



Impacts of the economic crisis on human development and the MDGs in Africa

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Ten years of 'war against poverty'
8-10 September 2010, University of Manchester

Roadmap – the next 15 min

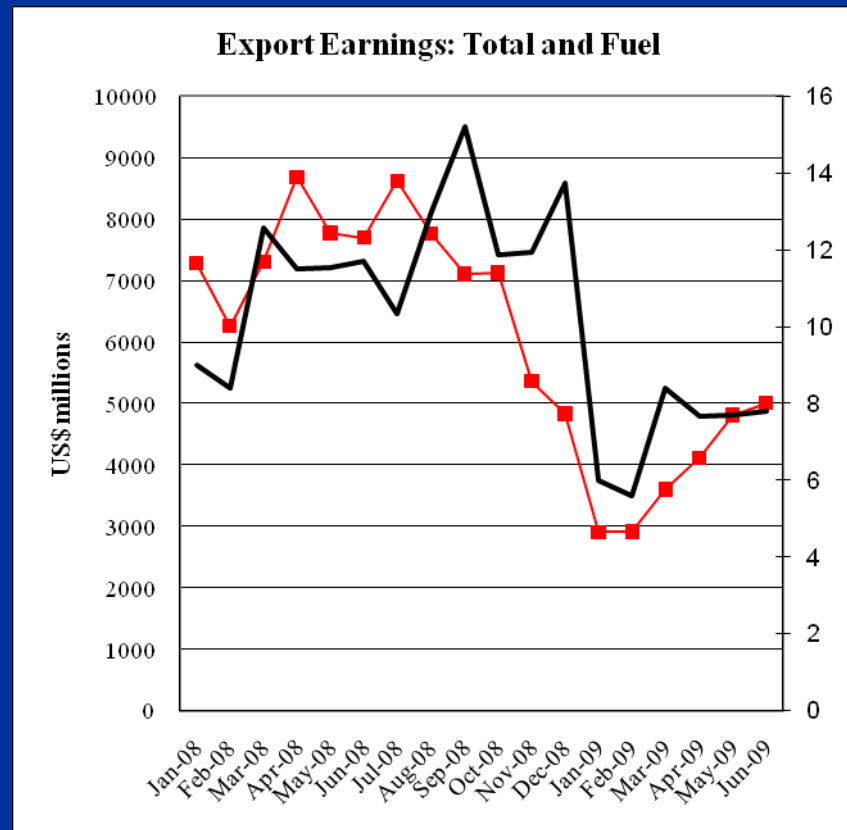


- Channels of impact and prospects for recovery in Africa
- Implications for the MDGs
- Ways forward

