

# Global Economic Crisis and Africa's Economic Performance<sup>1</sup>

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## **Abstract**

*It is generally acknowledged that African economies were able to withstand the 2007/2008 global economic crisis because of better macroeconomic management. Macroeconomic fundamentals, such as growth, rate of inflation and deficit/GDP ratio, among others, appear to move in the right direction during and after the crisis. In recent times, Africa's growth of about six per cent is being celebrated, despite the rising rate of unemployment, rising incidence of poverty, widening inequality and deterioration in the provision of basic needs. Both the economic performance and misery indices seem to be rising despite 'impressive' growth trajectories. The positive growth is backed by rising commodity prices with the inherent adverse implications. Regression results indicate that democracy, fiscal balance and life expectancy are positively related to growth. On the other hand, the rate of inflation and human development index show a negative relationship with growth.*

## **Introduction**

Before and after the global economic crisis triggered by the collapse of the mortgage subsector in the United States of America in 2007/2008, there was general euphoria about the ability of African economies to withstand the crisis, partly because of better macroeconomic management. Nonetheless, the global economic crisis affected African economies differently and in various forms: (i) decline in gross domestic product (GDP) growth, (ii) widening of current account deficits, (iii) reduction of foreign direct investment, (iv) reduction in remittances, (v) decline in overseas development assistance, (vi) decline in foreign reserves, (vii) reduced export revenue, (viii) decline in savings rates, and (ix) negative fiscal balances in most countries. These negative effects reversed the increased growth pattern recorded before the crisis. GDP growth in sub-Saharan Africa (SSA) plummeted from 7.1 per cent in 2007 to 2.6 per cent in 2009 and increased to almost five per cent

after the sluggish global recovery.<sup>2</sup> The severity of the impact on African economies depended on their relationship with developed market economies, such as the United States of America (US), Germany and the United Kingdom (UK), among others, as well as the type of domestic economic framework adopted by African economies. Nonetheless, since Africa is part of the global economy, it was inevitable that she would feel the impact of the crisis, at least as a client. Furthermore, developed market economies are subject to periodic recessions and depressions, no matter how well the economies are managed. It is, therefore, generally agreed that developed capitalist economies are theoretically and practically subject to economic fluctuations.

In recent times, Africa's growth trajectory was celebrated. The 'Africa is rising' syndrome became the subject of discussion in most development fora. Multilateral institutions like the World Bank, the International Monetary Fund (IMF), and the European Union (EU), among others, argued that the 'impressive' growth in Africa was due to robust macroeconomic management, and they even predicted positive growth rates up to the year 2017, with marginal revisions from time to time. What drives growth in Africa, however, remains debatable. In the neoclassical economic framework, growth is propelled by capital, labour, technology and other resources; other theoretical postulations of growth have only augmented and re-interpreted the neo-classical theory of growth.<sup>3,4</sup> Hence, the determinants of growth have not been too controversial in economics. The meaning of economic development and how it can be realised, however, remains debatable depending on the schools of thought and the inherent ideological orientation.

In addition, the role of the state (public sector) generates heated debate within the growth and development nexus. In the neoclassical tradition (Foundation of the Washington consensus and the neoliberal economic framework), growth would eventually trickle down, resulting in development. Direct state intervention is not regarded as necessary to stimulate growth, redistribute growth and bring about development. The collapse of the neoclassical framework during and after the Great Depression of 1936 saw the emergence of the state as an economic agent directly involved in economic activities.

Today, the debate among the contending schools of thought in economics (such as neoclassical, monetarist, business cycle theorists, new-classical Keynesian, neo-Keynesian, new-Keynesian, Marxists, and neo-Marxists) still rests on the degree of direct state involvement in economic activities. Countries such as India, China, Malaysia, Indonesia, Singapore and others have been able to move millions out of poverty by registering not only robust growth rates over a long-period of time, but also through systematic economic planning engendered by an 'elite' group committed to positive structural transformation.

In spite of the so-called positive growth trajectories of African economies, the rate of unemployment is above 25 per cent and rising. The quality of education and health service delivery is nothing to write home about in many African countries. The poverty incidence is almost 60 per cent and rising. How relevant are robust macroeconomic management and stability when the progress towards human and social development is extremely slow? According to the United Nations Economic Commission for Africa (UNECA),<sup>5</sup> 'the relatively strong economic performance in Africa since the turn of the 21st century has not resulted in satisfactory social development outcomes. For example, poverty rates have remained high in SSA and the recent positive growth spells have not been translated into solid employment creation, one of the most important means

to reduce poverty'. It is crucial that growth generates employment, reduces poverty and provides a reasonable mix of goods and services to the majority of citizens. The growth process ought to guarantee that an economy is transforming or transiting from primary production (reliance on agriculture and extractive industries) to manufacturing (industrialisation) and finally to high-quality services-based activities. In almost all African countries, growth has not been translated into development; rather than confronting the development of underdevelopment, economists, especially those of the Breton-woods institutions, have coined a new concept known as 'inclusive growth'. This concept de-emphasises economic development and therefore reduces the role of the state in the growth and development process of an economy. All economies that have leap-frogged from underdevelopment to developed knowledge-based countries have been guided by well thought out and executed economic blue prints. In Africa, particularly SSA, growth has been driven by the high prices of commodity exports, especially in the mining and mineral sectors. Consequently, despite the sluggish global economic recovery, the perceived impressive growth performance of African economies seems not to have resulted in development.

The objective of this paper is to examine the economic performance of SSA before and after the global economic crisis of 2007/2008. The paper is organised as follows: following the introduction, the next section briefly reviews the global economic crisis, the relevant literature and the theoretical issues; the third section provides the framework for analysis; the fourth presents an empirical analysis; and the fifth section concludes the paper. It is expected that the analysis in this paper will provide insights and stimulate further discussion on the subject matter.

## Global Economic Crisis

In 2007, the global economy faced its worst crisis in 60 years. In the first half of 2007, a benign environment led investors, firms and consumers to expect a permanently bright future as well as underestimating risk. Housing and other asset prices increased exponentially, risky assets were created and sold as being nearly riskless, and leverage increased. Hence, when housing prices turned around, and subprime mortgages and the securities based on them turned sour in July 2007, the stage was set for the crisis.<sup>6</sup> The crisis quickly moved across assets, markets and countries because of rapid global integration as well as deep and complex interconnections between financial institutions.

Invariably, the crisis was caused by three factors amid long-standing structural weaknesses. First, there was the simultaneous and large deleveraging of the housing and financial sectors and consumer demand in the US. The second factor was the inability of both markets and policies to quickly accommodate such intense deleveraging of both the national and international levels. Third, the situation was made precarious by long-standing structural weaknesses, including information asymmetries and incentives, regulatory failures, executive compensation schemes, securitisation incentives, inaccurate credit ratings, credit default swaps, asset-liability mismatches and speculation, among others. It should be noted that a market economy is driven by the casino mentality where most of the stakeholders are gamblers. Hence, the system is subject to inherent

crisis. The ongoing crisis, which is experiencing sluggish recovery, was triggered by the sub-prime mortgage crisis in the US. Another phenomenon would create the next crisis.

## Theoretical Issues

Extant in the literature are several studies on the global economic crisis and the performance of African economies. In recent times, most of the studies focused on the impressive growth of African economies. Africa was seen as the next continent that would escape from underdevelopment. According to Collier,<sup>7</sup> 'Africa currently faces its best opportunity for growth since the commodity boom of the mid-1970s. In the intervening period, African economic performance has been worse than that of other regions. This is not because African economic behavior is fundamentally different from elsewhere, but rather that African geographic endowments are distinctive'.

