

*Source: African Development Report 2012 team based on data sourced from AfDB and World Bank database.*
Chapter 2: Africa’s Economic Performance and its Impact

helped reduce the continent’s trade vulnerability to economic crisis plagued traditional markets such as the Europe and the United States.

There are several other factors that have contributed to Africa’s impressive growth performance (AfDB et al. 2012; Aryeetey et al. 2012; Radelet 2007).

A number of countries in Africa have recorded marked improvements in the level of democracy and accountability, while better economic policy management is now a norm rather than an exception in several countries.

The level of external debt in many countries is also substantially lower than that seen in the 1990s, while foreign direct investment has increased, resulting in new technologies. Coupled with sustained remittances flows from Africa’s diaspora population, foreign inflows remain important drivers of growth on the continent.

The decline in the prevalence of armed conflict and the return to democracy have led to the emergence of a new generation of political and business leaders which places a high premium on governance, accountability, and economic revival. Growth has also benefited from the rise in domestic demand, spurred by increased consumption as Africa’s middle class has expanded in recent years.

2.3 Impact of Africa’s Economic Performance

2.3.1 Impact on Poverty

Despite rapid economic growth, the pace of poverty reduction has been slow in Africa and inequalities remain high and widespread. Table 2.1 presents poverty rates and corresponding change in poverty levels in African countries for which data are available. This is weighed against average annual growth in GDP per capita. Table 2.2 provides summary statistics.

The data in Table 2.1 show that poverty decreased in 20 of the 24 countries for which data were available. Overall, poverty decreased by an average of about 0.77 percentage points per annum for all the 24 countries. Poverty in sub-Saharan Africa fell by an average 0.84 percentage
### Table 2.1: National Poverty Rates and GDP Per Capita