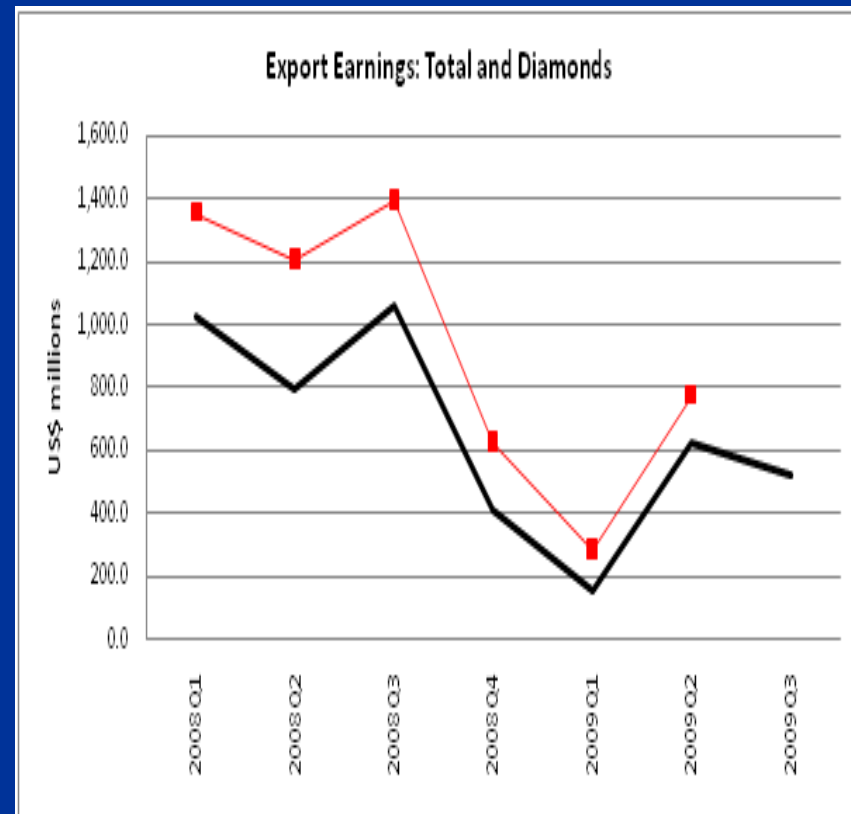
Channels: exports by type



Nigeria: Minerals



Botswana: Diamonds

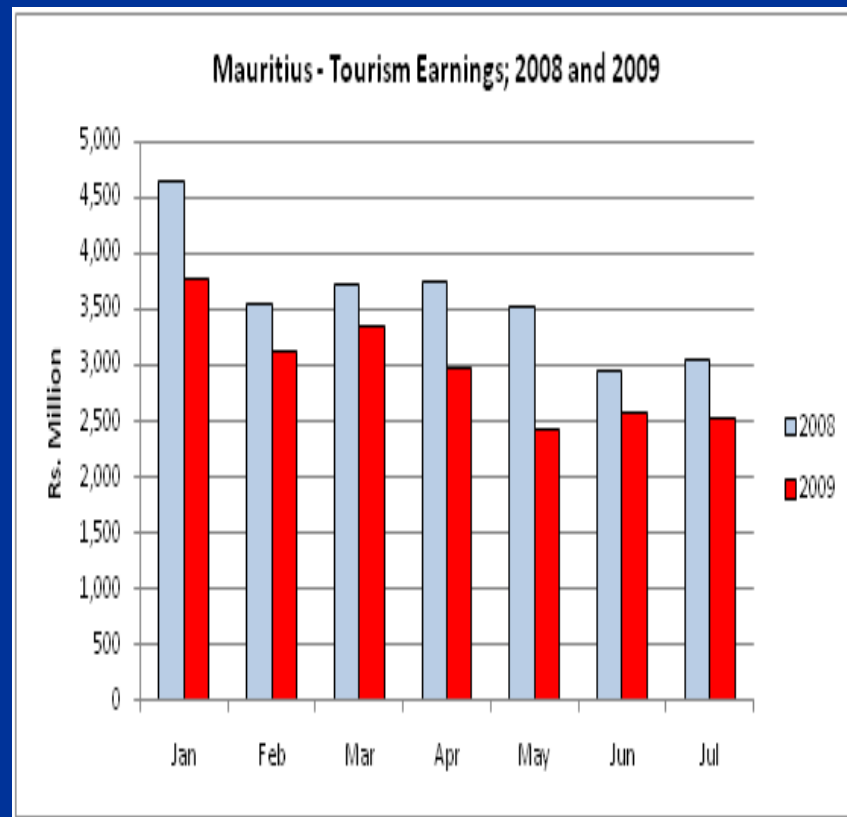


Source: Data from IMF direction of trade statistics; and country central banks

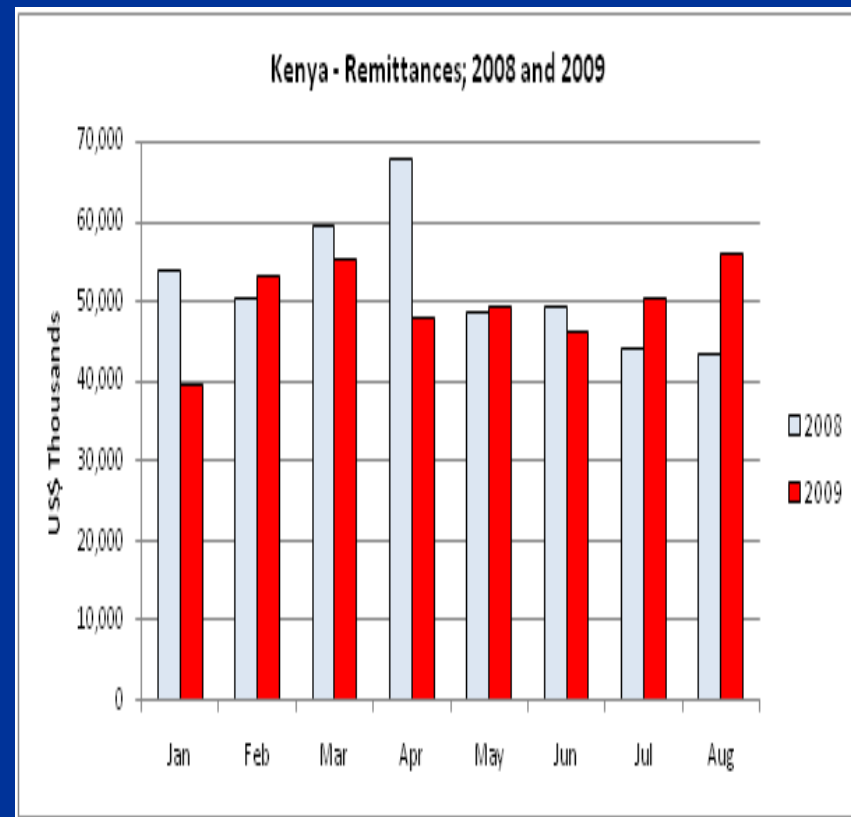
Channels: tourism and remittances



Mauritius



Kenya



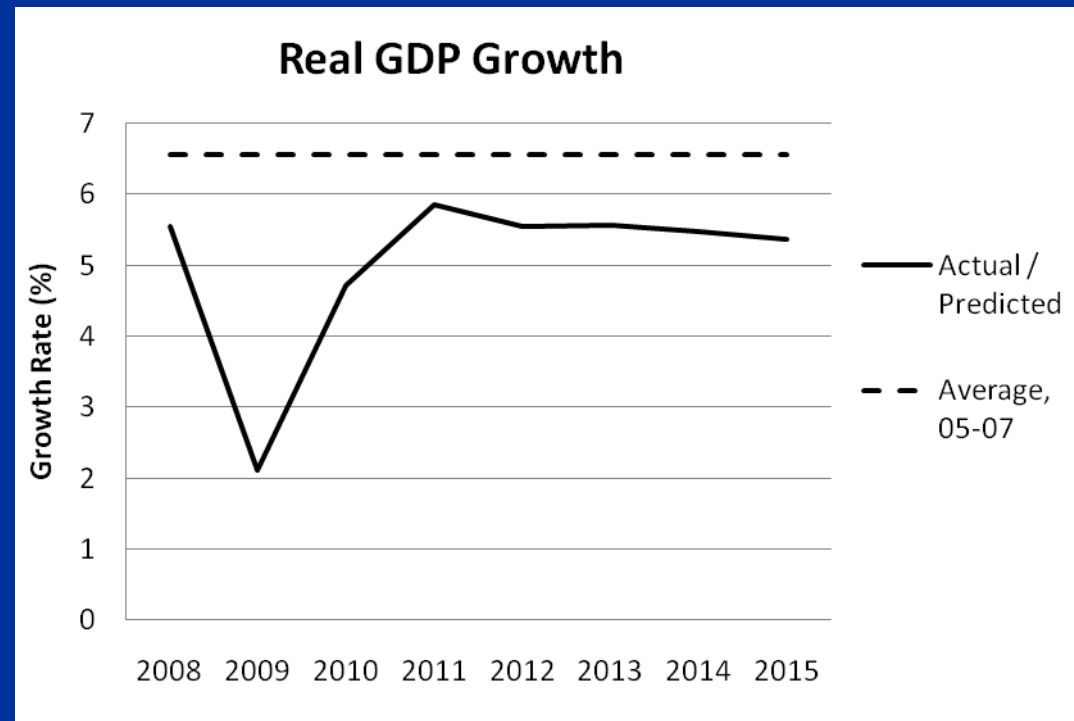
Source: Data from country central banks

Prospects for the short term



Sub Sahara Africa

- Channels link SSA economies to developed countries.
- Projected depth and duration show positive growth on average.
- But below that of prior years.
- Several caveats to these outlooks.



Source: WEO, April 2010, IMF

NOTE: Estimates in the paper use WEO, October 2009, IMF data.

Depth and duration vary