Africa, particularly SSA, has attempted to grow and develop by implementing various forms of the neo-liberal economic frameworks both before and after the recent global economic crisis. It would be a herculean task to objectively examine the existing literature on the subject of Africa's economic performance. Nonetheless, two works amidst a variety of others, provide a detailed analysis of the African growth and performance trajectories from 1960 to 2010.<sup>8,9</sup> This paper, therefore, attempts to discuss briefly the theoretical issues associated with the subject matter. The discussion begins with growth and development, followed by the measurement of economic performance.

According to Solow,<sup>10</sup> 'All theory depends on assumptions which are not quite true. That is what makes it theory. The art of successful theorizing is to make the inevitable simplifying assumptions in such a way that the final results are not very sensitive'. This quote is apt and has implications for all theories of economic growth. The neoclassical growth model stresses why some countries are rich and others are poor, with technology and factor accumulation as exogenous. The Romer growth model endogenises technology-utilising microeconomic foundations, emphasising that technology is not only the engine of growth but that it can also be derived within the economic system.

Building from the Romer model of economic growth with the addition of technology transfer,<sup>11</sup> the paper endogenises the mechanism by which different economies achieve the ability to use various capital goods. Countries produce a homogenous output. Thus:

$$Y=L^{1-\alpha} \int_0^h x_j^\alpha dj \dots\dots\dots(1)$$

Where:

- Y = Output
- L = Labour
- = Range of capital goods

The number of capital goods that workers can use is constrained by their skills level: a worker with a high skills level can utilise more capital goods than a worker with a low skills level. The assumption is that the economy is single and small, far removed from the technology frontier. The country grows by learning to use the more advanced capital goods available in the world. The countries in SSA fit this characterisation.

In the value chain, one unit of intermediate capital goods can be produced with one unit of raw capital. Thus:

$$\int_0^{h(t)} x_j(t) dj = K(t) \quad \dots\dots\dots (2)$$

From equation 2, the total quantity of capital goods of all types used in production is equal to the total supply of raw capital; the intermediate capital goods are similar, hence. Consequently, the aggregate production technology for this economy follows the Cobb-Douglas type:

$$Y = K^\alpha (hL)^{1-\alpha} \quad \dots\dots\dots (3)$$

Capital (*K*) is accumulated by foregoing consumption, hence:

$$\dot{k} = s_k Y - dk \quad \dots\dots\dots (3')$$

Where *s<sub>k</sub>* = the investment share of output (the balance going to consumption); *d* = constant exponential rate of depreciation greater than zero.

It is interesting to note that 'skills' is defined as the range of intermediate goods which an individual has learnt to use. Individuals can make progress as the economy grows:

$$\dot{h} = \mu e^{\psi} A^\gamma h^{1-\gamma} \quad \dots\dots\dots (4)$$

Where:

*μ* = the amount of time an individual spends accumulating skills

Instead of working, for example, years of schooling are > 0

*A* = world technology frontier in an Index of advanced capital goods invested:

$$0 < \gamma \leq 1$$

Dividing both sides of the equation (4) by *h*:

$$\frac{\dot{h}}{h} = \mu e^{\psi} \left(\frac{A}{h}\right)^\gamma \quad \dots\dots\dots (4')$$

Equation 5 makes explicit the hidden assumption that it is difficult to learn to use an intermediate good that is currently close to the frontier. The closer an individual's skills level ( $h$ ) is to the frontier,  $A$ , the smaller the ratio  $A/h$ , and the slower the individual's skills accumulation.

Another assumption is that the technology frontier expands at a constant rate,  $g$ :

$$\frac{\dot{A}}{A} = g \dots\dots\dots (5)$$

Assuming that the investment rate and the amount of time spent accumulating skills are exogenously determined and constant, equations 1 to 5 can be solved for the balanced growth path (steady-state) in the economy. Assuming that output per worker and capital per worker  $k$  then equation 5 will be constant if and only if  $A/h$  is constant so that  $h$  and  $A$  must grow at the same rate. Hence, we have:

$$g_y = g_k = g_h = g_A = g \dots\dots\dots (6)$$

Equation 6 states that the growth rate of the economy is shown by the growth rate of human capital or skills and this rate is tied down by the growth rate of the world technology frontier.

If governments in Africa have quality and stable institutions, good policies, the right environment, and so on, then the production function of equation 3 can be altered thus:

$$Y = GK^\alpha (hL)^{1-\alpha} \dots\dots\dots (7)$$

$G$  denotes the influence of government on the productivity of the factors in its economy. Economies grow over time based on the use of new kinds of capital ( $h$ ), but two countries with the same  $K$ ,  $h$  and  $L$  may still produce different amounts of output because the economic environment dictated by government (public sector), denoted by  $G$ , may not be the same. If the interest of  $G$  is in collecting bribes then growth may be slower. Our argument is that  $G$  (government) would have to be involved in both the productive stage (because government is also an economic agent) and in distributing the growth to avoid widening inequality as well as increasing poverty.

Since growth in recent times has not, however, resulted in development, the concept known as 'inclusive growth' has emerged. Inclusive growth is defined as rapid, sustained growth that is inclusive of a large portion of a country's labour force. It stresses productive employment rather than income redistribution.<sup>12</sup> We have argued elsewhere that the conventional definition of economic growth is not different from that of inclusive growth.

The fundamental difference lies in how the growth is distributed, the extent of the role of the state in the economy as well as that of the market. Therefore, the notion of inclusive growth is to ignore how the 'cake' should be distributed and reject the multidisciplinary approach to development; growth has always been inclusive – as the production possibility frontier shifts, based on innovations, ideas, knowledge and technology, an economy moves to a higher growth trajectory.<sup>13</sup>

A responsible government would then address the questions: What is happening to unemployment? What is happening to education? What is happening to health? What is happening to the provision of food, shelter, clothing and water? What is happening to poverty reduction? What is happening to inequality? These burning issues have been left to the market according to the inclusive growth approach, thus drastically reducing the role of the state in the growth/development nexus. There cannot be development without growth, but there can be growth (even if it is inclusive) without development. Countries such as India, China, Singapore, Malaysia and Indonesia that grew in double-digits in 40 years had strong public sector participation in economic activities. What then is economic development?

Baran's<sup>14</sup> definition of economic development is classic:

Economic development has always been propelled by classes and groups interested in a new economic and social order, has always been opposed and obstructed by those interested in the preservation of the status quo, rooted in and deriving innumerable benefits and habits of thoughts from the existing fabric of society, the prevailing mores, customs and institutions. It has always been marked by more or less violent clashes, has proceeded by starts and spurts, suffered setbacks and gained new terrain. It has never been a smooth, harmonious process unfolding placidly over time and space.

This notion of economic development allows us to investigate, among other issues, whether sustained growth in any economy has resulted in an improved standard of living for the majority of persons; whether growth has provided basic needs to the majority of persons; and what is happening to inequality (issues of distribution).

## Measuring Economic Performance

The trend of selected macroeconomic variables, such as the rates of inflation and unemployment, the lending rates, and the growth in GDP as well as its per capita components, would give an indication as to whether an economy was performing well or not. Scholars have suggested ways of measuring economic performance. The pros and cons of the various measures cannot be exhausted in this paper. A summary of these indices can be found in Khramor and Lee<sup>15</sup>. It follows that a consistent and transparent indicator of overall economic performance would help guide all stakeholders, particularly citizens, politicians and policymakers to make more informed decisions by viewing the big picture of the economy.