<table>
<thead>
<tr>
<th>Country</th>
<th>Initial Year</th>
<th>Poverty Rate in initial year</th>
<th>Final Year</th>
<th>Poverty Rate in final year</th>
<th>Percent Change in poverty rate</th>
<th>Total Change in poverty rate</th>
<th>Average Annual per Capita GDP Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>2006</td>
<td>37.4</td>
<td>2010</td>
<td>35.2</td>
<td>-2.2</td>
<td>-0.55</td>
<td>1.09</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>1998</td>
<td>60.2</td>
<td>2003</td>
<td>40.7</td>
<td>-19.5</td>
<td>-3.90</td>
<td>3.03</td>
</tr>
<tr>
<td>Cameroon</td>
<td>1996</td>
<td>53.3</td>
<td>2007</td>
<td>39.9</td>
<td>-13.4</td>
<td>-1.22</td>
<td>1.73</td>
</tr>
<tr>
<td>Chad</td>
<td>1995</td>
<td>43.4</td>
<td>2003</td>
<td>55.0</td>
<td>11.6</td>
<td>1.45</td>
<td>2.03</td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>1998</td>
<td>36.4</td>
<td>2008</td>
<td>42.7</td>
<td>6.3</td>
<td>0.63</td>
<td>-1.17</td>
</tr>
<tr>
<td>Egypt</td>
<td>1996</td>
<td>19.4</td>
<td>2008</td>
<td>22.0</td>
<td>2.6</td>
<td>0.22</td>
<td>3.10</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1995</td>
<td>45.5</td>
<td>2005</td>
<td>38.9</td>
<td>-6.6</td>
<td>-0.66</td>
<td>2.89</td>
</tr>
<tr>
<td>Ghana</td>
<td>1999</td>
<td>39.5</td>
<td>2006</td>
<td>28.5</td>
<td>-11.0</td>
<td>-1.57</td>
<td>2.46</td>
</tr>
<tr>
<td>Guinea</td>
<td>1994</td>
<td>63.9</td>
<td>2007</td>
<td>53.0</td>
<td>-10.9</td>
<td>-0.84</td>
<td>1.41</td>
</tr>
<tr>
<td>Kenya</td>
<td>1997</td>
<td>52.3</td>
<td>2005</td>
<td>45.9</td>
<td>-6.4</td>
<td>-0.80</td>
<td>0.14</td>
</tr>
<tr>
<td>Madagascar</td>
<td>1997</td>
<td>73.3</td>
<td>2005</td>
<td>68.7</td>
<td>-4.6</td>
<td>-0.57</td>
<td>0.20</td>
</tr>
<tr>
<td>Malawi</td>
<td>2004</td>
<td>52.4</td>
<td>2009</td>
<td>39.0</td>
<td>-13.4</td>
<td>-2.68</td>
<td>3.27</td>
</tr>
<tr>
<td>Mali</td>
<td>2001</td>
<td>55.6</td>
<td>2006</td>
<td>47.4</td>
<td>-8.2</td>
<td>-1.64</td>
<td>2.98</td>
</tr>
<tr>
<td>Morocco</td>
<td>1999</td>
<td>16.3</td>
<td>2007</td>
<td>9.0</td>
<td>-7.3</td>
<td>-0.91</td>
<td>2.97</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1996</td>
<td>69.4</td>
<td>2008</td>
<td>54.7</td>
<td>-14.7</td>
<td>-1.23</td>
<td>5.19</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1996</td>
<td>65.6</td>
<td>2004</td>
<td>57.8</td>
<td>-7.8</td>
<td>-0.98</td>
<td>2.08</td>
</tr>
<tr>
<td>Rwanda</td>
<td>2000</td>
<td>60.4</td>
<td>2011</td>
<td>44.9</td>
<td>-15.5</td>
<td>-1.41</td>
<td>4.39</td>
</tr>
<tr>
<td>Senegal</td>
<td>1995</td>
<td>61.4</td>
<td>2006</td>
<td>40.0</td>
<td>-21.4</td>
<td>-1.95</td>
<td>1.61</td>
</tr>
<tr>
<td>S. Africa</td>
<td>1995</td>
<td>31.0</td>
<td>2006</td>
<td>23.0</td>
<td>-8.0</td>
<td>-0.73</td>
<td>1.61</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1999</td>
<td>38.6</td>
<td>2007</td>
<td>33.4</td>
<td>-5.2</td>
<td>-0.35</td>
<td>1.95</td>
</tr>
<tr>
<td>Tunisia</td>
<td>1995</td>
<td>6.2</td>
<td>2005</td>
<td>3.8</td>
<td>-2.4</td>
<td>-0.24</td>
<td>3.53</td>
</tr>
<tr>
<td>Uganda</td>
<td>1996</td>
<td>44.4</td>
<td>2009</td>
<td>24.5</td>
<td>-19.9</td>
<td>-1.53</td>
<td>3.75</td>
</tr>
<tr>
<td>Zambia</td>
<td>1996</td>
<td>68.1</td>
<td>2006</td>
<td>59.3</td>
<td>-8.8</td>
<td>-0.88</td>
<td>1.47</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1995</td>
<td>42.0</td>
<td>2003</td>
<td>72.0</td>
<td>30.0</td>
<td>3.75</td>
<td>-2.43</td>
</tr>
</tbody>
</table>

Sources: Compiled by African Development Report team using data from World Bank’s WDI and McKay (2013)

### Table 2.2: Correlation Between Poverty and Economic Growth

<table>
<thead>
<tr>
<th>Average Annual Change in Poverty Rate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All Countries</td>
<td>-0.77</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>-0.84</td>
</tr>
<tr>
<td>Sub-Saharan Africa excluding Zimbabwe and Cote d’Ivoire</td>
<td>-1.16</td>
</tr>
<tr>
<td>Sub-Saharan Africa excluding Zimbabwe, Chad, and Cote d’Ivoire</td>
<td>-1.31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Correlation between Annual Change in Poverty and Annual Per Capita GDP Growth Rate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All Countries</td>
<td>-0.69</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>-0.67</td>
</tr>
<tr>
<td>Sub-Saharan Africa excluding Zimbabwe and Cote d’Ivoire</td>
<td>-0.36</td>
</tr>
<tr>
<td>Sub-Saharan Africa excluding Zimbabwe, Chad, and Cote d’Ivoire</td>
<td>-0.41</td>
</tr>
</tbody>
</table>

Source: Computations by African Development Report 2012 team based on data in Table 2.1
points per year, marginally higher than the sample mean. Countries with relatively high rates of poverty reduction were Burkina Faso, Ghana, Malawi, Mali, Mozambique, Rwanda, Senegal, and Uganda. However, Chad, Cote D’Ivoire, Egypt and Zimbabwe recorded increases in poverty levels.

