

AFRICA'S MULTIPLE CHALLENGES AND OPTIONS FOR STRUCTURAL CHANGE

**THE WILSON CENTER
MAY 22, 2013**

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EMERGING AFRICA? WHERE DO WE STAND?

***The hopeless continent* (The Economist, May 13, 2000)**

(...)

***Lions on the Move: The Progress and Potential of African Economies*
(McKinsey, 2010)**

***Emerging Africa: How 17 Countries Are Leading the Way* (Radelet, 2010)**

***African poverty is falling... much faster than you think!* (Sala-i-Martin & Pinkovskiy, 2010)**

***Africa rising* (The Economist, December 3, 2011)**

***Aspiring Africa* (The Economist, March 2, 2013)**

But:

16 to 20 African countries (out of 54) face political troubles and strong social unrest

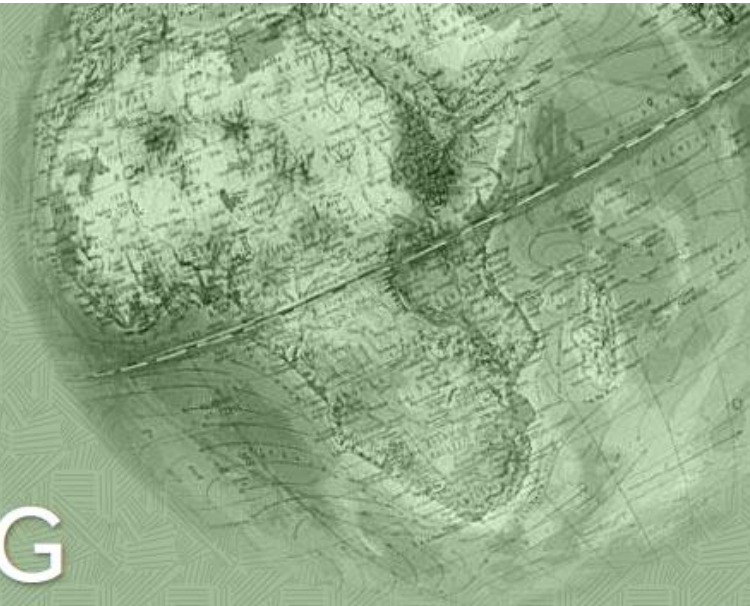
39 out of 49 SSA countries are ranked in the last 50 of the HDI 2013 (UNDP: *The rise of the South*)

Only 4 SSA countries are among the 80 best places to be born, and they are the last ones (The Economist: *The where to-be-born index, 2013*)

A MAJOR ANSWER: DIVERSITY

- **Africa is diverse:**
 - 54 countries
 - Population, density
 - Growth rates
 - Engines of growth
 - Importance of urbanization
 - Role of agriculture