Consequently, the economic performance index (EPI) is a simple, but powerful, macro indicator, which measures the performance three primary segments of an economy, namely: households, firms and governments. As discussed in Khramor and Lee,<sup>16</sup> the EPI consists of variables that impact on all three sectors simultaneously:

- the inflation rate as a measure of the economy's monetary stance;
- the unemployment rate as a measure of the economy's production stance;
- the budget deficit as a percentage of total GDP as a measure of the economy's fiscal stance; and
- the change in real GDP as a measure of the aggregate performance of the entire economy.

The score can be calculated annually, quarterly or monthly by taking a total score of 100 per cent and subtracting the inflation rate, the unemployment rate, and the budget deficit as a percentage

of GDP, and finally adding back the percentage change in real GDP – all weighted and calculated as deviations from their desired values. Finally, the EPI would be calculated as follows:

$$EPI = 100\% - \left| \frac{\text{Rate of Inflation}}{\text{Def/GDP (\%)}} - \frac{\text{Unemployment Rate}}{\Delta \text{GDP (\%)}} \right|$$

Changes in the economy would affect the EPI. For example, if the rate of inflation increases from two per cent to three per cent, the EPI score would fall by one percentage point; if an equal change occurs in the opposite direction, the score would rise by the same amount.

Also, a one percentage point increase in the unemployment rate would result in a one percentage point decrease in the EPI score. The grading system is as follows: a score range of 95–100 is excellent; 90–95 is good; 80–90 is fair; 60–80 implies poor performance, while less than 60 means failure. Consequently, the EPI assists in addressing the economic performance of an economy even if macroeconomic fundamentals are moving in the right direction.

Another measure of economic performance is the misery index (MI). The MI is simply the sum of the unemployment, inflation and bank lending rates less the percentage change in real GDP per capita. 'A higher misery index score reflects higher levels of misery'.<sup>17</sup> Another simple measure of economic performance is the discomfort index (DI), which adds the rates of inflation and unemployment.

## Role of the State

If Africa must structurally transform her economy, then the role of the state must go beyond that of providing the enabling environment and correcting for market failure. Several scholars have examined the concept of a developmental state framework and its application in Africa.<sup>18, 19, 20, 21, 22</sup> As Gumede (in this volume) explains, developmental states prioritise economic development and have capacity to implement long term visions and plans. The neoliberal economic framework does not support the concept of a development state, but favours the prescription of the Washington consensus. According to UNECA,<sup>23</sup> 'Countries that have succeeded in unleashing high growth rates and social development are not the ones that implemented the prescriptions of the Washington consensus'. A developmental state can thus be defined as one that has the capacity to utilise its authority, credibility and legitimacy in a binding manner to design and implement programmes that could result in growth and transformation. It must be a state that represents the interest of the people in concrete terms. One way of ensuring representation is for the developmental state to be democratic. It is the state that can invest heavily in hard and soft infrastructure, and in research and chart the future for citizens; the private sector's major objective is to ensure rising rates of profit.

According to the UNECA,<sup>24</sup> 'An effective developmental state requires – beyond a set of crucial institutions and mechanisms – a democratic socio-political environment that endows it with legitimacy and authority'. This would ensure that all stakeholders have not just a voice, but a sense of ownership and participation in the country's development programmes.



As noted by Ndulu, et al.,<sup>25</sup> the public sector has to play a much larger role in financing infrastructure than envisaged over the past two decades. Despite the changes that have taken place since the 1990s, the domestic public sector remains the most dominant source of financing for infrastructure in the developing world.

## Framework for the Analysis

Extant in the literature are several techniques that can be utilised to examine the relationship between growth and selected indices of economic development. The major constraint, however, is the availability of relevant data on a consistent basis for 53 African countries. For example, there is no data on completion rates for primary, secondary and tertiary levels of education school enrolment rates, though useful, do not fully capture the quality of education. There are also no consistent data on the incidence of poverty, access to water, access to sanitation and rates of unemployment, among others. Based on the theoretical review, we postulate the following broad relationship:

$$Y = f(h, L_s, P_r, P_s, G, A, T, D, X_t) \quad (8)$$

Where:

- $Y$  = growth rate of GDP
- $h$  = ideas and innovations
- $L_s$  = acquiring skills and learning by doing
- $P_r$  = primary school completion rate
- $P_s$  = secondary school completion rate
- $G$  = public sector strategies and policies
- $A$  = adult literacy rates
- $T$  = technology
- $D$  = democracy/governance
- $X_t$  = control variables such as the rate of inflation, public investment in GDP, access to drinking water, access to sanitation, shelter, etc.

It is expected that an increase in any of the independent variables would stimulate growth. The variables on the right-hand side are proxies for capturing concrete economic development. The availability of data would necessitate the discussion on the appropriate econometric technique to be utilized.<sup>26</sup> We examine some of the available empirics because of the paucity of data. Furthermore, we would examine economic performance by calculating both the EPI as well as the MI for selected growth pole countries with relevant and consistent data. The formulae for both indices are:<sup>27</sup>

$$\begin{aligned} \text{EPI} &= 100\% - | \text{inflation} (\%) - 0.0\% | - | \text{unemployment} (\%) - 4.75\% | \\ &\quad \text{Def. /GDP} (\%) - (0-0\%) + (\Delta\text{GDP})(\%) - 4.75\% \\ &= 100\% - | \text{inflation}(\%) | - \text{unemployment} (\%) - \text{Def. /GDP} (\%) + \Delta\text{GDP} (\%) \\ &(\%) \dots\dots\dots (9) \end{aligned}$$

$$MI = \text{Rate of Inflation} + \text{Bank Lending Rates} + \text{Unemployment Rate} - \text{Actual \% change in GDP per capita} \dots\dots\dots (10)$$

\*represent desired values.

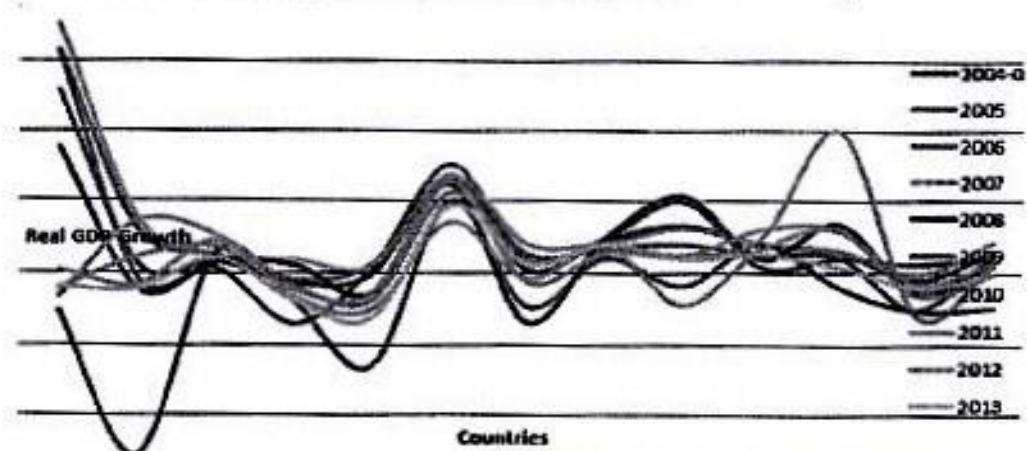
## Empirical Analysis

Let us examine the performance of selected SSA economies by investigating the movement of selected macroeconomic variables.

