



Measuring and Tracking Africa's Economic Transformation

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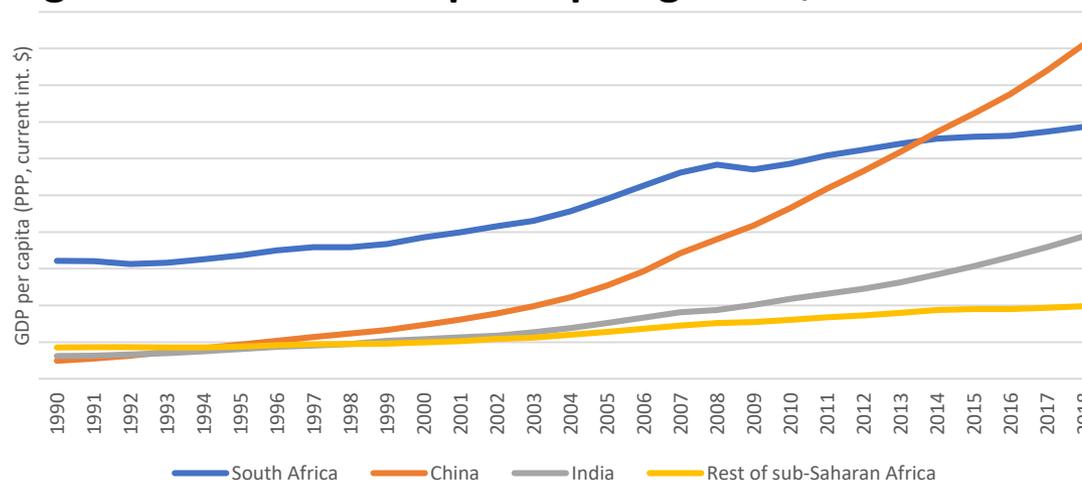
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Introduction

- Over the past few decades African countries have seen relatively strong growth
 - From the 1980s till now, sub-Saharan Africa's annual real GDP growth has increased on average from 1.6% to 3.6%, in comparison to world averages of 3.0% and 2.5%, respectively.
- However, average GDP growth has been slow in relation to population growth and therefore it has not been possible to either rapidly improve incomes or reduce poverty.

Figure 1. Africa's GDP per capita growth, 1990-2018

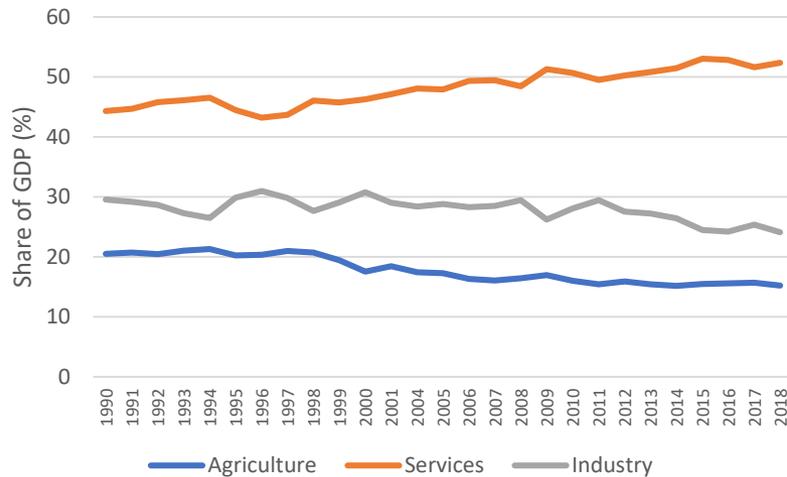


Introduction (cont'd)

- About 44% of the population still live on \$1.90 per day.
- By 2030, 13 African countries will see an increase in the number of people living in extreme poverty.
- Africa's growth has not translated into the desired development outcomes because there has been very little economic transformation
- Over the past six decades, growth has largely been dependent on the exports of a narrow range of primary commodities
- Growth has not been sustained because it is driven by commodity prices
- Furthermore growth has not been broad-based or inclusive

Introduction (cont'd)

Figure 2. Sub-Saharan Africa (excl. South Africa): Sector shares in total GDP, 1990-2018



Source: World Bank 2019.