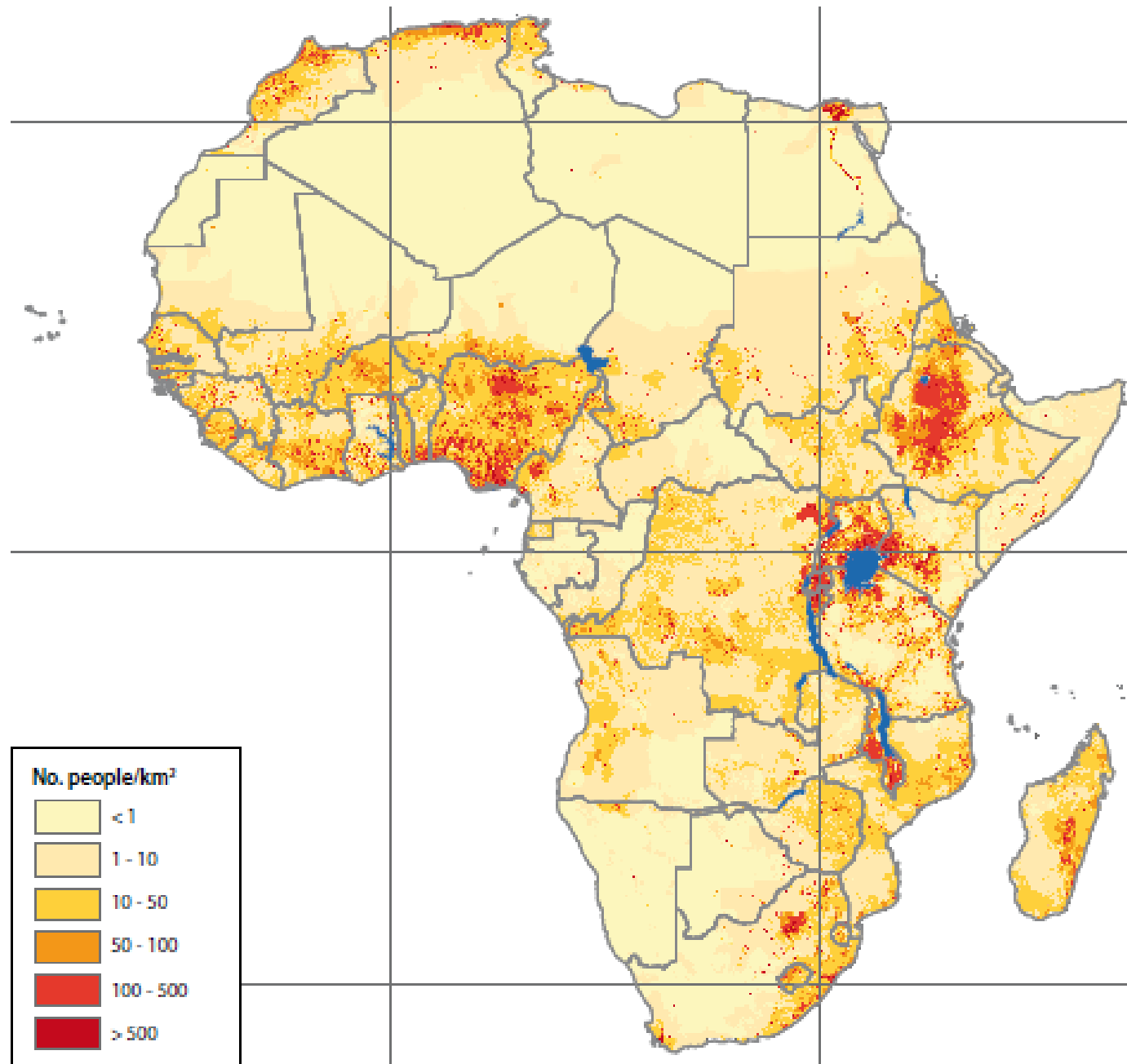
A NEW EMERGING RURAL WORLD

**AN OVERVIEW
OF RURAL CHANGE IN AFRICA**



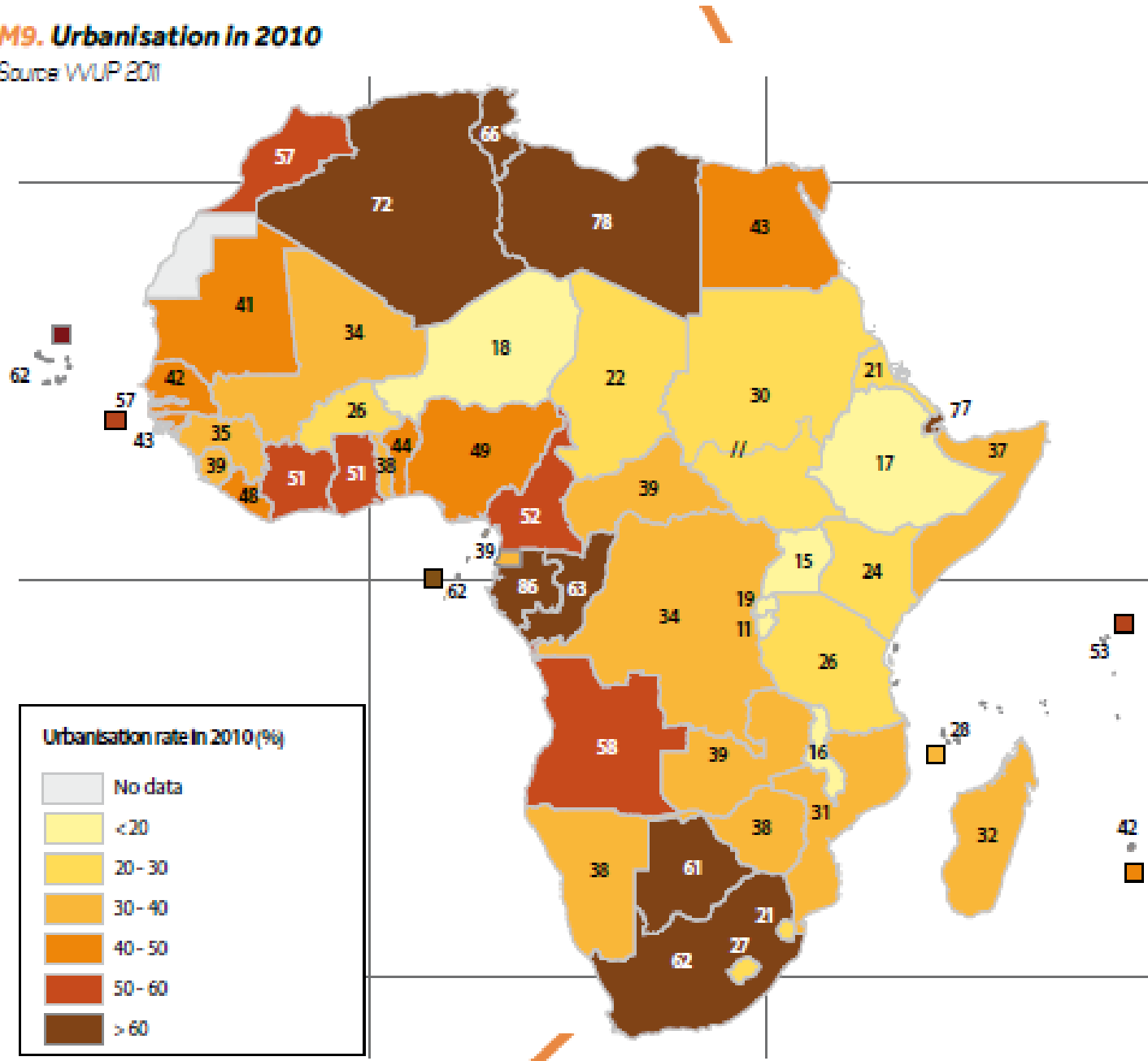
M2. Population density in 2010

Source: Afripop



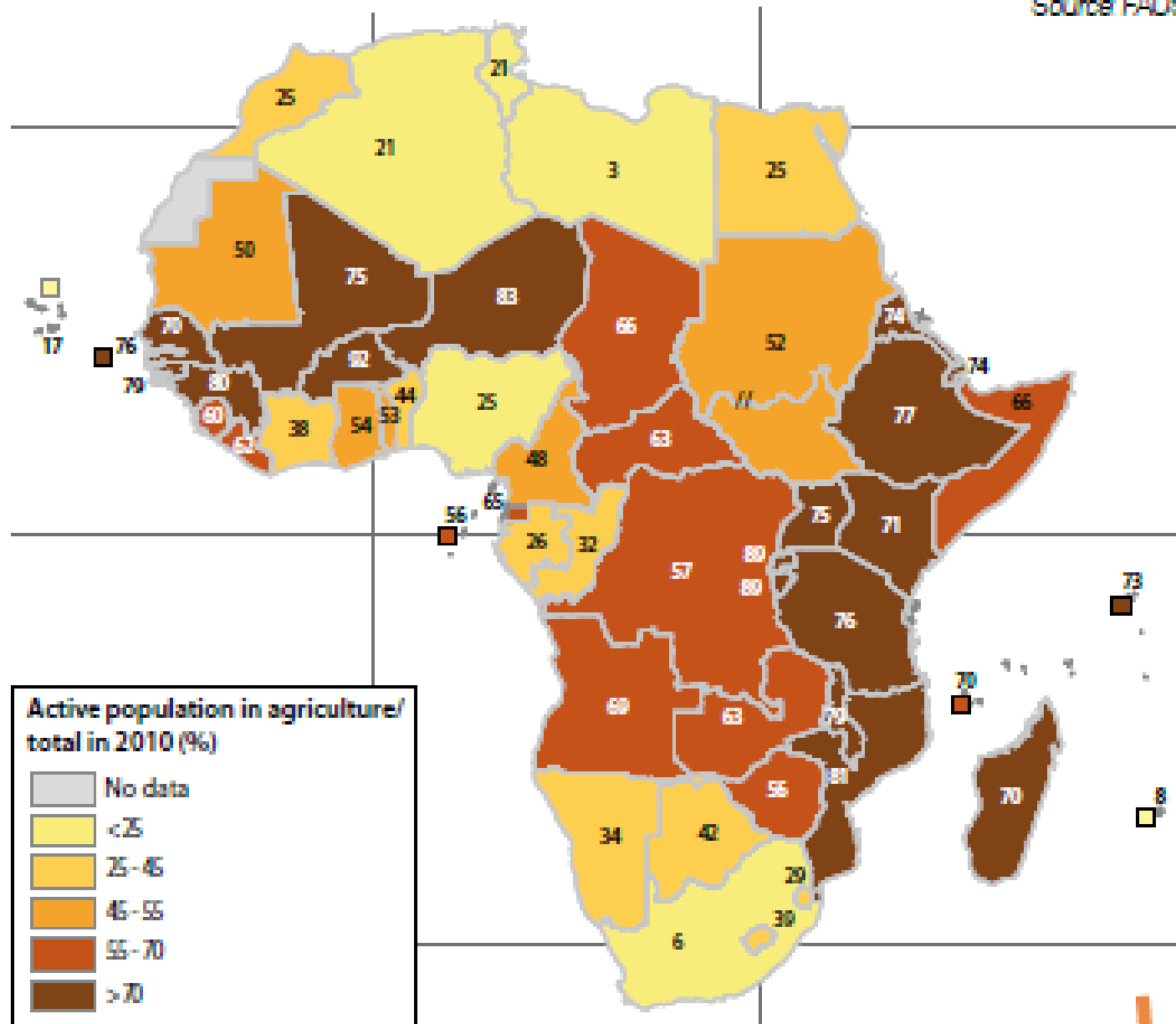
M9. Urbanisation in 2010

Source: WUP 2011



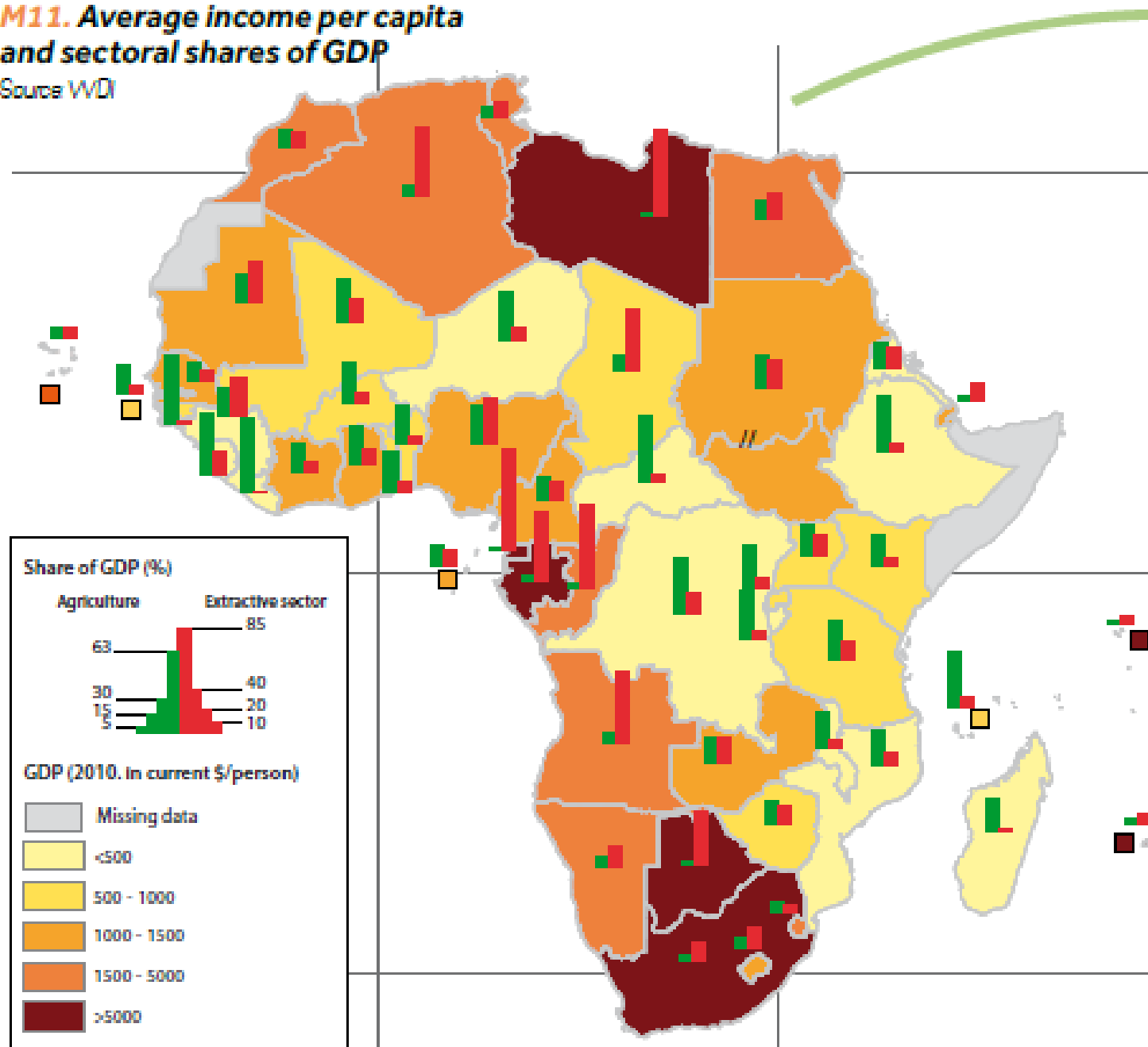
M5.: Size of working population engaged in agriculture

Source FAOSTAT



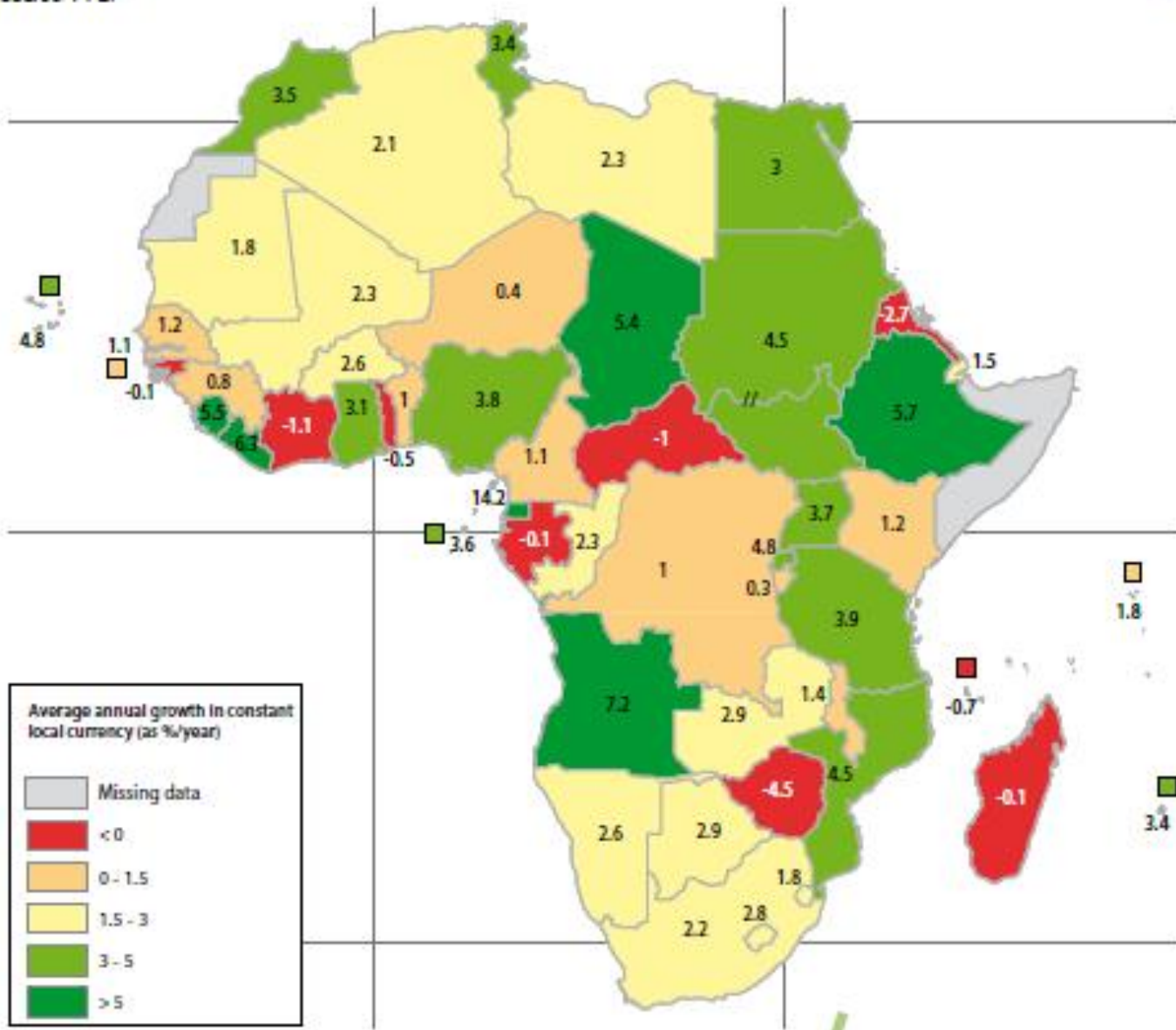
M11. Average income per capita and sectoral shares of GDP

Source: VVDI



M12. Average growth of GDP per capita (2000-2010)

Source: WDI



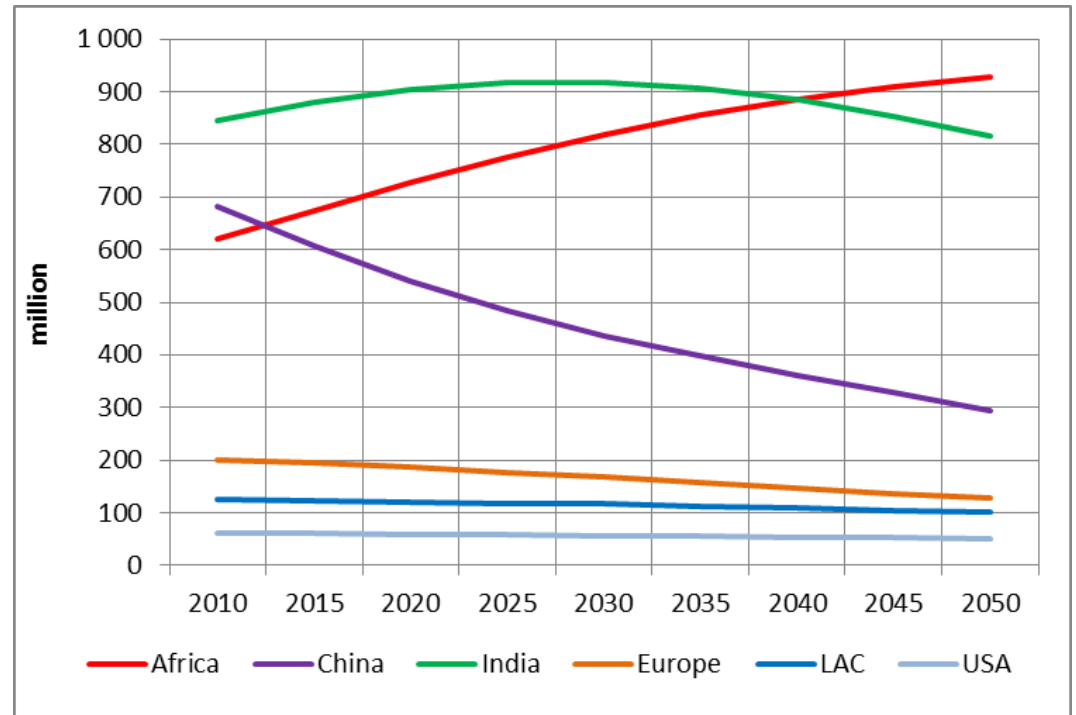
COMMON CHARACTERISTICS: TWO HISTORICAL CHALLENGES IN TODAY'S WORLD

- **With the exception of the northern and southern parts of the continent, African countries (mainly SSA) are confronted simultaneously with:**
 - An incipient economic transition characterized by:
 - The persistent importance of agriculture and extractive industries (in exports and GDP)
 - A strong urbanization process without industrialization
 - An incomplete demographic transition:
 - Population will raise by 1 billion in the next 40 years
 - An evolving population structure: the activity ration is growing = a big push of the labor force with a possible demographic dividend
- **These challenges are faced within a specific “moment in time”:**
 - Globalization: huge opportunities but high international competition
 - Growing constraints associated with climate change and environmental degradation

