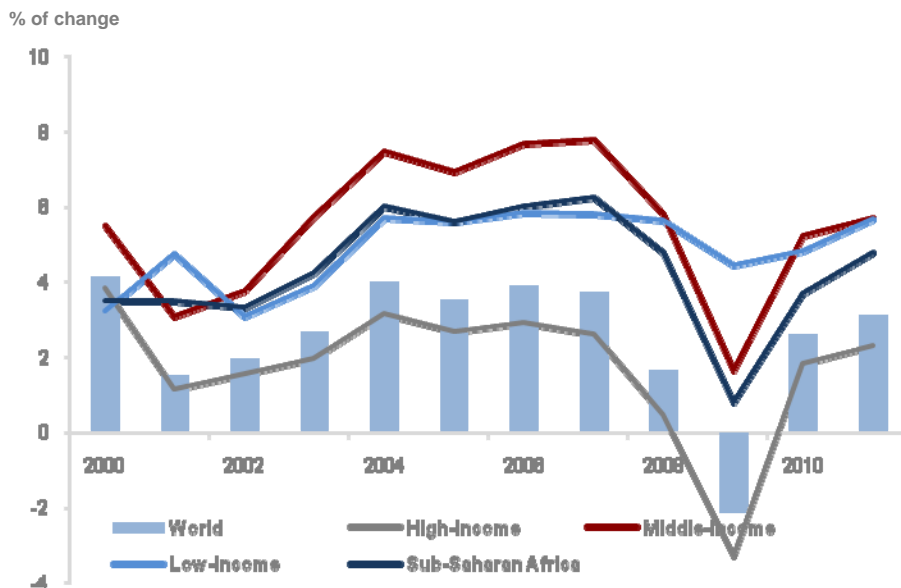


# **IMPACT OF THE GLOBAL ECONOMIC CRISIS ON AFRICA**

**OCTOBER 2009**

# Signs of an economic recovery, but growth prospects remain weak

## Real GDP growth rates



Source: *Development Economics*

- The world economy is beginning to pull out of the deepest recession since the Great Depression.
- The recovery is likely to be weak, uneven, and subject to downside risks
- The crisis will continue to exert a dampening effect on economic growth into the medium term
- The crisis has hurt Sub-Saharan Africa's growth prospects: growth is now expected to fall from 4.8% in 2008 to 1% in 2009

# The main channels through which the crisis is impacting Africa

## Lower remittances in 2009



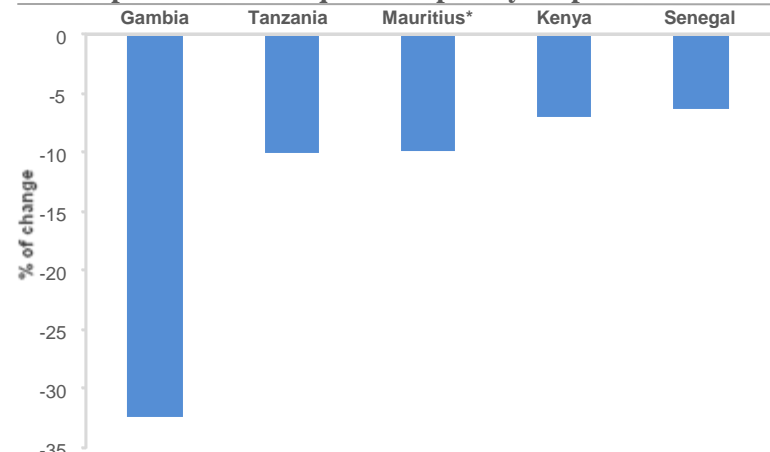
Source: *Protecting Progress: The Challenge Facing Low-Income Countries in the Global Recession*, World Bank, 2009; *Migration & Remittances database*, Development Prospects Group.

