Africa's Pulse

OCTOBER 2019 | VOLUME 20

AN ANALYSIS OF ISSUES SHAPING AFRICA'S ECONOMIC FUTURE

SPECIAL TOPICS: EMPOWERING AFRICAN WOMEN
ACCELERATING POVERTY REDUCTION IN AFRICA

WORLD BANK GROUP

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EMPOWERING AFRICAN WOMEN
ACCELERATING POVERTY REDUCTION IN AFRICA

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Executive Summary

- Sub-Saharan Africa's economic performance has remained sluggish, hampered by persistent uncertainty in the global economy and the slow pace of reforms to enhance domestic resilience. Regional growth is projected to rise to 2.6 percent in 2019 (0.2 percentage point lower than the April forecast) from 2.5 percent in 2018. On the demand side, growth of real gross domestic product weakened due to slower gross fixed capital formation and net exports, thus reflecting weaker investor sentiment against the backdrop of global policy uncertainty. On the supply side, the manufacturing and mining industries saw a modest expansion, while the services sector lost some momentum and agricultural sector growth remained subdued due to drought.
- The external environment is challenging for Sub-Saharan Africa. Global growth has continued to slow amid rising policy uncertainty due to the renewed intensification of trade tensions in the global economy. Partly as a result, the prices of most of Sub-Saharan Africa's commodity exports have weakened since the second quarter of 2019. Prices of crude oil and base metals are expected to remain below their 2018 peak. While global financial conditions have eased, capital inflows in the region have remained modest, as trade policy uncertainty continues to weigh on investor sentiment.
- Reflecting the effect of heightened policy uncertainty on global economic activity, real GDP growth is also expected to slow significantly in other EMDE regions. The Middle East and North Africa, Latin America and Caribbean, and South Asia regions are expected to see larger downward revisions in their growth forecasts than Sub-Saharan Africa for 2019.
- The regional growth performance continues to mask substantial heterogeneity across countries. The recovery in Nigeria, South Africa, and Angola—the region's three largest economies—has remained fragile. In Nigeria, growth in the non-oil sector has been sluggish, while in Angola the oil sector has underperformed. In South Africa, low investment sentiment is weighing on economic activity.
- Growth in Sub-Saharan Africa excluding Nigeria, South Africa, and Angola is expected to remain robust although it has softened somewhat in some countries. The average growth among non-resource-intensive countries is projected to edge down, reflecting the lingering effects of tropical cyclones in Mozambique and Zimbabwe, political uncertainty in Sudan, weaker agricultural exports in Kenya, and fiscal consolidation in Senegal. Among other resource-intensive countries, the outlook for Central African Economic and Monetary Community countries is for activity to expand at a modest pace, supported by rising oil production. Growth among metals exporters is expected to moderate, as mining production slows amid falling metals prices.
- Looking ahead, regional growth is forecast to pick up in 2020 as domestic demand strengthens. Stronger growth in non-resource-intensive countries is expected to offset a modest expansion among resource-intensive countries. Growth in the region's three large economies is expected to remain low in the absence of structural reforms.
- Debt vulnerabilities remain high. The share of countries in Sub-Saharan Africa assessed in debt distress or at high risk of external debt distress has almost doubled, though the pace of deterioration has slowed. The rising debt vulnerability stems from the high level of government debt, especially non-concessional debt, which led to a substantial rise in debt servicing costs. Meanwhile, due to a widening in the current account deficits, foreign reserve buffers have declined

in many countries. Reflecting these vulnerabilities, risks to the regional outlook remain tilted to the downside, including the possibilities of slower-than-expected global growth, sharper drops in commodity prices, and poor implementation of policy reforms.

- Against the backdrop of vibrant economic performance in 1995–2008, growth across countries in the region in 2015–19 has decelerated. This is clearly reflected in the taxonomy of growth resilience: first, there are fewer countries among the top growth performers, although they are still growing above 5.5 percent; and, second, the borders between the middle and bottom growth performers are becoming increasingly porous. Specifically, five countries in the region were downgraded to middle or bottom growth performers, and the performance of several countries is approaching the border of the low-growth region.
- The less than stellar growth performance of Africa in recent years is also attributed to the slow pace of reforms within countries, especially debt management and public sector institutions, as evidence by the 2019 Africa Country Policy and Institutional Assessment (CPIA) report. Policy makers in the region must create fiscal space, improve debt management, and boost export performance to replenish international reserves.
- The special themes of this 20th edition of *Africa's Pulse* focus on bridging the opportunity gap, especially for the poorest people and for women. Extreme poverty in Sub-Saharan Africa, defined as the percentage of people living below US$ 1.90/day, declined from 54 percent in 1990 to 41.4 percent in 2015, largely driven by rising standards of living between 1995 and 2015. However, the number of poor people increased from 278 million in 1990 to 416.4 million in 2015, as the population of the region continued to expand rapidly. If Sub-Saharan African countries were to continue growing at the fast pace experienced in 1998–2013 through 2030, the poverty rate would decline only to 23 percent by 2030. If no drastic actions are undertaken to boost growth, Africa's share of the world's poor will increase dramatically, from 55 percent in 2015 to 90 percent in 2030.
- The modest growth in the region that followed the 2014–15 collapse in commodity prices, averaging 2.5 percent between 2015–2019, has made poverty reduction even more difficult. The poverty challenge in Africa requires policy actions that create economic opportunities for the poor in the sectors and places where they live and work and help them connect with income-earning opportunities elsewhere while reducing their exposure to the many risks they face. This agenda should put the poor in the driver's seat, accelerate the fertility transition, leverage the food system on and off the farm, address risk and conflict, and provide more and better public finance focused on improving the lives of the most vulnerable. New technologies will play a key role in connecting people to jobs and markets, building their skills, and making health and education services more accessible and higher quality. A critical piece will be addressing the gender gaps in health, education, empowerment, and jobs. More integrated approaches to tackle the many bottlenecks poor people face to raise their incomes, in and outside agriculture must also be pursued.

- Women's economic empowerment is vital to progress for all Africans. Sub-Saharan Africa is the only region in the world that can boast that women are more likely than men to be entrepreneurs. African women contribute to a large share of agricultural labor across the continent. However, the region's success story of rising women's participation in the labor force is stifled by large and persistent earnings gaps between men and women. Women farmers in Sub-Saharan Africa produce 33 percent less per hectare of land than men do. Female entrepreneurs or business owners earn 34 percent less profits than male business owners. These earnings gaps are very costly in terms of foregone output.
- Seizing the largest benefits from African women's labor participation requires policy makers to confront the constraints that disproportionately affect women and implement policies to help them boost growth. In Sub-Saharan Africa, women tend to have lower levels of human capital—as manifested by the gaps in secondary and tertiary schooling and skills in most countries—and lower access to other productive assets, including financial credit and land. Women's economic opportunities and earnings are also constrained by a series of policies, institutions, and social norms that influence the economic and household roles of women and men. Policies that target better the constraints to women's economic empowerment have the potential to contribute not only to narrow the gender gap in earnings, but also to enhance economic growth.
- Women are a force for growth and job creation in Africa, particularly in the context of a large young population with higher expectations for quality employment. Policies that improve women's income opportunities, upgrade their earnings, and build skills will narrow gender gaps. Six policy pathways are identified: (a) building women's skills beyond traditional training (for example, by providing gender-sensitive agricultural extension services and socioemotional skills training for women entrepreneurs), (b) alleviating women's financial constraints through innovative solutions that relieve the collateral problem (for example, through psychometric tests) and improve their access to the financial sector (mobile money digital loans), (c) helping women secure their land rights, (d) connecting women to labor (for example, with seasonal financing to hire farm labor), (e) addressing social norms that constrain women's opportunities, and (f) building a strong new generation by helping girls to navigate their adolescence.

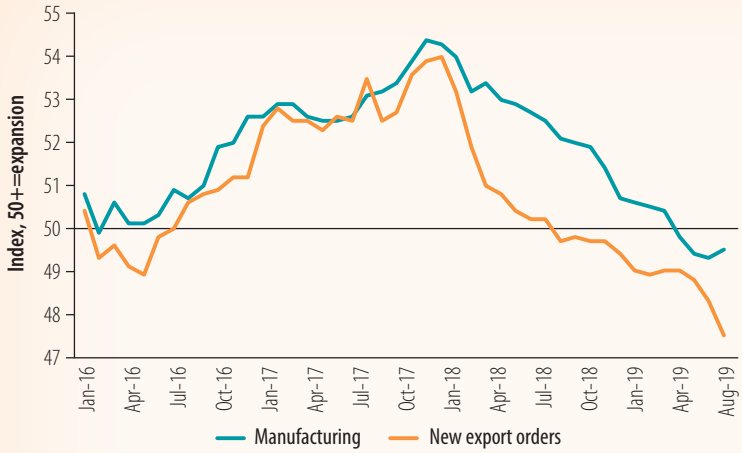
Section 1: Recent Trends and Developments

SUB-SAHARAN AFRICA FACES A LESS SUPPORTIVE EXTERNAL ENVIRONMENT

Global growth has continued to soften, reflecting decelerating economic activity in advanced economies and emerging markets and developing economies (EMDEs). Global trade and manufacturing have slowed down markedly (figure 1.1). A continued deterioration in the global manufacturing Purchasing Managers' Index (PMI) and business confidence suggests that industrial activity will remain subdued for the rest of 2019. Amid rising policy uncertainty, due to the renewed intensification of trade tensions in the world economy, global growth prospects have weakened, commodity prices have declined, and capital flows to EMDEs have slowed. These headwinds are expected to weigh on activity in Sub-Saharan Africa.

Growth in the U.S. economy has started to decelerate, with investment, exports, and residential activity moderating. The euro area spent most of the year on the verge of recession, with much of the slowdown stemming from the German industrial sector. The U.K. economy is also suffering from broad-based weakness—it is scheduled to exit the European Union on October 31, and currently has no agreement in place to avoid a potentially costly no-deal Brexit. Growth in China continues to decelerate amidst ongoing trade tensions. Growth was weak or stagnant in other large emerging markets, including Russia, Brazil and Mexico. Activity in India decelerated, reflecting a slowdown in domestic demand. Policy uncertainty and higher tariffs on exports to the United States have dampened activity, weighing on investor sentiment and exerting pressure on asset prices. The June 2019 *Global Economic Prospects* report forecasted that global growth would decline to 2.6 percent in 2019, its slowest pace since 2016 (figure 1.2). The realization

FIGURE 1.1: Global Manufacturing PMI and Export Orders

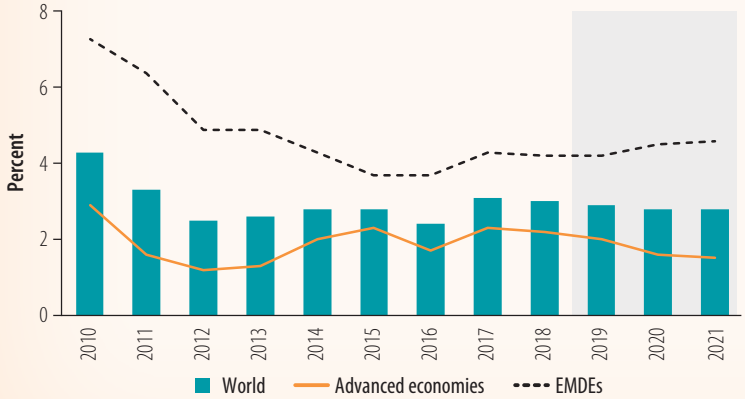


Sources: Haver Analytics; World Bank.

Note: Manufacturing and new export orders are measured by the Purchasing Managers' Index (PMI). PMI readings above 50 indicate expansion in economic activity; readings below 50 indicate contraction. The last observation is August 2019.

Global trade and manufacturing continued to weaken in the second half of the year.

FIGURE 1.2: Global Growth



Source: World Bank.

Note: The shaded area indicates forecasts. EMDEs = emerging markets and developing economies. Aggregate growth rates calculated using constant 2010 U.S. dollar GDP weights. Data for 2018 are estimates.

Global growth has slowed, with decelerating activity in advanced economies and EMDEs.

of certain downside risks—including the re-escalation of trade tensions between major economies—has darkened the outlook in recent months, especially for trade.

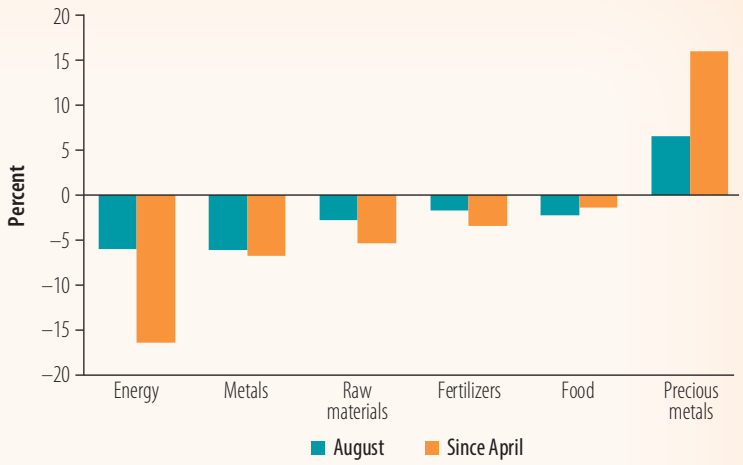
Global trade in goods and new export orders decelerated substantially over the course of 2019 and are pointing to contraction. Escalating trade tensions are contributing to this weakness. Trade policy uncertainty in the United States has spiked this year, reaching levels not recorded since the early 1990s. Since October 2018, the volume of trade impacted by new import-restrictive measures introduced by the G20 has more than tripled relative to the 2012–18 average. Escalating trade tensions have also pushed commodity prices down as world demand for those commodities has declined.

Prior to their recent spike, oil prices had been declining since April (figure 1.3). Concerns about slowing global growth, compounded by growing trade disputes, triggered falling oil prices in early June and August, with the Brent crude oil price declining to as low as US$56/barrel. More recently, oil prices posted a sharp increase following fears of a prolonged supply disruption after the attacks on an important oil processing center in Saudi Arabia. In June, oil prices were forecast to decline slightly from 2018 levels, to an average of US$66 per barrel in 2019 and US$65 per barrel in 2020. Supply bottlenecks for metals—including copper, nickel, lead, and zinc—supported prices in the first half of 2019. They have since declined, partly reflecting the re-escalation of trade tensions in mid-2019.

Overall, metals prices are expected to decline in 2019 and 2020 amid a weaker outlook for global metals demand. In contrast, the prices of precious metals rose, reflecting their roles as a safe-haven asset. Agricultural prices, particularly for grains, increased earlier in the year on worries that poor weather for some major producers would reduce harvests, but agricultural prices are expected to fall as weather conditions improve (figure 1.4).

Energy and base metals prices have declined on concerns about slowing global growth and trade tensions. Prices of precious metals have increased, reflecting their role as safe-haven assets.

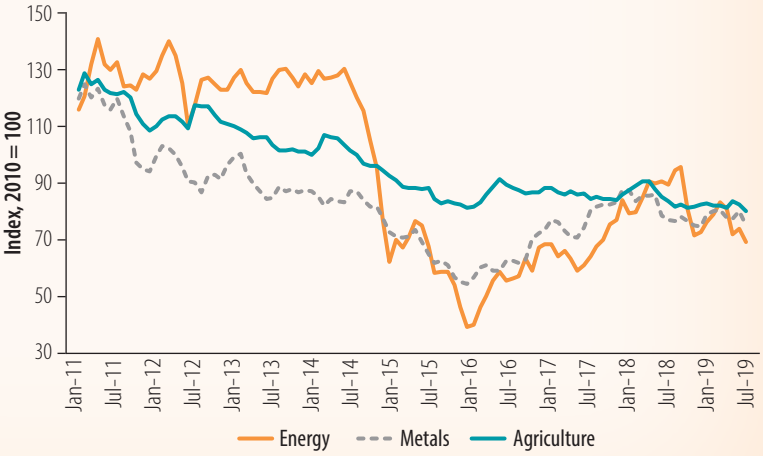
FIGURE 1.3: Change in Commodity Prices



Source: World Bank
Note: Metals includes iron ore.

Agricultural prices also fell amid growing trade tensions.

FIGURE 1.4: Commodity Price Indexes

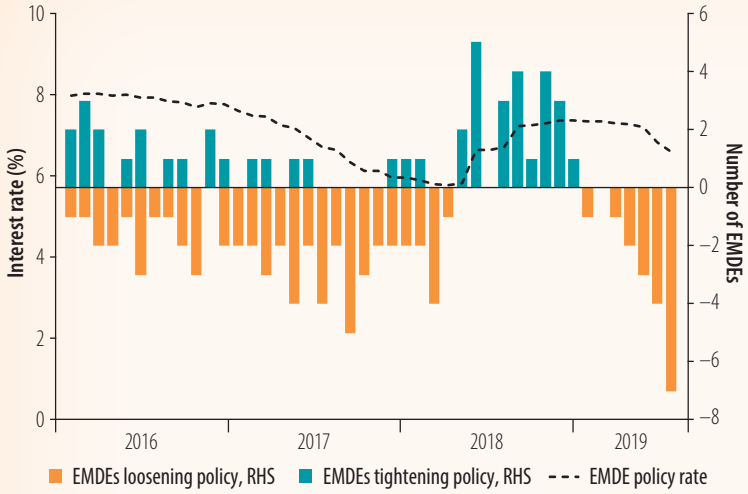


Source: World Bank.
Note: The last observation is August 2019.

The fall in commodity prices may lead to a decline in the terms of trade for the region's commodity exporters.

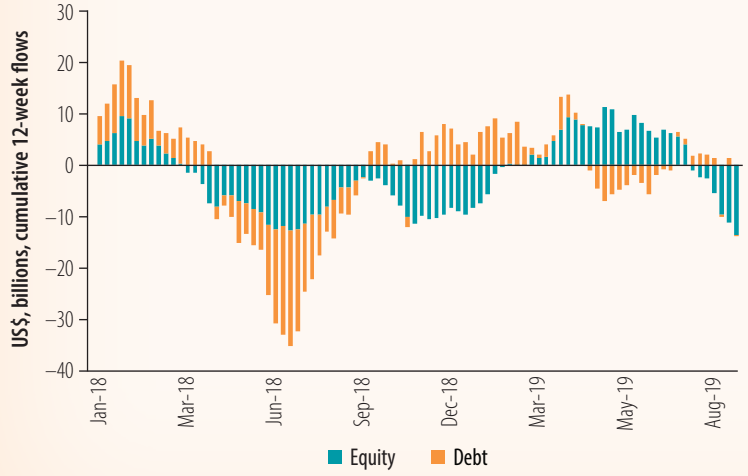
Amid subdued global inflation and the deterioration in the global growth outlook, central banks have been adopting more accommodative monetary policy stances (figure 1.5A). Borrowing costs have dropped as a result, to the extent that the stock of negative-yielding bonds has risen to US$17 trillion, standing at about 30 percent of total debt and including some short-term debt from emerging markets. While some EMDEs have benefited from the availability of global liquidity, others have suffered from flight-to-safety concerns about slowing global activity. EMDE sovereign debt issuance has slowed markedly in recent months. This is reflected in the subdued sovereign bond-issuance activity in Sub-Saharan Africa. Sovereign bond issuance in the region totaled about US$5.6 billion by the end of the third quarter, compared with more than US$17 billion in 2018. Following a strong rebound at the start of the year, in August capital flowed out of emerging markets at its fastest pace since 2016 (figure 1.5B). These outflows have largely come from falling equity markets.

FIGURE 1.5A: Central Bank Monetary Policy Stances



Amid moderating inflation, central banks in many EMDEs have been lowering policy rates.

FIGURE 1.5B: Equity and Debt Flows



Capital outflows in EMDEs intensified in the second half of the year, with the outflows largely coming from falling equity markets.

Source: World Bank.
Note: EMDEs = emerging markets and developing economies.

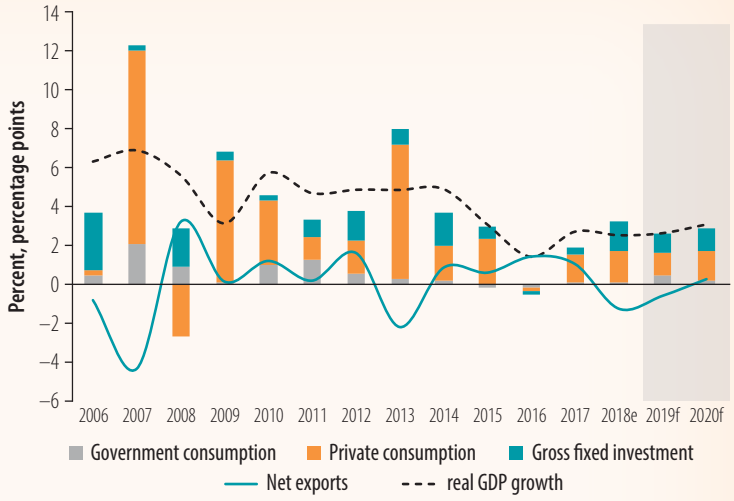
RECENT ECONOMIC DEVELOPMENTS

Sub-Saharan Africa's Recovery Has Remained Sluggish

Economic activity expanded at a slower-than-expected pace across Sub-Saharan Africa in the first half of 2019, against the backdrop of an increasingly challenging external environment. Softening global growth, falling commodity prices, increased trade tensions, and heightened uncertainty, compounded by the slow pace of reforms domestically, are weighing on activity across the region. The slowdown in economic activity mainly reflected weaker fixed investment and net exports. While the contribution of gross fixed capital formation to economic activity

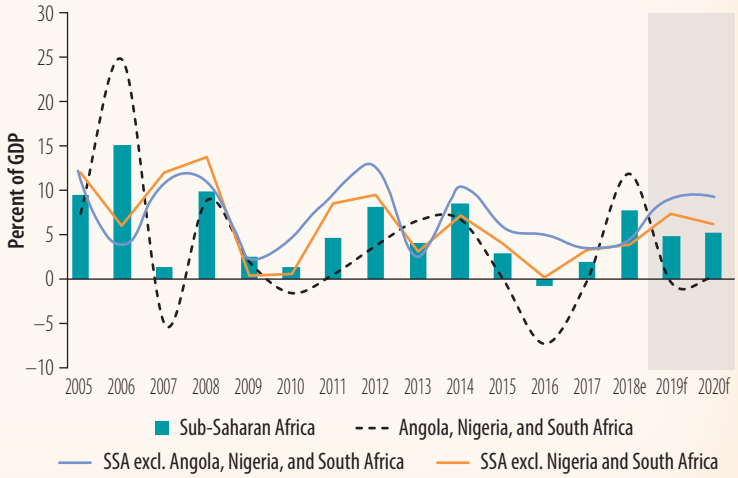
Economic activity slowed across Sub-Saharan Africa in 2019. The contribution of gross fixed capital formation to economic activity decreased substantially, whereas net exports made a negative contribution.