### (i) Growth

There is no doubt that many African countries registered 'impressive' growth rates of almost six per cent in the past several years. It is based on the rising growth phenomenon that Africa is seen to perhaps be the next continent to move millions out of poverty. Table 1 and Figure 1 provide the growth of real GDP for selected Africa countries during the period 2004–2013. From 2004 to 2008, SSA grew by 6.4 per cent on average. Beginning in 2009, however, the growth rate started to decline, and thus between 2010 and 2013, SSA grew by almost five per cent. Judging from the erstwhile growth rates in the 1990s, the positive growth rates appear satisfactory, but are they sustainable? A few countries registered substantial growth during the period 2004–2013. On average, from 2004 to 2013, Angola, Ethiopia and Nigeria had growth rates of 17.8 per cent, 11.8 per cent and 7.0 per cent respectively. It is interesting to note that after the global economic crisis of 2007/2008 and its sluggish recovery, the selected countries have continued to exhibit positive GDP growth rates. Angola, Ethiopia, Ghana, Zambia and Nigeria appear to be the drivers. Despite the fact that the growth trajectory has been sustained for over six years, the challenge is that it has been backed by high commodity prices. These countries are exporters of primary commodities (in %) most of the countries seem low when compared to emerging countries in Asia and Latin America. (See Tables A1 and Figure A1 in the Appendix). Consequently, reliance on an exogenous source of revenue to finance development is unhealthy for African economies.

Figure 1: Real GDP growth for selected African countries, 2004–2013



Source: Data from the International Monetary Fund

Table 1 provides the growth of real per capita GDP for selected African countries covering the period 2004–2013. When SSA is compared to Africa, the growth in real per capita GDP has not been impressive. For SSA, growth in real per capita GDP declined from 4.8 per cent in 2007 to 2.5 per cent in 2013. It appears that the growth in real GDP per capita has been marginal due to the increased young and unemployed segment of the population. The pertinent issue to address is whether these growth rates have resulted in economic development.

**Table 1: Real GDP growth for selected African countries, 2004-2013 (in %)**

Country	2004-08	2005	2006	2007	2008	2009	2010	2011	2012	2013
Angola	17.8	20.6	20.7	22.6	13.8	2.4	3.4	3.9	5.2	4.1
Botswana	5.6	4.6	8.0	8.7	3.9	-7.8	8.6	6.1	4.2	3.9
Zambia	5.8	5.3	6.2	6.2	5.7	6.4	7.6	6.8	7.2	6.0
Mauritius	4.3	1.5	4.5	5.9	5.5	3.0	4.1	3.8	3.3	3.1
South Africa	4.9	5.3	5.6	5.5	3.6	-1.5	3.1	3.6	2.5	1.9
Ethiopia	11.8	12.6	11.5	11.8	11.2	10.0	10.6	11.4	8.5	9.7
Kenya	5.2	5.9	6.3	7.0	1.6	2.7	5.8	4.4	4.6	5.6
Tanzania	7.3	7.4	6.7	7.1	7.4	6.0	7.0	6.4	6.9	7.0
Uganda	8.3	10.0	7.0	8.1	10.4	4.1	6.2	6.2	2.8	6.0
Nigeria	7.0	5.4	6.2	7.0	6.0	7.0	8.0	7.4	6.6	6.3
Ghana	6.5	6.0	6.1	6.5	8.4	4.0	8.0	15.0	7.9	5.4
Senegal	4.5	5.6	2.5	4.9	3.7	2.4	4.3	2.1	3.5	4.0
Sub-Saharan Africa	6.4	6.2	6.3	7.1	5.7	2.6	5.6	5.5	4.9	4.9

Source: *Regional Economic Outlook: Sub-Saharan Africa Fostering Durable and Inclusive Growth*, IMF

**Table 2: Growth of real per capita GDP for selected African Countries, 2004-2013 (in %)**

Country	2004-08	2005	2006	2007	2008	2009	2010	2011	2012	2013
Angola	14.6	17.2	17.4	19.3	10.9	-0.2	0.4	0.9	2.1	1.0
Botswana	4.2	3.3	6.5	7.2	2.5	-9.1	7.2	4.9	3.0	2.7
Zambia	3.0	2.6	3.4	3.3	2.7	3.3	4.4	3.6	3.9	2.7
Mauritius	3.6	0.6	3.7	4.9	5.2	2.3	3.6	3.4	2.7	2.6
South Africa	3.5	3.9	4.2	4.2	2.3	-2.8	1.8	2.2	1.1	0.5
Ethiopia	9.2	10.0	9.0	9.3	8.8	7.7	8.2	9.0	6.0	7.2
Kenya	2.4	3.1	3.5	4.2	-1.1	0.0	3.0	1.6	1.8	2.8
Tanzania	4.7	5.1	3.8	4.3	4.7	3.4	4.4	3.9	4.4	3.8
Uganda	4.8	6.5	3.6	4.6	6.9	0.8	2.8	2.8	-0.5	2.6
Nigeria	4.2	2.6	3.4	4.1	3.1	4.1	5.1	4.5	3.7	3.4
Ghana	3.8	3.4	3.5	3.8	5.7	1.4	5.3	12.1	5.2	2.8

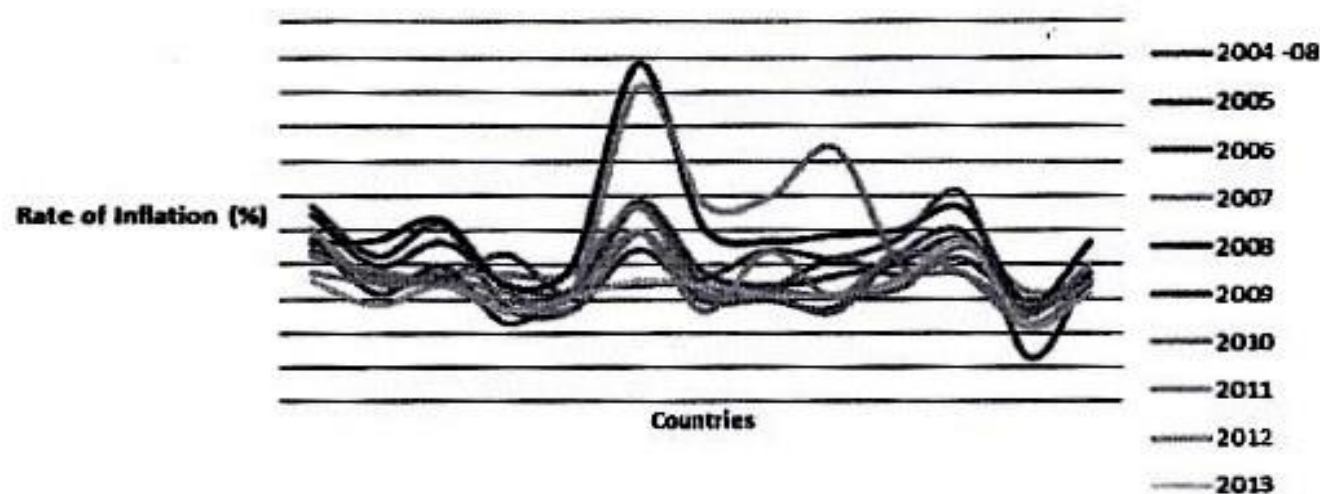
Country	2004-08	2005	2006	2007	2008	2009	2010	2011	2012	2013
Senegal	1.7	2.8	-0.3	2.1	0.9	-0.4	1.3	-0.8	0.5	1.1
Sub-Saharan Africa	4.1	3.9	4.0	4.8	3.4	0.4	3.3	3.2	2.5	2.5
Africa	-	-	13.3	12.9	14.1	-7.7	14.7	7.3	3.4	-0.5

Source: *Regional Economic Outlook: Sub-Saharan Africa Fostering Durable and Inclusive Growth*, IMF

## (ii) Rate of inflation

For the period 2004–2013, on average, economies in SSA had a single-digit rate of inflation (except in 2011). To some extent this signifies better macroeconomic management. Between 2004 and 2008, except for Zambia, Ethiopia, Nigeria and Ghana, all the countries registered single-digit inflation rates. Moderate rates of inflation are good for the continent; the poor fare better when the inflation rate is a single digit, because the rich can draw from savings to meet consumption. Nonetheless, an economy can perform satisfactorily with double-digit inflation. What is important is to avoid runaway inflation as well as ensuring that an economy is within its inflationary threshold.

