

Jump-Starting Africa

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The World Bank



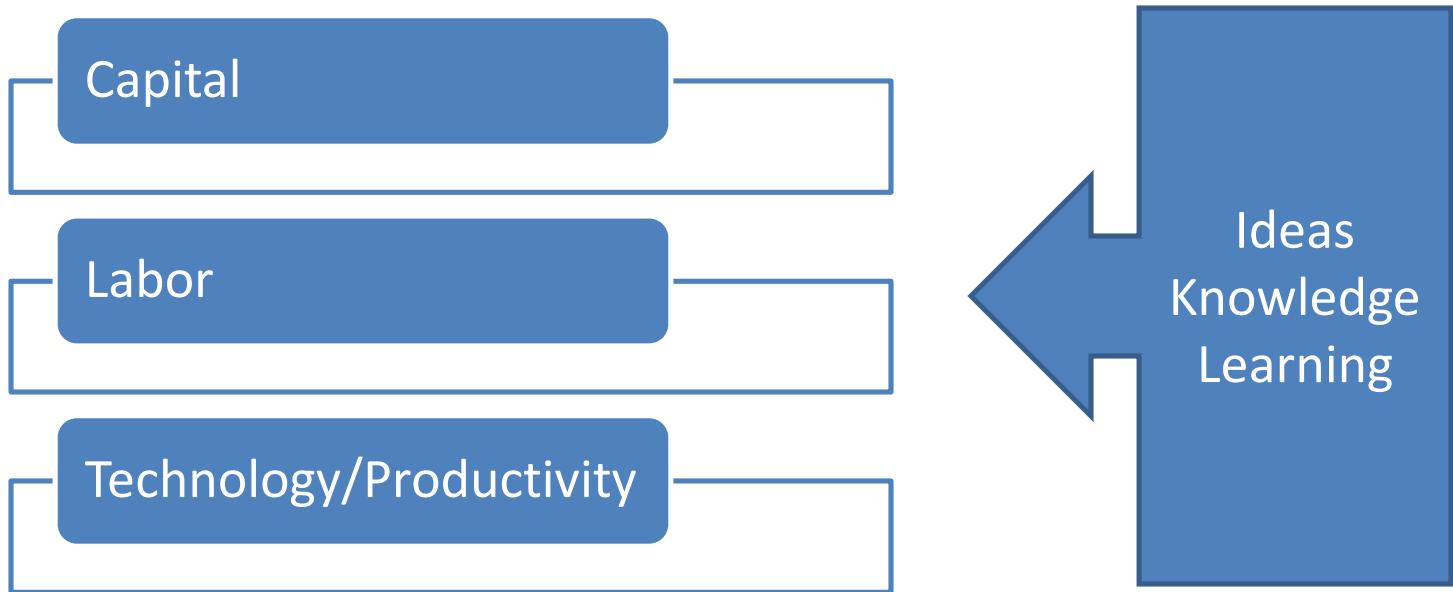
*MCC Economic Advisory Council
Washington D.C., November 1, 2019*

Outline

- **Sustained Growth is within reach**
 - Factors of production: cheaper and mobile
 - Successful experiences offer valuable lessons
- **Yet Africa is trapped by some bad ideas**
 - Unrealistic development models
 - Ineffective policy frameworks
- **NSE: A realistic blueprint for quick wins**
 - Principles
 - Policies and instruments