FIGURE 1.6: Contribution to Real GDP Growth (% points)



Fixed investment growth slowed notably among resource-intensive countries, including the region's largest economies—Nigeria, South Africa, and Angola.

FIGURE 1.7: Investment Growth over Time, Sub-Saharan Africa



Source: World Bank staff estimates.
Note: e=estimate, f=forecast

was positive, it decreased notably, as investment slowed in many countries, whereas net exports made a negative contribution. The rebound in exports, following the slowdown in 2018, has been weaker than was expected, reflecting lower external demand against a background of global policy uncertainty (figure 1.6). On the production side, growth in the mining and manufacturing sectors moderated due to international trade tensions and domestic constraints, including poor energy sector performance. The services sector lost some momentum, possibly reflecting some spillover stemming from slow manufacturing growth. Agriculture sector growth has been subdued partly due to drought and security concerns, which affected production in some countries.

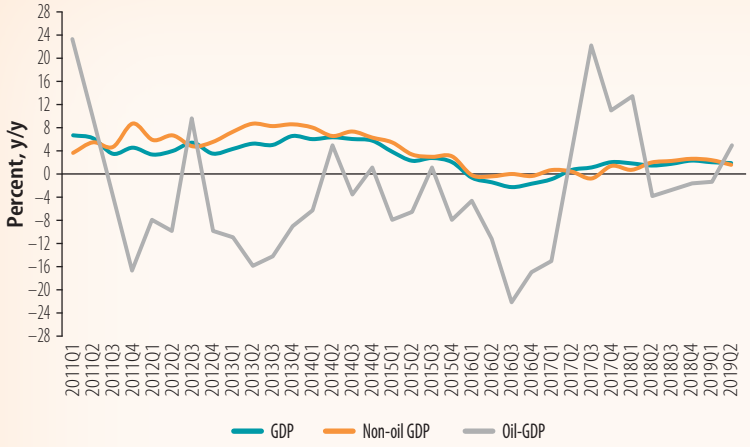
The slow pace of the recovery at the regional level masks significant divergence in performance between resource-intensive and non-resource-intensive countries. Among non-resource-intensive countries, fixed investment has continued at a solid pace, underpinned by public infrastructure investment. In contrast, growth was weaker than anticipated among resource-intensive countries, including Nigeria, South Africa, and Angola—the region's three largest economies (figure 1.7).

In Nigeria—the region's largest oil exporter—real gross domestic product (GDP) growth decelerated from 2.1 percent year-over-year (y/y) in 2019q1 to 1.9 percent in 2019q2 (figure 1.8). While oil production stabilized, growth faltered in key non-oil sectors, including agriculture and manufacturing. In South Africa, a combination of power cuts, low business confidence, and political uncertainty prolonged the decline in investment and dampened consumption and export growth. Real GDP contracted at a quarter-over-quarter (q/q) seasonally adjusted annualized rate (saar) of 3.1 percent in the first quarter (figure 1.9). GDP rebounded to 3.1 percent (q/q saar) in 2019q2, reversing the first quarter's contraction, as electricity availability improved and mining production recovered. A rise in investment and government consumption spending contributed to the

rebound from the demand side. Although South Africa avoided a recession, trend growth remained low, at 0.9 percent y/y in 2019q2, up from 0 percent in 2019q1. For the entire first half of the year, real GDP growth amounted to 0.4 percent. The official unemployment rate rose from 27.6 percent (y/y) in 2019q1 to 29 percent (y/y) in 2019q2. In Angola—the region's second largest oil exporter—GDP contracted by 0.4 percent (y/y) in the first quarter, after rising at the end of 2018, due to sharp declines in oil production. Following a modest rebound, oil production fell again in June, suggesting that growth remained subdued in the second quarter (figure 1.10).

In other resource-intensive countries, moderate growth continued in the smaller oil exporters in the Economic and Monetary Community of Central Africa (CEMAC)—including Chad, Gabon, and the Republic of Congo—supported by higher oil production. In Cameroon, the largest economy in CEMAC, the service sector expanded, boosting GDP growth. Among metals exporters, performance was mixed. In some countries (Botswana, the Democratic Republic of Congo, and Zambia), growth moderated as metals prices fell and mining production decreased; in others (Guinea and Niger), growth remained solid, supported by infrastructure investment.

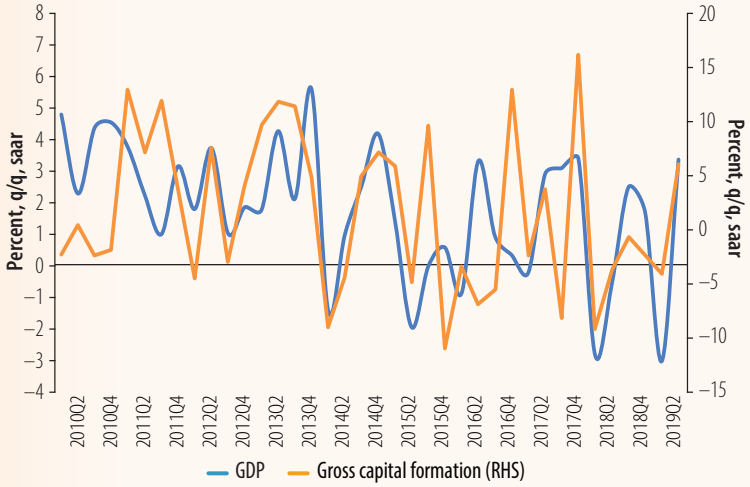
FIGURE 1.8: GDP Growth in Nigeria



Sources: Haver Analytics; National Bureau of Statistics, Nigeria.

In Nigeria—the region's largest oil exporter—the oil sector performance improved while non-oil sector growth remained sluggish.

FIGURE 1.9: Real GDP and Investment Growth in South Africa

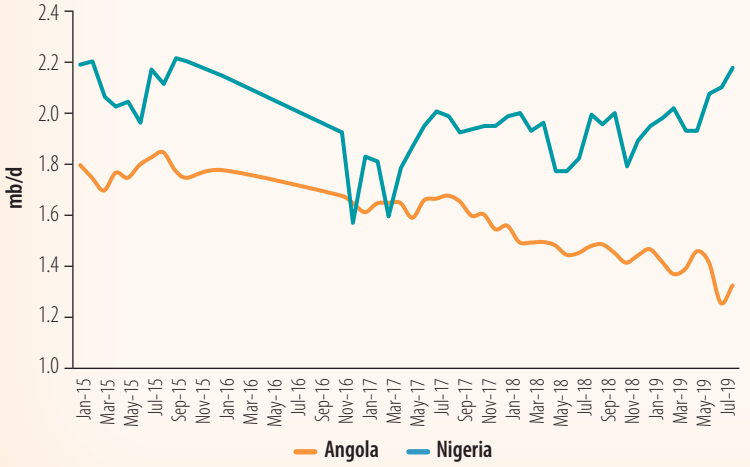


Sources: Haver Analytics; Statistics South Africa.

Note: GDP = gross domestic product; q/q = quarter-over-quarter; saar = seasonally adjusted annualized rate.

In South Africa, a combination of power cuts, low business confidence, and political uncertainty dampened investment and real GDP growth.

FIGURE 1.10: Oil Production in Angola and Nigeria



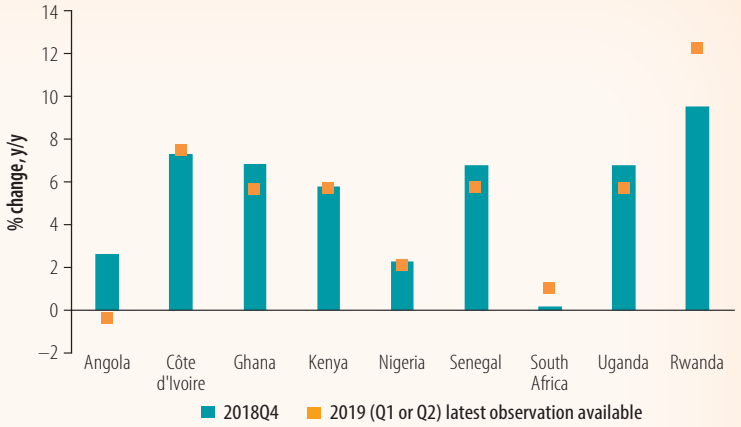
Sources: Organization of the Petroleum Exporting Countries website; Nigeria National Petroleum Corporation; U.S. Energy Information Administration website.

Note: The data are from OPEC direct and secondary sources. mb/d=millions of barrels per day.

In Angola—the region's second largest oil exporter—low oil production weighed on GDP growth.

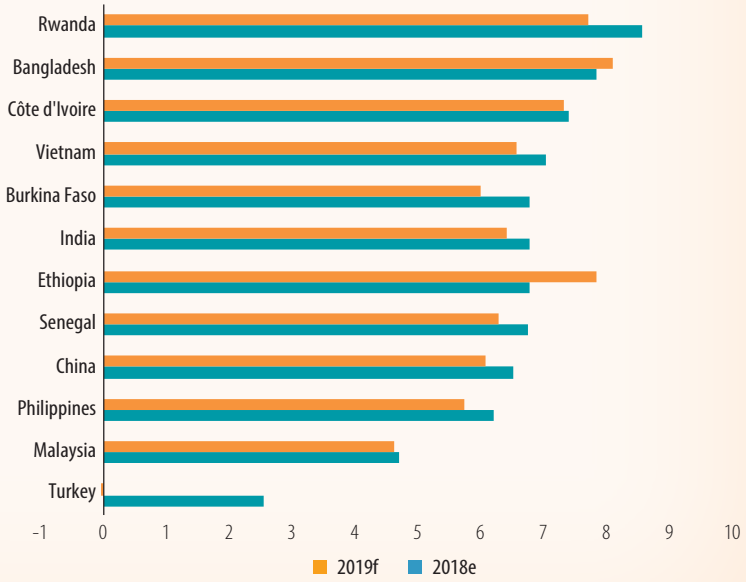
Growth was robust among non-resource-intensive countries, supported by strong domestic demand.

FIGURE 1.11: Quarterly GDP Growth in Selected Countries



GDP growth in the region's non-resource-intensive countries—including Côte d'Ivoire, Ethiopia, and Rwanda—ranks among the fastest in the world.

FIGURE 1.12: Fast-Growing Economies in and outside Sub-Saharan Africa



Sources: Haver Analytics, National Institute of Statistics of Rwanda; World Bank staff estimates.
Note: e=estimate, f=forecast

In non-resource-intensive countries, growth was stronger, underpinned on the demand side by expansion in public consumption and investment, and on the supply side, by robust activity in the industrial and service sectors. However, performance varied across countries (figure 1.11). Economic activity in West African Economic and Monetary Union (WAEMU) countries continued to expand at a rapid pace in the first half of 2019, buoyed by strong domestic demand. Benin and Côte d'Ivoire registered growth of 7 percent, offsetting a slowdown in Senegal owing to a need for tighter fiscal policy. Growth was solid and steady among countries in the East Africa subregion although growth eased somewhat in Ethiopia and Kenya due in part to drought. Growth further accelerated in Rwanda due to strong construction activities. Elsewhere, activity remained under stress in several countries. In Sudan, GDP contracted further, as investment sentiment deteriorated amid heightened political uncertainty. In Mozambique and Zimbabwe, growth remained weak, as the countries continued to deal with the effects of tropical cyclones that hit their economies earlier in the year. Despite some slowdown, GDP growth in the region's non-resource-intensive countries—including Côte d'Ivoire, Ethiopia, and Rwanda—ranks among the fastest in the world (figure 1.12).

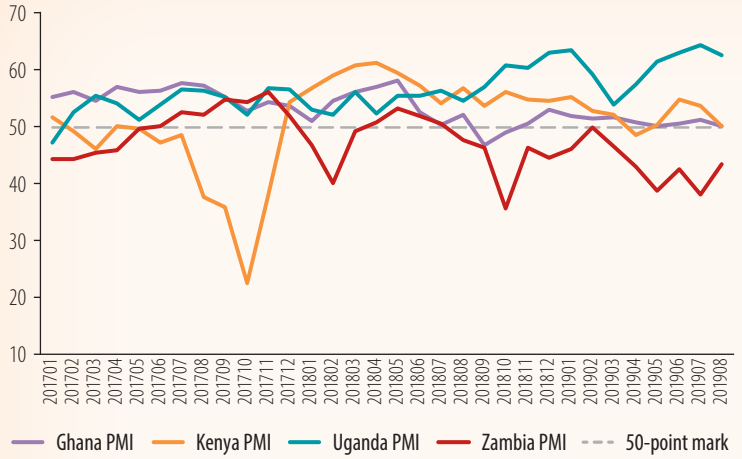
The latest economic indicators and survey rresults suggest that modest growth has continued in the region in the second half of 2019. This reflects not only the ongoing weakness in international trade in an environment of prolonged global uncertainties, but also binding structural constraints in the region. At the international level, commodity prices trended lower in the third quarter. Oil prices, which averaged US$63 per barrel during the first half of the year, dropped below US$58 per barrel in August. Prices jumped to US$69 per barrel in September, following an attack on Saudi Arabia's oil facilities, but have since moderated. For most base metals, prices fell, as trade tensions escalated. The weaker-than-anticipated commodity prices

are weighing on public finances in the region's oil and metals exporters and exerting a drag on economic activity in some countries.

PMI data point to softening manufacturing activity in several countries in the third quarter (figure 1.13). Firms in Kenya, Mozambique, and Ghana experienced slower increases in output and new orders in August. In Zambia, business conditions deteriorated, with PMI readings well below the neutral 50-mark, which separates expansion and contraction, amid tightening liquidity conditions. In South Africa, business confidence declined further (figure 1.14). The South African Chamber of Commerce and Industry's Business Confidence Index dropped to a 20-year low in the third quarter. The PMI fell from 52.1 in July to 45.7 in August and 41.6 in September, signaling modest outcomes in the manufacturing sector (figure 1.15). In Nigeria, delays in the appointment of the new cabinet following the presidential election contributed to uncertainties about the direction of public policy and reforms. The manufacturing and non-manufacturing PMIs remained above the 50-mark but edged lower, as business activity and new orders grew at a slower pace (figure 1.16).

Structural reforms that could spur activity advanced in some countries. In Ethiopia, the

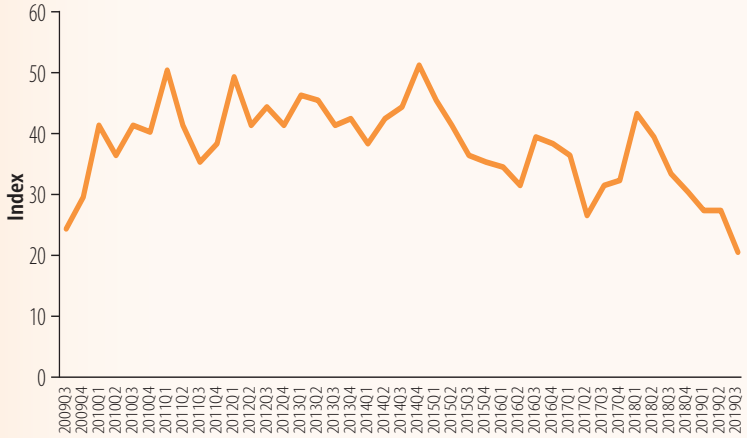
FIGURE 1.13: Composite PMI



Source: Haver Analytics.

Survey data point to softening manufacturing activity in several countries in the second half of the year.

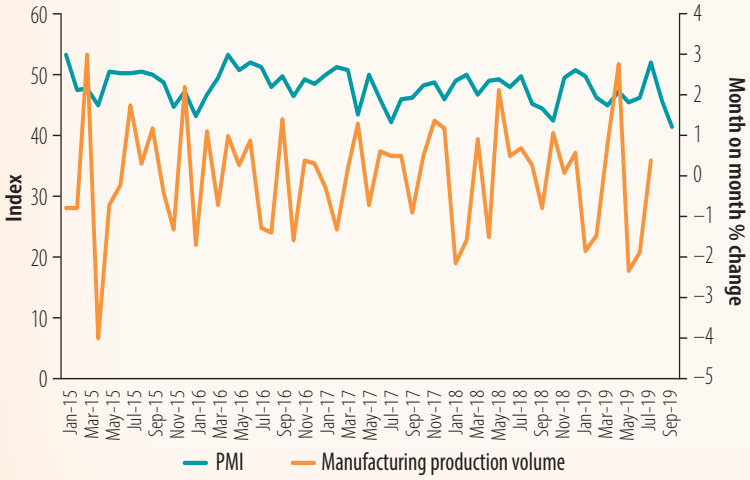
FIGURE 1.14: Business Confidence Index, South Africa



Sources: Haver Analytics; RMB/Bureau for Research Economics, South Africa.

In South Africa, business confidence declined further.

FIGURE 1.15: PMI and Growth of Manufacturing Production, South Africa

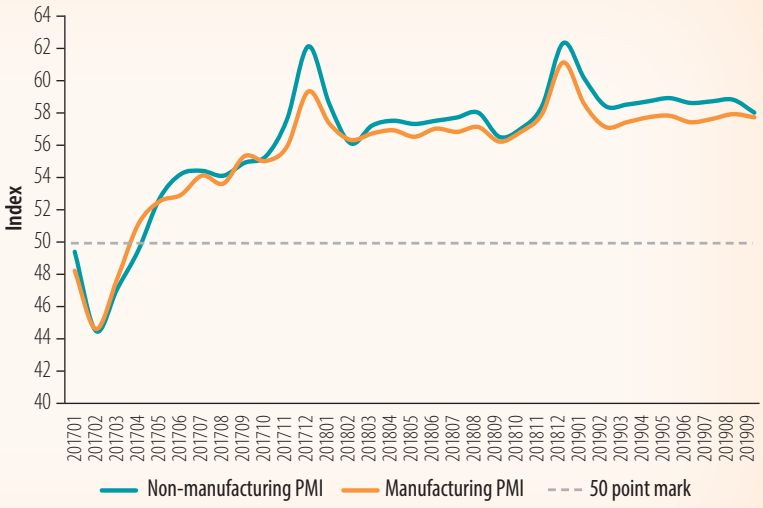


Sources: Haver Analytics; World Bank; Statistics South Africa.
Note: PMI = Purchasing Managers' Index.

South Africa's PMI fell deeper below the neutral 50-mark, signaling modest outcomes in the manufacturing sector.

In Nigeria, the manufacturing and non-manufacturing PMIs edged lower at the end of the second half of 2019, as business activity grew at a slower pace.

FIGURE 1.16: Manufacturing and Non-Manufacturing PMIs, Nigeria



Sources: Haver Analytics; Central Bank of Nigeria.
Note: PMI = Purchasing Managers' Index.

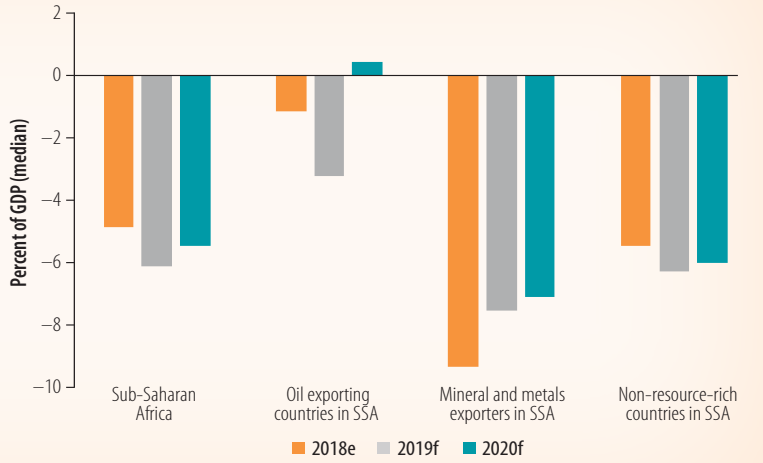
government took steps to open its financial sector by issuing the first-ever license to a foreign bank—the Equity Bank of Kenya. In Ghana, the government continued its financial sector cleanup. The stricter capital requirements imposed by the government led to a banking sector consolidation that reduced the number of lenders. The core banking sector now seems to be more stable. The nonperforming loan ratio has been falling since its 2018 peak, and private sector credit growth is picking up.