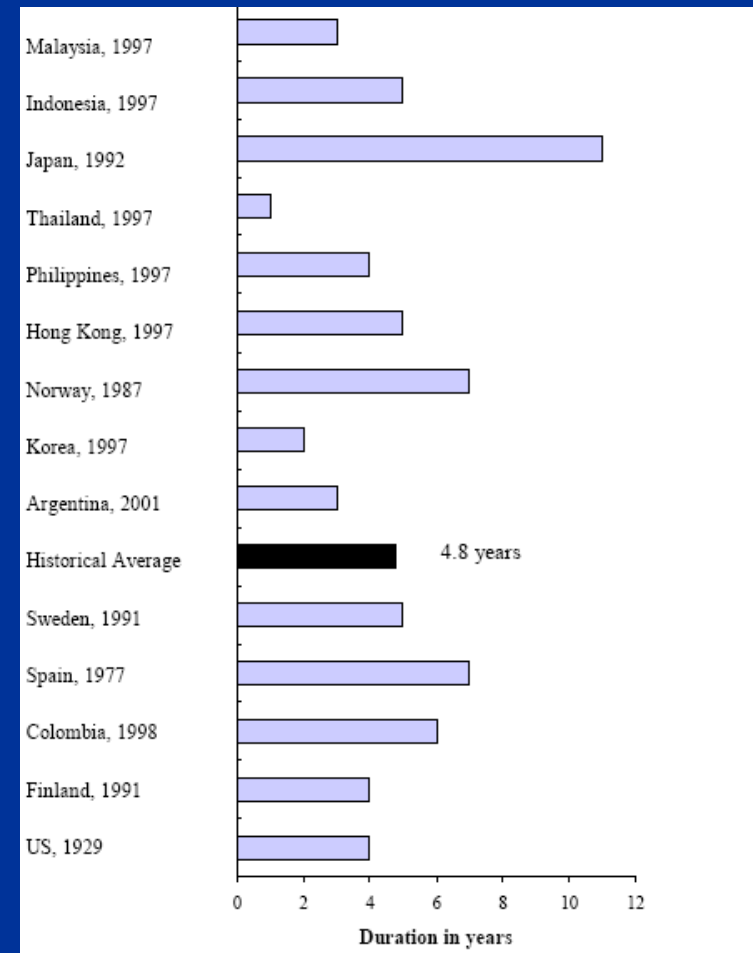
Size of impact: 2.5 percentage points or greater	Time to recovery: 3 years or less	Time to recovery: > 3 years OR Will not recover by 2014
	Botswana Lesotho Niger Congo, Democratic Republic of Mauritania Liberia Gabon	Angola Equatorial Guinea Seychelles South Africa Namibia Madagascar Sudan Cape Verde Ethiopia* Kenya Mozambique Nigeria Malawi** Zambia Senegal
Size of impact: less than 2.5 percentage points	Swaziland Guinea Tunisia Tanzania Burkina Faso Mauritius* Morocco* Ghana Cameroon Chad Comoros Benin* Central African Republic Algeria Guinea-Bissau Burundi Togo Djibouti Eritrea Côte d'Ivoire Congo, Republic of	Uganda* Rwanda* The Gambia Sierra Leone* São Tomé and Príncipe Mali

Source: Data from WEO (II), 2009, IMF

Recovery possibly fragile...