1. Sustained Growth is within reach

Factors of production are cheaper and mobile



***Capital is
available
(under
conditions)
and mobile***





Skilled and unskilled labor also increasingly available and mobile

***But Africa is not attracting and using
enough good ideas***



Successful Experiences Offer Valuable Lessons

Costa Rica



Mauritius



Vietnam



South Korea



United Arab Emirates



China

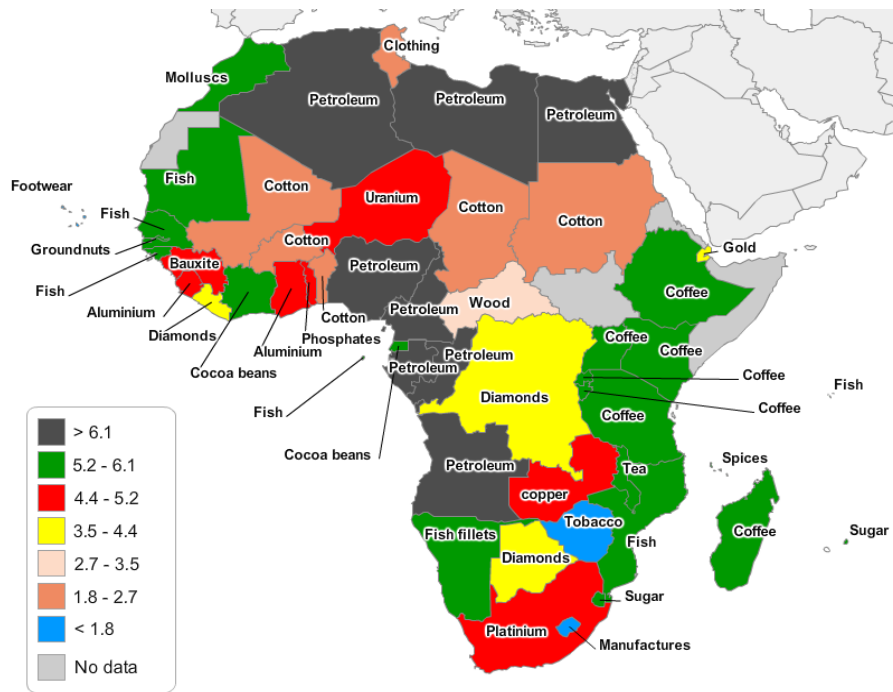


Qatar

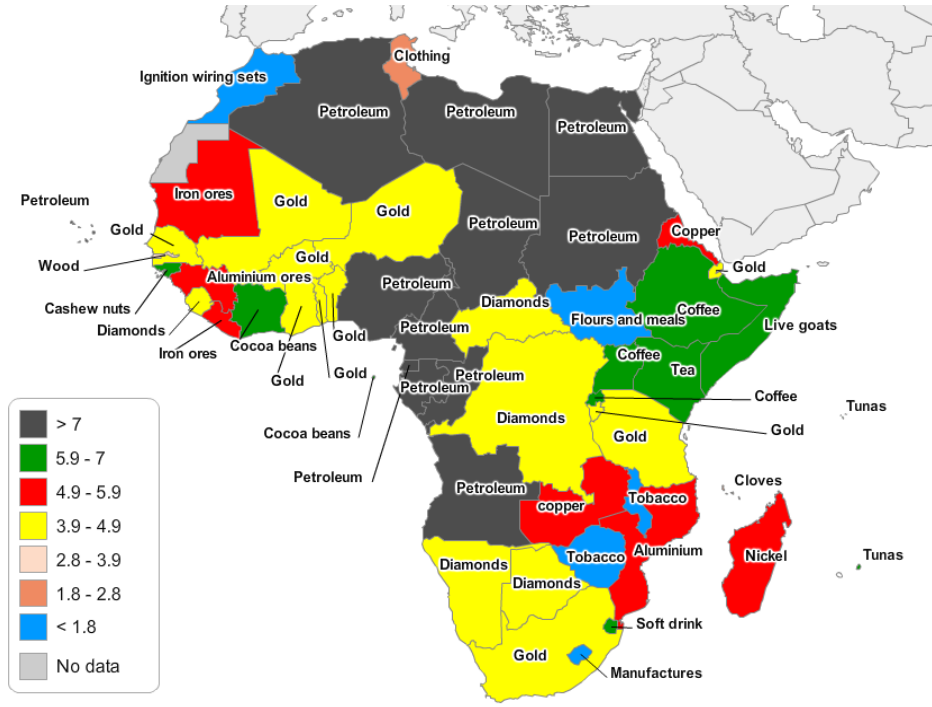


Single most important export product

1985



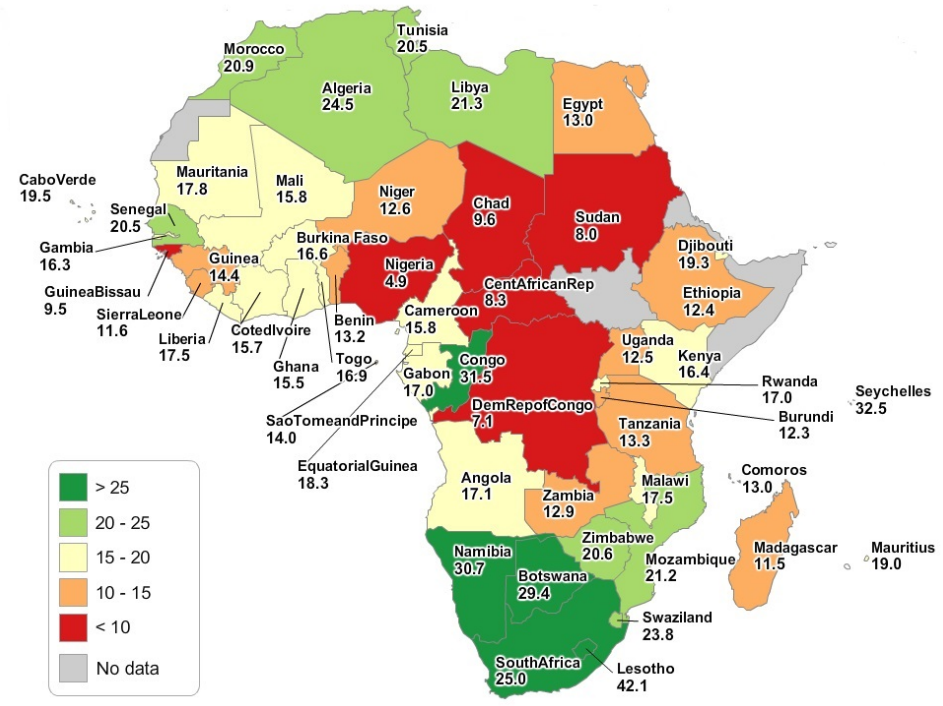
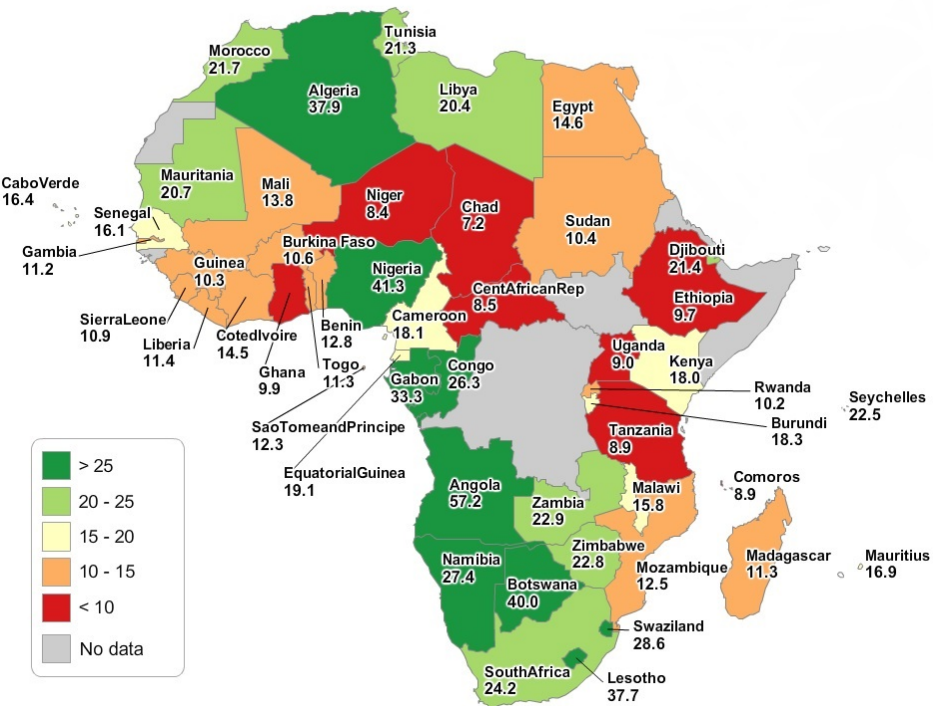
2015