Current Account Deficits Widened, and External Buffers Remained under Pressure

The median current account deficit is expected to rise from 4.8 percent of GDP in 2018 to 6.1 percent in 2019, reflecting a weakening in foreign demand and higher imports in some countries. The current account deficit increased in non-resource-intensive countries where capital import growth, driven by public infrastructure projects, has remained strong (figure 1.17). Among resource-intensive countries, current account deficits are expected to widen in oil exporters, partly owing to lower oil prices. Angola's current account surplus is expected to narrow, while Nigeria's current account surplus will switch to a deficit due to stronger imports. Among metals-exporting countries, the current account deficit is expected to narrow but remain elevated, as a slowdown in imports is partially offset by weaker export growth. In South Africa, the current account deficit deteriorated from 2.9 percent of GDP in 2019q1 to 4 percent of GDP in 2019q2. The trade balance switched from a surplus in the first quarter to a deficit in the second quarter, as exports contracted while imports surged.

The median current account deficit is expected to widen in 2019, reflecting a weakening in foreign demand and higher imports in some countries.

FIGURE 1.17: Current Account Balance, by Resource Group

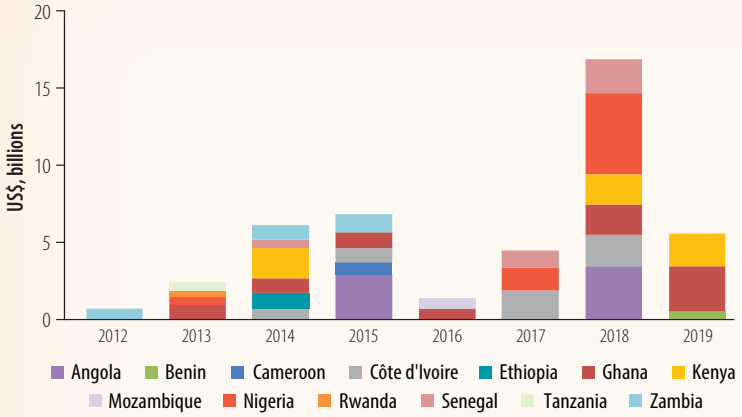


Source: World Bank staff calculations.

On the capital financing side, nonresident capital inflows are expected to moderate in 2019 due to a slowdown in sovereign bond issuance (figure 1.18). In the first three quarters of 2019, African governments issued US$ 5.6 billion (in US dollars and euros), a smaller amount, compared with more than US$17 billion in 2018. Benin, Ghana, and

Kenya were the most active bond issuers, with Kenya raising US$2.1 billion in May and Ghana issuing a US$3 billion Eurobond in March, which, so far, is the largest bond offering in the region in 2019.[1] And in March, Benin issued a €500 million maiden bond.[2] In the third quarter, the U.S. Federal Reserve lowered its key federal funds rate for the second time this year in September, after the European Central Bank cut one of its key policy rates and restarted its quantitative easing program. Ordinarily, an expansionary policy in advanced countries would push into emerging and frontier markets the capital flows needed for financing current account deficits. However, global sentiment toward the U.S. dollar has continued to strengthen due to fears of escalating trade disputes worldwide, slowing portfolio flows to the region. Sovereign spreads in the Africa region have declined in recent months, and they remain elevated compared with those in other regions, reflecting investors' concerns about economic conditions in some countries (figure 1.19).

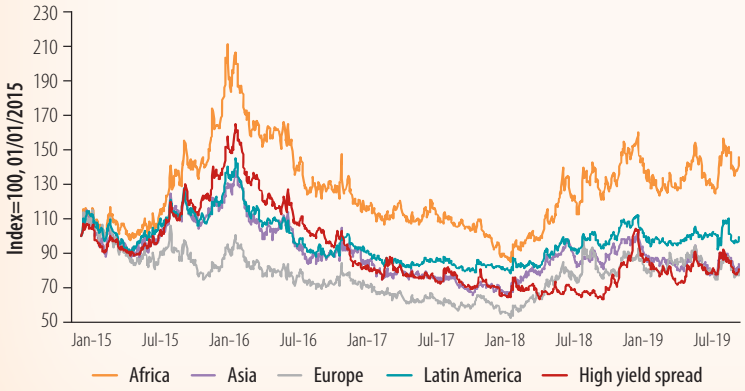
FIGURE 1.18: International Bond Issuances in Selected Sub-Saharan Africa Countries



Source: Bloomberg,
Note: The latest data are for September 2019.

Nonresident capital inflows in the region are expected to moderate in 2019 due to a slowdown in sovereign bond issuance activity amid heightened trade policy uncertainty.

FIGURE 1.19: EMBI Spreads, by Region



Source: Bloomberg.
Note: EMBI = Emerging Market Bond Index.

Sovereign spreads in the Africa region have remained elevated, compared with those in other regions, reflecting investors' concerns about economic conditions in some countries.

Foreign direct investment (FDI) flows increased in several parts of the region in 2018, encouraged by rising commodity prices and improved business regulatory environments (UNCTAD 2019). Kenya, in particular, saw a strong increase in FDI in services, manufacturing, and the nascent oil sector. On the other hand, FDI flows decreased in other large economies, including Nigeria and Ethiopia. Steady growth in some countries and progress in the implementation of the African Continental Free Trade Agreement are expected to help drive higher FDI flows in the region in 2019.

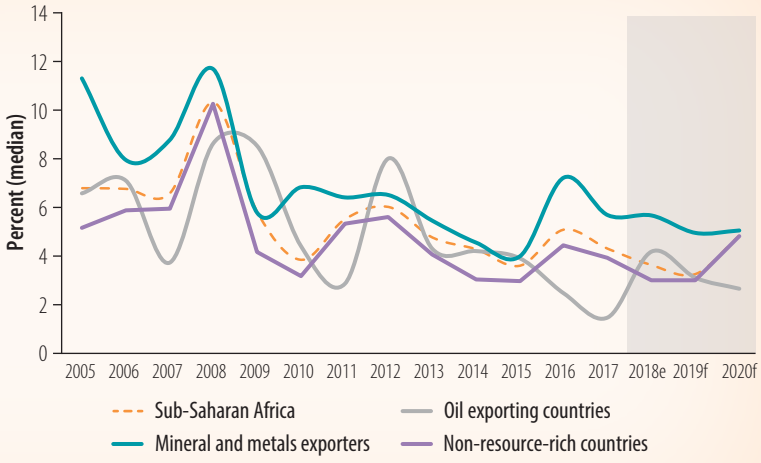
FDI flows and Eurobond issuances by Benin, Ghana, and Kenya will bolster capital inflows in the region. As the current account deficits are expected to widen, foreign exchange reserve buffers will decline, particularly in oil exporters. Significant fiscal consolidation supported by a tighter monetary policy stance had helped improve the external position in CEMAC countries along with

1 Kenya issued two Eurobonds on 15 May, of 7 and 12 years. The seven-year portion of the issue (US$900 million) was priced at 7 percent while the longer dated tranche (US$1.2 billion) was priced at 8 percent. Ghana's Eurobond offering was issued in three tranches with the following terms: (i) US$750 million for a 7-year bond issued at 7.875 percent; (ii) US$1.25 billion for a 12-year bond issued at 8.125 percent; and (iii) US$1.0 billion for a 31-year bond issued at 8.950 percent.

2 Benin's Eurobond offering (€500 million, or approximately US$567 million) was issued at 5.75 percent for 6 years.

The inflation rate is expected to decline in 2019, owing to subdued domestic demand, lower oil prices, and increased currency stability.

FIGURE 1.20: Inflation Rate in Sub-Saharan Africa, by Resource Group



Source: World Bank staff estimates.
Note: e=estimate, f=forecast

a pickup in regional reserves. The buildup of foreign reserve buffers is likely to slow in CEMAC countries due to lower-than-expected oil prices. This will keep the reserves import coverage below appropriate levels.

Inflation Has Continued to Ease in Many Countries

The median annual inflation rate is projected to decline from 3.8 percent in 2018 to 3.4 percent in 2019, amid subdued domestic demand, lower oil prices, and increased currency stability (figure 1.20). These aggregate figures hide significant differences between resource-intensive and non-resource-intensive countries. The median inflation rate is expected to edge up in resource-intensive countries, mainly reflecting higher price pressures among metals-exporting countries. High double-digit inflation rates persist in Liberia and Sierra Leone, due to the continued monetization of large fiscal deficits and greater pass-through of currency deprecation to domestic prices. Inflation has been slowing among oil exporters although it remains in double-digits in Angola and Nigeria. Inflation in Angola increased to 17.5 percent y/y in August due to higher food prices. Inflation eased in Nigeria to 11.0 percent (y/y) in August, helped by a decline in nonfood prices, but remained well above the central bank's target range of 6 to 9 percent. In non-resource-intensive countries, inflation is generally low and steady. However, rising food price pressures, partly due to drought, are contributing to higher inflation in Ethiopia, and inflation remains considerably high in Sudan and Zimbabwe, owing to their weaker policy and institutional frameworks.

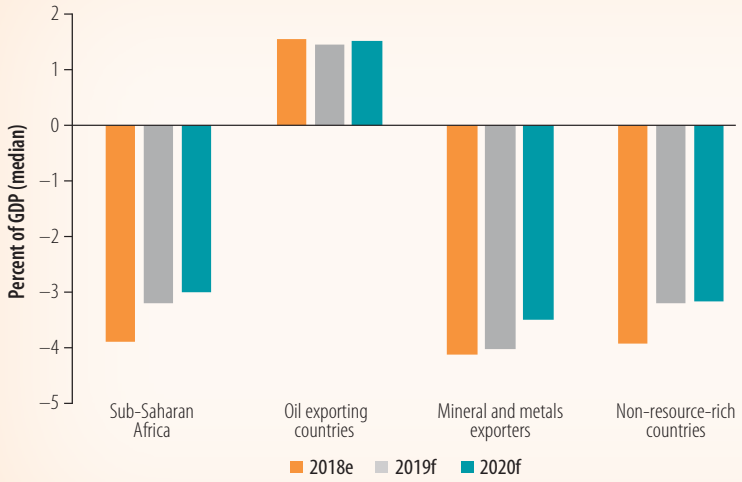
Softening economic activity and low inflationary pressure provided scope for accommodative monetary policy in many countries. Since May 2019, central banks in 10 countries—including Angola and South Africa—have cut their policy rates amid benign inflation and sluggish real GDP growth. In contrast, in May, the central bank of Zambia raised its interest rates to stabilize the exchange rate amid rising inflation. In August, four countries—Botswana, Mauritius, Mozambique, and Namibia—lowered their key policy rates. Looking ahead, the region's policy makers may further loosen monetary policy amid abating price pressures and the shift to more accommodative conditions globally. However, at their September monetary policy committee meetings, the central banks of Kenya, Nigeria, and South Africa decided to keep their benchmark interest rates unchanged, at 9.0, 13.5, and 6.5 percent per annum, respectively.

Fiscal Consolidation Remains Critical Across the Region

The median fiscal deficit for the region is expected to narrow from 3.9 percent in 2018 to 3.2 percent of GDP in 2019 (figure 1.21). An improvement in the median fiscal deficit of non-resource-

intensive countries more than offset a deterioration in resource-intensive countries' balances. About half of the non-resource-intensive countries are expected to see their fiscal deficits fall this year. Among them, WAEMU countries are striving to adhere to the regional fiscal deficit convergence criterion of 3 percent of GDP, through greater efforts to improve domestic revenue mobilization by curbing tax exemptions and enforcing regional tax policy directives. However, the fiscal deficit is expected to widen in some countries, owing to increased spending in some cases (Ghana, Mozambique, Rwanda, and Uganda) and lower revenue mobilization in others (Eswatini and Sudan). In Ghana, public spending was increased to address banking sector problems; in Rwanda and Uganda, the increase in the fiscal deficit reflected higher public investment spending; in Sudan and Eswatini, tax revenue collection was considerably weaker than expected. In Mozambique, cyclone reconstruction needs are expected to push the fiscal deficit higher.

FIGURE 1.21: Fiscal Balance (% of GDP)



Source: World Bank staff estimates.
Note: e=estimate, f=forecast

The fiscal deficit for the region is expected to narrow in 2019, mainly due to lower fiscal deficits among non-resource-intensive countries.

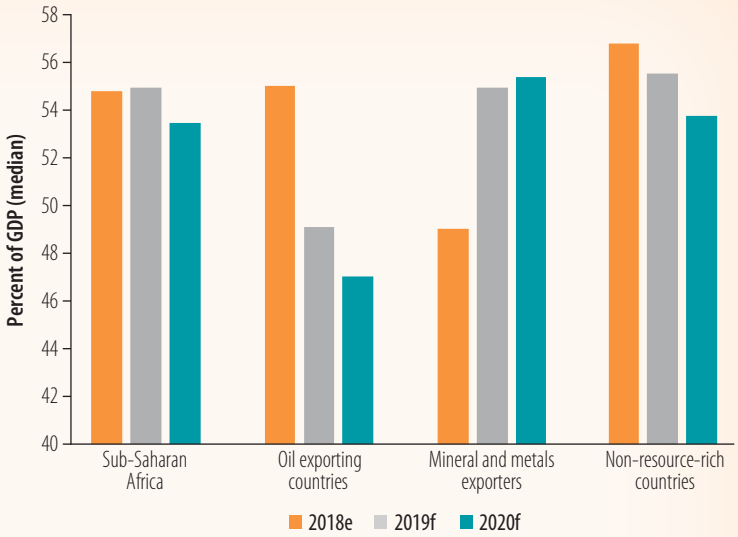
Among resource-intensive countries, oil exporters are expected to see their fiscal surplus fall, as lower oil prices weigh on revenue, with diverging fiscal developments across countries. Fiscal consolidation efforts, supported by large cuts in government expenditure, including investment programs, have improved fiscal balances in CEMAC countries. In Angola, fiscal consolidation has continued, supported by adjustments to adapt to lower oil prices, including through improvements in public financial management. The fiscal deficit is expected to widen in Nigeria as non-oil revenue mobilization remains low due to weak tax reforms. For metals exporters, the median fiscal deficit is expected to remain unchanged at 4.1 percent of GDP in 2019, pointing to slow progress in much-needed fiscal consolidation. In South Africa, the overall fiscal deficit is expected to increase significantly. Weaker real GDP growth led to a sizable revenue shortfall, while financial support to Eskom—the utilities parastatal—caused spending overruns.

Debt Vulnerabilities Are Still Elevated

The median government debt-to-GDP ratio is expected to stabilize at around 55 percent in 2019, following sustained and broad-based increases since 2013 (figure 1.22). There are still significant differences between resource-intensive and non-resource-intensive countries. Among resource-intensive countries, a decrease in government debt in oil exporters was partially offset by an increase in borrowing among metals exporters. The decrease in government debt among oil exporters mainly reflected the strong fiscal adjustment in CEMAC countries. In Nigeria, public debt is expected to rise by 3 percentage points of GDP, although it will remain modest at around 22 percent of GDP. In Angola, government debt remained high due to currency depreciation. The

The government debt-to-GDP ratio is expected to stabilize in 2019. However, significant differences persist between resource-intensive and non-resource-intensive countries.

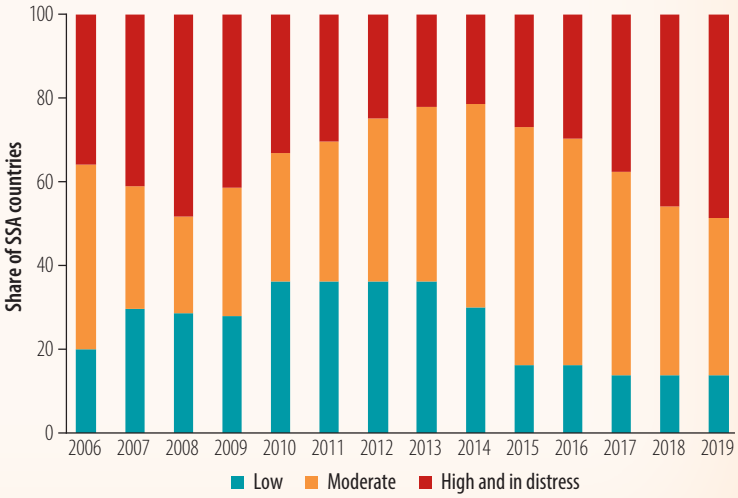
FIGURE 1.22: Public Debt



Source: World Bank staff estimates.
Note: e=estimate, f=forecast.

The share of countries in the region assessed in debt distress or at high risk of debt distress increased in 2019.

FIGURE 1.23: External Debt Distress



Source: World Bank staff estimates.
Note: The data covers joint Bank-Fund Debt Sustainability Analyses for Low Income Countries of Sub-Saharan African countries. Number of countries varies by year.

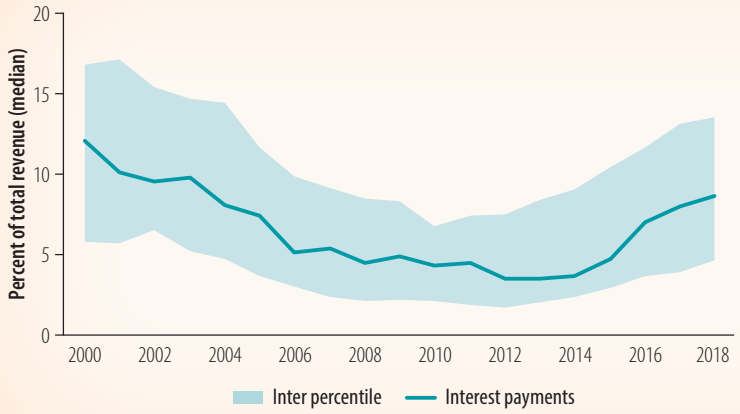
increase in government debt among metals exporters mainly reflected rising debt levels in South Africa and Zambia and some smaller economies, including Guinea and Liberia. In Zambia, government debt is expected to rise by 9 percentage points in 2019, driven by high fiscal deficits and large currency depreciations. The median government debt ratio is projected to decline among non-resource-intensive countries, reflecting progress in fiscal consolidation. However, government debt has risen in the countries that experienced a deterioration in their fiscal balances (Ghana, Mozambique, and Rwanda) as well as currency depreciations (Ghana, Mozambique, and Sudan).

The share of countries in Sub-Saharan Africa assessed in debt distress or at high risk of external debt distress has almost doubled, though the pace of deterioration has slowed (figure 1.23). The rising debt vulnerability stems from the increase in government debt levels, especially of non-concessional debt, which led to a substantial rise in debt servicing costs. The share of foreign currency–denominated public debt increased by 12 percentage points from 2013, to 36 percent of GDP in 2018, partly reflecting the recent surge in Eurobond issuance. The increased reliance on non-concessional foreign currency borrowing has heightened refinancing and interest rate risk in debtor countries. Furthermore, the rise in nonresident participation in domestic debt markets has exposed some countries to the risk of sudden capital outflows, which could trigger large currency depreciations. In Nigeria, nonresident holdings of domestic short-term papers account for a significant share of the country's foreign reserves. Meanwhile, higher debt ratios have pushed up interest payments, which are absorbing a growing share of revenue. For the region as a whole, the average interest payments-to-revenue ratio is expected to rise to 11 percent in 2019, from 6 percent in 2012 (figure 1.24). In Nigeria, although public debt remains modest as a share of GDP, interest payments as a

share of revenues have increased substantially, especially at the federal government level, where the interest payments-to-revenue ratio exceeds 60 percent.

The median fiscal deficit in the region is projected to narrow further in 2020, mainly as fiscal consolidation advances among metals exporters. Fiscal balances are expected to remain broadly unchanged among oil exporters and non-resource-intensive countries. The median government debt-to-GDP ratio is expected to trend downward after 2019 if fiscal consolidation continues as projected, through domestic revenue mobilization and expenditure control. However, improvements in debt management and debt transparency would also be needed. Despite significant progress in debt reporting, important gaps in countries' capacity to record, monitor, and report public debt remain. Comprehensive and reliable information on public debt is critical for governments and creditors to take informed decisions. Results from the 2015–16 World Bank Debt Management Performance Assessment (DeMPA) show significant gaps in debt recording (44 percent of countries meet minimum requirements), debt reporting and evaluation (29 percent), and monitoring of guarantees (17 percent) (figures 1.25A and 1.25B).[3] Broader problems continue in debt management governance, including weak legal frameworks, lack of audits, poor data administration and internal control, and low staff capacity.

FIGURE 1.24: Interest Payments in Sub-Saharan Africa



Source: World Economic Outlook April 2019, World Bank staff estimates.

The rising debt vulnerability in the region stems partly from the substantial rise in debt servicing costs.