Note: \*2009 (Jan – Dec) estimation

- The crisis is hurting Africa through: reduced capital inflows—FDI is expected to fall from \$32.7 billion in 2008 to \$26.7 billion in 2009; declining remittances and tourism; and weak export demand and lower commodity prices
- The impact of lower remittances on countries such as Senegal, Togo, Lesotho, and Sierra Leone, that receive more than 5 percent of GDP in remittances, could be severe
- Balance of payments and fiscal positions are being affected, especially those of Africa's mineral exporters

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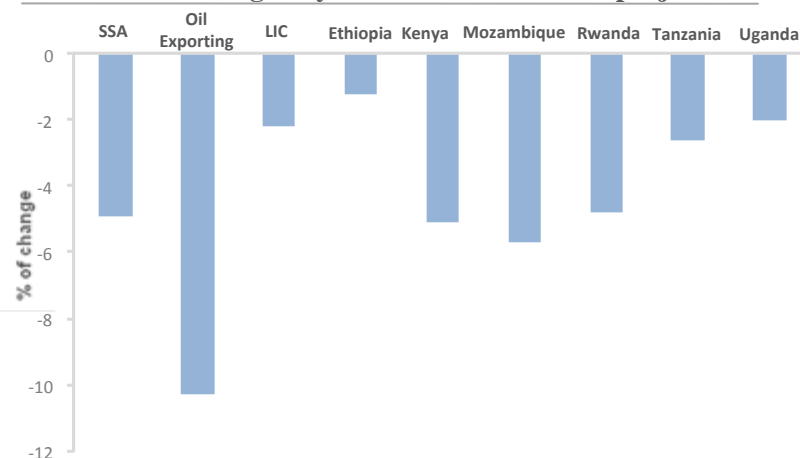
## Decline in tourism – % change in tourist arrivals in Jan – April 2009 from equivalent prior year period



Source: *Africa Action plan 2009*

Notes: \* Time period from Jan 09 – March 09

## Change in current account as a percent of GDP: difference between the average of years 2004-08 and 2009 projections



Source: *Sub-Saharan Africa Weathering the Storm*, Regional Economic Outlook, IMF (2009)

## A slowdown in growth has serious consequences in Africa

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- Growth was at 4.8% in 2008, now expected to decline to 1% in 2009
- Virtually all countries in the region will experience a significant slowdown in economic growth
- Per capita is expected to decline in 2009, the first time in a decade
- An additional 8 million to 10 million people will be thrown into poverty and the number of hungry people will rise
- An additional 30,000 to 50,000 infants are likely to die before their first birthday
- School enrollments will suffer—especially for girls
- Such setbacks in nutrition, health, and education can have serious irreversible effects on human development outcomes

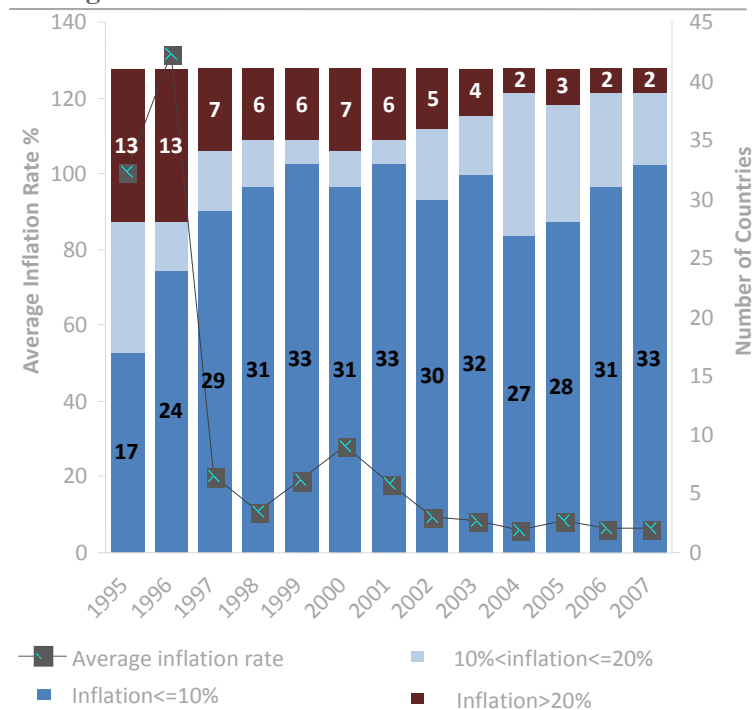
# The crisis threatens a decade of progress