The expected shift from agriculture to manufacturing and to high value-added services as a country develops, has not occurred in the case of Africa

- Agriculture's share of GDP has declined but the shift to manufacturing has not occurred
- Services has increased, but is dominated by a large informal sector with low-wage, low-productive activities

In short, there has been growth without much DEPTH

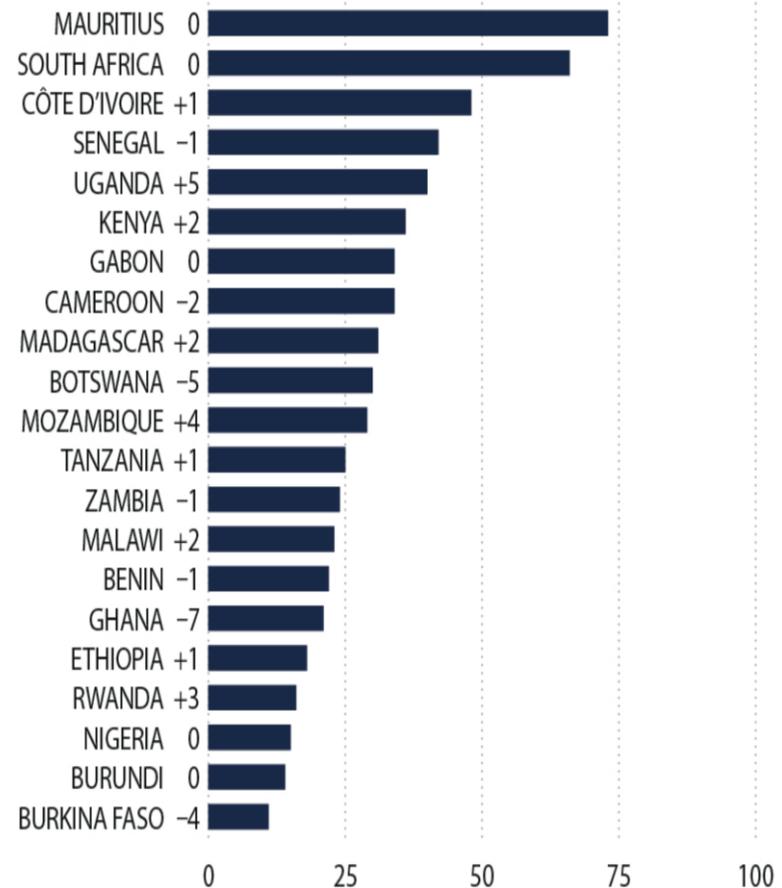
What is economic transformation?

- ACET defines economic transformation as “a process of sustained high economic growth, increasing technological sophistication, diversification and international competitiveness that creates jobs and shared prosperity”.
- To transform, Africa needs to growth with DEPTH, where DEPTH stands for:
 - Diversifying production and exports
 - Improving Export competitiveness
 - Increasing Productivity across all sectors
 - Undertaking Technological upgrading, and
 - Improving Human wellbeing

Measuring and tracking transformation: the African Transformation Index (ATI)

- 2014 ATI:

- **D**iversifying production and exports: % of manufacturing value added; % top-5 exports in total exports; share of manufacturing in goods & services exports
- **E**xport competitiveness: % of exports in GDP relative to world average (excluding extractives)
- **P**roductivity: Manufacturing value added per worker; Ratio of labor productivity to average manufacturing wage; cereal yields
- **T**echnological upgrading: % medium- to high-tech in total manufactures
- **H**uman wellbeing: GDP per capita; share of formal employment in labor force



Source: ACET (2014)

Revised ATI to be released in 2020

- The 2014 ATI does a fairly good job of ranking African countries on their levels of transformation relative to their peers.
- But it is based on outcome variables which do not say much about how policymakers can transform their economies.
- The revised ATI will improve the index by expanding the number of countries and adding additional variables
 - E.g. Human wellbeing currently has only real GDP per capita and employment
 - We will include indicators for income inequality and gender equality. Why?
- In addition we will use policy variables to explain how transformation can occur.

The revised ATI (cont'd)

- The key policy recommendations will be that African countries can, inter alia, grow with depth by:
 - Implementing policies that foster an **overall environment for growth**;
 - Improving **domestic resource mobilization**;
 - Investing in **infrastructure**;
 - Enhancing **skills and technology**; and
 - Accelerating **agricultural and industrial transformation**.
- We will support the recommendations by collecting data for these variables and showing how they affect transformation.

Conclusion

- COVID-19 will hit African economies quite hard due to disruption of global supply chains.
- The UNECA estimates that COVID-19 may cause Africa to lose half of its GDP, with growth falling from 3.2% to about 2%.
- While the short-term policy response should be to divert resources into public health and health care,
- as well kickstarting African economies to boost output and employment,
- Medium-term policies are required to ensure that Africa's transformation remains on track.
- The 2020 ATI will use empirical evidence to support the implementation of such policies.



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