FIGURE 1.25A: Evolution of DeMPA Scores

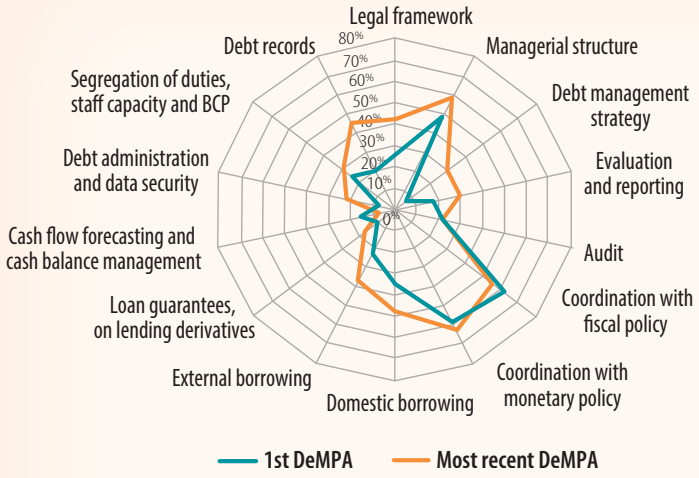
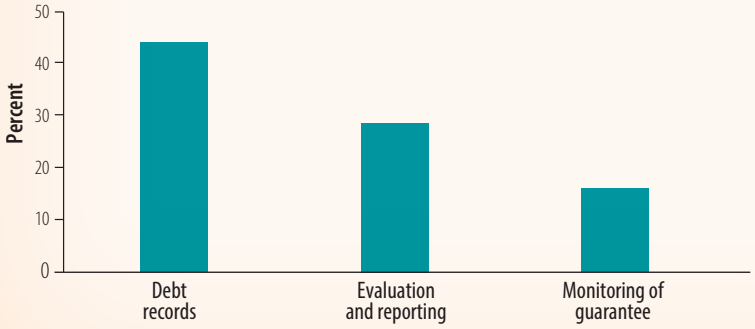


FIGURE 1.25B: Share of SSA Countries that Meet the Minimum Requirement of Debt Transparency



Source: World Bank.

There are significant gaps in debt recording, evaluation and reporting, and monitoring of guarantees in Sub-Saharan Africa.

3 The DeMPA covers 26 SSA countries that received at least two assessments over 2008–15.

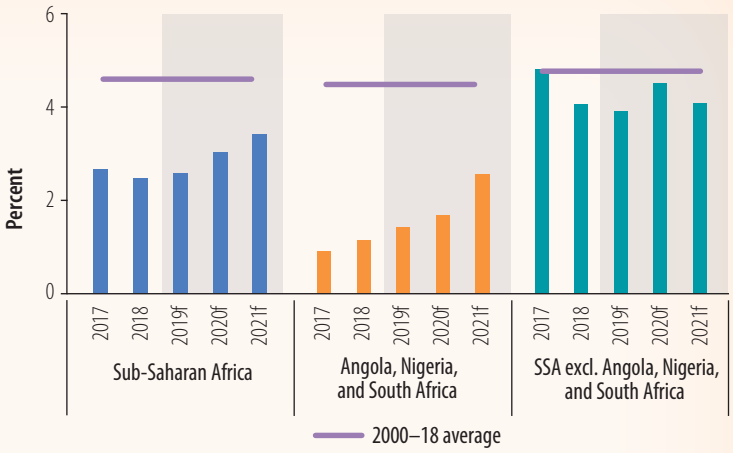
OUTLOOK

Growth Will Gradually Pick Up

Average growth in Sub-Saharan Africa is expected to rise modestly, from 2.5 percent in 2018 to 2.6 percent in 2019, improving to 3.1 percent in 2020 and 3.2 percent in 2021 (figure 1.26). These forecasts are 0.2 percentage point lower than envisaged in the April 2019 issue of *Africa's Pulse*. On the demand side, the continued sluggish recovery in the region in 2019 reflects a slowdown in fixed investment amid heightened policy uncertainty; on the supply side, it reflects a modest expansion in manufacturing and mining industries due to poor energy sector performance in some countries. At the country level, continued low growth in Nigeria, South Africa, and Angola was compounded by a slowdown in some non-resource-intensive countries.

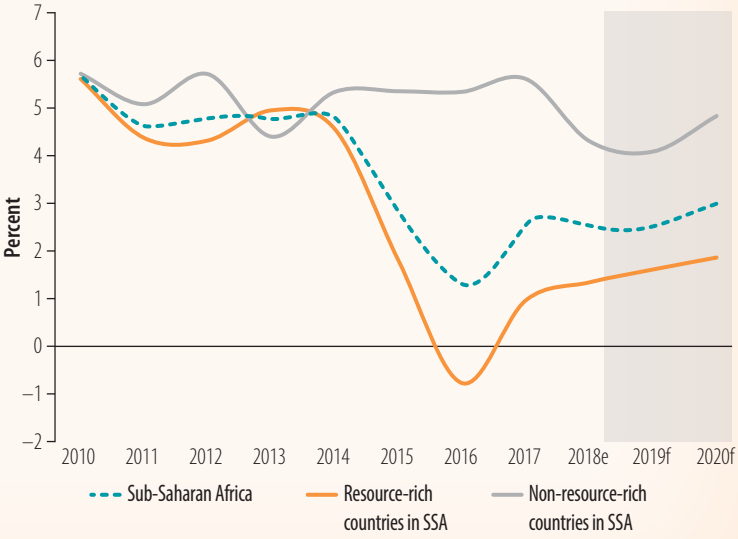
Average growth in Sub-Saharan Africa is expected to remain subdued in 2019 and rise moderately in 2020, supported by a gradual recovery in investment.

FIGURE 1.26: GDP Growth Forecast for Sub-Saharan Africa



The projected pickup in regional growth in 2020 relies on stronger growth among non-resource-intensive countries offsetting a modest expansion among resource-intensive countries.

FIGURE 1.27: GDP Growth, by Resource Group



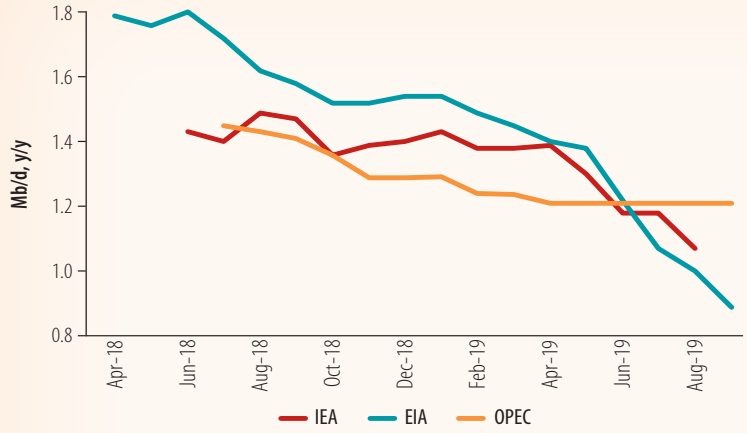
Sources: World Bank MFMod Structural Macro Model, World Bank staff estimates.

Reflecting the effect of heightened policy uncertainty on global economic activity, real GDP growth is also expected to slow significantly in other EMDE regions. The Middle East and North Africa, Latin America and Caribbean, and South Asia regions are expected to see larger downward revisions in their growth forecasts than Sub-Saharan Africa for 2019.

Regional growth is expected to pick up in 2020 as domestic demand strengthens, supported by a gradual recovery in investment. Stronger growth in non-resource-intensive countries is expected to offset a modest expansion among resource-intensive countries (figure 1.27). The downward revision in the forecasts for 2020 and 2021 reflects several factors. Despite some improvements, the external environment is expected to remain difficult and uncertain for the region. After slowing in 2019, global growth is expected

to rise only moderately in 2020. Although the synchronized global monetary policy easing currently underway may ease financial pressures in the region, capital inflows have remained modest, partly as trade policy uncertainty continues to weigh on investor sentiment. Oil prices are expected to average around US$60 per barrel in 2019 and 2020, down from US$68 per barrel in 2018, as demand declines (figure 1.28). Similarly, metals prices are expected to decline further in 2020, owing to the subdued global growth outlook (box 1.1). Domestically, the pace of structural reforms is expected to remain slow in the large economies.

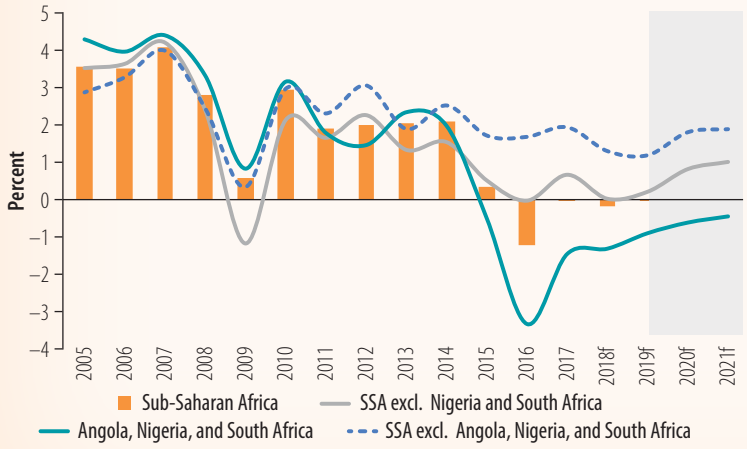
FIGURE 1.28: Oil Demand Forecasts



Note: EIA = U.S. Energy Information Administration; IEA = International Energy Agency; Mb/d = million barrels per day; OPEC = Organization of the Petroleum Exporting Countries; y/y = year-over-year.

Low global demand, reflecting the subdued global outlook, is expected to weigh on crude oil prices.

FIGURE 1.29: GDP per Capita Growth Forecast



Sources: World Bank MFMod Structural Macro Model, World Bank staff estimates.
Note: e=estimate f=forecast

Per capita GDP growth for the region as a whole is projected to remain well below the growth needed to improve the living standards of the region's population.

Per capita GDP growth for the region as a whole has remained relatively flat, with no gain expected in 2019 (figure 1.29). Per capita GDP growth is projected at 0.5 percent in 2020 and 0.6 percent in 2021, well below the growth needed to improve the living standards of the region's population. In Nigeria, the country with the largest number of poor people in the region, per capita GDP growth has remained negative. Accelerated demographic transition will have an important role to play in the region's economic development. However, there is significant heterogeneity in growth prospects across countries in the region.

- For resource-intensive countries, growth is projected at 1.7 percent in 2019 and 2.0 percent in 2020–21, well below population growth, largely reflecting the continued slow recovery in the large economies. In Nigeria, growth is projected at 2.0 percent in 2019 (0.1 percentage point lower than the April forecast) and 2.1 percent in 2020 and 2021 (0.1 and 0.3 percentage point lower than the April forecasts, respectively). The economic recovery in Nigeria is expected to continue at a slow pace in the absence of structural reforms. The medium-term growth outlook continues to be constrained by a weak macroeconomic policy environment and slow

policy implementation. Multiple exchange rates, foreign exchange restrictions, high inflation, and low non-oil revenues persist along with severe infrastructural constraints and heightened insecurity in parts of the country.

- Growth in South Africa is now expected at 0.8 percent in 2019 (0.5 percentage point lower than the April forecast), the same as in 2018. Growth is expected to rise to 1.0 percent in 2020 (0.7 percentage point lower than in April) and reach 1.3 percent in 2021 (0.5 percentage point lower than the April forecast). These large downward revisions reflect the sharp slowdown in real GDP growth in the first quarter of 2019, low investor sentiment, and persisting policy uncertainty, including whether a solution could be found for Eskom, fiscal slippages would be averted, and structural reforms would be undertaken.

- In Angola, growth is projected at 0.7 percent (0.3 percentage point lower than the April forecast) in 2019, 2.2 percent in 2020 and 2.7 percent in 2021 (0.7 and 0.1 percentage point lower than the April forecasts, respectively). Growth is expected to remain subdued in 2019, as a modest expansion in the non-oil sector, supported by reforms to improve the business environment, is partially offset by continued underperformance in the oil sector due to aging fields. Growth is expected to rebound gradually as new investment helps ease the drags from the oil sector.

- Excluding Nigeria, South Africa, and Angola, growth in the rest of the region is projected at 4.0 percent in 2019 (0.4 percentage point lower than the April forecast), 4.7 percent in 2020 and 4.8 percent in 2021, broadly in line with the April forecasts. The forecast revision for 2019 mainly reflects a slowdown among non-resource-intensive countries. Among other resource-intensive countries, the outlook for CEMAC countries is relatively stable, with average growth projected at 3.0 percent in 2019 and 2020, despite a volatile security situation in some countries. These forecasts assume that fiscal adjustment to preserve external viability will continue and planned reforms to boost non-oil growth are implemented. In contrast, growth among metals exporters is expected to moderate, partly reflecting weaker prospects in Zambia and the Democratic Republic of Congo, as mining production slows amid falling metals prices.

- For non-resource-intensive countries, growth is projected at 4.2 percent (0.5 percentage point lower than the April forecast) for 2019, and 5.0 percent in 2020 and 2021, broadly unchanged from the April forecasts. The downward forecast revision for 2019 mostly reflects temporary drags from stressed economies, including Mozambique, Sudan, and Zimbabwe, but slowdowns are also seen in Kenya due to sluggish agricultural exports, and in Senegal due to cuts in public expenditures. The projected pickup in growth in 2020 assumes that stressed economies will gradually stabilize, and growth will remain robust in WAEMU countries and the East Africa subregion. The outlook for these countries hinges on fiscal consolidation to ease debt vulnerabilities and the implementation of structural reforms to improve the competitiveness of their economies and bolster private sector–led growth.

BOX 1.1: Commodity Market Outlook

The prices of most commodities have weakened considerably since the second quarter of 2019, in large part due to deterioration in the global growth outlook and, for some commodities, good supplies.

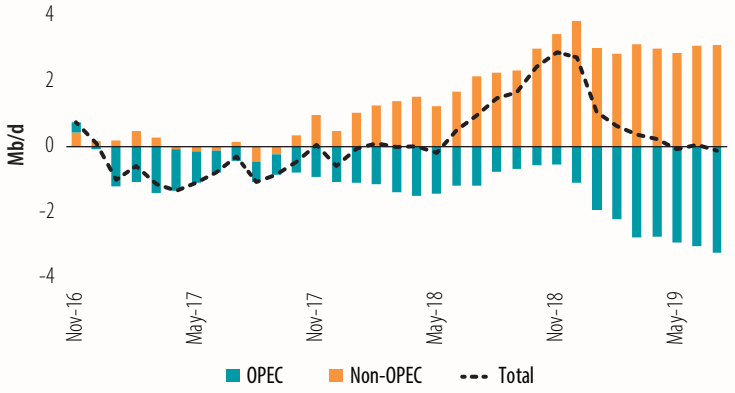
Oil prices, which averaged $63/barrel (bbl) during the first half in 2019 (nearly 8 percent lower than 2018H1), dropped below $58/bbl in August, as downward revisions to demand prospects continued. Although OPEC (led by Saudi Arabia) along with its non-OPEC partners (mainly the Russian Federation) have broadly adhered to the agreed cuts, production from other countries has kept the global market well-supplied (figure B1.1). Growth of U.S. oil output, which kept accelerating during the first quarter of 2019, slowed, mostly in response to lower prices, although adverse weather conditions also caused temporary disruptions to production.

Oil prices are expected to decline from $68/bbl in 2018 to an average around $60/bbl in 2019 and 2020. However, there are considerable uncertainties regarding the forecast, especially those of a geopolitical nature as the September 14 attacks on Saudi Arabia's oil infrastructure highlighted. Although the attacks halved the country's oil capacity, causing major volatility in oil prices (they gained 15 percent within a day), the markets calmed following the announcement that more than half of the oil supplies came back quickly.

Metals prices strengthened in the first half of the year (figure B1.2) following supply bottlenecks for nickel, lead, and zinc and strong demand by China (the country currently accounts for 55 percent of global metals consumption, up from 5 percent in the 1990s). Later in the year, the prices of most base metals declined, primarily reflecting the re-escalation of trade tensions. An exception was the price of nickel, which rose sharply on ongoing supply concerns. Metals prices are expected to decline further in 2020, reflecting the subdued growth outlook.

Agricultural prices, particularly for grains, increased in the first half of 2019 on worries that poor weather for some major producers may reduce harvests, but fell in the second half amid improved conditions and ongoing trade concerns. Currently, the stock-to-use ratios (a measure of supply relative to demand) for the three main grains (maize, wheat, and rice) stand at high levels, implying that agricultural prices are likely to remain relatively flat in 2020. A key downside risk in agriculture is a further escalation of trade tensions, which could depress prices or lead to widening price differentials between countries.

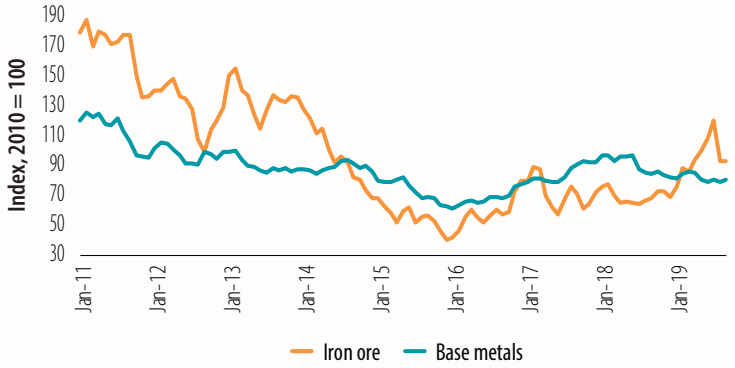
FIGURE B1.1: Crude Oil Production Change Since 2016



Source: International Energy Agency.
Note: Last observation is July 2019.

Although OPEC countries and their partners have adhered to agreed production cuts, production from other countries has kept the global oil market relatively well supplied.

FIGURE B1.2: Metals Prices



Source: World Bank.
Note: Last observation is September 2019.

After strengthening in the first half of the year, metal prices declined as trade tensions escalated.

RISKS

Risks Remain Tilted to the Downside

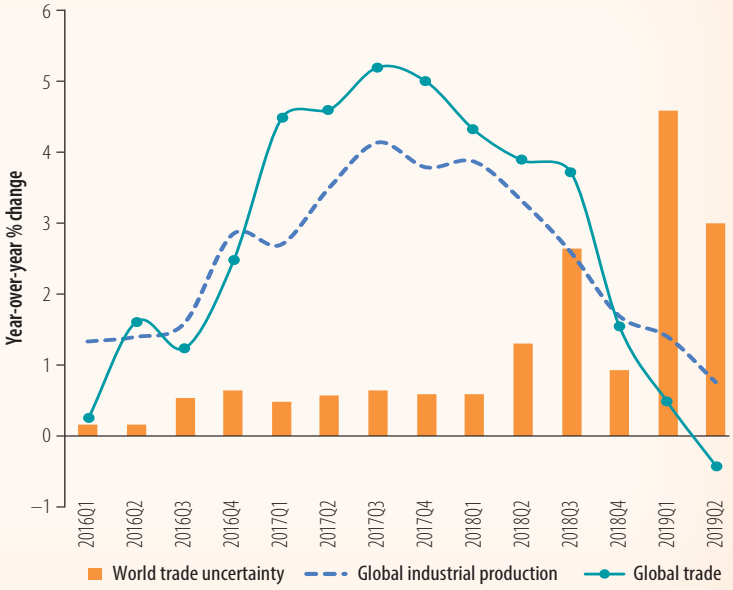
On the external side, risks to the regional outlook include the possibilities of weaker-than-expected global growth because of continued deterioration in investor sentiment, tightening of global financial conditions, and higher commodity price volatility. On the domestic front, drought, security threats, increases in the cost of public borrowing, and slowing implementation of reforms to boost revenues and private investment remain key risks to the outlook.

External Risks

Weaker-than-expected global recovery. Global growth is expected to rebound in 2020, following a slowdown in 2019. Global trade tensions contributed to the slowdown in global economic activity, by weighing on investor sentiment and lowering investment (see figure 1.30). Trade tensions have led to lower commodity prices and contributed to slower exports in the region.

Global trade uncertainty is weighing on global trade and industrial output.

FIGURE 1.30: World Trade Uncertainty, Global Trade, and Global Industrial Production
(year-over-year % change)

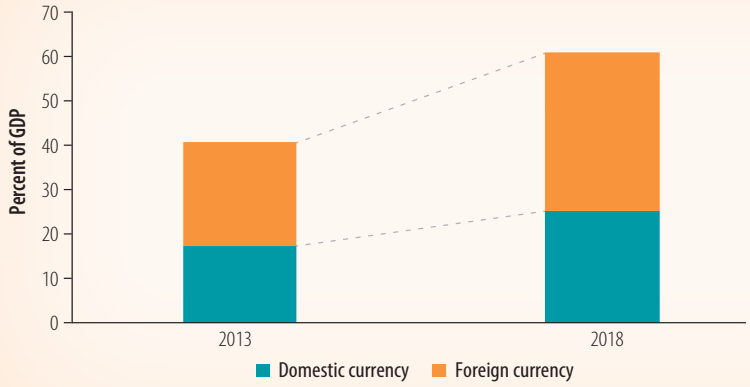


Sources: Ahir, Bloom, and Furceri 2018; CPB World Trade Monitor.

Despite recent signs of moderation in trade tensions between the two countries ahead of the October negotiations, trade policy uncertainty remains elevated. A re-escalation of trade tensions would heighten the current global slowdown, intensify risk sentiment, and hamper the recovery in Sub-Saharan Africa, including through lower fiscal revenues, larger current account deficits, and more sluggish investment. The escalation of tariff tensions in the world economy could lower global exports by up to 3 percent (US$674 billion) and global income by as much as 1.7 percent (US$1.4 trillion), with losses across all regions (Freund et al. 2018). A sharper-than-expected slowdown in China, as a result of heightened global trade uncertainty, would further reduce commodity prices as investor sentiment deteriorates and demand from China falls. On the upside, if the trade disputes are resolved and investor sentiment rises, stronger global activity could boost regional growth above the baseline forecast through higher exports and increased investment flows in mining and infrastructure.