Tax Revenue as Percent of GDP in decline...

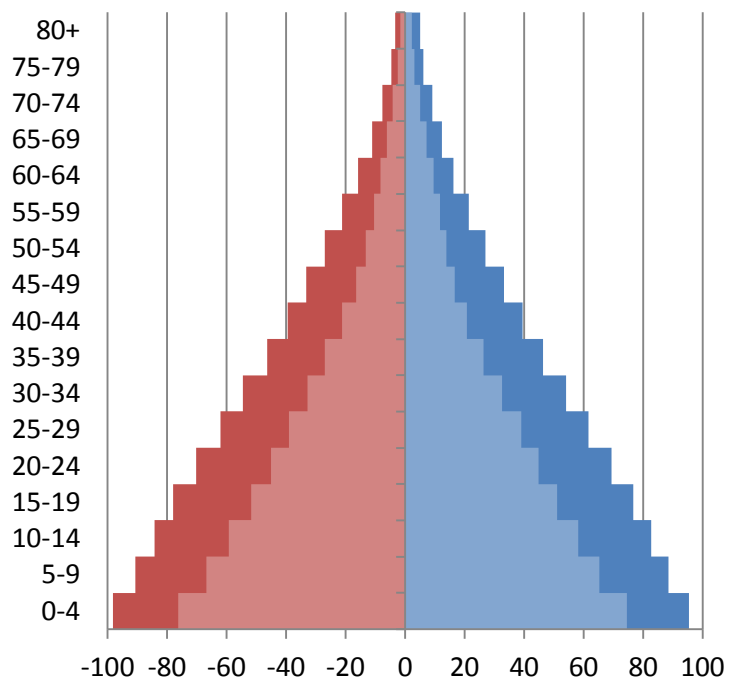
2000

2016



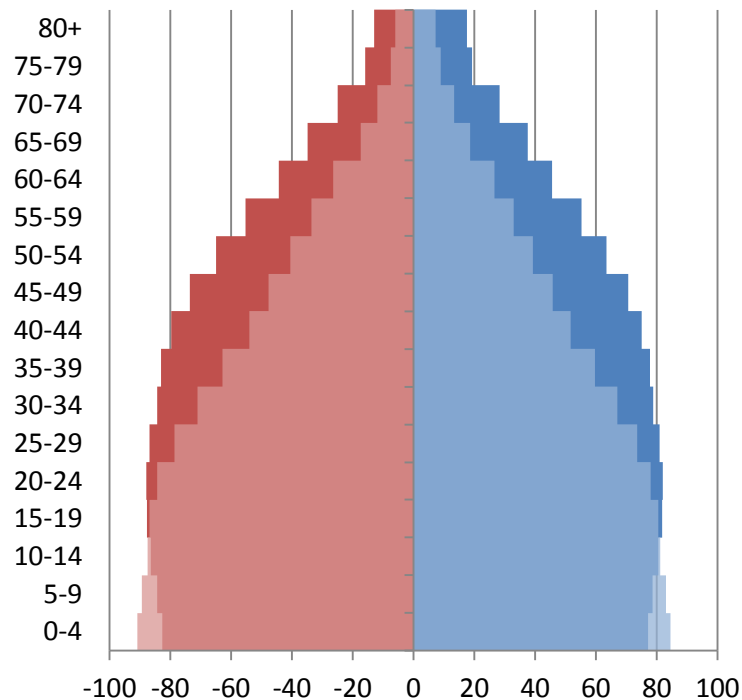
Africa's Youth Bulge: Opportunity and Threat