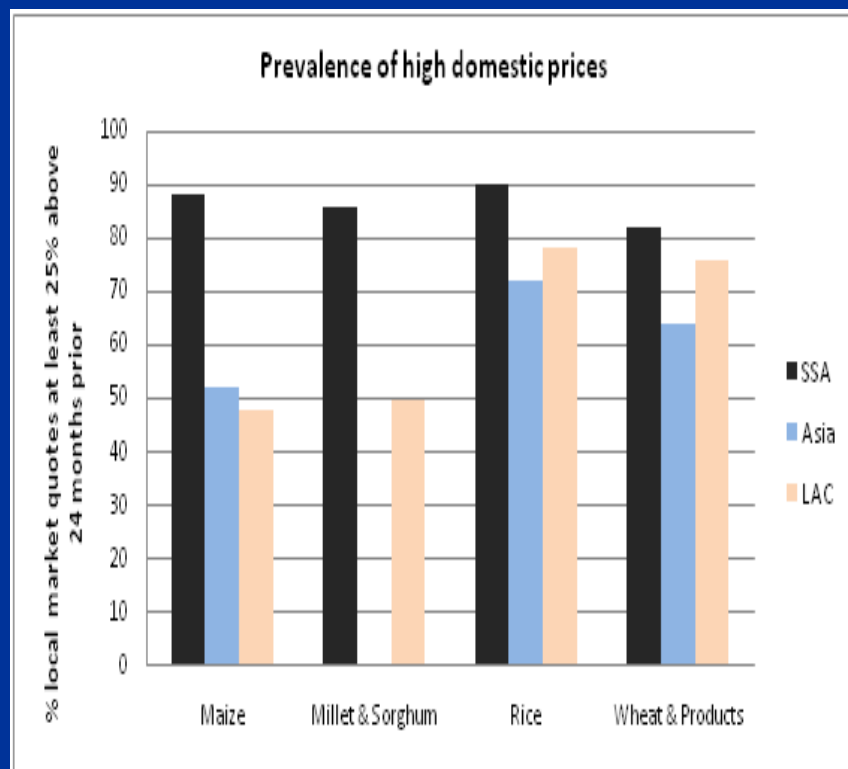
- Exit from stimulus
- Private consumption in the West likely slow to turn around
 - Reinhart and Rogoff (2009): experience with earlier crises for unemployment (shown) and asset values
- Sovereign debt



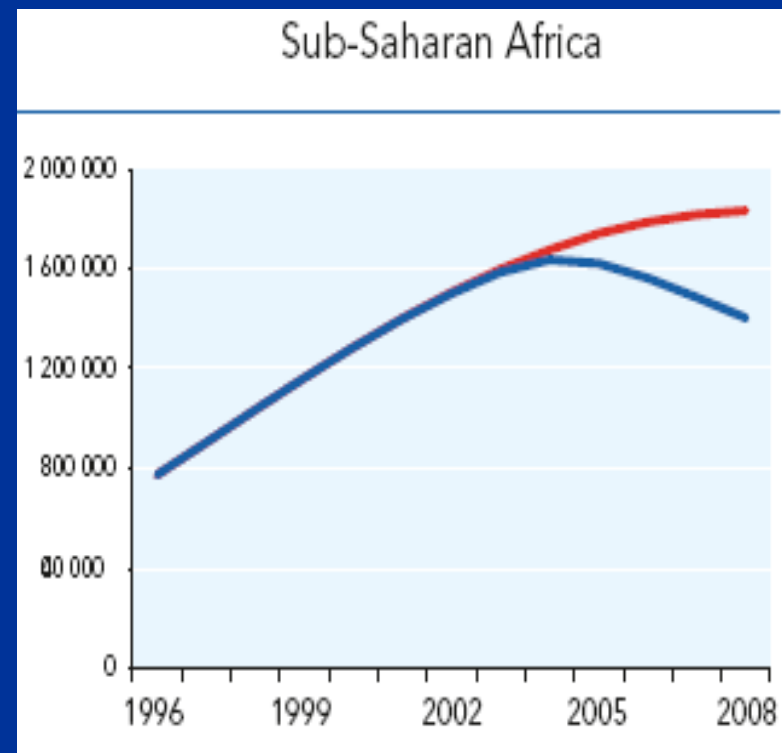
...with exacerbating factors



High food prices



AIDS deaths, with and without ARV



Sources: FAO and UNAIDS

Pathways to human development impacts



- Private channels
 - Household earnings
 - Engel curves: nutrition quality and quantity
 - Deferred health care and/or education
 - Asymmetries across genders/age/other divisions
- Public channels
 - Revenue shortfalls coincide with increased needs for social protection
 - Quality of existing services fall

Depth, duration and frequency matter



- Poor nutrition during critical periods
 - Cognitive ability of children
 - Maternal, fetal and child health
 - Chronically ill such as those with HIV/AIDS
- Education reversals
 - School drop-outs or non-completion can become permanent or irreversible
- Capacities to respond
 - Increased vulnerabilities in the face of recurrent shocks
 - Risk sharing and spatial/temporal correlation of shocks

Generalizing: what to expect



- Worsening of human development during shocks; *country and indicator specific*
- One approach: human development impact *via* elasticity of specified indicator with respect to real GDP per capita

$$\Delta h_{ic} / h_{ic} = \varepsilon_{ic} (\Delta y_c / y_c)$$

- Elasticity estimates for infant/child mortality, nutrition and others between -0.1 to -0.8