Figure 2: Rate of inflation for selected African countries, 2004-2013 (in %)



Source: Data from the IMF

**Table 3: Rate of inflation for selected African Countries, 2004-2013 (in %)**

Country	2004-08	2005	2006	2007	2008	2009	2010	2011	2012	2013
Angola	17.3	18.5	12.2	11.8	13.2	14.0	15.3	11.4	9.0	7.7
Botswana	9.9	11.3	8.5	8.1	13.7	5.8	7.4	9.2	7.4	4.1
Zambia	13.4	15.9	8.2	8.9	16.6	9.9	7.9	7.2	7.3	7.1
Mauritius	7.3	3.8	11.6	8.6	6.8	1.5	6.1	4.9	3.2	3.5
South Africa	6.4	3.6	5.8	9.0	10.1	6.3	3.5	6.1	5.7	5.4
Ethiopia	19.3	12.3	18.5	18.4	39.2	7.1	14.6	35.9	14.9	7.7
Kenya	9.0	4.9	7.3	5.6	15.5	8.0	5.8	18.9	3.2	7.1
Tanzania	7.1	5.0	6.7	6.4	13.5	12.2	5.6	19.8	12.1	5.6
Uganda	8.4	3.7	10.9	5.2	14.3	11.0	3.1	27.0	5.3	5.6
Nigeria	10.4	11.6	8.5	6.6	15.1	13.9	11.7	10.3	12.0	7.9
Ghana	13.7	14.8	10.9	12.7	18.1	20.2	8.6	8.6	8.8	13.5
Senegal	3.5	1.4	3.9	6.2	4.3	-3.4	4.3	2.7	1.1	1.2
Sub-Saharan Africa	8.8	7.4	7.7	7.9	13.3	9.0	7.2	10.2	7.7	5.9

Source: *Regional Economic Outlook: Sub-Saharan Africa Fostering Durable and Inclusive Growth*, IMF

Notes: The rate of inflation is end of the period; percentage changes in consumer price index

### (iii) Fiscal management

The overall fiscal balance and current account GDP trends for sub-Saharan Africa, during and after the global economic crisis, are presented in Table 4. The fiscal balance, which stood at 0.3 per cent in 2008, trended to 5.0 per cent in 2013. The fiscal balance was within the threshold of four per cent, on average. Regarding specific countries, Tanzania, Uganda, Ghana and Mauritius registered fiscal deficits in most of the periods under study. The current account GDP figures show that SSA experienced twin deficits for the period 2008–2013, though in small magnitude. It is for this reason that pundits claim that the economy is stable and well-managed. The twin deficits phenomenon is more pronounced in Ghana, Tanzania, Uganda and South Africa. The negative current account GDP ratio puts pressure on foreign reserves required to finance temporary balance of payments shock.

**Table 4: Fiscal balance and current account GDP for selected African Countries, 2004-2013 (in %)**

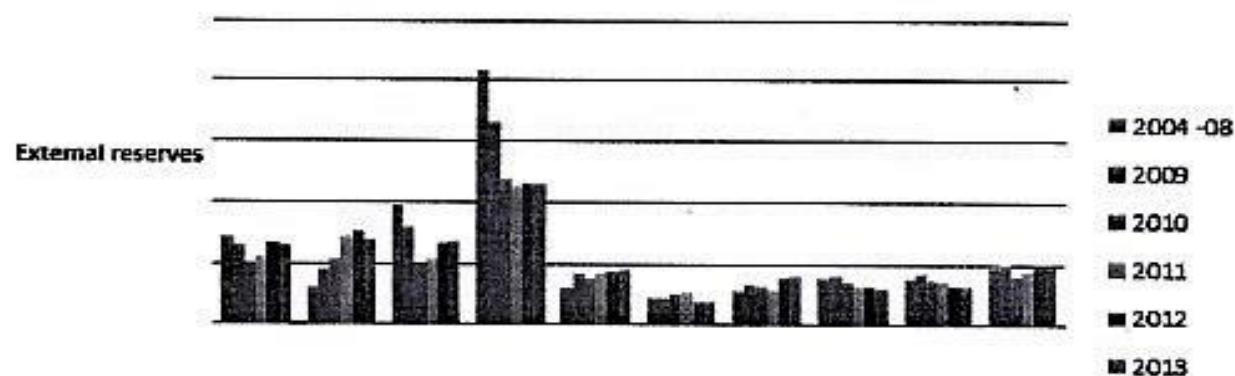
Country	2004-08	2005	2006	2007	2008	2009	2010	2011	2012	2013
Angola	(15.6) -4.4	(18.2) 9.1	(25/6) 11.8	(19.9) -4.6	(10.3) -4.5	(-9.9) -7.4	(8.1) 3.4	(12.6) 8.7	(9.2) 5.5	(5.0) -1.5
Botswana	(11.0) 3.8	(16.3) 10.0	(19.2) 12.2	(15.1) 4.7	(0.4) -8.3	(-10.2) -14.5	(-5.4) -7.8	(-0.2) -0.7	(-4.9) -7.5	(-0.4) -6.1

Country	2004-08	2005	2006	2007	2008	2009	2010	2011	2012	2013
Zambia	(-6.6) -6.8	(-8.5) -8.4	(-04) -6.3	(-6.5) -5.8	(-7.1) -4.9	(4.6) -5.4	(7.4) -4.8	(3.7) -2.9	(3.8) -6.0	(1.2) -6.9
Mauritius	(-6.3) -4.2	(-5.0) -4.9	(-9.1) -4.6	(-5.4) -3.4	(-10.1) -3.4	(-7.4) -5.2	(-10.3) -3.9	(-13.3) -3.9	(-7.9) -2.5	(-9.1) -3.9
South Africa	(-5.2) 0.0	(-3.5) -0.3	(-5.3) 0.7	(-7.0) 1.3	(-7.2) -0.5	(-4.0) -4.9	(-2.0) -4.9	(-2.3) -4.0	(-5.2) -4.3	(-5.8) -4.3
Ethiopia	(-5.4) -7.7	(-6.3) -8.5	(9.2) -7.5	(-4.5) -8.1	(-5.7) -7.0	(-5.1) 5.3	(-4.1) 4.6	(-0.7) 4.9	(-6.5) 2.9	(-6.1) -5.2
Kenya	(-3.0) 3.6	(-1.5) -3.2	(-2.3) -3.8	(-4.0) -4.2	(-6.5) -5.2	(-5.5) -6.1	(-7.3) -6.2	(-11.2) -5.6	(-10.4) -6.7	(-8.3) -6.9
Tanzania	(-7.9) -8.9	(-6.6) -10.0	(-9.6) -9.7	(-11.0) -7.9	(-10.2) -8.5	(-9.8) -10.9	(-9.3) -11.2	(-14.5) -9.7	(-15.9) -8.7	(-14.3) -8.7
Uganda	(-3.7) -4.5	(-4.4) -5.5	(-2.5) -4.6	(-3.0) -3.4	(-6.6) -4.1	(-6.6) -5.4	(-6.2) -5.5	(-5.1) -6.6	(-10.0) -5.1	(-9.9) -5.5
Nigeria	(14.1) 7.6	(8.7) 13.0	(25.3) 8.9	(16.5) 1.6	(14.0) 6.3	(8.2) -9.4	(5.8) -6.7	(3.5) 0.9	(7.7) 0.0	(4.7) -4.9
Ghana	(-8.1) -8.3	(-7.0) -6.1	(-8.2) -8.1	(-8.7) -9.1	(-11.9) -11.2	(-5.4) -10.0	(-8.6) -11.7	(-9.1) -8.5	(-12.2) -13.7	(13.2) -11.3
Senegal	(-10.1) -5.8	(-8.9) -4.4	(-9.2) -6.9	(-11.6) -6.4	(-14.1) -7.0	(6.7) -7.9	(-4.4) -7.7	(-7.9) -8.5	(-10.3) -8.5	(-9.3) -8.2
Sub-Saharan Africa	(0.7) 0.4	(-0.2) 1.3	(4.1) 1.8	(1.4) 0.0	(-0.2) -0.3	(-3.2) -6.6	(-1.0) -5.0	(-1.0) -2.2	(-2.7) -3.1	(-3.6) -5.0