## Africa's decade-long, strong economic growth has been halted

Average GDP growth rates, 1997-2007

Slow growers 36% of population	Moderate - fast growers 34% of population	Oil exporters 30% of population
Zambia 3.9	Mozambique 10.3	Equatorial Guinea*26.4
Madagascar 3.7	Cape Verde* 9.0	Angola* 10.3
Niger 3.7	Rwanda 6.8	Chad 8.1
Mauritania 3.6	STP 6.9	Sudan 7.4
South Africa* 3.6	Botswana* 6.5	Nigeria 4.7
Kenya 3.4	Burkina Faso 5.9	Cameroon 4.0
Guinea 3.3	Uganda 5.8	Congo, Rep.* 3.1
Lesotho* 3.0	Mali 5.7	Gabon* 1.3
Malawi 2.9	Ethiopia 5.5	
Togo 2.8	Sierra Leone 5.5	
Swaziland 2.6	Tanzania 5.6	
Seychelles* 2.6	Ghana 5.0	
Comoros 2.0	Gambia, The 4.7	
Burundi 1.9	Mauritius* 4.6	
CAR 1.8	Senegal 4.5	
Eritrea 1.4	Benin 4.4	
DRC 1.2	Namibia* 4.1	
Cote d'Ivoire 1.0		
Guinea-Bissau 0.0		
Zimbabwe -3.9		
<b>Average 2.2</b>	<b>5.9</b>	<b>8.1</b>

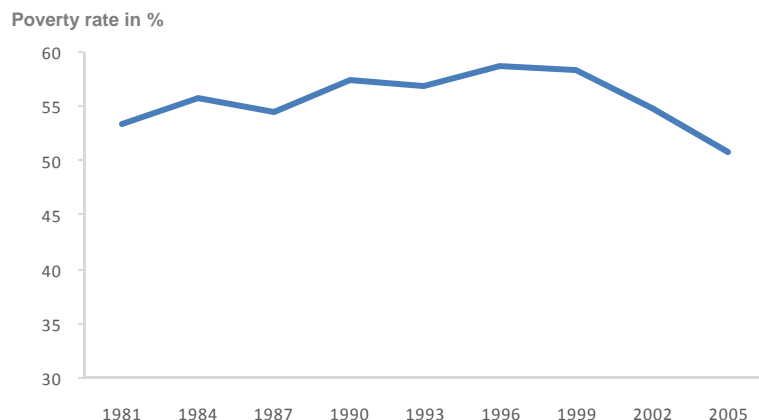
Average inflation rate



Source: Africa Action Plan 2009

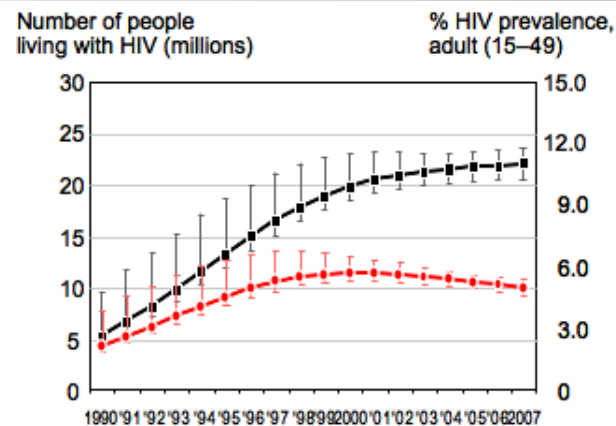
# The global economic crisis threatens gains in poverty reduction