Not surprisingly, growth and poverty are related. As shown in Table 2.2, the simple correlation between annual economic growth and the decline in poverty across all countries is -0.69 (for sub-Saharan Africa, it is -0.67). This implies that countries with high rates of economic growth such as Uganda, Rwanda, and Senegal, have greatest chance of reducing poverty. In contrast, countries with relatively low rates of economic growth have low possibility of reducing poverty as evidenced in Cote D’Ivoire and Zimbabwe. This suggests that the recent growth in African countries has reduced poverty, albeit marginally.

### 2.3.2 Non-Monetary Measures of Poverty

Africa’s favorable economic performance and concomitant reduction in poverty in recent years are also reflected in a slight improvement in social indicators. Figure 2.4 compares the infant mortality rate in Africa with other developing regions. In all developing regions, the infant mortality rate continuously declined in between 1970 and 2010. While sub-Saharan Africa experienced a modest decline during the 1980s and early 1990s, its performance from the mid-1990s onwards was notably stronger. North Africa has been especially successful in reducing infant mortality rates.

There have also been corresponding improvements in life expectancy (Figure 2.5). East Asia and the Pacific, North Africa, and Latin America and the Caribbean have the highest level of life expectancy and have shown a steady improvement throughout the fifty-year period depicted. Sub-Saharan Africa’s improvement slowed during the economic stagnation of the 1980s and 1990s but accelerated as the economy grew in the 2000s. These gains are particularly illuminating given the devastating impact of the HIV/AIDS in SSA (Mwabu, 2012).

Figure 2.6 shows that since 2000, sub-Saharan Africa has significantly narrowed the gap in primary school
Figure 2.5: Life Expectancy at Birth in Developing Countries by Region (Number of years)

Source: Statistics Department, AfDB; World Development Indicators, World Bank.

Figure 2.6: Net Primary School Enrollment Rate in Developing Countries by Region

Source: Statistics Department, AfDB and World Development Indicators, World Bank.
**Figure 2.7: Prevalence of Malnourishment in Developing Countries by Region**

(percent of population)

Source: Statistics Department, AfDB and World Development Indicators, World Bank.

**Figure 2.8: GINI Index for selected African Countries**

Source: AfDB et al. (2012), based on the latest Demographic and Health Survey of the respective countries.

Note: STP is Sao Tome and Principe; DRC is Democratic Republic of Congo; CAR is Central African Republic.
enrollment rates\(^2\) relative to other developing regions of the world, including North Africa\(^3\).

In Figure 2.7, we see that the prevalence of malnourishment in sub-Saharan Africa declined progressively between 1991 and 2011. Similar trend is observed for other regions. However, in North Africa, malnutrition prevalence rates were essentially flat, but the rates were almost five times lower than in sub-Saharan Africa.

### 2.3.3 Impact on Inequality

As discussed earlier in this chapter, the increase in per capita GDP recorded over the last decade and a half has helped reduce poverty, but only modestly. This implies that the benefits of growth have not been shared equally among the African populace. Figure 2.8 reveals that income inequality, measured by the Gini index, ranged from 30 percent in Ethiopia to 68 percent in Seychelles. Africa’s average Gini index stood at 45 percent. This shows a greater degree of inequality than all other regions of the world, except Latin America (Günther and Grimm, 2007). Furthermore, in 2011, 6 of the world’s 10 most unequal countries were in Africa: Namibia, South Africa, Lesotho, Botswana, Sierra Leone and Central African Republic (the latter two are classified as fragile states).