A UNIQUE SPATIAL DISTRIBUTION OF THE POPULATION

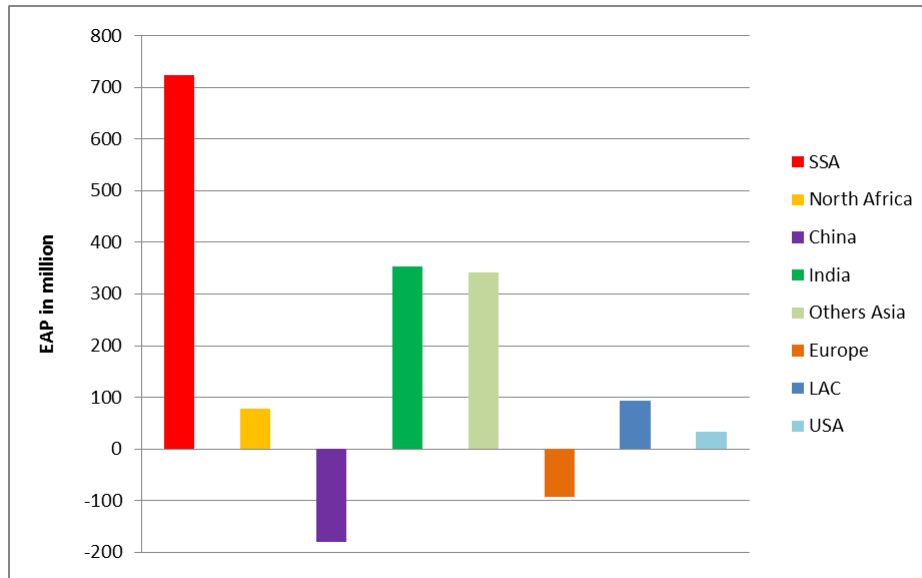
- A huge urbanization process: a tenfold increase
- But: the “rural” population will lead till the mid-2030s
- The population living in rural areas will continue to grow well beyond 2050: a global exception
- Rural population in Africa will increase by almost 60% over the next 40 years (+310 m) and it will decrease by 280 m at the world level

Rural Population Growth (2010-2050)

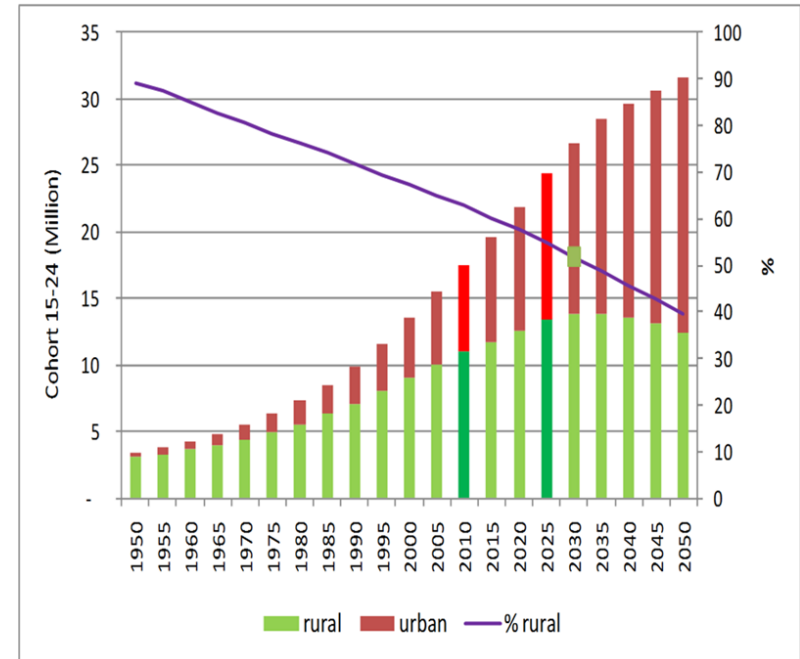


A MAJOR PUSH OF THE LABOR FORCE

GROWTH OF THE LABOR FORCE (2010-2050)



YEARLY COHORTS OF NEW WORKERS IN SSA



- 60% of the world labor force increase will be in Africa
- 11 out of the 17m people entering the labor market every year in SSA live in rural areas
- Between now and 2025, SSA's economies will have to incorporate 330m youth, 195m in rural areas and 135m in cities
- Which employment alternatives?

THE SAME OLD DEBATES?

INDUSTRIALISTS VS. AGRICULTURISTS

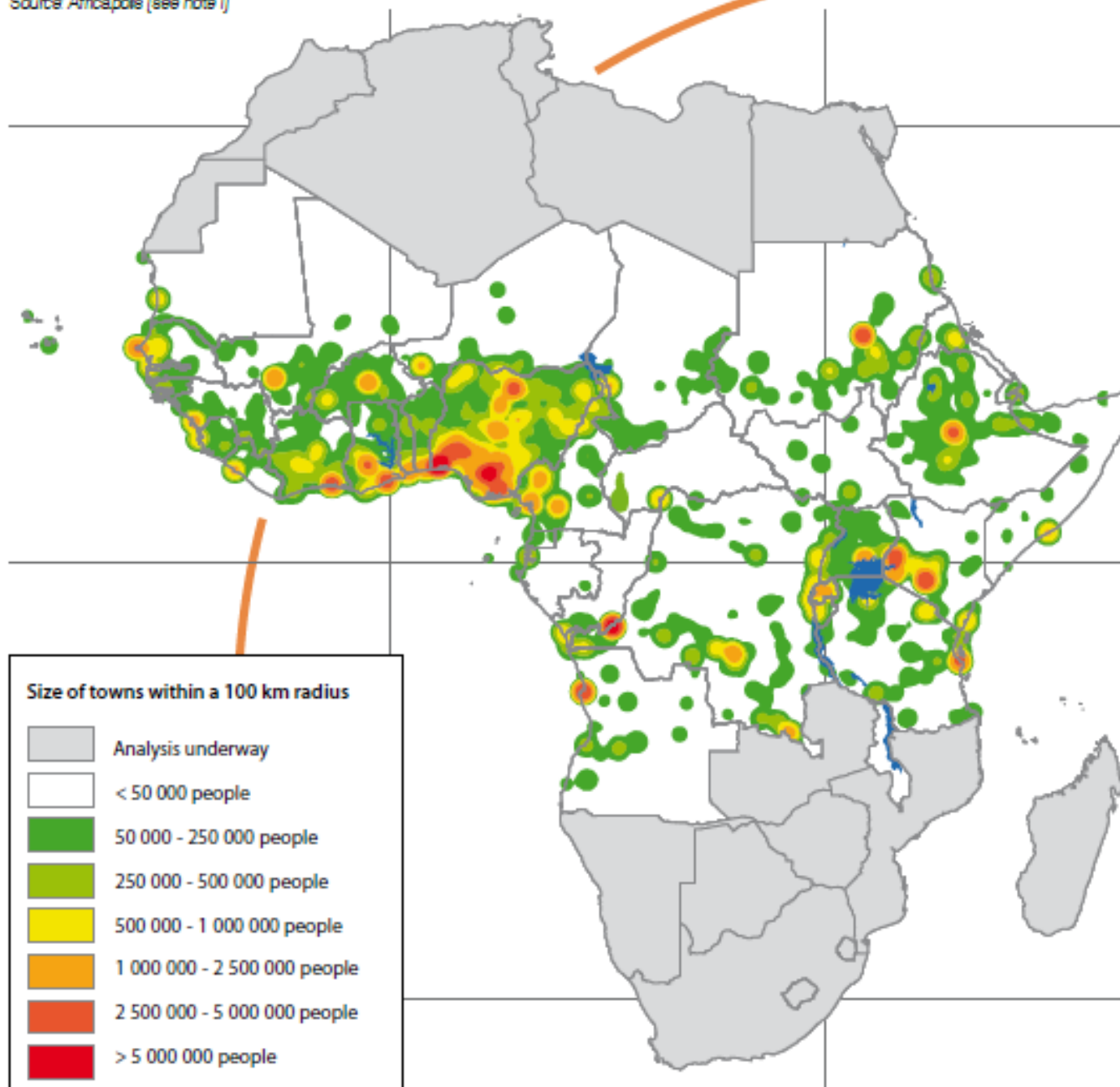
- **The question of the sectors of absorption is a real challenge for public policy**
- **Answers (and the development community) are “stove-piped”:**
 - For “industrialists”, only manufacturing can meet the scale of Africa’s challenges: ag. productivity is too low and progresses too slow and the future of rural poor lies in cities...
 - For “agriculturists”, improving ag. performance is paramount for poverty reduction, for increasing rural demand and engage in rural diversification
- **A major argument: “the basic arithmetic of large numbers”:**
 - Public policy must be based on the regional distribution of activities and people
 - Prepare the next steps but deal with today’s situation: 2/3 rural in agriculture, 1/3 urban in informal activities
- **There is still a major role to play for agriculture but agriculture has a far more extensive role than food production alone**