Tighter financing conditions. Although a synchronized global monetary policy easing is underway, financial conditions could tighten unexpectedly from a sudden change in risk sentiment due to factors other than weak growth. A sharp tightening of financial conditions caused by rising risk aversion across investors could expose high-debt economies in the region to debt service, refinancing, and exchange rate risks due to the increased reliance on non-concessional foreign-currency borrowing (figure 1.31). Exposure to global financial markets has risen in the region due in part to Eurobond issuances. A shift in global sentiment toward the U.S. dollar could lead to higher risk premia and lower external financing for the region's frontier economies, which could significantly lower their external reserve position. The prevalence of these risks underscores the need for effective policy implementation to build adequate policy buffers.

FIGURE 1.31: Share of Public Debt, by Currency



Source: World Economic Outlook April 2019, World Bank staff estimates.

The increased reliance on foreign currency borrowing has heightened refinancing and exchange rate risks in many countries in the region.

Commodity price volatility. Commodity prices are expected to remain low relative to their 2018 peaks. In oil markets, slower-than-expected global demand could reduce oil prices further, whereas geopolitical tensions in the Middle East or supply cuts by the Organization of the Petroleum Exporting Countries pose an upward risk to prices. Lower oil prices would worsen the fiscal position in the region's oil exporters through lower oil revenues, while sluggish economic activity would affect non–oil sector growth. Oil exporters in CEMAC are particularly vulnerable to this risk because of their weaker policy framework. A prolonged decline in oil prices would put pressure on fiscal and external balances and the financial sector, significantly hampering ongoing fiscal consolidation efforts. On the other hand, lower oil prices could also improve the fiscal position in oil importers and support growth in these countries.

Domestic Risks

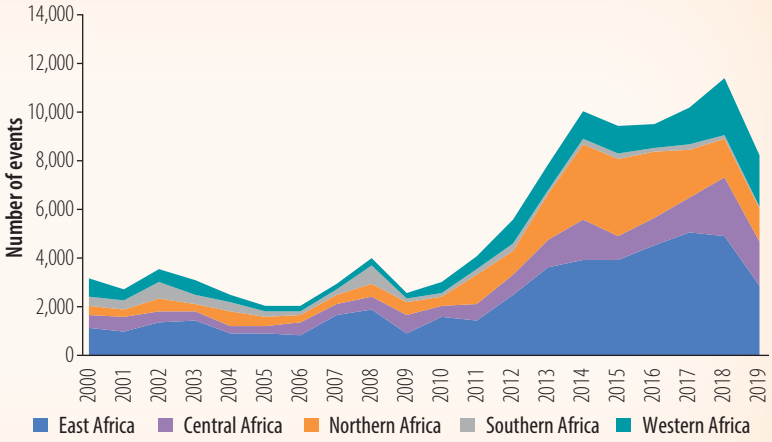
Weaker domestic reforms. Across the region, the medium-term outlook is predicated on implementation of planned fiscal consolidation and structural reforms to underpin private investment. In many countries, the risk of weak reform implementation remains high, especially where general elections are approaching. Given high debt vulnerabilities in the region, slippages in fiscal consolidation could further increase public debt and servicing costs. This would crowd out credit to the private sector and lower foreign reserve buffers. A slowdown in the repayment of domestic debt and arrears will affect financial sector stability. Slower-than-expected structural reforms could constrain trade, economic diversification, and much-needed improvements in the regulatory environment for private sector activity.

Deterioration in security conditions. In many parts of the region, security risks—including terrorism threats—have been intensifying, aggravated by intercommunal and religious tensions in some

countries, especially in the Sahel region in West Africa (figure 1.32). Such threats could hinder local and foreign investment, hamper tourism, and obstruct governments' efforts to implement reform programs aimed at accelerating growth and poverty reduction. A sustained deterioration in the security situation might lead to increased military spending needs and capital outflows. Greater regional insecurity could destabilize borders and cause a new influx of refugees or displace people internally.

Security risks are elevated in many parts of the region. A sharper-than-expected deterioration in security conditions could harm the region's growth prospects.

FIGURE 1.32: Violence in Sub-Saharan Africa, by Subregion



Source: Armed Conflict Location and Event Data Project, 2019.

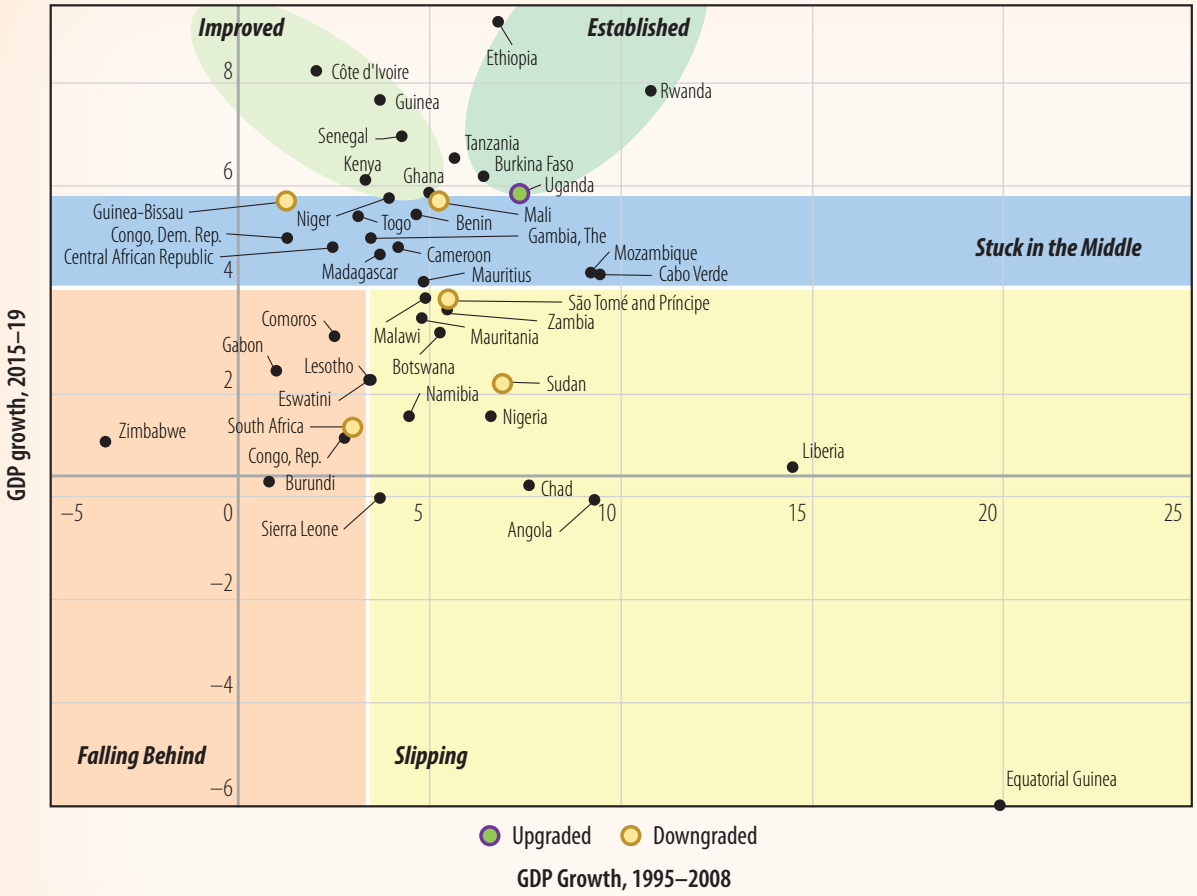
Weather shocks. The region remains vulnerable to weather shocks, including drought and flooding. In 2019, the agriculture sector made a negligible contribution to regional growth, as drought affected production in some countries. Severer-than-expected weather conditions would further depress the agriculture sector and reduce agricultural incomes, export earnings, and overall growth. The prevalence of this risk in the region further justifies the need for effective mechanisms to build resilience to climatic changes, as discussed in the April 2019 issue of *Africa's Pulse*. Given the severe impact of weather shocks on rural households, efficient early warning systems and insurance mechanisms targeting low-income farmers would be critical.

TAXONOMY OF GROWTH: HOW RESILIENT IS GROWTH ACROSS SUB-SAHARAN AFRICAN COUNTRIES?

The taxonomy of growth resilience, which was introduced in *Africa's Pulse*, volume 14, describes different groups of growth performers in the region according to the speed and persistence of the rate of growth of their GDP (World Bank 2016). This analysis provides a broad picture of recent economic performance in Sub-Saharan Africa. External headwinds—driven by rising world trade and policy uncertainty—and poor economic management have taken a toll on Sub-Saharan African countries during 2015–19, thus putting to test the degree of growth resilience across the region. This section updates the taxonomy of growth resilience in Sub-Saharan Africa (figure 1.33).

Compared with the taxonomy reported in the April 2019 edition of *Africa's Pulse*, five countries have been downgraded and one country has been upgraded. Uganda is the only upgraded country (with GDP growth of 5.5 percent over 2015–19). It jumped from stuck in the middle to established. Two countries were downgraded from improved to stuck in the middle (Guinea-Bissau and Mali), two countries went from stuck in the middle to slipping (São Tomé and Príncipe and Sudan), and one country was downgraded from slipping to falling behind (South Africa).

FIGURE 1.33: Taxonomy of Growth in Sub-Saharan Africa



Compared with the taxonomy reported in the April 2019 edition of *Africa's Pulse,* five countries have been downgraded and one has been upgraded.

Source: World Development Indicators, World Bank.

Note: The growth taxonomy compares the average annual rate of GDP growth during 1995–2008 and 2015–19 against predetermined thresholds. These thresholds correspond to the 33rd and 67th percentiles of the annual average growth rate across 44 Sub-Saharan African countries during 1995–2008, which are 3.5 and 5.4 percent, respectively. Once the thresholds are established, the taxonomy classifies growth performance into five groups: (a) falling behind, (b) slipping, (c) stuck in the middle, (d) improved, and (e) established. For more details, see *Africa's Pulse*, volumes 14 and 15. GDP = gross domestic product.

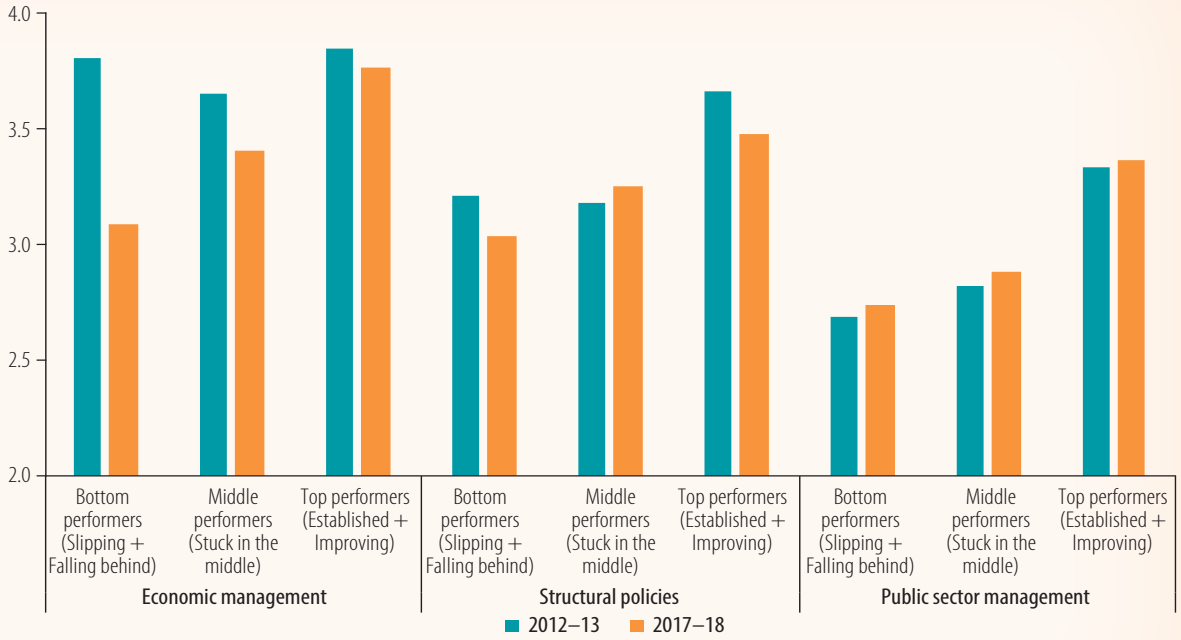
The top tercile of growth performers in the region, which includes the improved and established countries, comprises 10 countries (Burkina Faso, Côte d'Ivoire, Ethiopia, Ghana, Guinea, Kenya, Rwanda, Senegal, Tanzania, and Uganda). This group houses 36 percent of Sub-Saharan Africa's population (375 million people in 2018) and produces 25 percent of the region's total GDP. The middle tercile of growth performers now includes 13 countries (Benin, Cabo Verde, Cameroon, the Central African Republic, the Democratic Republic of Congo, The Gambia, Guinea-Bissau, Madagascar, Mali, Mauritius, Mozambique, Niger, and Togo). This group accounts for about 22 percent of the region's population (237 million people in 2018) and 10 percent of the region's GDP. The number of countries in the bottom tercile of growth performers has increased to 21 (Angola, Botswana, Burundi, Chad, the Comoros, the Republic of Congo, Equatorial Guinea, Gabon, Lesotho, Liberia, Malawi, Mauritania, Namibia, Nigeria, São Tomé and Príncipe, Sierra Leone, South Africa, Sudan, Eswatini, Zambia, and Zimbabwe). This group accounts for 42 percent of the region's population (437 million people in 2018) and produces 64 percent of the region's total GDP—which is more than the size of the economies in the top and middle terciles combined.

Economic Performance and the Quality of Economic Policies and Institutions

Delivering sustained and resilient growth in the region requires maintaining and/or improving the quality of the country's policies and institutions—including economic management, structural policies, and public sector management and institutions. Unfortunately, the quality of policies and institutions in the region, measured by the Country Policy and Institutional Assessment ratings, has deteriorated over the past five years (figure 1.34). The quality of economic management policies has deteriorated for all groups of growth performers from 2012–13 to 2017–18, although the decline is sharper in the bottom and middle terciles. The quality of structural policies also decreased but only among the bottom and top growth performers. The quality of public sector management and institutions has remained invariant or improved slightly over the past five years for all groups of growth performers. Therefore, the deterioration in economic management and structural policies has driven the lower quality of policies and institutions in the region—and the magnitude of their decline varies across the different groups of growth performers.

The quality of policies and institutions among growth performers has declined, especially in the area of economic management.

FIGURE 1.34: Quality of Economic Policies and Institutions in Sub-Saharan Africa across Groups of Growth Performers, 2012–13 versus 2017–18



Source: CPIA Database, World Development Indicators, World Bank.

Note: The figure depicts the average CPIA ratings of economic management (cluster A), structural policies (cluster B), and public sector management and institutions (cluster D) for 2012–13 and 2015–17. The CPIA ratings take values from 1 to 6, and higher values indicate higher quality of economic policies and institutions. Top, middle, and bottom refer to the terciles of growth performance. Top growth performers include established and improving countries. Middle growth performers are stuck in the middle countries. Bottom growth performers comprise slipping and failing behind countries. See the note in figure 1.32 for a detailed description of the configuration of the growth performance groups. CPIA = Country Policy and Institutional Assessment.

Figures 1.35A and 1.35B, further investigates the sources of the deterioration in the quality of economic management policies and structural policies. The *economic management* cluster of policies comprises the ratings on (a) monetary and exchange rate policy, (b) fiscal policy, and (c) debt policy. The bottom tercile of growth performers experienced a deterioration in the quality of economic management in all three policy categories, and the decline is sharper in monetary and fiscal policies. The drop in the quality of debt policy is not as much as the the decline in the quality of debt policy among the top tercile of growth performers. The middle tercile of growth performers also registered a deterioration in the quality of monetary and fiscal policies—although the drop is

not as sharp as that of the bottom tercile. In the case of the top growth performers, there is a slight increase in the quality of monetary policies and decreases in the quality of fiscal and debt policies (figure 1.35A). The largest drop in the quality of monetary and fiscal policies, which is observed in the bottom tercile of growth performers, can be attributed to this group having the largest amount of commodity exporters. The sharp drop in commodity prices (especially energy commodities) may have (a) weakened the currencies of the commodity exporters and translated into greater inflation (depending on the extent of the pass-through), (b) reduced government revenues and widened fiscal imbalances, and (c) lowered amount of exports and worsened current account balances.

FIGURE 1.35A: Economic Management in Sub-Saharan Africa across Groups of Growth Performers, 2012-13 versus 2017-18

The quality of monetary and fiscal policies has declined among the region's bottom growth performers.

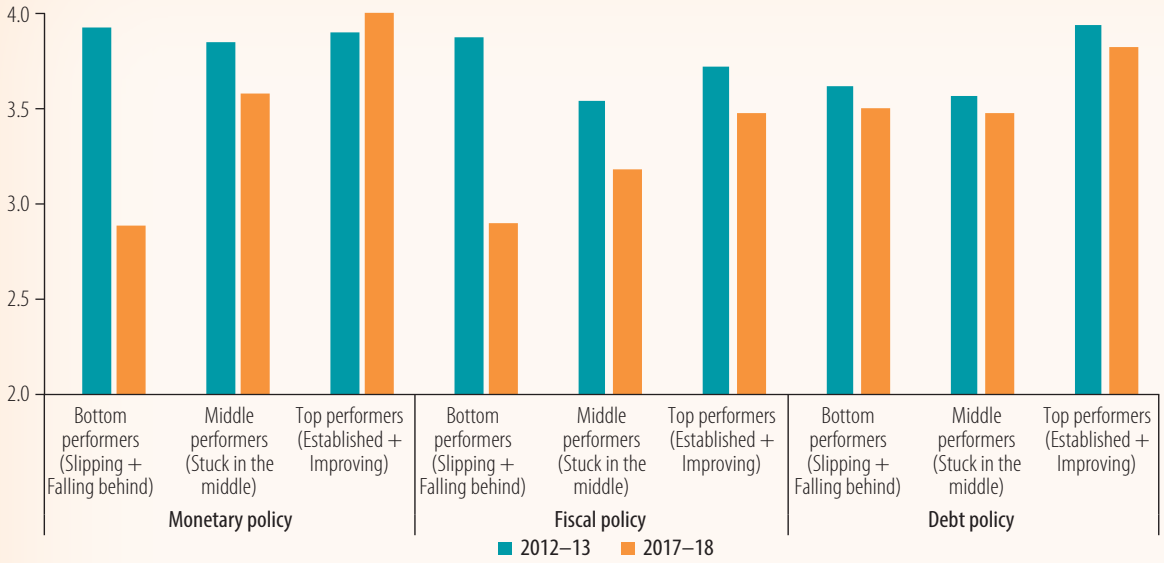
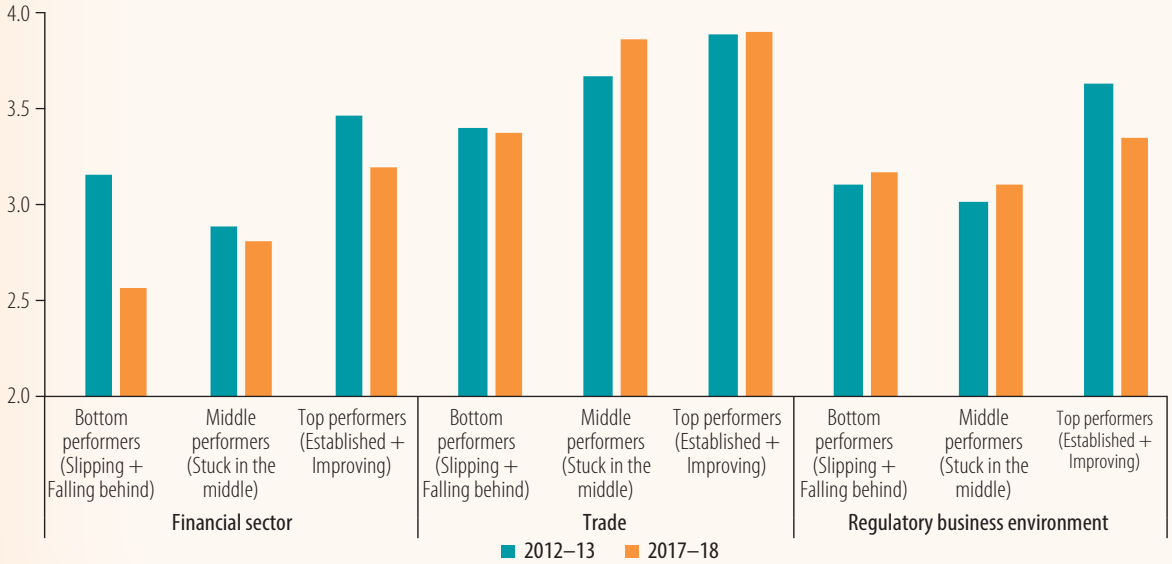


FIGURE 1.35B: Structural Policies in Sub-Saharan Africa across Groups of Growth Performers, 2012-13 versus 2017-18



Source: CPIA Database, World Development Indicators, World Bank.

Note: The figure depicts the average of the different components of economic management (cluster A) and structural policies (cluster B) for 2012–13 and 2015–17. The Country Policy and Institutional Assessment ratings take values from 1 to 6, and higher values indicate higher quality of economic policies and institutions. Top, middle, and bottom refer to the terciles of growth performance. Top growth performers include established and improving countries. Middle growth performers are countries that are stuck in the middle. Bottom growth performers comprises countries that are slipping and failing behind. See the note in figure 1.33 for a detailed description of the configuration of the growth performance groups.