Sub-Saharan Africa



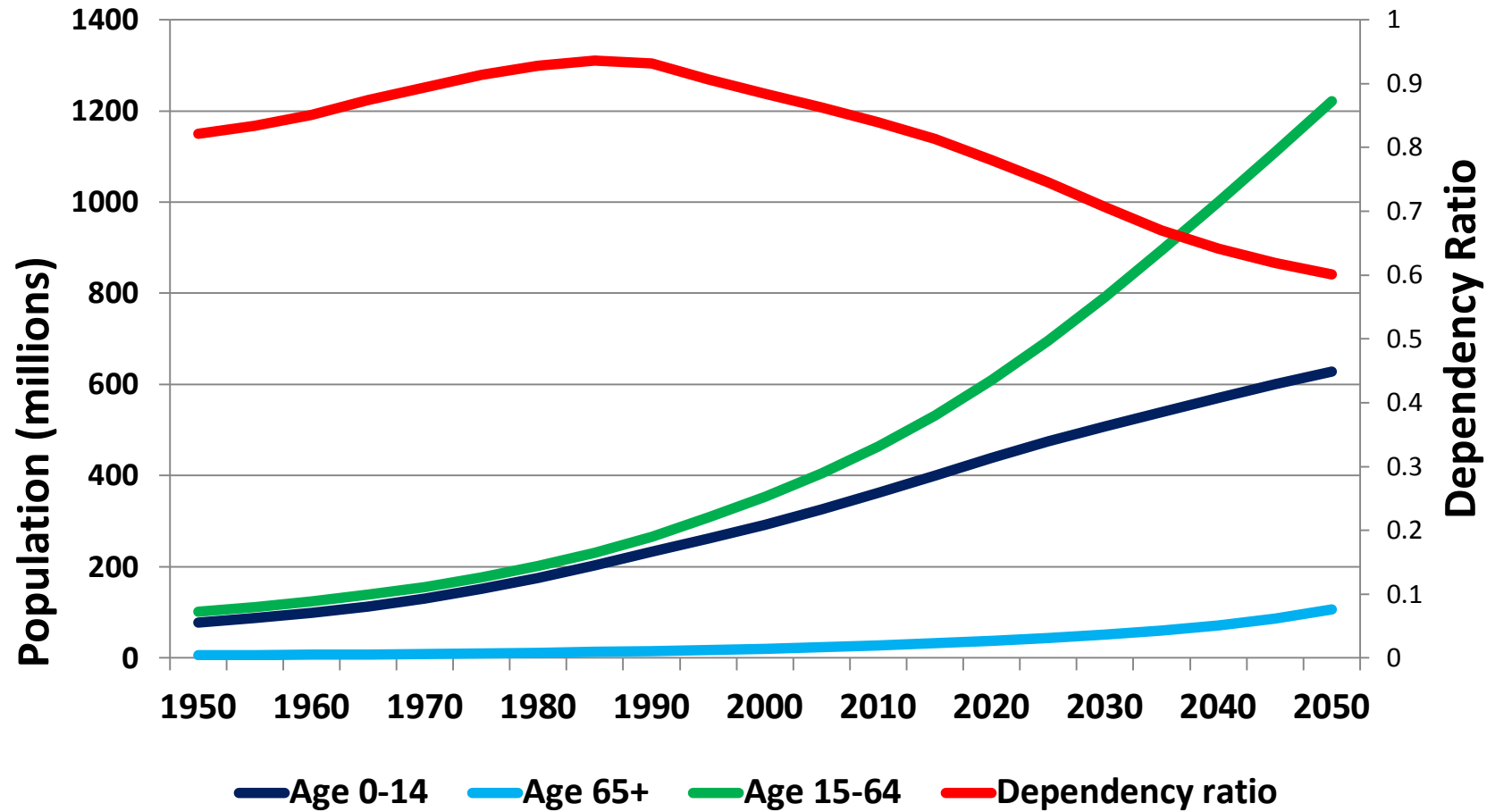
■ Male 2015 ■ Female 2015
■ Male 2035 ■ Female 2035

South Asia



■ Male 2015 ■ Female 2015
■ Male 2035 ■ Female 2035

Africa's Potential Demographic Dividend ...



Source: World Bank and UN estimates

... not there yet!



"Poverty is the worse form of violence." **Mahatma Gandhi**

2. Trapped into Implementing Unrealistic Agendas

(i) “Services should be priority—tradable”

Skipping industrialization? Tanzania’s learning outcomes

- ❑ About **20 percent** of the children who had completed seven years of primary school could not read their own language, Kiswahili, at the Grade 2 level.
- ❑ **Half of them** could not read English, which is the medium of instruction in secondary education
- ❑ About **30 percent** could not do a simple (Grade 2) multiplication problem.



(ii) Let's just improve the business environment..."