Normalized MDG indicator

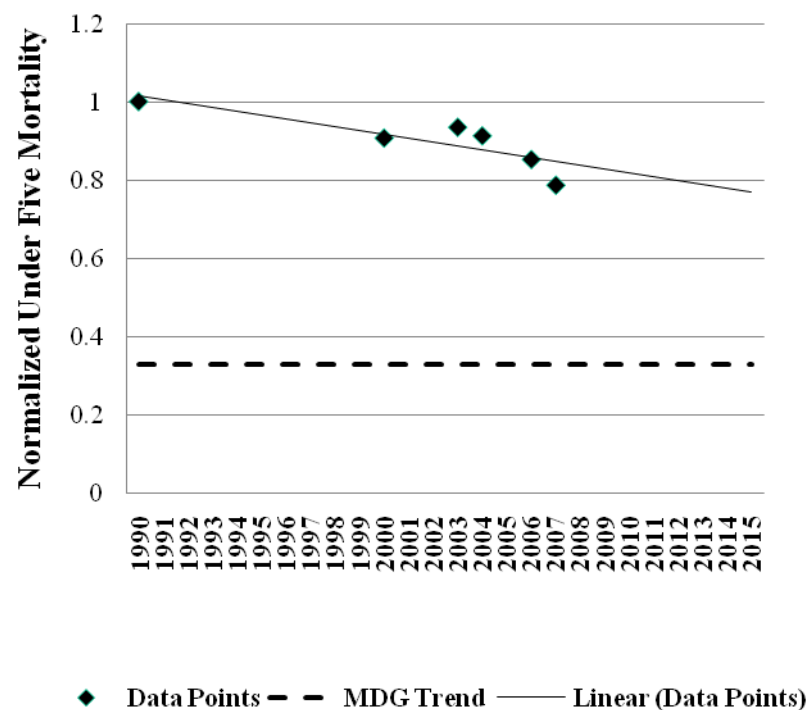


- Many MDG targets have common generic form
 - h_{ic} value 1 in 1990 (or reference year); specified target value in 2015
 - Target values e.g. 0.5 for hunger, 0 for primary (non) enrolment, 0.25 for maternal mortality, 0.33 for child mortality
- A range of trends
 - ‘rapid’ ($h_{ic} = 0.33$ in 2015)
 - ‘moderate’ ($h_{ic} = 0.6$ in 2015)
 - ‘slow’ ($h_{ic} = 0.9$ in 2015)

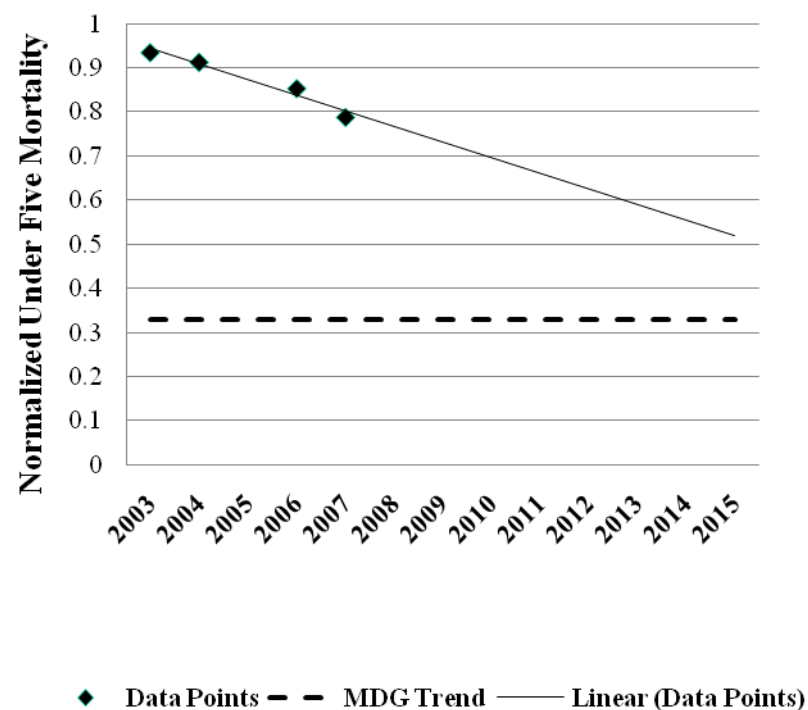
Example: Normalized MDG4



Sub Sahara Africa: Normalized Under Five Mortality



Sub Sahara Africa: Normalized Under Five Mortality



Sources: UN MDG Reports, 2005, 2006, 2008, 2009

Scenarios for the MDGs

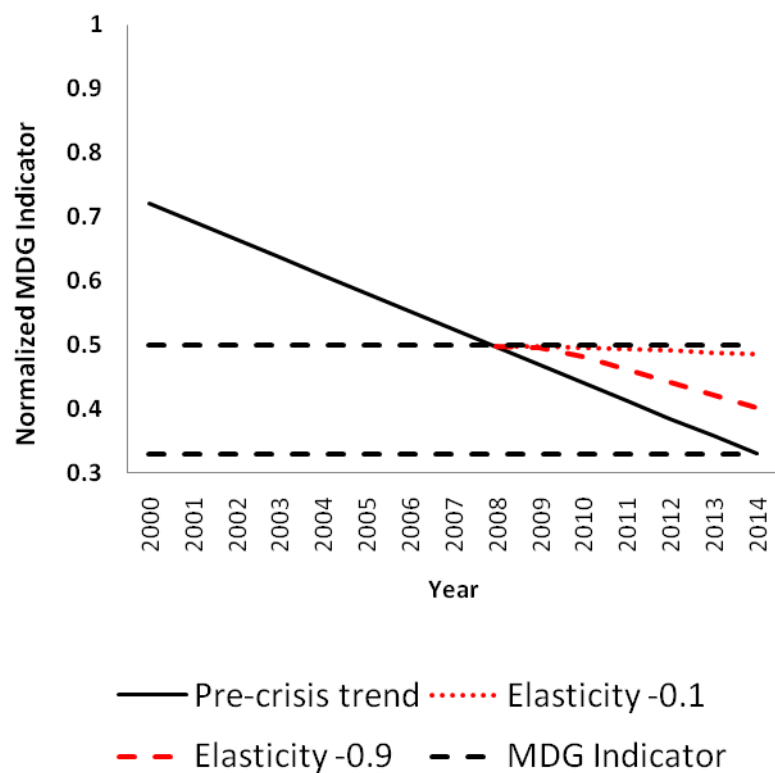


- Apply elasticity values of 0.1 to 0.9 to GDP/capita projections
 - identify deviations from trend as possible scenarios; cumulative effect of depth and duration
 - countries can locate where they are, if they know what their trend looks like, and have a reliable estimate of the relevant elasticity
- Some caveats about the elasticity
 - short term rather than long term
 - ‘historical’ so less useful for projecting if recent developments have changed its value
 - other factors also important (e.g. small elasticity example)