The cluster of *structural policies* comprises the ratings on (a) the financial sector, (b) trade policy, and (c) the business regulatory environment. The quality of policies and regulations affecting the financial sector (as well as its structure) declined across all groups of growth performers, and the drop was sharper among bottom and middle performers. The rating for the financial sector for the bottom performers in 2017–18 is, however, very low (2.6). The quality level of the policy framework that fosters international trade of goods declined slightly in the group of bottom performers. This remained almost invariant among the top performers and it has increased slightly in the middle performers. The third category of structural policies, the business regulatory environment, looks at the legal, regulatory, and policy environment that is aimed at promoting private investment and boosting productivity. Improving business regulations may foster a conducive environment for engaging in foreign trade of goods and services. The quality of the regulatory environment dropped only among the group of top performers. Although it remained unchanged or increased slightly for the bottom and middle growth performers, the levels in these groups are low, at less than 3.2 in 2017–18 (figure 1.35B). Foreign trade could foster growth if (a) trade policies reduce barriers to trade, including non-tariff barriers, and, more generally, provide greater market access to exporters; (b) financial sectors provide timely financing to exporters and importers to conduct their transactions; and (c) the regulatory environment fosters contestability and more flexible labor markets.

POLICIES TO BOLSTER GROWTH IN SUB-SAHARAN AFRICA

Growth forecasts for Sub-Saharan Africa signal a continued recovery in 2020–21, although its pace is uncertain and likely to be weaker than anticipated. Growth per capita in the medium term will also remain below its long-term average. Against this backdrop, policy makers in the region must advance policies that could extend and re-energize the current expansion, improve resilience to shocks, and increase medium-term potential growth. The current global environment calls for policies that shore up inclusive growth while managing the shocks that may put growth resilience to the test. These policies include (a) strengthening monetary and fiscal policy frameworks to address current macroeconomic vulnerabilities; (b) implementing policies that accelerate poverty reduction; and (c) designing innovative solutions that bolster women's economic empowerment.

Addressing Macroeconomic Vulnerabilities

Macroeconomic vulnerabilities have increased in many Sub-Saharan African economies amid a less favorable external environment and weak macroeconomic fundamentals. Consequently, African policymakers need to adopt macroeconomic policies to rebuild their fiscal and monetary space to be more resilient to external and domestic economic shocks. This subsection looks closely at the current monetary, fiscal, and external conditions in Sub-Saharan Africa. Over the past decade, many Sub-Saharan African countries have widened their fiscal or current account deficits (or both) and registered higher rates of inflation. To finance countercyclical policy actions, some countries in the region have resorted to (domestic or external) borrowing. Although the debt level of the region, on average, is below what it was in the period before debt forgiveness

initiatives were implemented, its profile is riskier (as a result of lower concessional borrowing and rising obligations with private creditors and non–Paris Club governments).

Addressing an increase in macroeconomic vulnerabilities in the region requires (a) building up monetary and fiscal spaces to improve resilience to adverse shocks; (b) strengthening monetary policy by enabling central banks to be independent, accountable, and transparent; (c) developing local currency securities markets and enriching the menu of financial instruments to help diversify countries' financing structures, thus reducing currency risks; (d) improving domestic resource mobilization by raising the efficiency and effectiveness of tax administration;[4] (e) implementing sound debt management practices (that reduce the riskiness of the current debt structure) and fostering debt transparency (recording, monitoring, and reporting); (f) promoting and supervising statistical data transparency to help improve macroeconomic policy decisions and policy makers' accountability; and (g) stimulating policies to diversify countries' export baskets, thus allowing countries to become more resilient to commodity price volatility. The rest of this subsection documents the evolution over the past decade of inflation rates, fiscal and external balances (twin deficits), foreign exchange reserves, and debt sustainability.

African Countries Have Relatively Greater Monetary Than Fiscal Space to Withstand Economic Shocks

In Sub-Saharan Africa, nine of 46 countries have an average double-digit inflation rate in 2018–19, and about 40 percent of the countries in the region have an inflation rate that exceeds the average world inflation (3.6 percent in 2018–19). In addition, 37 countries have registered a primary deficit (as a percentage of GDP) in the same period. This implies that countries in the region may need to strengthen their monetary and fiscal policy frameworks to create space for further action in the event of negative (external or domestic) shocks in the future.

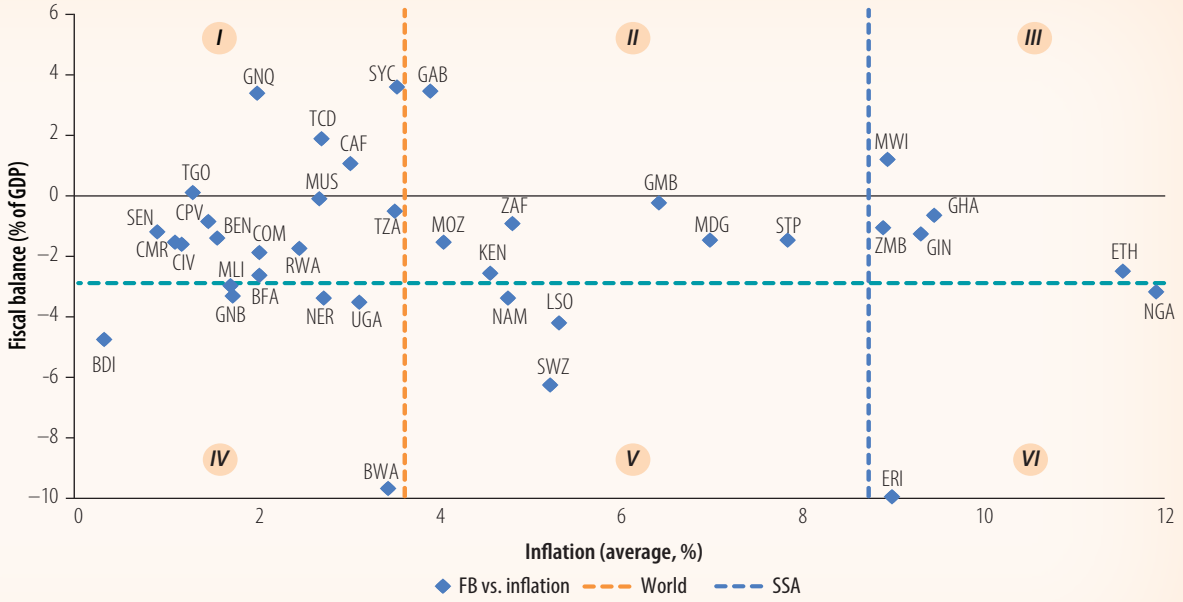
Figure 1.36 plots the average rate of inflation against the primary balance as a percentage of GDP during 2018–19 to measure the degree of monetary and fiscal spaces across 46 countries in Sub-Saharan Africa. The extent of countries' monetary and fiscal spaces is evaluated according to some predetermined thresholds: (a) a fiscal deficit of 3 percent of GDP (the horizontal dotted line at -3 on the y-axis), and (b) inflation thresholds corresponding to the average world inflation (3.6 percent) and Sub-Saharan African average inflation (8.7 percent) in 2018–19. These thresholds are identified by the orange and blue dashed vertical lines. If the country has an inflation rate that is below the world or regional inflation threshold and a primary balance greater than its corresponding threshold, then the country has relatively enough fiscal and monetary space. Otherwise, the country may not have monetary or fiscal space (or both) to withstand an economic shock through countercyclical policy actions.

Countries in area I (above the primary deficit threshold and below the world inflation threshold) have monetary and fiscal space to conduct countercyclical policies: 18 countries in the region have low inflation rates and primary balances that exceed -3 percent of GDP, and 11 of these countries are in the CFA franc zone (six in West Africa and five in Central Africa). Area II (above the primary deficit threshold and below the Sub-Saharan Africa inflation threshold) is comprised of seven countries, namely, Gabon, The Gambia, Kenya, Madagascar, Mozambique, São Tomé

4 In African economies, it is also essential to reduce the size of the informal sector. According to the World Bank, informal sector employment is almost 75 percent of total employment in Sub-Saharan Africa (World Bank 2018).

African economies have relatively more monetary than fiscal space.

FIGURE 1.36: CPI Inflation and Fiscal Balance across Sub-Saharan African Countries in 2018–19



Source: World Economic Outlook, International Monetary Fund.

Note: The orange and blue dotted vertical lines represent the average rate of Consumer Price Index inflation for the world and Sub-Saharan Africa, respectively, in 2018–19. The horizontal dotted line denotes a threshold general government primary deficit of 3 percent of gross domestic product. FB = fiscal balance; SSA = Sub-Saharan Africa.

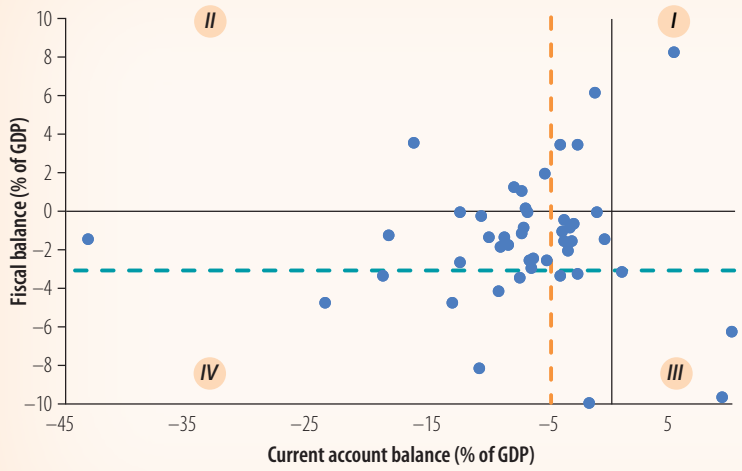
and Príncipe, and South Africa. Their inflation rates are above the world average but below the average for Sub-Saharan Africa, and their primary fiscal balance-to-GDP ratios exceed -3 percent of GDP. Consequently, they still have room in their monetary and fiscal spaces to maneuver. If countries lie below the thresholds, they do not have fiscal or monetary space (or both). For example, if a country is in area VI (the inflation rate exceeds the average for Sub-Saharan Africa and the primary deficit exceeds 3 percent of GDP) or area VI (no inflationary issues and primary deficit exceeding 3 percent), then its economy is vulnerable to shocks because the country has limited fiscal and monetary spaces. Area IV is comprised of five countries where inflation is under control and fiscal imbalances are accumulating, namely, Botswana, Burundi, Guinea-Bissau, Niger, and Uganda. Area VI is comprised of countries with widened primary deficits and relatively high inflation (above the average for Sub-Saharan Africa), that is, Liberia, Nigeria, and Sudan. Double-digit inflation and widened fiscal deficits elevate the vulnerability of these countries to economic shocks.

Twin Deficits: Keeping Them in Check to Reduce Current Pressures

Many countries in Sub-Saharan Africa, approximately 72 percent of 46 countries, face large fiscal or current account deficits—and 13 percent of the countries in the region have twin deficits. It is essential to reduce these imbalances to build up policy space and stave off currency pressures. Figure 1.37 plots the current account balance (horizontal axis) and fiscal balance (vertical axis) for 46 Sub-Saharan African countries averaged over 2018–19. The current account and fiscal balances are expressed as a percentage of GDP. The figure identifies countries with large fiscal and current account imbalances by setting thresholds for the fiscal balance and current account balance at -3 and -5 percent of GDP, respectively. Area IV, which includes countries with current account and fiscal balances below the thresholds, is comprised of Sub-Saharan African countries

that are facing twin deficits, namely, Burundi, Lesotho, Liberia, Niger, Sudan, and Uganda. In the case of Uganda, the large current account deficit is mainly due to imports of capital goods and related items needed for large investment projects financed by FDI and long-term project loans.

FIGURE 1.37: Current Account and Overall Fiscal Balances across Sub-Saharan Africa in 2018–19



Source: World Economic Outlook, International Monetary Fund.

Note: The vertical dotted line represents the threshold current account deficit of 5 percent of GDP. The dotted horizontal line is the threshold general government primary deficit of 3 percent of GDP.

Accumulating Fiscal and External Imbalances may increase pressure on African currencies.

In contrast, area I (which includes countries with current account and fiscal balances that are above the thresholds) is comprised of countries whose fiscal and external accounts are relatively under control. Thirteen countries are positioned in area I, including Côte d'Ivoire, Gabon, Ghana, Tanzania, and South Africa, among others. In the case of Côte d'Ivoire, the current account is financed by a combination of FDI, concessional borrowing, and Eurobond issuances. Area III (the quadrant on the lower right side) is characterized by countries with large fiscal deficits and current account balances under relative control, including Botswana, Eswatini, Guinea-Bissau, Nigeria, and Namibia. Finally, area II (the quadrant on the upper left side of the thresholds) includes countries with wider current account deficits whose overall fiscal balances appear to be under control. Approximately 46 percent of the countries in the region (21 of 46) have large external imbalances and fiscal balances that register surpluses or moderate deficits.

Countries must monitor their fiscal and external imbalances to the extent that the former feeds into the latter. For example, a fiscal expansion financed by issuing public debt will raise private disposable income and private consumption and lower national saving. This fiscal expansion will also crowd out private investment by lifting domestic interest rates. Therefore, a decline in national saving is matched by an increase in the current account deficit, thus leading to twin fiscal and current account deficits. Recent estimates find that an unanticipated increase in the fiscal deficit of 1 percent of GDP widens the current account deficit by 0.8 percentage point of GDP (Furceri and Zdzienicka 2018).

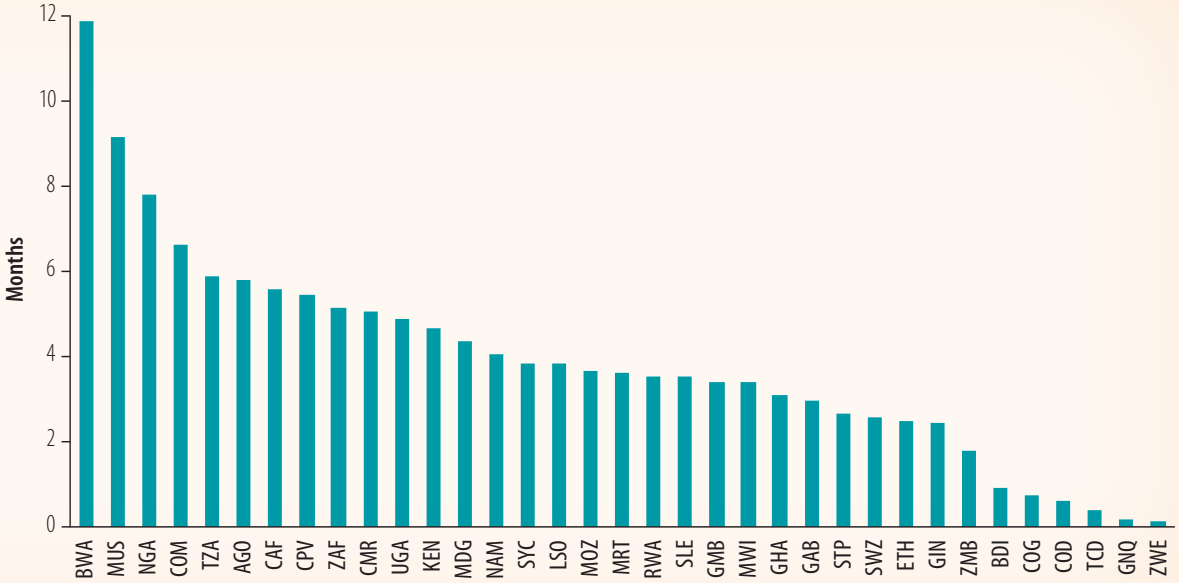
Accumulation of International Reserves to Defend the Currency and Guarantee Financial Stability

A central bank must accumulate foreign exchange reserves to defend the currency in the event of a speculative attack or guarantee financial stability by conducting operations that stabilize the financial system. In addition, the central bank could conduct macro-prudential policies to stabilize financial quantities (say, the amount of credits) or domestic financial prices (say, bond yields, stocks, and so forth), and macro-prudential policies need to be coordinated along with the monetary policy stance.

Figure 1.38 depicts the availability of foreign reserves of 35 Sub-Saharan African countries, as measured by the average ratio of total reserves minus gold to the amount of imports during 2018. In other words, this indicator captures the number of months of imports of goods and services for which international reserves could pay. Higher values of this ratio imply that a country has accumulated more foreign reserves to defend its currency and financial prices—and, thus, provide the country larger monetary and financial policy space. For instance, Botswana has the largest import coverage of reserves in Sub-Saharan Africa, with almost a year of imports (11.9 months), followed by Mauritius (9.1 months) and Nigeria (7.8 months). Those countries have accumulated foreign reserves and they have a larger cushion to conduct policies to defend their currencies and address financial imbalances.[5] By contrast, Zimbabwe and Equatorial Guinea are the countries with the lowest import coverage of reserves (0.13 and 0.14 month, respectively). About one-third of the countries with data on international reserves in the region (12 of 35) had import coverage of reserves that was below adequate in 2018 (that is, less than three months). This indicator signals not only the small availability of reserves to defend financial prices in the event of large swings, but also the inability of the country's export sector to generate sustained revenues.

Accumulating foreign exchange reserves would boost financial stability.

FIGURE 1.38: Import Coverage of Reserves across Countries in Sub-Saharan Africa in 2018 (in months)



Sources: World Bank; Haver Analytics.

The import coverage of reserves has declined sharply across countries in the region. Comparing the ratios in 2013 with those in 2018, import coverage has decreased for about half of the countries with available data in the region (that is, 17 of the 35 countries). For example, the ratio for the Republic of Congo declined from 8.75 months in 2013 to 0.73 month in 2018, and for Equatorial Guinea, it decreased from 5.96 months in 2013 to 0.14 month in 2018. Consequently, those countries have limited ability to defend their currencies from speculative attacks. On the other hand, Botswana and Mauritius have successfully increased their foreign reserves from 10.13 months of imports in 2013 to 11.93 in 2018, and from 5.46 months in 2013 to 9.12 in 2018, respectively.[6]

5 In the case of Nigeria, international reserves contain a significant proportion of hot money.

6 By August 2019, the import coverage of international reserves in Mauritius was 12.1 months.

Efficient Tax Collection to Improve Debt Sustainability and Management

Africa's Pulse has extensively documented an increase in public debt since 2013 and the changes in the structure of debt that have rendered a riskier profile. General government gross debt exceeded 60 percent of GDP for 15 countries in Sub-Saharan Africa (of 45) in 2018, and for three of these countries, the level of public debt surpassed 100 percent of GDP, that is, Cabo Verde, Mozambique, and Sudan. Improving debt management and sustainability in the region will require enhancing tax administration and collection that maximizes the existing structure. Reducing informality in Africa will help increase government revenues by expanding the tax base. Efforts should also be deployed to improve debt management and transparency.

Figure 1.39 plots measures of debt sustainability for 44 Sub-Saharan African countries in 2013 and 2019. Debt sustainability is measured by the number of years it takes to repay fully the general government gross debt. The more years it takes to repay the debt, the less sustainable the level of public debt is. Empirically, this indicator is computed as the ratio of general government gross debt to the (Hodrick-Prescott filter) trend component of general government tax revenues. The trend component of the general government tax revenues is computed to eliminate the volatility associated with business cycles and provide a better measure of the tax base. A country's debts are considered sustainable if the country has the ability to repay its debts in a shorter amount of time. Consequently, a larger ratio implies that the amount of debt is larger than the tax revenues, and it will take a longer time for tax revenues to repay the full public debt.

FIGURE 1.39: Debt Sustainability across Sub-Saharan African Countries

Source: World Economic Outlook, International Monetary Fund.

Note: The figure depicts the ratio of general government gross debt to (the permanent component of) tax revenues for each country in Sub-Saharan Africa for 2013 and 2019. This ratio indicates the number of years it will take to repay the full public debt.

Improving tax collection is critical to enhance debt sustainability.

When compared with the ratio in 2013, the number years to repay the full debt has increased in 38 of 44 Sub-Saharan African countries in 2019. On average, the number of years to repay the full public debt has increased by 1.5 years for these 38 countries during the period 2013-19. On the other hand, it decreased in only six countries (namely, Botswana, the Democratic Republic of Congo, Guinea-Bissau, Madagascar, Malawi, and the Seychelles). For instance, the debt-to-tax revenue ratio in Botswana declined from 0.72 year in 2013 to 0.66 year in 2019. It follows that: (a) it takes less than one year for Botswana's tax revenues to repay the country's debt, and (b) the amount of time it takes has decreased over the past six years. Therefore, there has been improvement in Botswana's debt sustainability. The case of The Gambia is the opposite: the number

of years it will take for the country's tax revenues to repay the full debt increased from 5.9 in 2013 to 7.4 in 2019. The Gambia has failed to increase tax revenues from 2013 to 2019 to repay its general government gross debt; consequently, the country's debt sustainability has deteriorated.

Accelerating Poverty Reduction

The sluggish growth in Sub-Saharan Africa (an average rate of 2.5 percent in the period 2015-19) is contributing to the lower pace of poverty reduction, especially given the demographic challenge in the region. The poor performance of agriculture, partly attributed to the incidence of climatic shocks (cyclones and droughts), is hindering poverty reduction. Most of Africa's poor live in rural areas and earn their living from agriculture. They are also the most vulnerable to malnutrition. Improving agricultural productivity can help develop more efficient food systems and deliver better health and nutrition outcomes.