RURAL TRANSFORMATION IN AFRICA

- **Rural people are still the majority**
- **This majority remains poor: mostly below \$1/day**
- **Rural areas will host 2/3 of the labor force increase in the next two decades**
- **But rural realities are changing strongly: a consequence of increasing densities and improvements in communications**
- **A blending of rural settings which questions the relevance of the rural – urban divide**

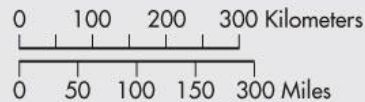
M10. Urban population centres in 2010

Source: Africapols (see note 1)

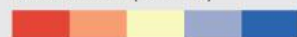


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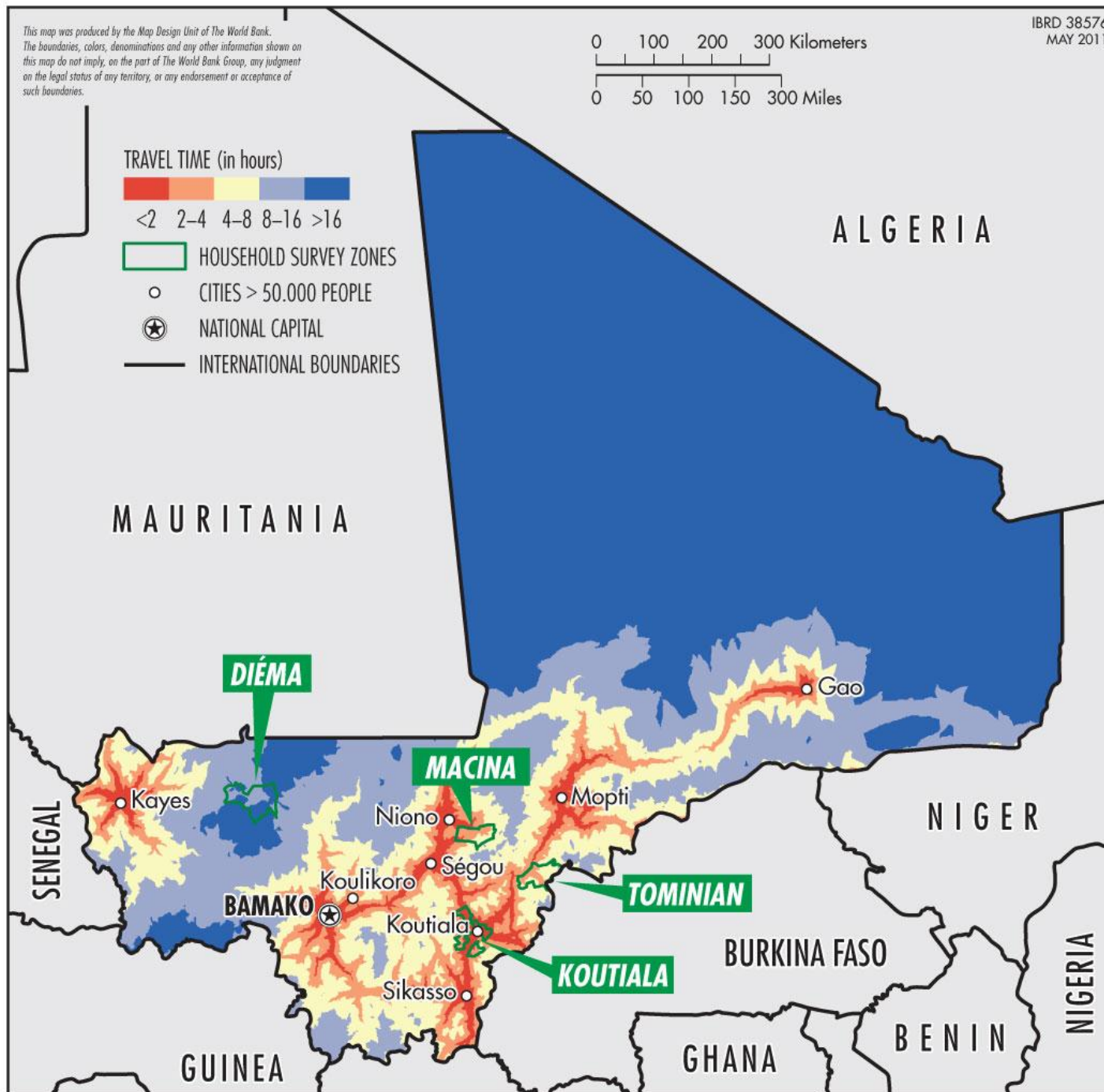
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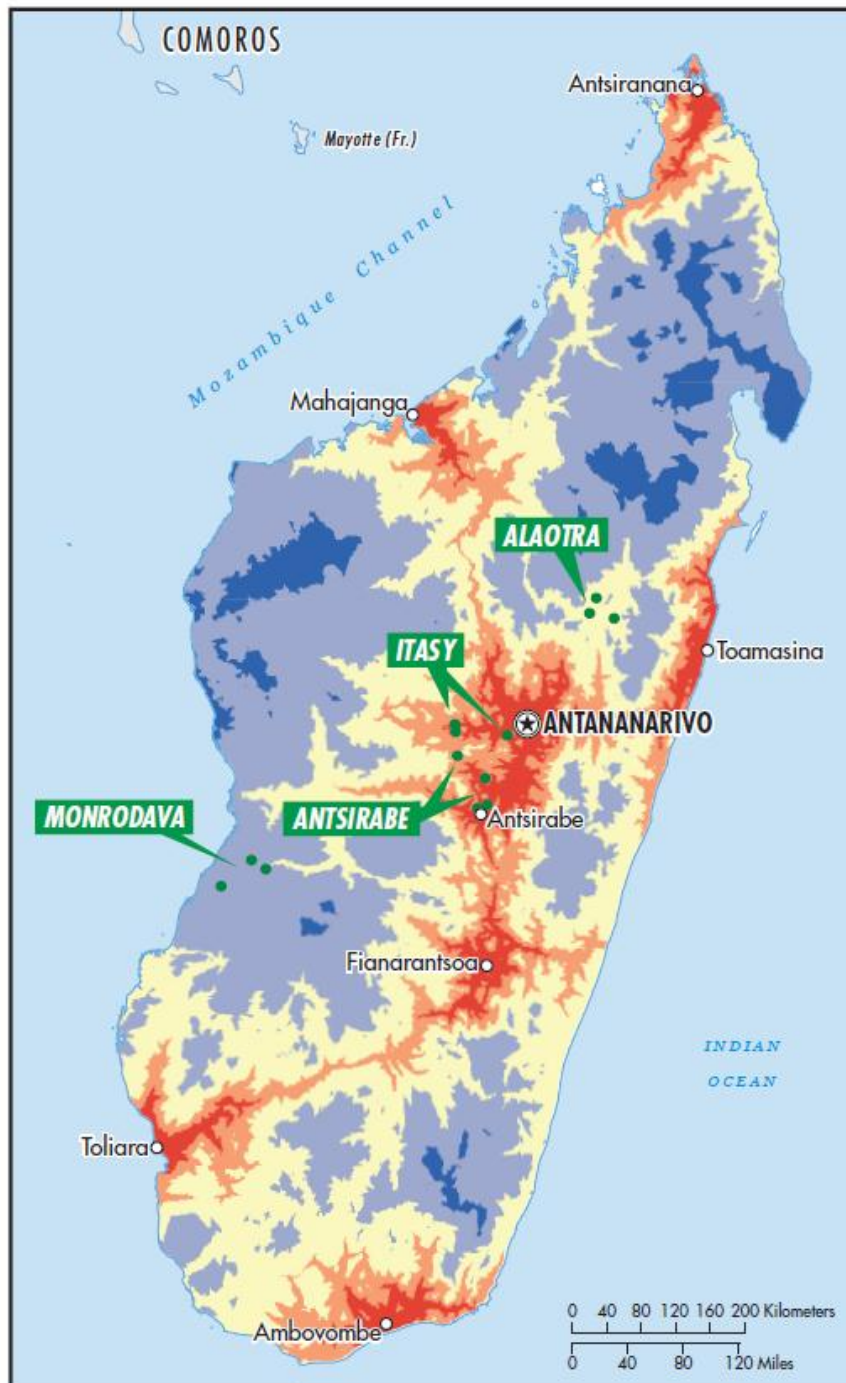
HOUSEHOLD SURVEY ZONES