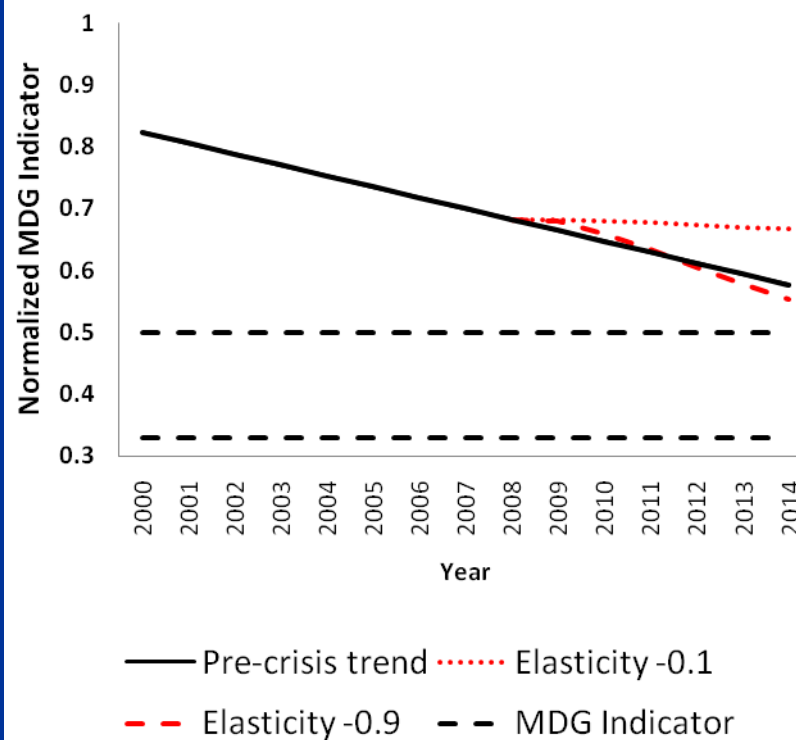
Scenarios for SSA



‘Rapid’ trend



‘Moderate’ trend



Key messages for the MDGs I



- Effects vary by country and indicator: some felt more strongly than others
- Elasticity values and pre-existing trend; along with growth trajectory determine size of deviation; room to maneuver may be limited
- Impacts can be felt even after the economy turns around
- *Responses - policies and safety nets – matter: help determine elasticity*

Key messages for the MDGs II

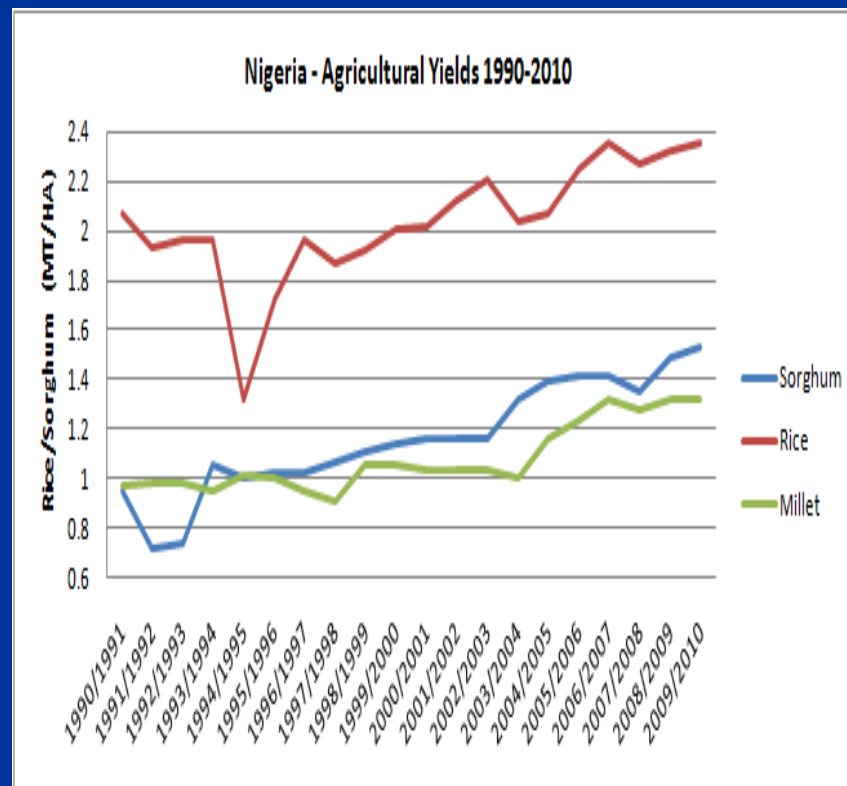


- Growth necessary but has limited potential: effective ‘pro-MDG’ policies and instruments needed
 - ‘elasticity’ can be a summary description of the latter; GDP/capita that of the former
- To reach the MDGs, countries need to maintain (or accelerate)
 - expenditure *trends*, if expenditure efficiencies kept constant
 - Other sources of improvements in the elasticity

Should this be done?