The evidence provided by the Gini index is corroborated by data from household consumption and income surveys. On the basis of 850 household consumption surveys spanning 1979-2011 in 125 developing countries, Ravallion and Chen (2012) confirm the large inequalities in sub-Saharan Africa relative to other developing regions of the world (see Figure 2.9). Overall, the evidence suggests that the impressive growth in Africa since 2001 has not substantially led to a lowering of income inequality.

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\(^2\) This is defined as share of school-aged children enrolled in school compared to the total population of school aged children.

\(^3\) Increased enrollment may accomplish little if the education received is of very low quality; in parts of Africa, there are real concerns with respect to the quality of education (Gauthier and Wane, 2012).
2.3.4 Impact on Natural Resources and GHG emissions

Available evidence suggests that Africa’s recent growth has been underpinned by increased exploitation of renewable natural resources beyond their regenerative capacity and by an increasing amount of GHG emissions. The level of environmental damage and natural resource depletion is approaching alarming proportions, threatening future growth prospects and progress achieved in social indicators (World Bank, 2012).

Land Degradation

Human-induced soil degradation is now visible in the vast majority of developing countries. According to UNEP’s (1992) Global Assessment of Soil Degradation (GLASOD), degradation of cropland affected 65 percent of agricultural areas in Africa, compared with 38 percent in Asia and 51 percent in Latin America. More recent estimates show that 4 to 12 percent of Africa’s GDP is lost due to environmental degradation, with 85 percent of this loss attributed to soil erosion, nutrient loss and changes in crops (Olson and Barry, 2003). In Ghana, Diao and Sarpong (2007) predicted the reduction in total agricultural GDP from 2006–2015 due to land degradation to be approximately 5 percent.

Globally, estimates show that land degradation could reduce global food production by as much as 12 percent over the next 25 years, pushing world food prices as much as 30 percent higher (Pender, 2009). The harmful effect of residuals from pesticides in food and drinking water is also becoming a major health concern for farmers as well as consumers.

Loss of Forest Cover

Economic activities and demand for affordable fuels have led to widespread deforestation and forest degradation in Africa. African countries accounted for over half of global forest loss between 2000 and 2005 and the net forest loss amounted to 3.4 million hectares per year during the period 2000–2010 (FAO, 2007; 2011). Of the ten countries with the highest rates of forest loss, seven were in Africa. Rates of forest loss are highest in western and northern Africa.

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4 Little reliable data is available on the extent of land degradation in Africa.

5 Comoros, Burundi, Togo, Mauritania, Nigeria, Benin, and Uganda.

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Figure 2.10: Loss of Forest Cover in Africa

Source: UNEP (2002)
Africa, which also have the smallest areas of forest cover. Although rates of forest loss are lower in southern and central Africa, the higher absolute area of forest in these regions means that the total area of forest lost per year is higher (see Figure 2.10).

The data on loss of forest area hide the thinning of forests due to degradation, which is estimated to account for over one-third of all forest biomass loss in the continent (Lambin et al., 2003; Murdiyarso et al., 2008). In some countries, this share could be much higher, although the data are plagued by unreliability. For example, in central Mozambique, degradation is estimated to contribute to two-thirds of net biomass loss (Ryan et al., 2011).

The large-scale forest loss aggravates climate change by contributing to GHG emissions. The CO₂ stored by Africa’s forests is estimated at 60 billion tons (Unmüßig and Cramer, 2008). Africa’s relatively high rates of forest loss in the 12 most densely wooded countries in the region accounted for 1.1 billion tons of CO₂ in 2005 (FAO, 2007; UNDP, 2007). Africa’s humid forests, particularly in western and central Africa, have particularly high concentrations of carbon stocks, taking into account carbon in the soil, litter, and dead wood. While dry forests have less carbon, they account for around 42 percent of tropical forest area in Africa, and are therefore an important element of any policy linked to forests and climate change (Murphy and Lugo, 1986; Murdiyarso et al., 2008).

**Water Scarcity**

Although water availability varies considerably within and across countries, water across Africa is generally becoming increasingly scarce due to growing demand as a result of population growth, agricultural expansion and industrialization. The over-use of water resources is evidenced by the fact that some of Africa’s important aquifers are depleting faster than the rate of recharge.

