Three Facts about Inclusive Growth in Africa
Evidence from Cameroon, Senegal and Tanzania

Presented by:
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Think-Tank "Terangaweb-l’Afrique des Idees" in partnership with the Paris School of Economics

Over the past decade, Africa has witnessed stable and high economic growth
→ Average growth rate between 2003 and 2011: 5.2 percent (AEO, 2012)

Yet, the decline in poverty is weak
→ Headcount poverty index has declined from 47 to 40 percent between 2002 and 2008 (PovcalNet, 2013)
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Several reasons have been put forward to explain this puzzle, among which the lack of inclusive growth.

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- Three countries with different growth performance
- Identify relationship between growth performance and inclusiveness
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- Current view: growth incidence on all population groups
  - Several definitions: (Grosse et al., 2008), (Klasen, 2010), (Ali and Son, 2007), (Bhalla, 2007)
  - Few measurement: (Habito, 2009), (McKinley, 2010)
  - Cross-country and year comparison of the incidence of growth: (Bourguigon, 2011)

- Contribution to the literature:
  - Extend the definition and measurement of inclusive growth to specific dimensions: place of residence, gender, generations, level of education
  - Provide insight into inclusive growth policies at the macro level
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Definition and measurement of inclusive growth

- Growth is inclusive if it benefits to all groups and all parts of the society (Klasen, 2010)
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- A polychotomous measurement of inclusive growth:
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  - Moderately inclusive if the gain is almost identical for all categories
  - Not inclusive if the disadvantaged categories are gaining less than the others
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Dimensions for inclusiveness

Two dimensions in this study

Expenditure distribution (centiles) as the main dimension

Specific dimension: Place of residence (Capital city vs. Rest of the country)
Data

- Macroeconomic indicators: GDP growth and value added by sectors (WDI, World Bank, 2013)
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  - Adult equivalent real annual households’ expenditures in USD PPP
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Methodology

Growth Incidence Curve (Chen and Ravallion (2003))

Yearly average growth rate of the centiles of the expenditure distribution

\[ g_{it} = \left[ \frac{cent_{it}}{cent_{it-1}} \right]^{\frac{1}{l}} - 1 \]

where \( cent_{it} \) is the \( i^{th} \) centile of the expenditure distribution

Extension to places of residence

Yearly average growth rate over of the average expenditures in category \( c \)

\[ g_{ct} = \left[ \frac{E_{ct}}{E_{ct-1}} \right]^{\frac{1}{l}} - 1 \]

where \( E_{ct} \) is the weighted average of expenditures of households in category \( c \)
Three Facts about Inclusive Growth in Africa

Real GDP Growth

Cameroon

Senegal

Tanzania

Summary statistics
Summary statistics

GDP Structure: Agriculture (bottom), Industry (middle), Services (top)

Cameroon

Senegal

Tanzania

Three Facts about Inclusive Growth in Africa
## Summary statistics

<table>
<thead>
<tr>
<th></th>
<th>Observations</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameroon 1996</td>
<td>1728</td>
<td>1489.585</td>
<td>1725.029</td>
<td>51.922</td>
<td>25908.56</td>
</tr>
<tr>
<td>Cameroon 2001</td>
<td>10992</td>
<td>1543.47</td>
<td>2033.385</td>
<td>64.064</td>
<td>73054.81</td>
</tr>
<tr>
<td>Cameroon 2006</td>
<td>11391</td>
<td>1801.033</td>
<td>1753.541</td>
<td>223.104</td>
<td>35971.62</td>
</tr>
<tr>
<td>Senegal 1994</td>
<td>3277</td>
<td>1129.447</td>
<td>1769.985</td>
<td>78.639</td>
<td>34941.46</td>
</tr>
<tr>
<td>Senegal 2001</td>
<td>6594</td>
<td>1187.436</td>
<td>1791.885</td>
<td>107.533</td>
<td>46522.42</td>
</tr>
<tr>
<td>Senegal 2006</td>
<td>13564</td>
<td>1546.176</td>
<td>2040.714</td>
<td>3.567</td>
<td>87055.37</td>
</tr>
<tr>
<td>Tanzania 2008</td>
<td>3265</td>
<td>1401.309</td>
<td>1303.352</td>
<td>86.957</td>
<td>13452.06</td>
</tr>
<tr>
<td>Tanzania 2010</td>
<td>3844</td>
<td>1409.276</td>
<td>1290.624</td>
<td>117.997</td>
<td>14207.14</td>
</tr>
</tbody>
</table>

### Three Facts about Inclusive Growth in Africa

1. **High Observations** in Cameroon in 2006 compared to other countries.
2. **Low Mean** for Senegal 1994, indicating potential challenges.
3. **Wide Range** of Max values for Tanzania, suggesting variability in growth indicators.
Growth inclusiveness along the expenditure dimension

Three Facts about Inclusive Growth in Africa
Growth inclusiveness along the expenditure dimension

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Three Facts about Inclusive Growth in Africa
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Growth inclusiveness along the area dimension

- Cameroon
- Senegal
- Tanzania

Three Facts about Inclusive Growth in Africa

- Growth inclusiveness along the area dimension

Growth inclusiveness along place of residence

Cameroon

- Capital RoC 1996-2001
- Capital RoC 2001-2006

Senegal

- Capital RoC 1994-2001
- Capital RoC 2001-2006

Tanzania

- Capital 2008-2010
- RoC 2008-2010

Three Facts about Inclusive Growth in Africa
## Growth pattern and inclusiveness

<table>
<thead>
<tr>
<th>GDP Growth feature</th>
<th>Country</th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Magnitude</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Dynamic</td>
<td>Stable</td>
<td>Unstable</td>
<td>Stable</td>
<td></td>
</tr>
<tr>
<td>Structure</td>
<td>Manufacture (diversified)</td>
<td>Fishing, construction and tourism</td>
<td>Coffee, cotton, tobacco and gold</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth inclusiveness</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures'</td>
<td>Yes</td>
<td>Moderate</td>
<td>No</td>
</tr>
<tr>
<td>distribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Place of residence</td>
<td>No (96-01)/Yes(01-06)</td>
<td>Moderate</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Three facts about inclusive growth

- The inclusiveness of growth does not depend on the magnitude of GDP growth
- The two countries with stable GDP growth experience inclusive growth along place of residence
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- The three countries have different GDP structures and do not experience growth inclusiveness along the same dimension
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Concluding remarks

- High growth is not necessary for inclusiveness
- Two relevant questions emerge:
  - Is there a relationship between growth stability and inclusiveness along places of residence?
  - Does the dimension along which growth is inclusive depend on the structure of the GDP?
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Social welfare implications (See Bourguignon, 2011)
Extensions

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