Source: *Regional Economic Outlook: Sub-Saharan Africa Fostering Durable and Inclusive Growth*, IMF

In 2003, foreign exchange reserves in SSA totalled US\$31.1 billion; this increased to US\$99.2 billion in 2006. By 2011, the foreign exchange reserves in SSA stood at US\$149.2 billion. Between 2010 and 2011, foreign exchange reserves in SSA grew by almost eight per cent.<sup>28</sup> While the reserves are being utilised to back the domestic currencies, most of the reserves are managed outside the continent by fund managers and more often loaned to SSA countries in the form of loans. If the external reserves of SSA are well managed and channelled towards productive activities within the context of a development state, it would aid the process of structural transformation.

SSA's external finance could cover, on average, five months of imports. Botswana's external reserves could finance almost 12 months of imports from 2009 to 2013; for the same period, Nigeria's external reserves could finance six months of imports. It is interesting that even oil-importing countries had external reserves to cover six months of imports. (See Figure 3 and Table 5.)

**Figure 3: External reserves (months of imports of goods and services in selected African countries, 2004-2013)**

Source: Data from the IMF

**Table 5: External reserves (months of imports of goods and services in selected African countries, 2004-2013)**

	2004-08	2009	2010	2011	2012	2013
Oil-importing countries (excluding Nigeria)	7.2	6.5	4.8	5.5	6.6	6.4
Angola	3.1	4.6	5.4	7.1	7.6	7.0
Nigeria	9.8	7.9	4.8	5.4	6.7	6.8
Botswana	20.8	16.6	11.8	11.2	11.5	11.5
South Africa	3.1	4.2	3.8	4.2	4.4	4.5
Ethiopia	2.2	2.2	2.5	2.7	2.0	2.0
Kenya	2.9	3.4	3.2	2.9	3.9	4.1
Low income and fragile states	3.9	4.1	3.6	3.3	3.2	3.1
Oil-importing countries (excluding South Africa)	3.8	4.2	3.7	3.5	3.3	3.2
Sub-Saharan Africa	4.7	5.0	4.1	4.4	4.9	4.8

Source: *Regional Economic Outlook: Sub-Saharan Africa Fostering Durable and Inclusive Growth*, IMF

## Economic Performance and Misery Indices

Considering all the relevant macroeconomic variables, we attempt to calculate the economic performance of selected countries in SSA. These countries, notably Botswana, Mauritius, Nigeria, Kenya and South Africa, are perceived as growth poles. They would have pull effects on countries in their respective regions. Furthermore, these economic performance indices would shed more light on the aggregate economic performance in the selected countries. The paucity of data prevented the calculation of the indices for other economies. Table 6 provides measures of the EPI, the MI as well as the DI for the five above-mentioned countries. In 2006, Kenya recorded a fair economic performance with a score of almost 86 per cent. Except for Mauritius, the economies of the other four countries performed poorly. The poor economic performances of these countries call into question the robustness of macroeconomic variables and how well the economy is managed.

The MI confirms the poor economic performance of the selected countries. Any MI above 20 indicates a worsening economic situation. The MI of the selected economies is relatively high, except for Mauritius in 2013. The rates of unemployment have fueled both the MI and DI. In 2013, the MI for India was 25.0; for China 7.0; Malaysia 7.88; Singapore 6.38; Taiwan 6.13; and Japan 5.41. The major contributing factor to the MI of these countries was the unemployment interest rates. Except for India, their scores are far better than that of SSA.<sup>29</sup> Some economists have argued that the components of the MI, to a large degree, drive the crime rate. Based on data from 1960 to 2005, they found that both the MI and the crime rate were strongly correlated and that the MI seems to lead the crime rate by a year or so.<sup>30</sup> It follows, therefore, that the assertion that the macroeconomic fundamentals in SSA are moving in the right direction and that the economies are better managed and stable, must be interpreted with caution. It is crucial to address the question: macroeconomic stability in whose interest? If the stability is not in the interest of the majority of the citizens, then such an economy is performing sub-optimally.

**Table 6: Economic performance indices for selected sub-Saharan African countries (%)**

Country	EPI			MI			DI		
	2006	2010	2013	2006	2010	2013	2006	2010	2013
Botswana	69.7	75.0	76.0	36.1	30.1	29.3	26.1	25.8	21.8
Mauritius	79.2	86.3	88.0	38.1	19.2	17.1	20.7	13.9	11.2
Nigeria	76.1	68.2	67.6	34.8	30.3	50.8	29.7	34.8	37.2
Kenya	85.9	68.5	61.0	26.9	42.5	52.2	16.8	31.1	37.7
South Africa	75.2	69.8	67.3	36.7	36.4	38.3	29.7	28.4	30.3

Source: Author's estimations

Notes: EPI = economic performance index; MI = misery index; DI = discomfort index  
In spite of the paucity of data on useful variables such as employment and social indicators, vulnerable employment as a percentage of total employment in SSA was 77.2 per cent in 2012. In the same vein, the working poor as a percentage of total employment stood at 40.1 per cent. (See Table A2 in the Appendix). SSA has the lowest human development value when compared to East Asia and the Pacific, and Latin America and the Caribbean. For example, life expectancy at birth in SSA increased slightly from 70.3 years in 2010 to 70.8 years in 2013. (See Table A5 in the Appendix.)



## Regression Analysis

In order to ascertain a precise relationship between growth and relevant indicators of development, we undertook an econometric analysis of the subject matter. It was rather difficult to carry out panel estimations due to the paucity of data; most of the required data were not available on a consistent basis for most of the countries in SSA. We settled for a cross-sectional analysis, using 1990 and 2012 for 45 countries. With data for the two periods, it was expected that the regression results would not only corroborate the stylised facts, but would also provide another framework for discussing the economic performance of SSA. Tables 7 and 8 summarise the regression results for 2012. The results for 1990 were dropped since they were not interesting.