This is of concern given that most countries, particularly in the desert areas of Africa such as Libya, Egypt, Algeria, Tunisia, Namibia and Botswana, receive very little precipitation and therefore rely heavily on groundwater resources. In general, groundwater represents the major source of water in northern Africa (Braune and Xu, 2010). For instance, in Libya, groundwater accounts for 95 percent of water used for irrigation.

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**Figure 2.11: Inland and Marine Fisheries Catches (tons) of Selected African Countries**

![Graph showing inland and marine fisheries catches (tons) of selected African countries.](source: FAOSTAT (database), Food and Agriculture Organization, Rome.)
of freshwater withdrawals. Groundwater also provides 80 percent of domestic and livestock demands in Botswana, and the same magnitude for Namibia’s rural population (UNEP, 2010).

Recent studies show that most aquifers in Africa are unsustainably mined, such as those found in the large sedimentary basins of Lake Chad and under the Sahara desert (Stock, 2004). In Kenya, the Nairobi aquifer has dropped over 15 metres since the 1960s and the Naivasha aquifers have dropped over 7 metres (Oteino, 2013).

**Depletion of Fish Stocks**

Since the mid-1990s, several countries have experienced stagnating catches or sustained declines in overall fish catch (see Figure 2.11). There are estimated to be more fishers than the small-scale coastal and inland fisheries can sustain. Catches and the size of fish caught are decreasing, reflecting overfishing (Markwei et al., 2008). This is attributable to overcapitalization and intensification of individual fishing effort in capture fisheries (Whittingham et al., 2003). High levels of illegal activity have especially put additional pressure on the fisheries (NEPAD, nd).

**Trend in Greenhouse Gas Emissions**

Africa emits a relatively low amount of GHG in comparison to other regions in the world (see Table 2.3). An average African generates 13 times less GHG than their North American counterpart (OECD, 2009; IEA, 2011; IEA, 2012a). However, during the last decade the total CO₂ emissions from the continent increased by 35 percent, reaching about 930 million tons in 2010 (IEA, 2012a). The bulk of CO₂ emissions in Africa can be traced to a small number of countries. From 1971 to 2009, South Africa, Egypt, Algeria and Nigeria on average contributed about 76 percent of the continent’s total annual CO₂ emissions. The continent accounted for about 31 percent of the world CO₂ emissions from gas flaring, with Nigeria as the major contributor with 36 percent of CO₂ emissions in Africa’s total emissions and 11.4 percent to the world total (IEA, 2011; IEA, 2012a).

**2.4 Conclusion**

The first decade of the 21st century has witnessed economic progress and some improvements in key welfare indicators. Poverty has declined, albeit modestly, while marked strides

<table>
<thead>
<tr>
<th>Table 2.3: Population, Output and Carbon Emissions Across Regions (2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population (millions)</strong></td>
</tr>
<tr>
<td>World</td>
</tr>
<tr>
<td>OECD countries</td>
</tr>
<tr>
<td>Middle East</td>
</tr>
<tr>
<td>Non-OECD Europe and Eurasia</td>
</tr>
<tr>
<td>Asia</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Non-OECD Americas</td>
</tr>
<tr>
<td>Africa</td>
</tr>
<tr>
<td>Africa (share of global)</td>
</tr>
</tbody>
</table>


Notes: Mt = million tons; t = metric ton; kg = kilogram
have been made in reducing infant mortality, increased life expectancy, school enrollment, and lower prevalence of undernourishment. However, despite these gains, income inequality remains high and widespread while the environmental basis for growth and future poverty reduction is progressively being diminished. African economic growth is currently consuming natural assets on a scale which threatens growth prospects and overshadows the progress achieved in social indicators. Furthermore, African growth is slowly contributing to climate change. Loss of forest cover and GHG emissions from the fossil fuel based energy sector are the main drivers for this trend.

The persistence of environmental degradation and continued inequality in African countries necessitates a shift towards more inclusive and sustainable growth. Thus, African countries should pursue green growth pathways. The necessity for green growth becomes even more apparent considering the development challenges in the 21st century. The details of these challenges and opportunities for green growth are given in the rest of the Report.

References