## Declining poverty rate in recent years



Source: Development Economics Data, World Bank

## Prevalence rate of HIV is stabilizing



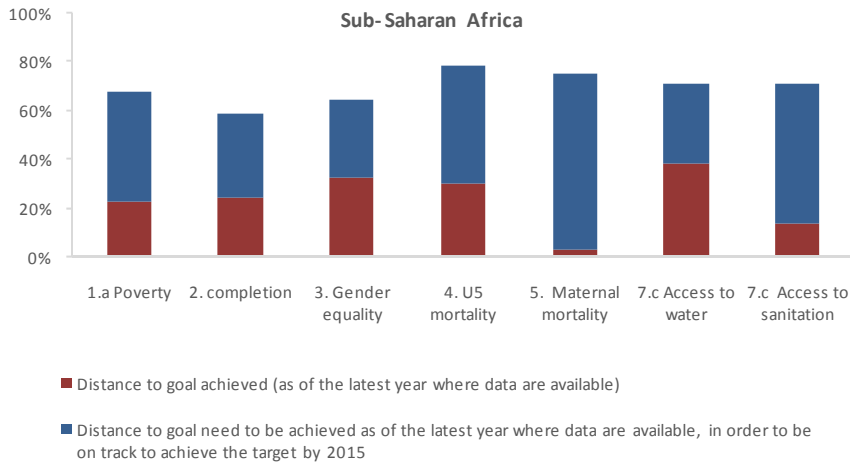
■ Number of people living with HIV in Sub-Saharan Africa  
 ● % HIV prevalence, adult (15-49) in Sub-Saharan Africa  
 || These bars indicate the range around the estimate

Source: Africa Action Plan 2009

- A decade of sustained and accelerating growth led to declining poverty rate and improvements in some human development outcomes—rapid increase in primary enrollment and measles immunization; prevalence rate of HIV/AIDS is stabilizing and progress on malaria
- The impact on poverty tends to be longer-lasting than the economic crisis itself.
- Following the crisis, it is more unlikely that SSA would achieve the first MDG. Countries such as Ghana that were on track to halve poverty by 2015 are facing risks of reversals.

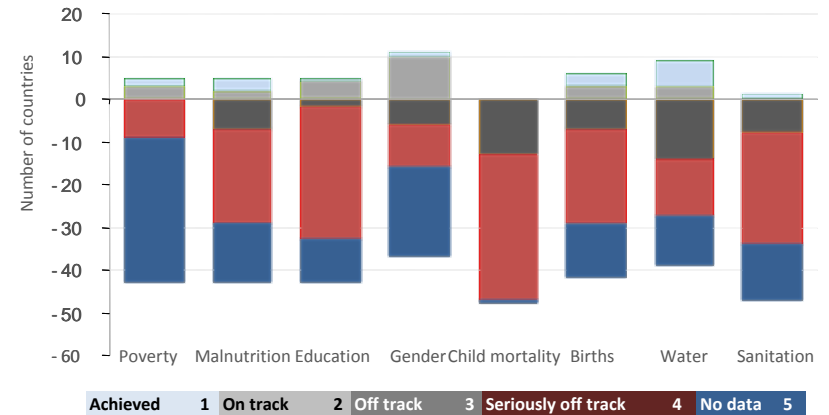
# Implication of the crisis for the MDGs