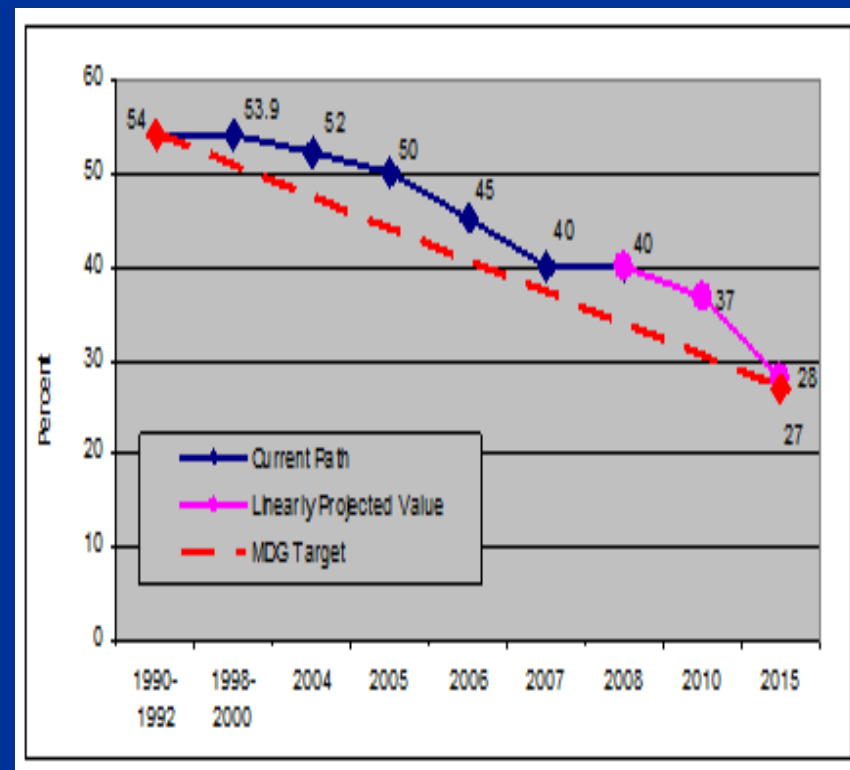


MDG 1: Nigeria



Source: USDA database

MDG 1: Malawi poverty rate

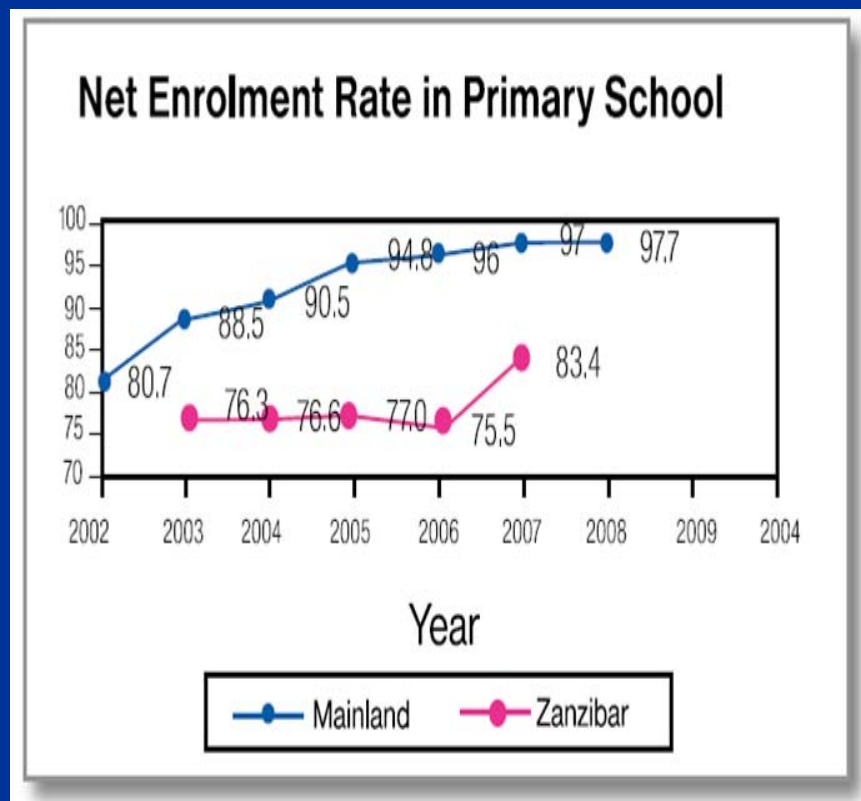


National MDG Report, 2009

Should this be done?