The poverty rate in Sub-Saharan Africa, as measured by the share of the population living on less than US$1.90 a day expressed in 2011 purchasing power parity terms, declined from 54 percent in 1990 to 41.4 percent in 2015. However, the number of poor people increased from 278 million in 1990 to 416.4 million in 2015, as the region's population continued to expand rapidly. Business-as-usual policies are largely insufficient for reaching the Sustainable Development Goal of eradicating extreme poverty by 2030. If African countries were to continue growing at the fast pace experienced in 1998–2013 through 2030, the poverty rate would only decline to 23 percent by 2030. Under this scenario, and without drastic action, Africa's share of the world's poor will dramatically increase, from 55 percent in 2015 to 90 percent in 2030. And poverty in Sub-Saharan Africa remains rural: 82 percent of the poor live in rural areas and about 70 percent of their income comes from farming.

Accelerating poverty reduction in Africa requires a series of actions that pursue four principles of engagement. First, implement a policy agenda that creates economic opportunities for the poor in the sectors and places where they live and work, or helps them connect with income-earning opportunities elsewhere and, at the same time, reduces their exposure to the many risks they face. Second, policy makers have to design integrated and complex policy interventions that exploit synergies and tackle several constraints simultaneously. Third, leverage digital technologies to benefit the poor through greater access to productivity-enhancing capital goods, human capital formation, improved market access to buy/sell goods and services, and employment. Fourth, design interventions that address gender gaps in education, health, empowerment, and income-generating activities.

Section 2 of this issue of *Africa's Pulse* identifies four areas of policy action that will help accelerate poverty reduction in the short to medium term. The first is to accelerate the fertility transition, through policy actions that empower women by combining increased access to education and programs that offer life skills training for women and girls, addressing social gender norms, and reducing child marriage. The second is to leverage the food system on and off the farm, by

implementing measures that boost the labor productivity of smallholder farmers and foster value chain development that links them to higher value domestic and export markets, and supporting the formation of secondary towns in rural areas to provide local centers of economic activity. The third is to implement risk management strategies to prevent (rather than cope with) uninsured risks and conflict. And the fourth is to provide more public finance to the poverty reduction agenda, including raising government revenues through improved tax compliance and addressing international tax avoidance, and making public spending more pro-poor and efficient.

Designing Innovative Policy Solutions to Empower African Women

Unleashing women's unmet potential will bring economic growth and greater poverty reduction. The Africa region can boast that women are more likely to be entrepreneurs, and African women contribute a large share of agricultural labor across the continent (40 percent). Gender gaps in primary schooling and women's representation in the labor force have narrowed. However, there are still large and persistent gender gaps in productivity and earnings, and they come with a significant economic cost. For instance, women produce 33 percent less per hectare of land than men do, and profits earned by female entrepreneurs are 34 percent lower than those of male entrepreneurs. These earnings gaps are extremely costly in foregone output. The annual cost of the gender gaps in agricultural productivity and entrepreneurship in Ethiopia are estimated at US$2.2 billion, that is, 3.3 percent of GDP.

Sub-Saharan Africa cannot afford to lose out on the earnings potential of half its population. The modest growth experienced by the region in recent years is partly attributed to very low aggregate productivity growth. In turn, the lower productivity can be attributed to policies, institutions and social norms that distort the time allocation of women, and their occupational choice. For instance, distortions that explain the misallocation of women in economic activity include lower access to finance, insecure land rights, information frictions affecting producers that are not connected to markets, and social norms governing the roles of women and men (e.g. appropriate types of work, distribution of domestic labor and resource management within the household). Supporting African women to increase their income opportunities, upgrade their earnings, and build skills will narrow these gaps and improve growth and welfare. Narrowing the earnings gap between men and women requires policies that remove the distortions that affect women's economic decision-making.

Section 3 of this issue of *Africa's Pulse* identifies a series of policy solutions that have the largest potential to advance women's economic empowerment in Sub-Saharan Africa. It calls attention to six key policy pathways to tackle constraints to women's economic empowerment and, hence, improve women's income opportunities.

(1) Build skills for women that go beyond traditional training including gender-sensitive agricultural extension services, socioemotional skills training for women in business, and information to support occupational changes across sectors.

(2) Alleviate financial constraints on women through a series of innovative solutions: psychometric tests that create credit scores and identify creditworthiness, mobile money and digital loans that improve women's access to the financial sector, and integrated interventions that combine programs to foster business registration with information on access to and use of banking services.

(3) Secure women's land rights through the launch of land formalization programs, co-titling of land rights in the names of both spouses, and formalization of existing customary rights.

(4) Connect women to labor through a series of interventions that help women-owned firms and farms expand employment while addressing other barriers through programs that provide capital injections as part of business plan competitions, and seasonal financing to hire farm labor.

(5) Address social norms that constrain women's economic opportunities, especially in the areas of appropriate types of work for men and women, distribution of domestic labor, and resource management within households.

(6) Provide girls empowerment programs to change the life trajectories of young women across a variety of contexts, combining community-based girls clubs, life skills training, vocational training, and financial literacy and microcredit access for young women.

Along these six pathways, section 3 provides evidence-based recommendations for policy makers and other stakeholders to design innovative solutions that boost women's economic empowerment.

Section 2: Accelerating Poverty Reduction in Africa

2.1 POVERTY IN AFRICA TODAY AND TOMORROW

Africa's economy picked up in the mid-1990s after many years in decline.[1] It expanded at a robust annual average rate of 4.6 percent into the early 2010s. People became healthier and better nourished, youngsters attended schools in much greater numbers, and the poverty rate declined from 54 percent in 1990 to 41.4 percent in 2015.[2] The region has benefited from decreased conflict (although simmering in some countries and with pressing numbers of displaced persons), an expansion of political and social freedoms, and progress in the legal status of women. The availability and quality of poverty data to record this progress have also improved.

Progress in Africa, however, is taking place from very low levels. Many people remain undernourished, illiterate, and unempowered. There are pronounced gender gaps, especially in areas related to economic empowerment. Exposure to domestic violence remains high, and political violence has increased since 2010. As Africa's population has continued to expand rapidly (at an annual rate of 2.7 percent), the number of its people living on less than $1.90 a day has increased, from an estimated 278 million in 1990 to 416.4 million in 2015.

Moreover, the rate of poverty reduction has slowed substantially in recent years. Following the commodity price collapse in 2014–15, growth of annual gross domestic product (GDP) per capita for the region was even negative during 2016–18 (World Bank 2019).[3] The latest forecasts suggest only modest improvement in the immediate future, from -0.01 percent per capita growth in 2019 to 0.6 percent in 2021, which remains well below Africa's 1995–2013 annual average of 1.9 percent. Even disregarding the recent economic slowdown and assuming that countries would have continued their more favorable 1998–2013 growth patterns from 2013 through 2030, the poverty rate in Africa would have declined to only 23 percent in 2030. Given business as usual, Africa will be unable to reach the United Nations Sustainable Development Goal of eradicating poverty by 2030.

As countries in other regions continue to make progress in poverty reduction, forecasts suggest that poverty will soon become a predominantly African phenomenon. Africa's share of the world's poor will rise from 55 percent in 2015 (up from 15 percent in 1990) to 90 percent in 2030. Migratory pressures following a globally bifurcating demography, inequality, and climate change add further interest to addressing poverty in Africa. How Africa can accelerate its poverty reduction and leverage new opportunities (including those offered by technological changes) is now a global preoccupation. It is also the focus of the 2019 World Bank Africa Region's flagship report, "Accelerating Poverty Reduction in Africa," upon which this section is drawn.[4]

What does poverty in Africa look like today? Where do the poor live? What do they do for a living? And how does their poverty status evolve over time? Are they mainly structurally poor, trapped in poverty for long periods of time, or is there lots of churning, with people moving in

1 Throughout this section, "Africa" refers to Sub-Saharan Africa (that is, the African continent excluding North Africa).

2 The poverty rate is calculated as the share of the population living below US$1.90 a day expressed in 2011 purchasing power parity (PPP) terms.

3 The deceleration in economic activity in the region was less severe when excluding Nigeria, South Africa, and Angola (Africa's three largest economies, each highly dependent on commodities): GDP per capita growth dropped to slightly below 2 percent during 2016–18. Nonetheless, this is below the long-term average. According to the latest available estimates, Nigeria, South Africa, and Angola also account for a quarter of Africa's poor.

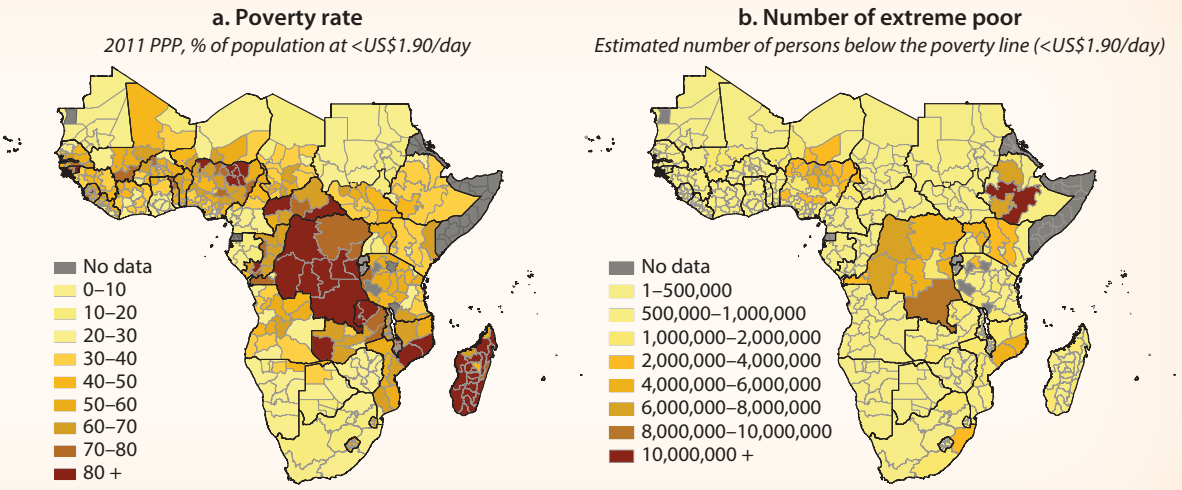
4 "Accelerating Poverty Reduction in Africa" is the sequel to the 2016 World Bank Africa Region Flagship Report "Poverty in a Rising Africa." That report scrutinizes the availability and quality of data for tracking poverty (monetary and nonmonetary) in Africa and analyzes how it has evolved since the economic rebound of the continent in the mid-1990s (Beegle et al. 2016). This new report zooms in on the causes behind Africa's poverty and the policies and investments that are needed to accelerate its reduction. This section draws on the wide body of evidence that is cited and discussed more at length in the report.

and out of poverty, signifying great vulnerability? Furthermore, what are some of the key features of the national environment within which they and their policy makers operate? Responses to these questions provide a first entry point to understanding and addressing the poverty challenge. Five stylized facts about poverty in Africa stand out.

First, from a country perspective, half of Africa's poor live in five countries, and 10 countries account for almost three-quarters of Africa's poor.[5] Yet, the countries or regions housing most of the poor are not necessarily the same countries or regions with the highest poverty rates (map 2.1). This poses a challenge to targeting poverty reduction efforts geographically, from global and national perspectives. Historically, neglect of countries and regions with high poverty rates, even when not densely populated, has often bred conflict. Fragile and conflict-affected states experience slower poverty reduction, even long after the conflict has ended, and conflict often spreads easily to surrounding areas.

Africa's poverty rate and poor are concentrated in a limited number of (often landlocked) countries and regions within these countries.

MAP 2.1: Africa's Poverty Rate and Number of Poor



Source: World Bank's internal Global Monitoring Database.
Note: PPP = purchasing power parity. Poverty estimates are based on the latest available household survey.

Accelerating poverty reduction in areas with high poverty rates, especially when they are ethnically, linguistically, or religiously distinct, as well as in fragile and conflict-affected states, must be central to any poverty-reduction agenda for Africa. This is even more pertinent today. The number of acts of violence against civilians as well as the number of protests and riots in Africa, together with battles over territory, have risen sharply again since 2010. In 2013, 29 percent of Africa's poor lived in fragile and conflict-affected states. This share is projected to increase to 43.6 percent under business as usual by 2030.

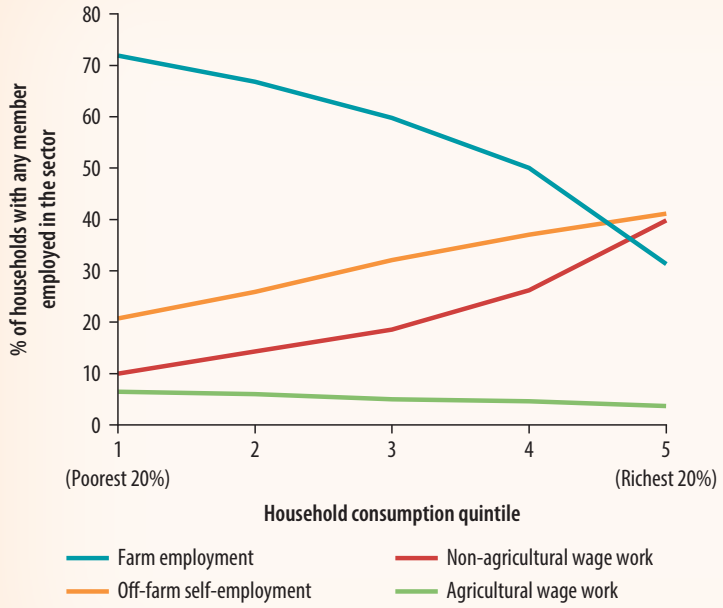
Second, poverty remains predominantly rural within countries in the region: 82 percent of Africa's poor are rural and, on average, 70 percent of their income comes from farming (Davis, Di Giuseppe, and Zezza 2017). Those engaged in agriculture (crops and livestock) work mostly for their own account (they are smallholders rather than wage workers on other farms), except

5 Ranking countries by the largest number of poor people shows that Nigeria accounts for about 25 percent of Africa's poor (100.7 million); the next four countries (the Democratic Republic of Congo, Ethiopia, Tanzania, and Madagascar) account for another 30 percent; and the next five countries (Kenya, Mozambique, Uganda, Malawi, and Zambia) account for 17 percent (http://iresearch.worldbank.org/PovcalNet/povDuplicateWB.aspx, consulted 2 October 2019).

in some countries like Malawi, where agricultural wage work is more common. Nonwage microenterprises (usually one-person and often in agriculture-related activities) are the main source of off-farm non-agricultural employment and income (figure 2.1).

These findings do not mean that the solution to poverty reduction lies automatically in agricultural or rural development. Instead, the findings suggest a policy entry point: income-earning opportunities of the poor need to be expanded in the sectors and places where they work and live or they need to be connected with income-earning opportunities elsewhere.

FIGURE 2.1: Income Sources for Households, by Income Quintile, Most Recent Survey



Source: World Bank Africa database and International Income Distribution Database (I2D2).

Note: Figure represents data from 40 African countries. Informal "household enterprises"—a business activity owned and operated by one or more household members with no hired labor—are the most common form of off-the-farm self-employment in Africa.

Non-wage microenterprises are the main source of off-farm non-agricultural income.

Third, poverty is a mix of chronic and transitory poverty in Africa. About 60 percent of Africa's poor are chronically poor, that is, they are poor for several years in a row (Dang and Dabalen 2018). This suggests that poverty in Africa remains deeply structural, stemming from a lack of assets (especially human capital,[6] but for some also land), weak access to public goods (infrastructure) and transport services, and poor income-earning opportunities. This entrenched situation partly relates to the poor's location (the so-called geographic poverty trap). Notably, agro-ecologically better endowed regions are poorer: they have higher poverty rates and more poor people per square kilometer. However, chronic poverty may also reflect the costs of avoiding income shocks from occurring—the so-called risk-induced poverty trap. These costs are often greater than the cost of enduring the shock itself.

At the same time, two in five of Africa's poor are in transitory poverty; they hover around the poverty line, moving in and out of poverty. Households (and firms) in Africa operate in highly risky environments, often with limited capacity to cope. As a result, poverty exits remain fragile, with many households relapsing. More effective risk management strategies for the poor as well as asset building and better income-earning opportunities are needed, with each of them mitigating the structural and transitory components of poverty and paying off at different points in time.[7]

6 The World Bank's Human Capital Index is a composite index that computes the distance of human capital in countries to the frontier and highlights the severely lagging levels of human capital in many African countries (World Bank 2018b).

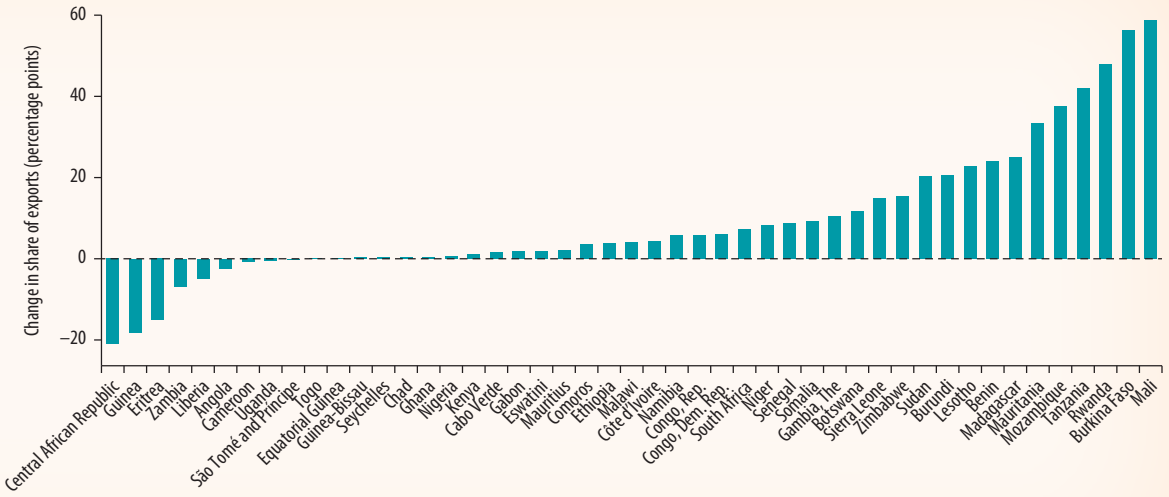
7 The lack of human capital, physical assets, and access to basic infrastructure not only reduces the earning capacity of the poor, but also limits their mental "bandwidth" and capacity to aspire, making the escape from poverty an even bigger challenge. To date, few interventions exist to tackle directly the "psychology" of poverty.

Fourth, resource-rich countries should in principle be better placed to finance poverty-reducing investments. Yet, they have been unable to transform their natural wealth into commensurate long-term development investments that yield better health and education, more well-paying jobs, and a greater opportunity for the growing young population. Resource dependence often undermines institutional quality, thereby eroding long-run growth potential and poverty reduction. Spending on human capital in these countries and the efficiency of that spending are systematically lower than in non-resource-dependent countries, often at the expense of the poorer segments of the population (de la Brière et al. 2017). In extreme cases, resource abundance may even lead to conflict (Collier and Hoffler 2004).

Several African countries have traditionally depended on natural resources. Following the commodity boom of the 1990s and 2000s, more countries in the region have started to develop and exploit their natural resource base (figure 2.2). Natural resources are now a nonnegligible share of their economies and government income. Natural resource dependence has become a defining feature of many African countries, and how to make better use of natural resource revenues is an important theme for Africa's poverty reduction agenda.

More countries in Sub-Saharan Africa derive sizeable revenues from natural resource exports.

FIGURE 2.2: Change in the Share of Mineral Exports in Total Exports, 1996–2013



Source: Calculations based on United Nations Conference on Trade and Development (UNCTAD) data.

Note: There is a close correlation between the export and government revenue shares of natural resources. Data on the latter, although arguably the better indicator of resource dependence, are patchy.

Fifth, Africa's fiscal space is tightening rapidly again (see section 1 of this issue of *Africa's Pulse*). Africa conducted countercyclical fiscal policy to support economic activity amid the global economic downturn of 2008–09. This was an appropriate policy stance at the time, but it has not been followed by fiscal consolidation. Consequently, gross government debt in Africa has increased from about 36 percent of GDP in 2013 to 55 percent of GDP in 2018. About 46 percent of countries in the region were considered at high risk or in debt distress at the end of 2018, compared with 22 percent in 2013. The growing and riskier debt burden means that African governments have less fiscal space to manage their economies and invest in poverty reduction now and for the future. When fiscal tightening comes largely at the expense of spending on social sectors, as has often been the case in the past, the poor and their children stand to suffer the most.

These are some of the key features providing the backdrop against which African countries must design their poverty-reducing strategies. Many of these features have long characterized poverty in Africa (the low levels of human and physical capital and limited access to infrastructure and public services), but some have been relatively neglected in policy making (population growth, gender inequality, risk management, and fragility) or have only come to the fore more recently (growing natural resource dependence, tightening fiscal environment, and growing concentration of the world's poor in Africa). At the same time, recent technological developments also provide new leapfrogging opportunities, especially to overcome infrastructure gaps. In what follows, section 2.2 advances four principles of engagement to tackle poverty reduction in Africa more effectively, and section 2.3 discusses four areas in need of primary policy action.