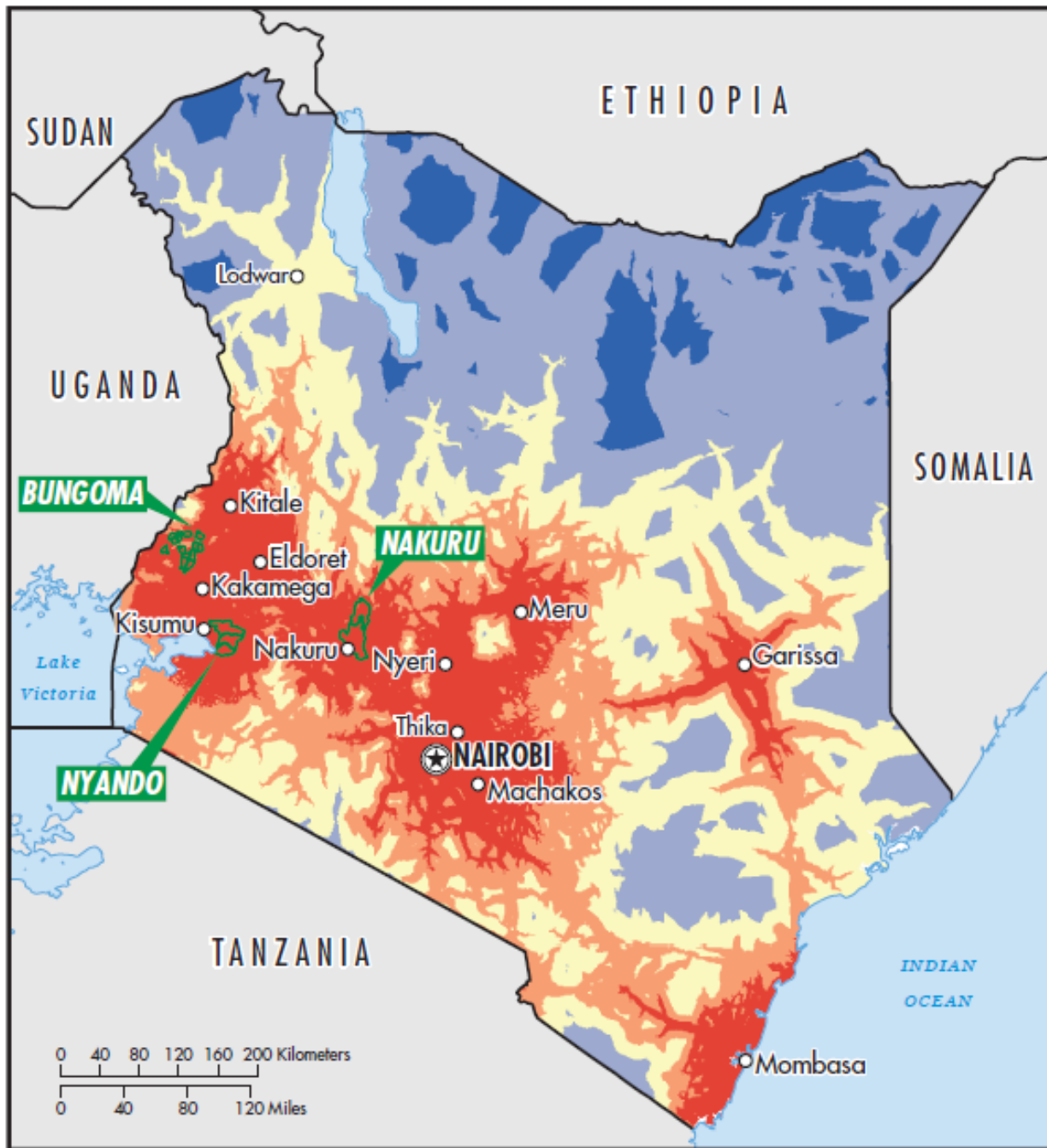
CITIES > 50,000 PEOPLE

NATIONAL CAPITAL

INTERNATIONAL BOUNDARIES



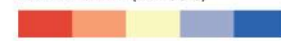




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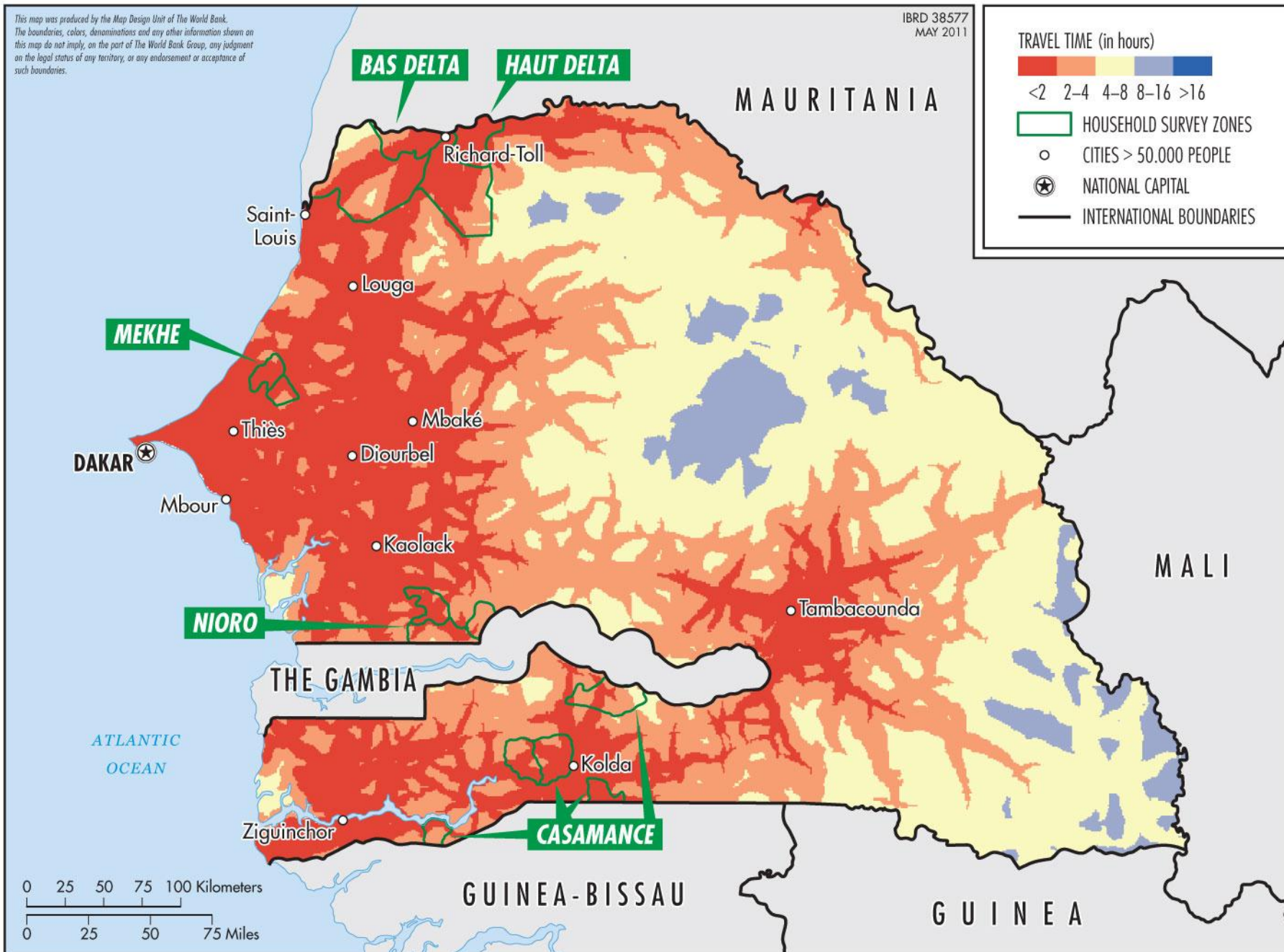
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