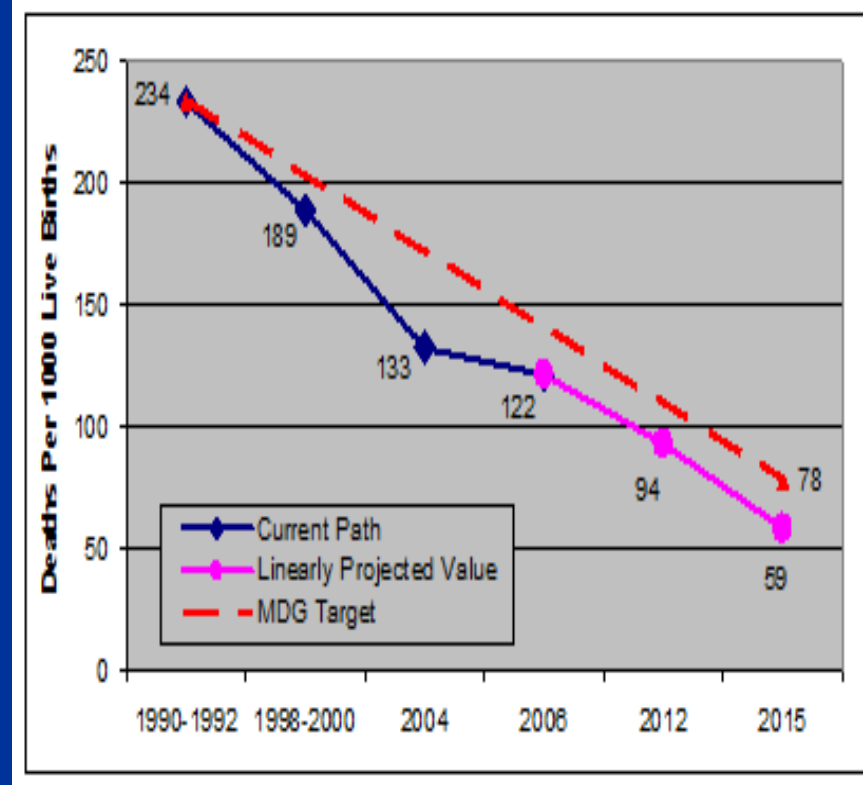


MDG 2: Tanzania



Source: National MDG Report, 2008

MDG 4: Malawi, child mortality

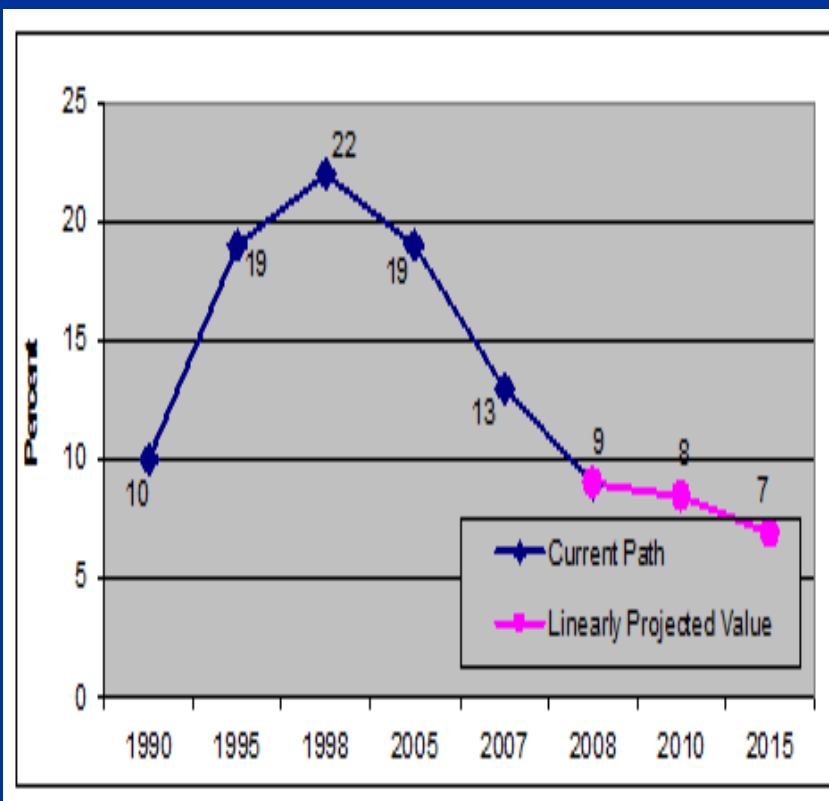


National MDG Report, 2009

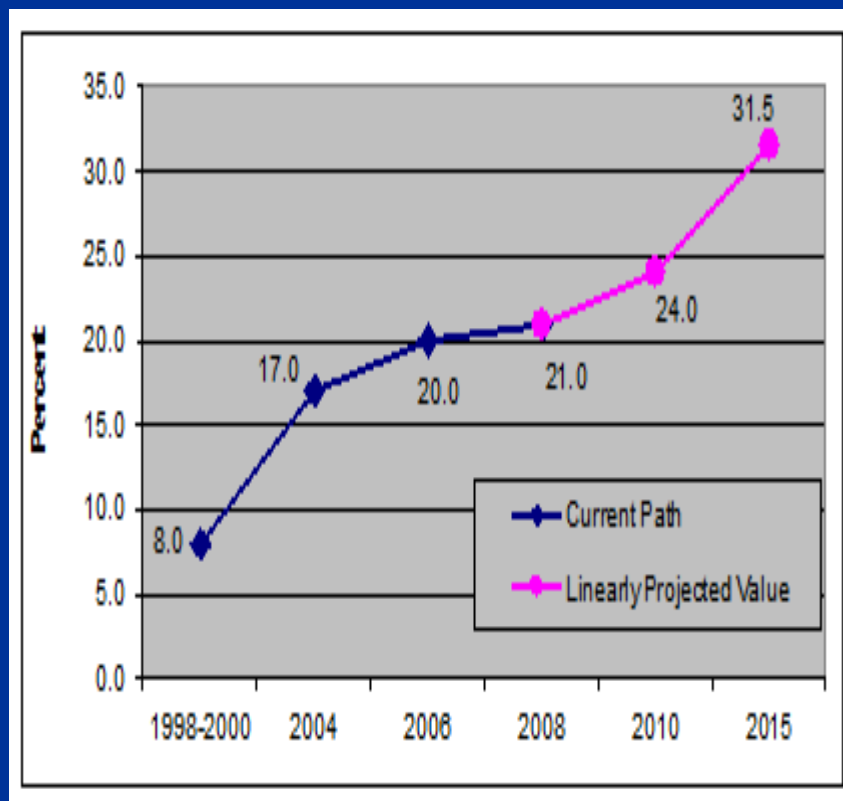
Should this be done?



MDG 6: Malawi, TB deaths



MDG 6: Malawi, access to malaria treatment



Source: National MDG Report, 2009

Way forward



- Accelerating progress
 - Maintain or increase expenditure trends
 - Identify and remove key bottlenecks
 - Learn from country experience; scale up successes
 - Promote South-South knowledge sharing and partnerships
- Sustaining achievements
 - Build country capacities
 - Develop resilience
 - ‘Climate-proof’

Conclusion



- Crisis expected to slow rate of progress if historical efficiencies in converting growth to HD apply
- *But* pre-crisis records show that acceleration is possible and did occur in several countries
- These successes must be built upon
- 2010 – the MDG Summit – is a critical point for renewing commitments and working towards the MDGs