China, 46th



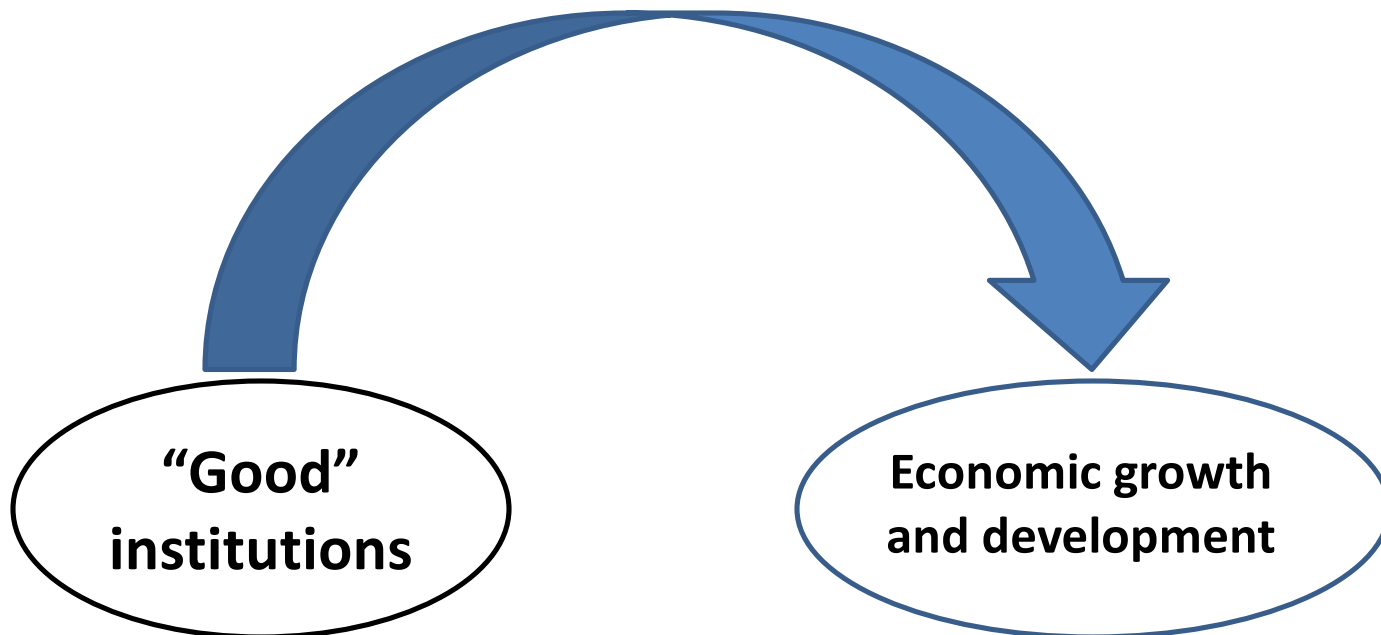
Vietnam, 69th



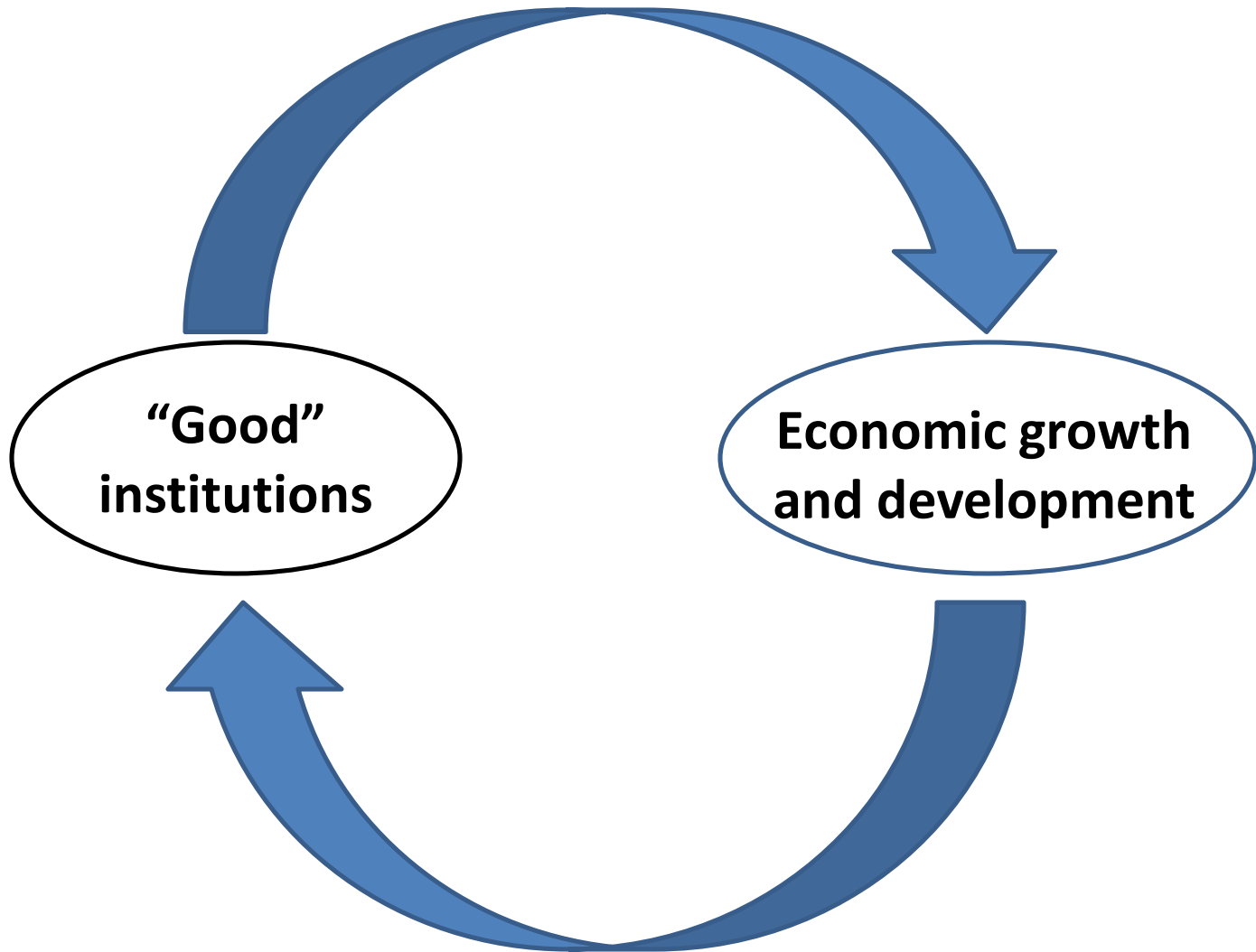
Ethiopia, 159th

(ii) “Governance and Corruption should be the focus...”

Searching for a causal link