**Table 7: Regression results (2012)**

Dependent variable: Y (Growth in GDP)

Method: Least squares observations: 33

Variable	Coefficient	t-statistic
Inflation	-0.3554	-1.675**
M2	0.1821	1.059
LEX	0.5319	1.508
Dem	4.6229	1.785**
HDI	54.850	3.076*
IMR	0.0233	0.185
HDI2	-67.399	-3.561*
C	-143.659	-2.438*

R<sup>2</sup> = 0.62

Schwarz Criterion = 7.368

F-Statistic = 5.790

Dubin - Watson Statistic = 1.972

**Notes:**

M<sub>2</sub> = Growth in broad money

LEX = Life expectancy

Dem = Democracy

IMR = Infant mortality

HDI = Human development Index

\* = Significant at 5%

\*\* = Significant at 10%

**Table 8: Regression results (2012)**

Dependent variable: Y (Growth in GDP)

Method: Least Squares Observations: 45

Variable	Coefficient	t-statistic
M2	0.2089	1.68**
HDI	-54.8026	-3.48*

Variable	Coefficient	t-statistic
Dem	0.4775	0.31
FB	0.3142	1.14
IMR	-0.2423	-3.66*
Inflation	-0.4202	-2.12*
Constant	46.3605	3.36*

## Notes:

\*significant at 5%, \*\*significant at 10%

R<sup>2</sup> = 0.34

Schwarz criterion = 7.751

F-statistic = 3.30

Dulkin-Watson statistic = 1.865

FB = Fiscal balance

The results show that inflation is negatively related to growth and that an increase in the rate of inflation could decelerate growth by 0.3 per cent, which is statistically significant. The proxy for financial reform ( $M_2/GDP$ ) is positively related to growth. In the same vein, life expectancy and democracy (proxy for governance) are positively related to growth with the latter being statistically significant. The human development index (HDI) relates positively to growth, which is statistically significant. When the HDI is squared, however, the relationship becomes negative. This may suggest limits to growth. The estimation of the model without life expectancy indicates that the HDI has a negative relationship to growth, implying that growth has not been translated into development. An interesting aspect of the results is the link between the fiscal deficit and growth. From the results, the fiscal balance has a positive relationship with growth. In other words, deficit, if properly managed, and particularly if directed at capital projects such as infrastructure, would stimulate growth.

Another issue of interest is the democracy (proxy for governance). The results indicate that democracy is good for growth. In fact, in one of the results, the variable is statistically significant. There is no question that good governance would promote growth and invariably development. This variable does not, however, capture the character of the state, that is, the class in power and its relationship with the citizenry. Nonetheless, the regression results, though useful, must be interpreted with caution and examined along with the stylised facts.

It is crucial that Africa's growth trajectory ought not to be exaggerated. Ogbu<sup>31</sup> cautions: 'Africa's growth is still very fragile. In spite of the impressive growth rates, Africa's economic transformation has not occurred, and any talk of a structural shift is not backed up by evidence ... Africa's growth is driven by rising commodity prices. Low productivity in agriculture dominates the economies, with yields way below international standards'. Africa could, however, utilise her abundant export commodities for industrialisation.

The UNECA 2013 Report provides a menu of how resource-rich African economies could utilise commodities for industrialisation. Africa has almost 12 per cent of the world's oil reserves, 42 per cent of its gold, 80-90 per cent of the chromium and platinum metal groups, and 60 per cent of available land, in addition to vast forest resources. African governments could add value in the exploitation of these commodities. 'On top of offering short-to-medium-term comparative

advantages, commodity-based industrialisation can, with the right industrial policies, serve as a launching pad for long-term diversification and competitiveness in new and non-commodity sectors in Africa's commodity-rich countries'.<sup>32</sup> There is no 'one-size-fits-all' policy approach to commodity-based industrialisation in African economies. We agree with UNECA when it made the following policy recommendations for adding value and ensuring commodity-based industrialisation in some African countries:

- Adopt and implement a coherent industry policy;
- Create appropriate inclusive and transparent institutional industrial-policy mechanisms;
- Develop an appropriately directed local content policy;
- Adopt strategic interventions to insert indigenous firms in the supply chain;
- Boost local skills and technological capabilities;
- Address infrastructure constraints and bottlenecks;
- Improve policy implementation through coordination among ministries; and
- Negotiate regional trade arrangements and foster intra-African trade.

For details of the recommendations see UNECA.<sup>33</sup> The report stressed that commodity-based industrialisation is not the only way to industrialise Africa. Furthermore, for any type of industrial policy to be effective, Africa requires developmental states to design and implement innovative and bold long-term policies, strategies and programmes.

## Conclusion

The paper analysed Africa's economic performance amidst the contention of impressive growth trajectories during and after the global economic crisis. The 'impressive' growth rates have been ascribed to better macroeconomic management in the past fifteen years. Multilateral institutions, such as the Breton Woods and the African Development Bank, see Africa as the next continent to leap-frog into a modern economy. Stylised facts concentrated on SSA and point to positive growth rates when compared to the structural adjustment era of the 1980s and early 1990s. Macroeconomic fundamentals in SSA moved in the right direction before and after the global economic crisis. Nonetheless, Africa's growth, based on the stylised facts, has not resulted in economic development. The rates of unemployment, incidence of poverty and lack of basic needs seem to worsen in most of the countries.

The calculation of simple EPIs and MIs, incorporating rates of inflation and unemployment, growth in real GDP and its per capita measure as well as lending rates, show that growth has not resulted in development. The rising MIs confirm that most Africans have not benefitted from the enormous resources of the continent. Except for a few countries like Mauritius and Botswana, economic performance is poor in almost all of the countries with relevant data. It follows that the neoliberal economic framework, which stresses inclusive growth rather than inclusive development, has not yielded the desired outcomes. This framework relies on the trickle-down effect which takes a very long time, if it works at all. It is important to note that growth must be close to, but

preferably above, double-digits and sustainable for about 10 to 15 years to make a dent in poverty reduction, not to mention development. For countries in SSA, just like other emerging countries, the state has a role to play (beyond that of providing an enabling environment), but that state must be developmental in theory and practice. For example, it is only the state that can invest largely in infrastructure, mass education and research. The state should allow the market/private sector to function where it works. Otherwise, the market can also be used as an instrument. There is no doubt that the private sector exists within an economy that is managed by government.

In spite of the paucity of data, cross-sectional preliminary regression results indicate the importance of democracy, which was a proxy for governance. The growth of broad money, fiscal balance and life expectancy were, however, positively related to growth, while increased rates of inflation reduced growth.

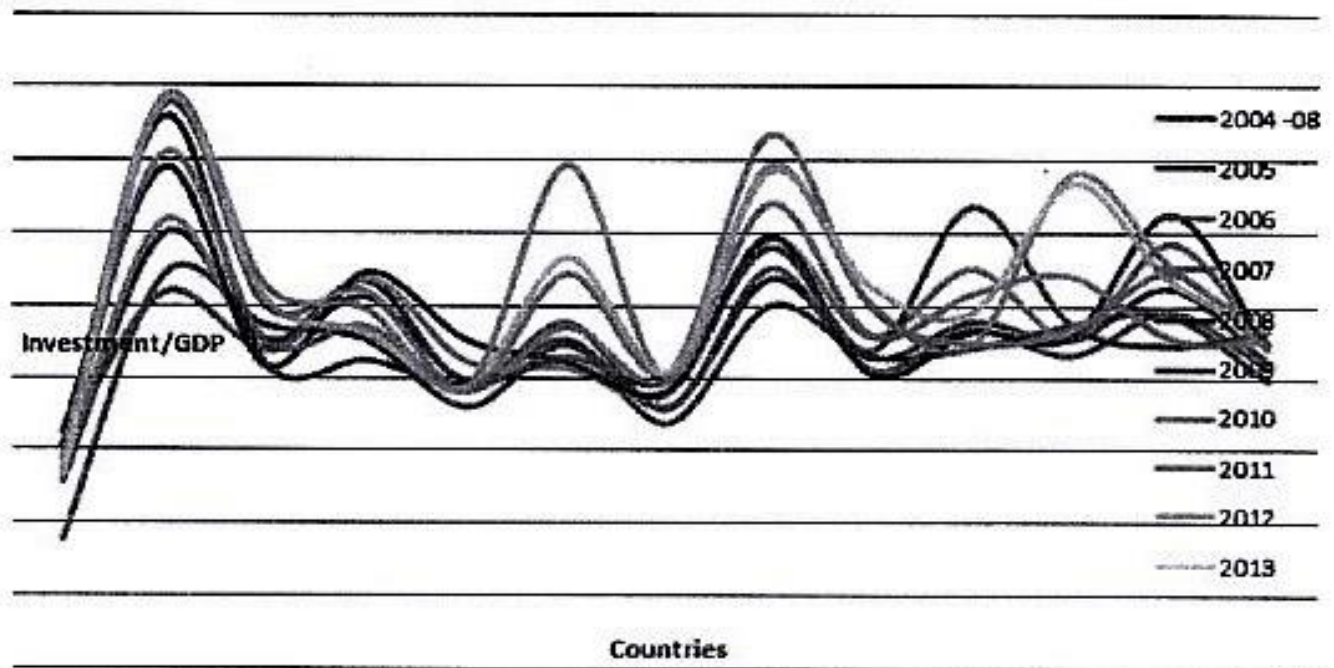
In order to accelerate sustained growth and inclusive development, industrialisation is the key. There are several ways to industrialise, and each African country has an industrial policy, but implementation remains a big challenge. UNECA has recommended commodity-based industrialisation for those resource-rich economies in Africa, but to drive the process and ensure inclusive development, the state must think and practice development. It is expected that the analysis in this paper should stimulate further discussion on the subject matter.