## MDG progress report - SSA



Source: Development Data Group, World Bank

## Number of African countries expected to achieve MDGs (pre-crisis)

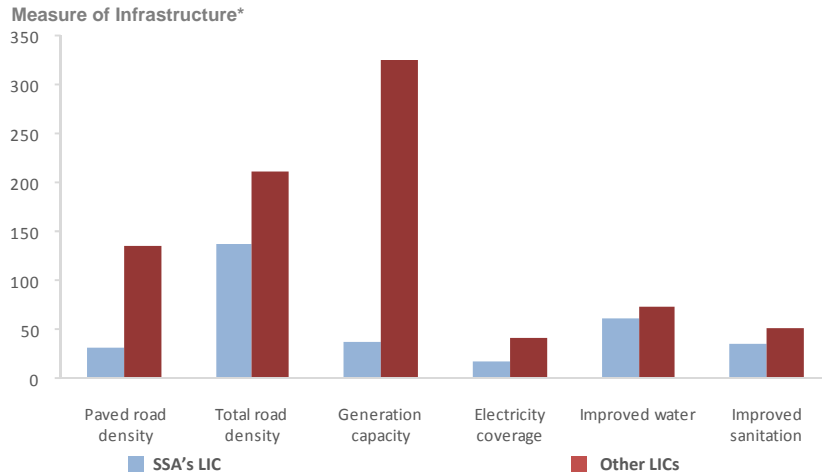


Source: Development Data Group, World Bank

- Before the crisis, progress towards the MDGs was uneven—particularly in fragile states and those emerging from conflict
- Sub-Saharan Africa was lagging on all MDGs
- The crisis has impacted the prospects for reaching the MDGs—the goals, many already in jeopardy, now face serious setbacks

# Even without the crisis, Africa faces many development challenges

## Infrastructure deficit

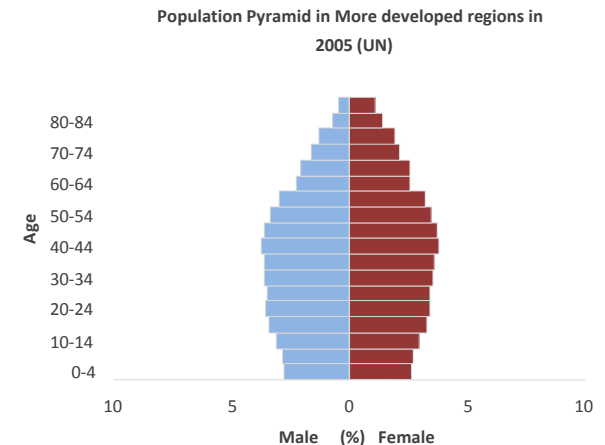
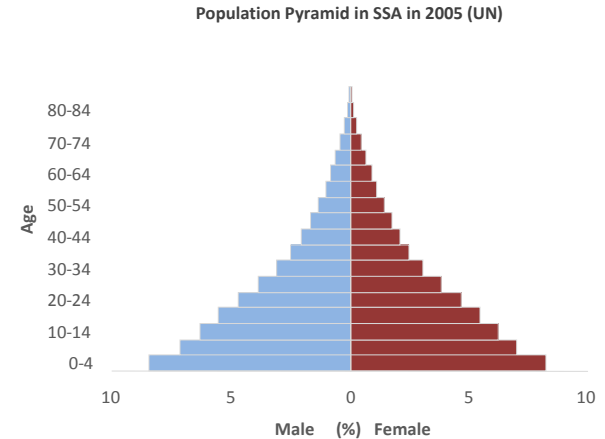


Source: Africa Action Plan 2009

\*Road density is in kilometers per kilometer squared; telephone density is in lines per thousand population; generation capacity is in megawatts per million population; electricity, water and sanitation coverage are in percentage of population

- Despite progress in many areas, the region faces serious development challenges
- A large infrastructure deficit, especially in energy and transportation, and constraining business regulations
- Little growth in productive employment — particularly troubling since 7-10 million young Africans enter the labor force each year