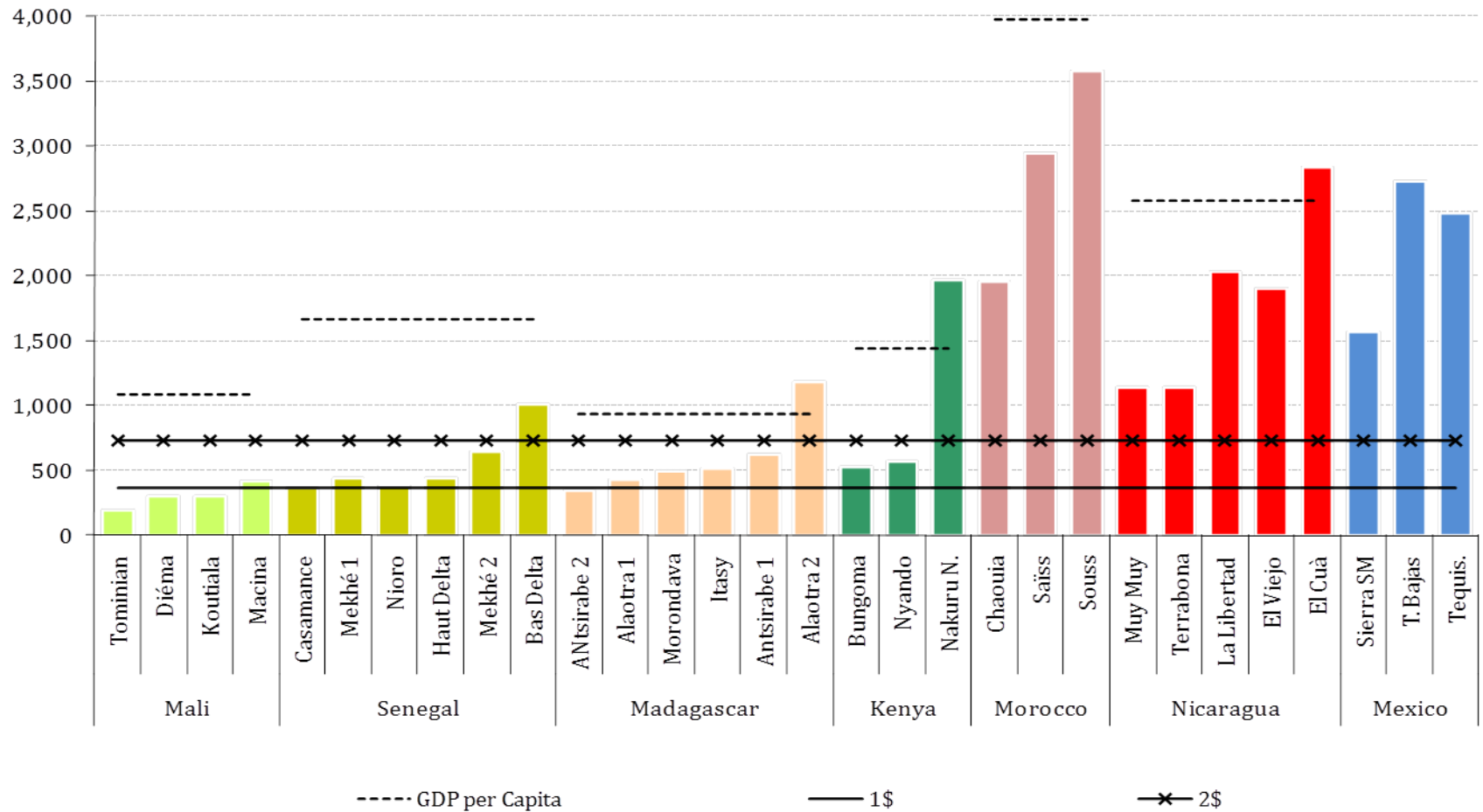
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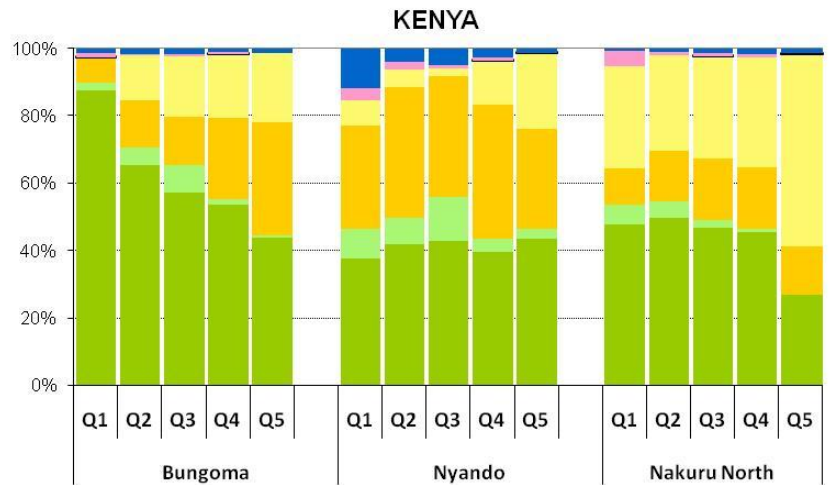
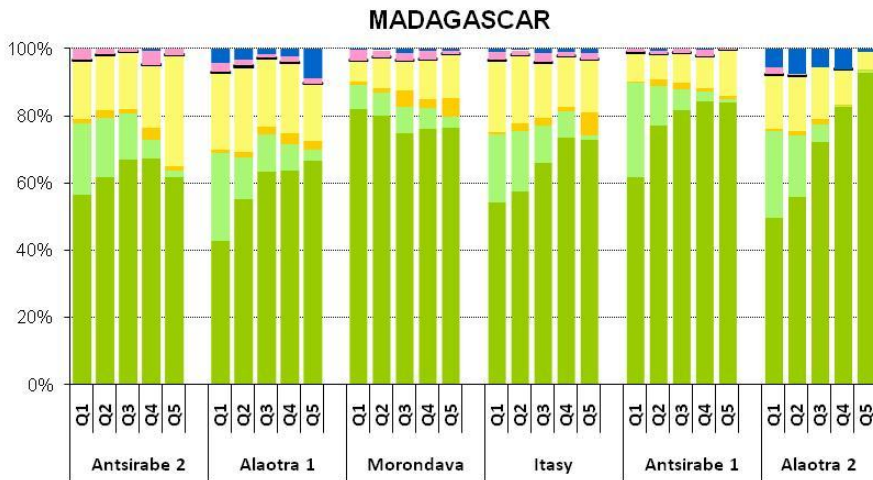
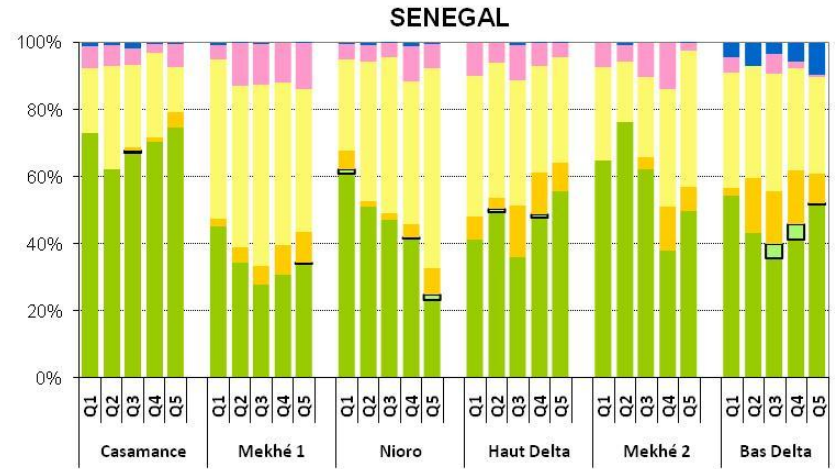
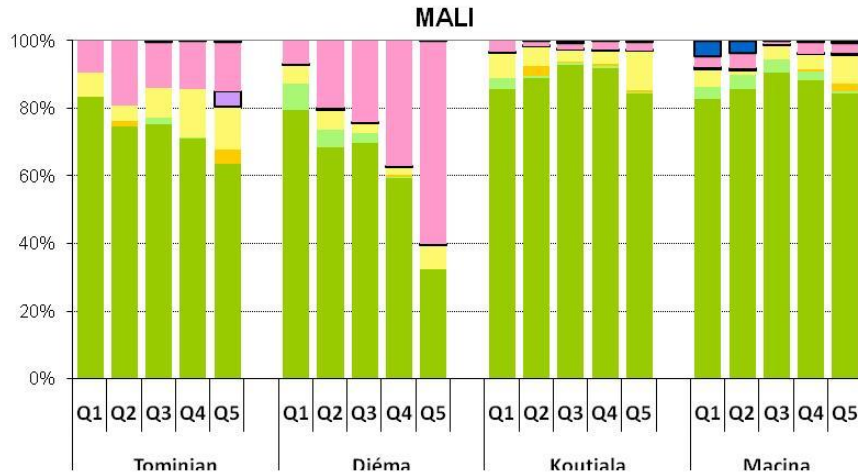
ANNUAL AVERAGE INCOME PER CAPITA