Searching for a causal link

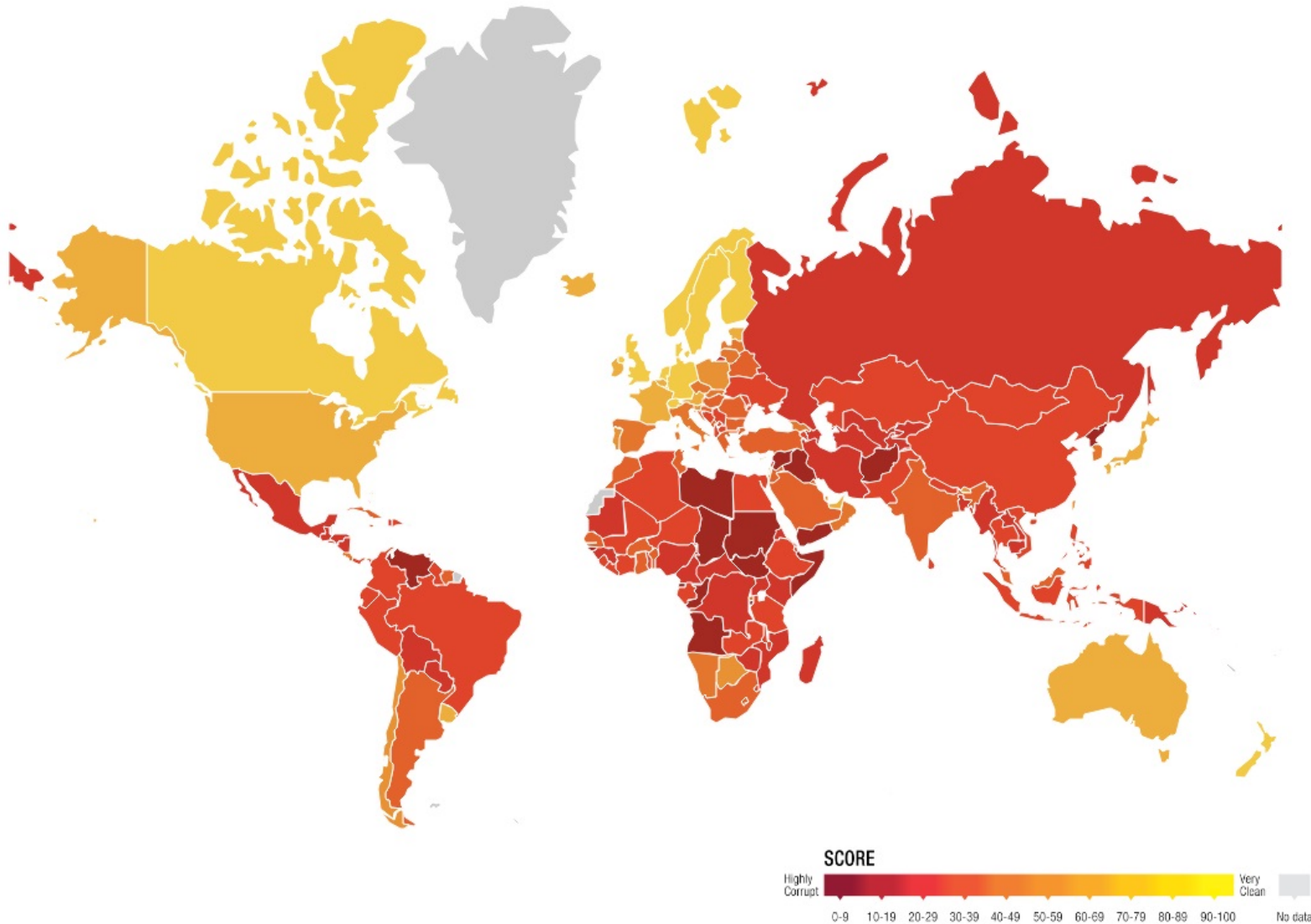


Challenges of Governance: The 6 Dimensions of the WGI



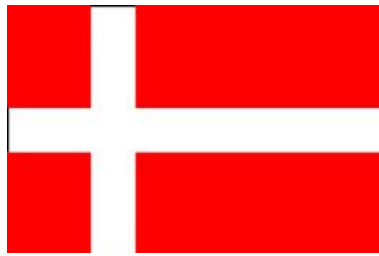
Who is Corrupt? “Us” versus “Them”...

