

Report on the Dynamics of African economies

Theme of the first edition: Growth, inequality and employment

Subject fields: Growth, public policies, income distribution, employment, youth and gender, African economies

Background

1.1. The theme of first edition of the report entitled *The dynamics of African Economies* will be “**Growth, employment and inequalities**”. The choice of this theme has been motivated by the fact that there are many outstanding questions regarding the level and pattern of growth required to create jobs and reduce inequalities within and between countries and regions in Africa.

1.2. After two decades (the 80s and the 90s) of poor growth performance, Africa has started enjoying strong and continuous economic growth. Since the turn of the millennium, the growth accelerated across the entire continent and many countries frequently experienced annual double digit growth rates. In fact, the average growth rate is around 5% since 2000 while other regions have experienced a decline or a stagnation of their economic activity.

1.3. The global economy is being affected by the collapse of commodity and energy prices, the slowdown of the manufacturing and construction sectors of the Chinese economy, and the rebalancing of the latter toward consumption-oriented growth. Nevertheless, growth in Africa remains positive and is expected to recover by 4% compared to a projection of 3.4% at the global level. Sub-Saharan Africa is forecasted to remain one of the fastest growing regions.

1.4. However, there is no evidence of inequalities reduction over the period of high growth. In fact, the GINI index has increased from 0.42 to 0.46 over the period 2000 to 2010 (ADB, 2012) and six of the ten most unequal countries in the world are in Africa. The observed growth rate has not been pro-poor and inclusive enough. In addition, growth has not led to job creation for the additional workers from the increasing number of the workforce. Therefore, there is a crucial need to analyze the sources of growth and the drivers of inequality, and identify policies leading to a better distribution of the benefits of growth.

1.5. In the context of tight national budget constraints, raising alternative funds to finance sustainable growth and allocating optimally the resources between programs and sectors are points that need to need to be further explored.

1.6. High inequality reduces growth and its impacts on poverty by hampering potential investments of the disadvantaged and vulnerable groups. Reducing inequalities within and between countries can lead to higher growth, fair societies and stability. Authorities should intervene by setting and coordinating policies, including redistribution policies through taxes and equitable use of the benefits of growth. The African Union, through the Agenda 2063, is working towards this goal by continuing to engage Member States in setting strategies and policies for inclusive growth that generate jobs and reduce inequalities.

Under the global framework of the AU agenda 2063, the theme of this first report is of particular interest to Africa as it will assess the growth-inequality-employment nexus and provide valuable insights into the policy-makers.

1.7. The aim of the first report is to examine the heterogeneity of growth profiles in Africa and the dynamics of inequalities, analyses the sources of growth and the distributional patterns of growth, identify the optimal policy option to generate inclusive and employment-friendly growth in Africa.

The report will discuss these questions by bringing together case studies on the theme and by starting with the assessment of the past growth performance in Africa.

The volume will be formed by theoretical and empirical contributions that offer interesting insights and perspectives on the issues on growth, inequality and employment.

Tentative contents

Introduction

Chapter 1: Overview of the past performance in growth, inequality and employment.

- Use of data that can give a representative and updated picture of growth, employment and inequality trends
- GDP growth and Per capita growth evolution
- General trends of inequalities and employment in Africa

Chapter 2: Inequalities in Africa: Facts and figures

- Assess income inequality, anisotropic inequality, gender inequality, cross-country and within country inequality trends

Chapter 3: Employment in Africa

- Overview of youth and gender employment

- Formal and informal employment
- Vulnerable employment
- Employment profiles and their distribution across economic sectors
- Successful employment policies

Chapter 4: The role of globalization and integration in hampering or generating inclusive and employment friendly growth

- Impact of trade
- Free movement of people / Migration
- Regional infrastructures
- Regional institutions

Chapter 5: Structural transformation and inclusive growth

- Identifying the adequate growth profile for job creation and inequality reduction
- The role of agriculture in generating inclusive growth
- The impact of industrialization on inequality and employment
- Nexus between financial inclusion and employment-led growth
- Successful country experiences

Chapter 6: The role of the private Sector

- Entrepreneurship and employment opportunities
- Public-private partnership

Conclusion