## Youth unemployment

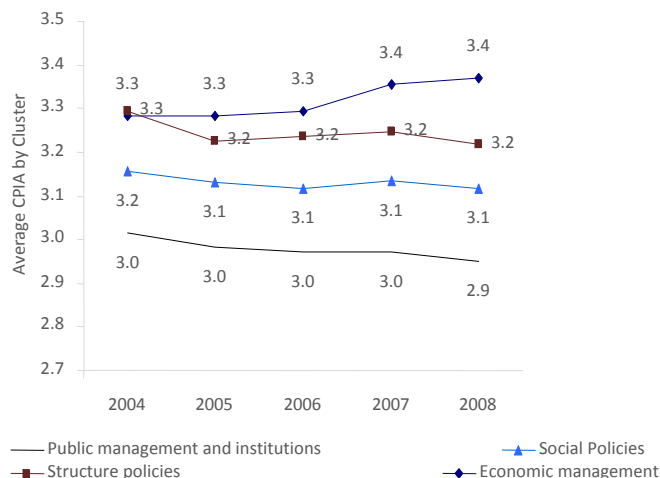


Source: Africa Action Plan 2009

# Development challenges

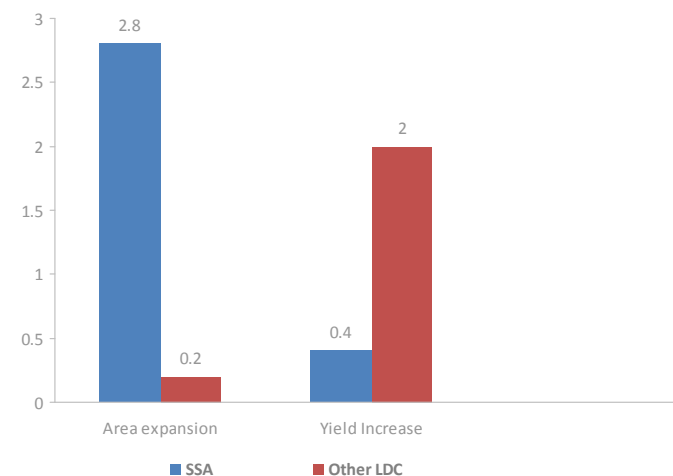
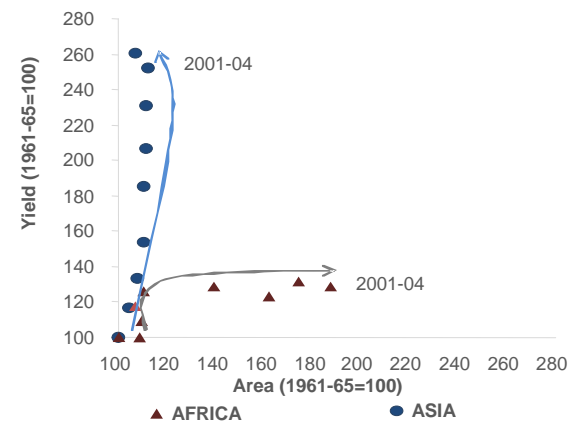
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## Governance & public sector capacity : average CPIA scores



- Lagging agricultural productivity; high dependence on rain-fed agriculture increases vulnerability to extreme weather events
- Africa may be the continent worst hit by climate change
- The delivery of basic services continues to fail poor people
- Cutting across all these factors is weak governance and public-sector capacity

## Lagging agricultural productivity



Source: African Action Plan 2009

## Response to the crisis

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Generally, African governments have continued to pursue sound policies in the face of crisis. The focus is to minimize growth shortfall, protect the poor and prepare for the growth recovery

- Countries with fiscal space (e.g. South Africa, Tanzania, Zambia) running modest fiscal deficits
- Those without (e.g. Ghana), contracting
- Those with well-functioning safety nets (e.g. Ethiopia, Sierra Leone, Liberia), scaling up
- Some countries (e.g. Nigeria) accelerating reforms

The World Bank Group has moved quickly to supporting countries through a range of lending and advisory activities; the mix of instruments is country specific

- Front-load IDA in FY09 to a total of \$7.8 billion (17 countries at 110+ percent of FY09 allocation)
- Knowledge assistance on contingency planning, protecting the poor and benefiting from a global recovery
- Initiatives such as the Global Food Price Response Program to fast track support
- Partnerships—collaborating with MDBs and other development partners to leverage IDA resources to achieve common development objectives

# The way forward

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An effective global response requires

i) Mobilizing additional resources

The region needs additional concessional resources (\$20-30 billion)

- \$20 billion short of Gleneagles pledges
- Need for additional resources beyond existing ODA commitments
- Additional \$8 billion to restore losses from crisis
  - » Losses in revenue to finance pro-poor expenditures
  - » Losses in income of those who fall below the poverty line

ii) Other key priorities

A multilateral trading system more supportive of development—successful completion the Doha Round

Agriculture and food security—success requires a multidimensional approach (as demonstrated by the GFRP); LÁquila Initiative

Provision of timely and flexible support for LICs following crises—need for a Crisis Response Facility

Strengthening regional integration and seeking regional solutions