Corruption Perceptions Index 2018 (TI)



Who is Corrupt? Digging Deeper...

Corruption Perceptions Index 2018 (TI), out of 180 Countries



1st

Denmark



22nd

USA



152nd

Cameroon

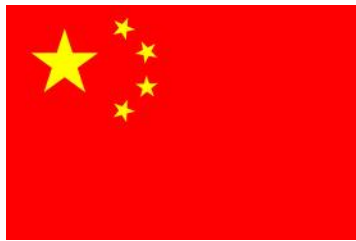


21st

France

...Digging Deeper: Are we missing something?

Corruption Perceptions Index 2018 (TI)



87th

China



117th

Vietnam



78th

India



105th

Brazil

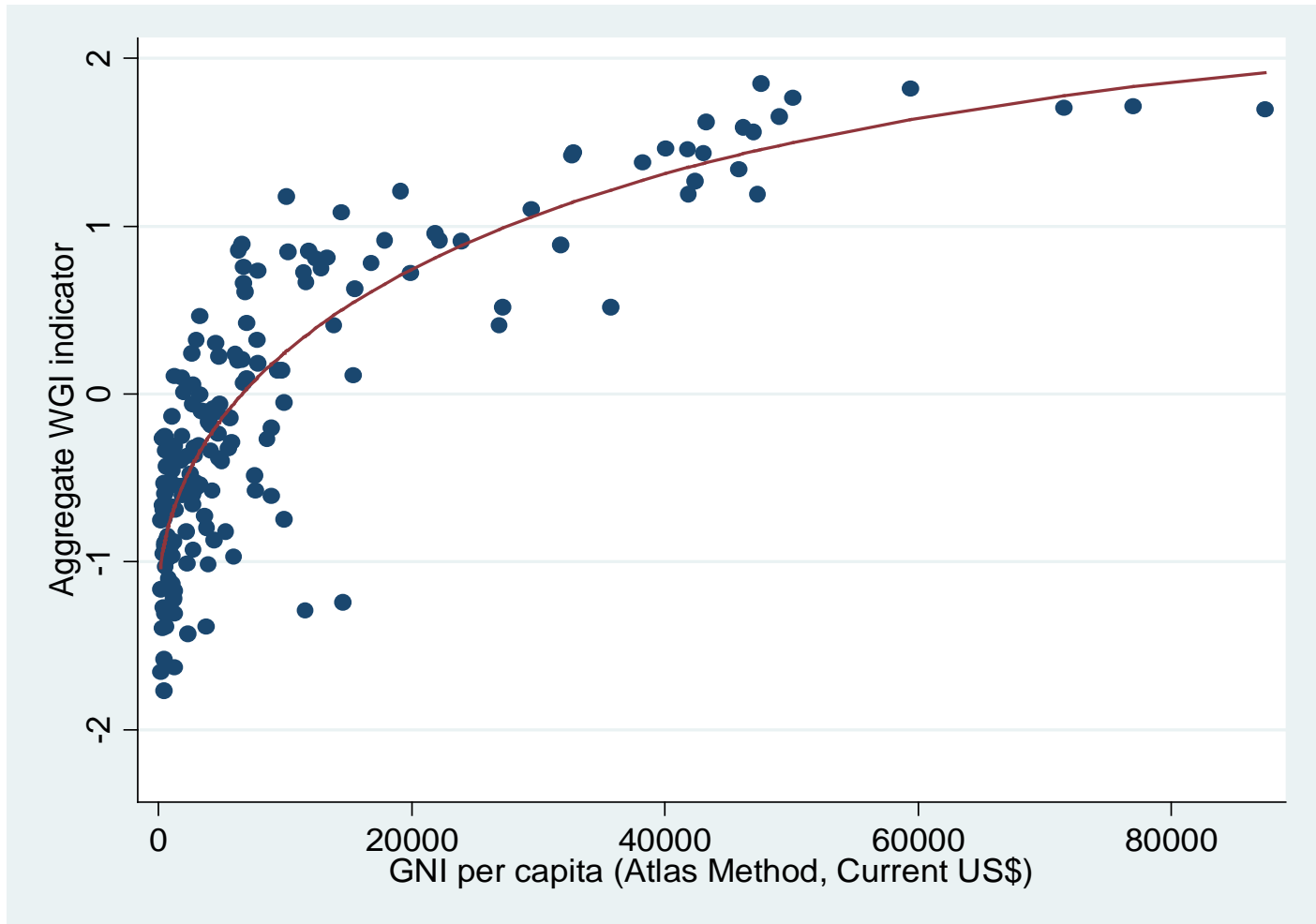


52nd

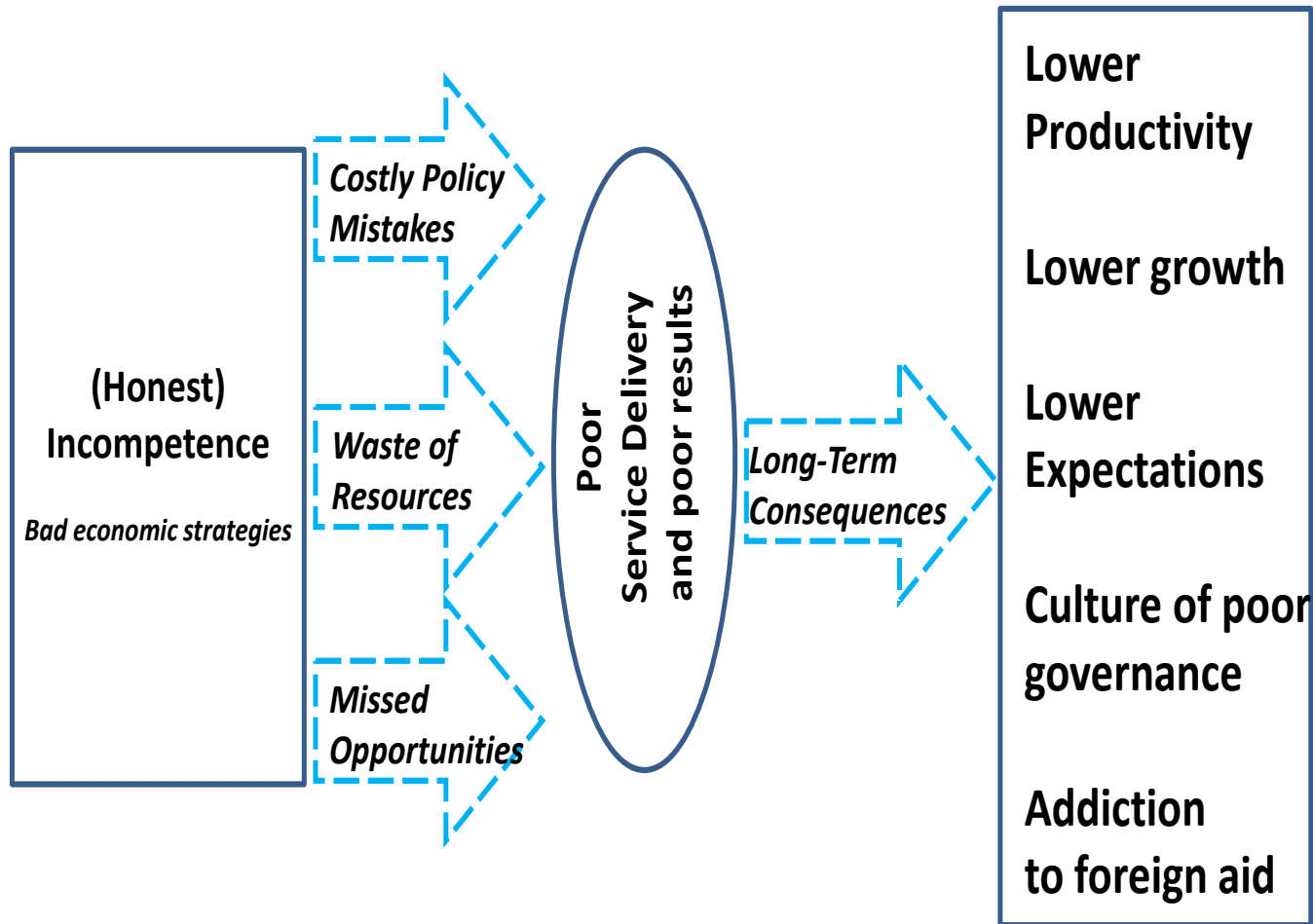
Namibia

Most low-income countries are perceived to have poor governance

Per Capita GNI and WGI in a Sample of Countries, 2015



Fighting “Corruption” while ignoring even bigger issues



3. NSE: A Blueprint for Quick Wins

***Stop approaching policymaking as a
prayer...***



Take political economy issues seriously when dealing with distortions



No preconditions—except the right ideas and quick wins...



***Avoid picking the wrong model
Burundi is not (yet) Switzerland...***



NSE Policy framework

- Identify sectors with latent comparative advantage (agri-business, light manufacturing, tourism, some modern services...); and industrial upgrading
- Remove constraints for firms already in these industries—targeted reform agenda (value chain analyses, Growth Diagnostics, Investment Climate Assess)
- Bringing latent comparative advantage into existence (proactive FDI strategy, firm incubation programs); connecting SMEs to global value chains (GVCs);
- Scale up self-discovery by private firms (transparent, targeted and temporary incentives for first movers)
- Transform SEZs and EPZs into industrial clusters and make them work
- Provide limited subsidies to compensate for externalities (tax incentives, direct credit by development banks, access to foreign exchange)
- Targeted Skills Formation Strategies and Workforce Development Plans