(IN THE SURVEYED REGIONS - \$ PPP)



INCOME STRUCTURE BY REGION AND QUINTILES

(% OF OVERALL INCOME IN \$PPP PER EQA)

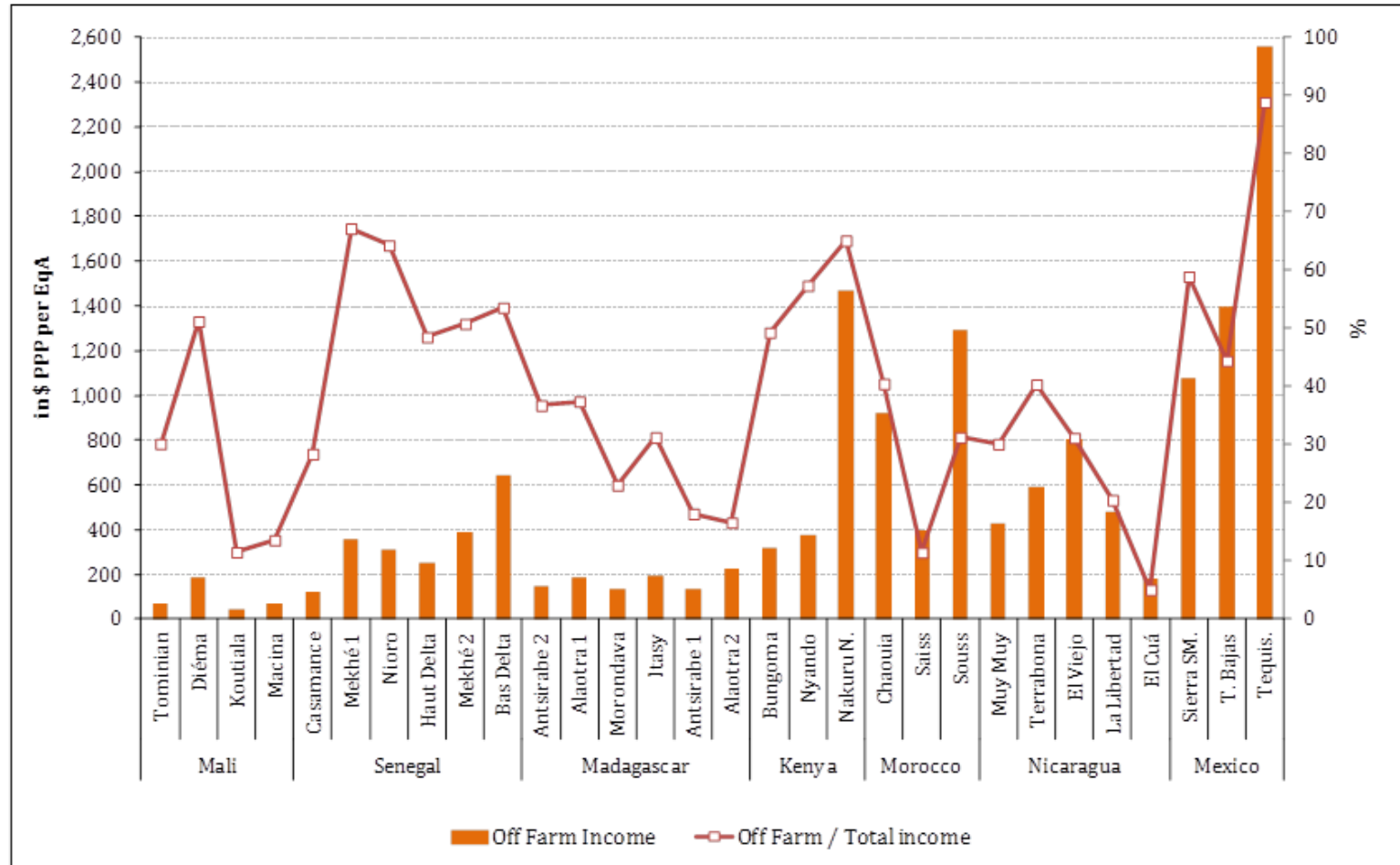


Legend

- Rents
- Priv. Transfers
- Non Ag Wages
- Ag Wages
- Publ. transfers
- Self Empl.
- On farm

LOW RETURNS ON THE OFF-FARM SIDE

Average Regional Value and Share of Off-farm Income



=> Strong off-farm diversification and very low returns related to the type of urbanization

THE NEED FOR A “TERRITORIAL” APPROACH

- **Agriculture has a major role to play to increase the level of income and consequently the level of rural demand: the necessary step towards rural diversification**
- **In terms of rural diversification, densities, access to markets are not enough : different patterns, same poverty**
- **Access to the city is a factor of rural income diversification**
=> BUT if urbanization is “incomplete”, returns to diversification are limited
- **The type of urbanization matters: cities must provide a sufficient level of public goods (infrastructure, services) to strengthen the diversification process**
=> need to support the “missing middle”: a way to deal with the costs of metropolization, to foster rural diversification and “territorial development”
- **Reengage in development strategies, at the national level and the local level: support a developmental state and municipalities**