## APPENDIX

**Table A1: Investment/GDP for selected African countries, 2004-2013**

Country	2004-08	2005	2006	2007	2008	2009	2010	2011	2012	2013
Angola	12.8	8.8	15.4	13.5	16.2	15.2	14.4	12.9	14.4	13.3
Botswana	29.9	27.1	25.9	30.8	34.4	37.9	35.4	38.7	39.3	39.1
Zambia	22.7	23.7	22.1	22.0	20.9	21.0	22.6	25.0	26.4	25.5
Mauritius	25.6	22.7	26.7	26.9	27.3	21.3	23.6	26.0	24.8	23.2
South Africa	19.9	18.0	19.7	21.2	22.7	19.5	19.1	19.1	19.4	19.4
Ethiopia	22.7	22.4	23.9	20.8	21.2	21.5	23.6	27.2	34.6	28.3
Kenya	18.0	16.9	17.9	19.0	19.2	19.9	19.8	20.5	20.1	20.5
Tanzania	26.9	25.1	27.6	29.6	29.8	29.0	32.0	36.7	34.6	34.2
Uganda	21.5	21.6	20.7	23.0	20.4	22.0	23.1	25.0	25.2	26.4
Nigeria	24.0	22.2	23.5	27.6	23.3	31.8	25.9	22.5	22.4	24.6
Ghana	22.8	23.8	21.7	22.9	23.0	23.8	27.1	23.5	34.0	33.4
Senegal	26.3	24.5	24.7	29.3	31.3	22.4	22.9	27.3	27.8	26.8
Sub-Saharan Africa	21.3	20.0	20.9	22.5	22.5	23.4	22.7	22.2	23.5	23.7

Source: Data from the IMF

**Figure A1: Investment/GDP for selected African countries, 2004-2013****Table A2: Gross National Savings/GDP for selected African countries, 2004-2013 (in %)**

Country	2004-08	2005	2006	2007	2008	2009	2010	2011	2012	2013
Angola	28.3	27.0	41.0	33.4	26.5	5.3	22.5	25.5	23.6	18.2
Botswana	40.7	42.4	44.3	47.8	34.7	27.6	29.9	38.5	34.5	38.7
Zambia	22.7	23.7	22.1	22.0	20.9	21.0	22.6	25.0	26.4	25.5
Mauritius	19.3	17.7	17.6	21.5	17.2	13.9	13.3	12.7	17.1	14.1
South Africa	14.7	14.5	14.4	14.3	15.5	15.5	17.1	16.8	14.2	13.5
Ethiopia	21.2	20.1	18.3	23.7	19.3	19.0	20.7	27.3	28.1	22.2
Kenya	15.1	15.5	15.7	15.1	12.7	14.4	12.4	9.4	9.6	12.2
Tanzania	17.8	18.3	16.8	15.6	19.2	19.9	24.1	19.5	19.2	19.9
Uganda	16.6	19.0	16.5	17.5	11.7	14.7	12.0	12.5	14.7	14.7
Nigeria	38.0	31.0	48.8	44.1	37.3	40.0	31.7	26.1	30.1	29.3
Ghana	14.7	16.8	13.4	14.2	11.0	18.4	16.4	25.4	26.2	20.2
Senegal	16.1	15.6	15.5	17.6	17.2	15.7	18.5	19.4	17.4	17.5
Sub-Saharan Africa	21.5	19.8	24.4	23.5	21.3	20.5	21.0	20.6	20.2	19.7

Source: Data from the IMF

**Table A3: Vulnerable employment and working poverty, 2010 and 2012**

Vulnerable employment (% of total employment)	2010		2012	
	2010	2012	2010	2012
World	53.1	49.2	26.6	12.3
Developed Economies and European Union	11.2	10.1		
Other Europe and Commonwealth of Independent States	23.8	19.7	5.0	1.7
East Asia	58.4	48.9	31.2	5.6
South East Asia and the Pacific	65.2	61.1	33.7	11.7
South Asia	81.3	76.9	43.9	24.4
Latin America and the Caribbean	35.8	31.5	7.8	3.5
Middle East	33.5	27.0	1.4	1.8
North Africa	42.1	41.4	9.5	6.4
Sub-Saharan Africa	81.8	77.2	56.7	40.1

Source: Data from the International Labour Office

**Table A4: Human development index and components, 2010 and 2013**

	Human development index value		Life expectancy at birth (years)		Mean years of schooling (years)		Expected years of Schooling (years)		Gross national income per capita (2011 PPPS)	
	2010	2013	2010	2013	2010	2013	2010	2013	2010	2013
Human development Group or region										
Very high human development	0.885	0.890	79.7	80.2	11.7	11.7	16.2	16.3	38.548	40.046
High human development	0.723	0.735	73.9	74.5	8.1	8.1	13.1	13.4	11.584	13.231
Medium human development	0.601	0.614	67.1	67.9	5.5	5.5	11.3	11.7	5.368	5.960
Low human development	0.479	0.493	58.3	59.4	4.1	4.2	8.7	9.0	2.631	2.904
Arab States	0.675	0.682	69.7	70.2	6.2	6.3	11.7	11.8	15.281	15.817
East Asia and the Pacific	0.688	0.703	73.5	74.0	7.4	7.4	12.3	12.5	8.628	10.499
Europe and Central Asia	0.726	0.738	70.7	71.3	9.6	9.7	13.3	13.6	11.280	12.415
Latin America and the Caribbean	0.734	0.740	74.2	74.9	7.9	7.9	13.8	13.7	12.926	13.767

	Human development index value		Life expectancy at birth (years)		Mean years of schooling (years)		Expected years of Schooling (years)		Gross national income per capita (2011 PPP\$)	
South Asia	0.573	0.588	66.4	67.2	4.7	4.7	10.6	11.2	4,732	5,195
Sub-Saharan Africa	0.468	0.502	55.2	56.8	4.8	4.8	9.4	9.7	2,935	3,152
World	0.693	0.702	70.3	70.8	7.7	7.7	11.9	12.2	12,808	13,723

Note: PPP is purchasing power parity

Source: Data from Human Development Report: United Nations Development Programme (UNDP)

## Notes and References

1. This paper was part of the research project of the Mapungubwe Institute for Strategic Reflection. The paper uses sub-Saharan Africa and Africa interchangeably.
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