2.2 PRINCIPLES OF ENGAGEMENT

Put the Poor in the Driver's Seat of Poverty Reduction

To accelerate poverty reduction, some governments have tended to focus on policy packages that maximize economic growth (*pro-growth*) rather than on policy packages that focus on growing the incomes of the poor directly (*pro-poor growth*). The pro-growth view argues that growth policies are better understood and more effective. It is unclear, however, that a pro-growth focus has worked for Africa.[8] Furthermore, the distinction between pro-growth and distribution-oriented policies is not obvious. Many policies affect aggregate economic growth and inequality in opposite ways.[9] What ultimately matters is the overall effect of these policies on the income growth of the poor through the growth and distribution channels. The much wider availability of household data today arguably renders somewhat obsolete the debate about the differential effects of policies on inequality and growth in the literature and policy making. How policies affect different parts of the income distribution can now be examined more directly.

Africa's slower poverty reduction compared with that in the other world regions, despite robust GDP growth in Africa during most of the past 25 years, has been attributed, among other things, to the slower conversion of its GDP growth to income growth of the poor. This partly follows from Africa's persistently higher fertility and population growth. It renders the seemingly robust expansion of its GDP much more modest in per capita terms (4.6 versus 1.9 percent per year during 1995 and 2013, respectively). It also follows from Africa's poor initial conditions, which lower the elasticity of poverty to growth.[10] But, importantly, the slower conversion also reflects

8 The global evidence that the incomes of the poor grow at the same rate as the average income of the country (Dollar, Kleineberg, and Kraay 2016) is also not unambiguous. It assumes that positive and negative growth episodes have the same effects on the income growth (or decline) of the poor. Yet, the poor may cope with shocks in ways that make subsequent recovery difficult. They may also be less able to benefit from growth spurts. This is confirmed in the data: a 1 percent *increase* in overall per capita income growth increases the income growth of the poor by 0.75 percent; a 1 percent *decline* in overall per capita income growth reduces the income growth of the poor by about 1.6 percent (Poll 2017). While the estimates may well indicate that growth of the poor is equiproportionate with average income growth when no distinction is made between positive and negative income growth episodes, this appears very different from what is experienced by the poor (that is, smaller benefits than average income growth during growth spurts; larger damage than the average during growth slumps).

9 Macroeconomic, monetary, trade, financial, competition, and investment policies are typically considered to be generally growth oriented (distribution neutral). Policies fostering human capital formation, equal access to public goods and services and factor markets, and the rule of law, as well as tax, labor market, and social protection policies are typically considered to be more pro-poor growth oriented (and, by implication, distribution oriented and addressing inequality). In practice, the distinction is more blurred, rendering the heavy emphasis on growth and inequality as key policy entry points in the poverty reduction debate less useful than is commonly purported. Many of the growth-promoting policies are not distribution neutral and, vice versa, distribution-related policies often also affect overall growth. Greater primary school enrollment, for example, may be growth enhancing and inequality reducing, while financial globalization may accelerate growth but at the expense of rising inequality (Jaumotte, Lall, and Papageorgiou 2013). From a poverty reduction perspective, the "*sweet spot*" policies are those that increase growth while also disproportionately benefiting the poor. Policies that contain inflation may be one such candidate, as are those that foster primary school enrollment and the quality of education (Dollar, Kleineberg, and Kraay 2016; Dollar and Kraay 2002).

10 When compared with other equally poor countries, African countries have not been worse in converting per capita household income growth into poverty reduction (their poverty-to-growth elasticities are similar). The lack of assets and access to public goods and services, as well as the limited availability of good income-earning opportunities for a large share of the population, limit the ability of many in poor countries to contribute to and participate in economic growth, substantially lowering the poverty-to-growth elasticity in any poor country, compared with this elasticity in more developed settings.

the composition of Africa's growth—particularly the increasing reliance on natural resources and modest performance of the agriculture and manufacturing sectors in the region. When growth in a country or region is driven by activities that are less intensive in the use of the assets of the poor (labor and land), the poor stand to benefit less. Otherwise, they may benefit indirectly through spillover effects and redistribution but with a time lag.

There is large scope and need for pro-poor growth policies to accelerate poverty reduction in Africa. Simple accounting-based simulations suggest that 50 million more people could be lifted out of poverty by 2030 if the incomes of the poor were to grow 2 percentage points faster annually—while keeping constant each country's historical per capita annual growth rate over the past 15 years (Cattaneo 2017). Given the limited scope for redistribution and transfers to raise the incomes of the poor in most African countries, the focus should be squarely on raising their labor productivity, that is, what it will take to increase their earnings in self-employment or wage employment. In addition to getting the growth fundamentals right (macroeconomic stability, regional integration, and conducive business environments), a pro-poor policy agenda often implies increasing economic activity and growth where the poor live and work (so that they can contribute and benefit directly), while simultaneously addressing the many risks to which they are exposed.

A poverty reduction strategy with a job lens is recommended. The issue is not so much unemployment in the traditional sense of the word, but underemployment (in rural areas) and/or low and uncertain returns (Fields 2015). This lens naturally focuses policy attention on the structural, spatial, and institutional transformations that are needed to create "good jobs" and raise the incomes of the poor and vulnerable directly. The focus is especially on sectoral and sub-sectoral policies as well as investments—in agriculture, off-farm employment, and management of risk and conflict—to broker these transformations.

However, it is far from obvious what these policies are. Just as not all growth policies are equally poverty reducing, neither are all agricultural growth or urbanization models equally good for the poor. Moreover, a balance must be struck between investing in the endowments of the poor (such as human capital and land) and investing in their economic environment to increase the returns to their endowments. The former gives them access to better jobs but often pays off only in the medium term or for the next generation; the latter increases the demand for the goods and services they can produce today (as farmers, microenterprise owners, or laborers), and thus the returns to their current endowments. The key principle of engagement to accelerate poverty reduction is that interventions should be designed so that the poor benefit as directly as possible, enabling them to be in the driver's seat of improving their well-being. This will affect the choice of sectoral and sub-sectoral interventions, as indicated in more detail in the following subsection.

Strive for Integration of Interventions to Overcome Constraints and Exploit Synergies

The second principle of engagement calls for greater integration of interventions to capture synergies and overcome complementarities of constraints. Single-focus interventions are too often pursued, such as skills training for youth employment without consideration of the demand for the goods and services they produce, agricultural machinery subsidization without enough attention to operator training and maintenance and repair services, or irrigation infrastructure without proper water management institutions. As a result, these interventions often do not result in the anticipated outcomes. The different factor and product market constraints that prevent farmers

and microenterprise owners from increasing their incomes and labor productivity too often act like quasi-complements rather than quasi-substitutes.[11] Hence, relieving one of these constraints is not effective, as another one binds rapidly, breaking down the intervention.

Africa's "smart" fertilizer subsidy program is a good example of the complementarity of constraints. The program had limited productivity and poverty impacts because of the lack of complementary investments in agricultural extension, research and development, and soil fertility management (Goyal and Nash 2017). The agricultural experience of Ethiopia is a positive illustration. The government simultaneously and sustainably focused on: (a) increasing smallholder staple crop productivity by deploying 45,000 extension agents (three per district), facilitating access to credit, and improving water and land management; (b) improving market connectivity through rural road investment; and (c) providing a form of insurance through the Productive Safety Net Program, one of the largest social protection programs in Africa. Since the mid-1990s, smallholder cereal yields in Ethiopia have more than doubled, and poverty has more than halved.

An increasing number of rigorous, detailed micro studies, including outside agriculture, confirm the beneficial effects of more integrated approaches that tackle several constraints at once. When interventions to tackle capital and skills constraints are combined, for example, significant effects on enterprise startups and profits are often found. Yet, the benefits of capturing the synergies of integration must be finely balanced against the challenges of increasing complexity in implementation and the political challenge of concentrating interventions within space and sequencing them across time. Better integration of interventions is advanced as a second guiding principle of engagement to accelerate poverty reduction in Africa, with an eye on experimentation and lesson learning to achieve the right balance in practice.

Leverage and Leapfrog through Technology, Where Possible

The rapid spread of digital technologies and solar power provide important new opportunities to overcome market constraints and tackle Africa's poverty challenge. They should be optimally leveraged across sectors and space. Most of the poor in rural areas (and to a lesser extent in urban areas) remain deprived of access to affordable and reliable information and communication, energy, and transport infrastructure (as well as transport services). Without these, it is difficult to access markets and public services, increase productivity, and raise incomes from farm and off-farm activities.

Technology is helping Africa address the gap in infrastructure provision by reducing fixed costs. Prepayment and per unit payment business models, facilitated by mobile phone technology, are bringing infrastructure services within the reach of the poor. This holds great promise for poverty reduction. Perhaps the most dramatic of these technological changes has been in telecommunication services, with 73 percent of Africa's population now having a mobile phone subscription. But the trend is not just about phone calls. The development of the M-Pesa mobile money application in Kenya ("M" for mobile, "pesa" for "money" in Swahili) put a rudimentary "bank account" in everyone's pocket. And Hello Tractor in Nigeria, an app for renting tractors, reduces search and matching costs, bringing the economies of scale of high-productivity, lumpy capital goods within the reach of smallholders. The next frontier is widespread penetration of high-speed internet.

11 The poor performance of fertilizer and seed markets is often an important impediment to increasing agricultural productivity. They are typically considered separately from the traditional production factors (labor, land and capital).

Rural towns and households in Africa might similarly leapfrog to cheap, renewable electricity provided by solar panels and mini-grids based on shared solar photovoltaic systems and direct current distribution lines. Tanzania has been a front-runner in the rollout of micro-grid electrification programs, and other countries have started to follow suit (including Kenya, Nigeria, Rwanda, and Uganda). Leapfrogging the physical connectivity gap is more challenging. Drones may provide one solution. With today's technology, drones can help deliver small, valuable items such as blood and medical supplies to remote areas, as in Rwanda. However, this is not the only possibility to reduce transport costs. Other applications are being developed, such as the short message service–based Moovr in Kenya, which is an Uber for cows. It connects truck drivers in Kenya with smallholder farmers in remote areas who want to get their cattle to market.

The poor can benefit from these leapfrogging technologies directly, as adopters, through greater access to productivity-enhancing capital goods (for example, solar power) or human capital formation (distant learning), as well as better market access to buy and sell their goods and services (e-commerce, as in China's Taobao villages) and employment (digital jobs). On the other hand, the poor frequently benefit indirectly, through the wider and cheaper availability of goods and services following adoption by others. Importantly, however, these technologies will deliver on the promise of accelerating poverty reduction only when deliberate, complementary public policies are implemented in three areas: (a) removal of regulatory barriers to the technologies' adaptation and diffusion to rural areas where the poor live and work, (b) investment in skill formation (foundational as well as digital), and (c) creation of an appropriate enabling ecosystem to run and maintain the technologies. Without these complementary measures, inequality may increase instead. Thus, making maximum use of technology to tackle market constraints across sectors and space using a pro-poor lens has emerged as the third overarching principle of engagement to accelerate poverty reduction.

Address Gender Inequalities

African women continue to encounter disadvantages in education, health, empowerment, and income-generating activities. They have lower human capital endowments than men (although this gap has narrowed among the youngest cohort, with girls having caught up to boys in some countries), worse access to labor markets, lower wages, more limited access or title to productive assets (such as land, credit, and other inputs), fewer political and legal rights, and more stringent constraints on mobility and socially acceptable activities. And poverty exacerbates these disadvantages.

As a result, gender inequality can trap women in poverty and generate a vicious cycle for their children. Beyond the intrinsic value of equal opportunities, gender equality brings economic growth and greater poverty reduction for countries. Recent research shows that institutional gender inequality is not only an important driver of the gender gaps in education, employment, and governance, but also it is associated directly with poorer growth outcomes—especially in low-income countries. Systematically addressing gender gaps in the design of interventions across sectors and space emerges as a key principle to accelerate poverty reduction (see also section 3 in this issue of *Africa's Pulse*).

2.3 PRIMARY AREAS FOR POLICY ACTION

Four areas for primary policy action emerge to accelerate Africa's poverty reduction in the short to medium term. In each of these areas, the fastest progress is expected in countries that pursue the four principles of engagement discussed in subsection 2.2: improving the conditions and incomes of the poor directly, doing so in an integrated fashion to overcome the complementarity of constraints and exploit synergies, leveraging and leapfrogging through technology where possible, and reducing gender inequalities.

Accelerate the Fertility Transition

Africa's total fertility rate (TFR) of 4.8 births per woman remains high (and even higher for poor women), while there has been substantial progress in reducing under-five child mortality (from 172.3 per 1,000 live births in 1995 to 78.3 in 2016, still quite high). As a result, the region is characterized by a slow demographic transition and high population growth (2.7 percent per year). Accelerating Africa's fertility reduction can play an important role in poverty reduction. A reduction in fertility from high levels can lead to increased economic growth and reduced poverty through several channels:

- *Increased share of working-age population relative to younger and older people.* As the dependency ratio decreases, growth per person accelerates even without a productivity increase—that is, when output per person *of working age* (ages 15-65) remains constant. Put simply, a larger share of the population can be at work.
- *Increased female labor force participation.* When they have fewer children, women have greater income opportunities. Not only will the share of the working-age population increase following a fertility decline, a larger share of those of working age will be economically active, raising output per working-age person even further. These new economic opportunities are also critical for empowering women.
- *Increased workforce productivity.* With fewer children, families and governments will have the opportunity to invest more in each child's human capital. As these children with improved health and educational attainment come of working age and enter the workforce, the productivity of the workforce will increase.

The experiences of Botswana and Ethiopia are illuminating, although they do not establish causality. In Botswana, the TFR declined by 2.5 children per woman over a 24-year period (1985–2009), while the poverty rate dropped from 43 to 18 percent. More recently, Ethiopia experienced a rapid decline in its TFR (from 7.0 to 4.3 over 1995–2015) as well as a sharp reduction in poverty (from 67 to 26 percent) through an approach combining education, health and family planning, and economic opportunity.

The economic gains of lowering fertility from high levels are, however, not automatic. Fertility reduction will result in accelerated economic growth only when the increasing number of working-age people can find income-generating opportunities. The so-called demographic dividend "is not a given, it must be earned" (Groth and May 2017). Macroeconomic stability and private sector fundamentals will be critical (including the provision of infrastructure and an

enabling business environment), as will be the education of the future workforce and critical sectoral and risk management policies.

The global evidence supports the relationship between the decline in fertility and the pace of economic growth. Cross-country estimates indicate that a 1 percentage point increase in the share of the working-age population will boost economic growth between 1.1 and 2 percentage points (Cruz and Ahmed 2018; World Bank 2016). Using a more comprehensive empirical specification and more recent and robust data (especially education data), further research shows that the dividend may not be so much a demographic dividend (from an increase in the share of the working-age population) but rather an education dividend (from higher educational attainment of the new cohorts entering the labor force) (Cuaresma, Lutz, and Sanderson 2014). A better educated population has a more productive labor force and is more likely to innovate (thus enhancing total factor productivity). This underscores the critical importance of educating the new cohorts to capture the demographic dividend.

What are then the effects of the demographic transition on poverty? The poor may not benefit (or may benefit less) from a broader fertility transition when fertility among poorer households remains high. Poverty affects fertility behavior, and poor households have many more children than nonpoor households. The evidence from Demographic and Health Survey data in the region (for 2000–16) shows that fertility rates have remained persistently high among the poorest wealth quintiles and continue to be about three births higher than among the richest quintiles.

Moreover, if poorer households increase the educational attainment of their children but have lower access to income-generating opportunities, the impact of declining fertility on poverty reduction will be weakened. This holds even if fertility declines across all households. Similarly, if the improved fiscal balance of the government following reduced fertility and higher growth does not result in more and better social services for the poor, or in better access to infrastructure, the poor may not experience improved human development outcomes or employment opportunities. And if poor women have limited access to income-generating opportunities, the reductions in their care and domestic burdens through lower fertility may not yield as much empowerment.

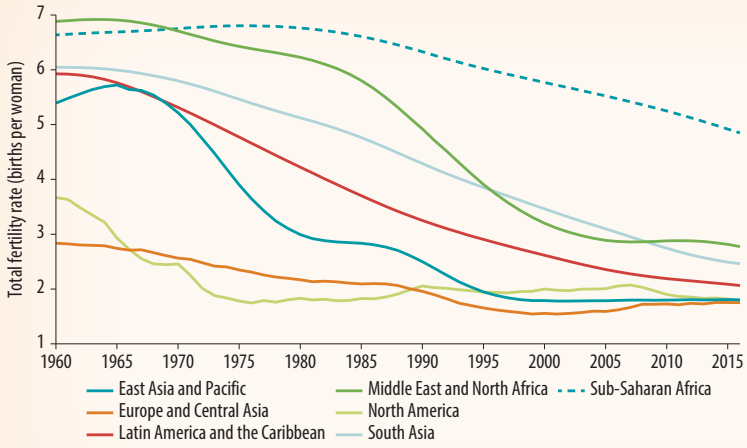
Cross-country evidence shows that a 1 percent fall in the dependency ratio is associated with a 0.75 percentage point fall in the poverty rate (Cruz and Ahmed 2018). Although these results do not control for growth, and thus for the effect of fertility reduction via the growth channel, they confirm that the effects of a fertility transition extend to poverty reduction in sizable ways.

Some African countries (Côte d'Ivoire, Ghana, Malawi, Mozambique, and Namibia) have had the prospect of a demographic dividend (Bloom et al. 2007). In others, the institutional setting has not been favorable. "Stalls" in fertility further indicate that the prospect of fertility reduction is always subject to change (Bongaarts 2008; Guengant 2017). Overall, fertility in Africa has also declined, from 6.5 children per woman in 1950–55, to 5.4 in 2005–10. But this is a much slower decline than in other low- and middle-income regions (figure 2.3). In East Asia, for example, the TFR declined from 5.6 to 1.8 over the same period.

More than 50 percent of Africa's population lives in countries where women on average still have five or more children (box 2.1). And of the three most populous countries in Sub-Saharan

Africa (Nigeria, Ethiopia, and the Democratic Republic of Congo)—which together with Madagascar and Tanzania are home to 50 percent of Africa's poor—only Ethiopia appears to have embarked on a demographic transition. Because of the delayed reduction in fertility, Africa's dependency ratio is not expected to peak until 2080 (Canning, Raja, and Yazbeck 2015). The persistence of high fertility among the poorest households, even when the demographic transition is occurring, is a further concern.

FIGURE 2.3: Fertility Decline, by Region, 1960–2015



Source: World Development Indicators, World Bank.
Note: The total fertility is the average number of children born to a woman in her lifetime.

Fertility has declined in Africa but at a much slower pace than in other low- and middle-income regions.

BOX 2.1: The Fertility Transition Has Not Begun in Much of Africa and, Where It Has, It Bypasses the Poorest

Based on the status of African countries in the fertility transition, Guengant (2017) identifies five groups:

- *Fertility transition complete (or close to completion).* In these countries, the total fertility rate (TFR) was less than three children per woman in 2010–15. Five countries are in this group: Botswana, Cabo Verde, Mauritius, the Seychelles, and South Africa. In 2015, these countries represented just 6 percent of Africa's population.
- *Fertility transition underway.* In these countries, the TFR ranges from three to four. Four countries are in this group: Djibouti, Eswatini, Lesotho, and Namibia (representing 0.7 percent of Africa's population).
- *Fertility transition initiated.* In these countries, the TFR ranges from four to five. This group consists of 20 countries: Benin, Cameroon, the Central African Republic, the Comoros, the Republic of Congo, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Ghana, Guinea-Bissau, Kenya, Liberia, Madagascar, Mauritania, Rwanda, Sierra Leone, São Tomé and Príncipe, Togo, and Zimbabwe (representing 31 percent of Africa's population).
- *Slow and irregular transition.* In these countries, the TFR ranges from five to six. The 12 countries in this group are Burkina Faso, Côte d'Ivoire, The Gambia, Guinea, Malawi, Mozambique, Nigeria, Senegal, South Sudan, Tanzania, Uganda, and Zambia (representing 44 percent of Africa's population).
- *Very slow or incipient fertility transition.* The seven countries in this group—Angola, Burundi, Chad, the Democratic Republic of Congo, Mali, Niger, and Somalia—have TFRs that are greater than six. They represent 18.3 percent of Africa's population.

However, these TFRs are computed for each country's population as a whole. Fertility rates have been persistently high among the poorest wealth quintiles. The fertility transition appears to have bypassed the poorest so far.

Note: More recent data show some further declines in fertility. For example, Burundi's total fertility is now below 6.

Addressing high fertility is a critical entry point to enable economic growth and poverty reduction. However, fertility has remained stubbornly high in Africa. Historically, fertility levels have declined in response to socioeconomic development. The decline in infant and child mortality associated with development typically leads households to revise their fertility preferences downward. The costs and benefits of having children also change radically. As countries become more urbanized, the costs of children increase, and their benefits decrease. Similarly, the increase in the returns to education as development proceeds encourages households to have fewer and better educated children.

Female education is perhaps the most important single component driving fertility rates: female education delays marriage and expands income opportunities for young women. Better educated women experience lower infant and child mortality and are more likely to use modern contraception. These factors in turn lead to lower fertility and, combined with socioeconomic development, enhance the status of women and improve the health of women and children.

These fundamental drivers are all in evidence in Africa. Yet, having accounted for these conventional demographic and socioeconomic determinants of fertility, the TFR in African countries remains on average about one birth higher than in other least developed countries. This situation has been labeled the "Africa effect," and it has been suggested that African societies are "exceptionally" pro-natalist compared with other low- and middle-income countries (Bongaarts 2017; Bongaarts and Casterline 2013). This finding may partly reflect the lower empowerment of women in the region compared with peer countries in other contexts.

The pro-natalist culture may also explain why family planning interventions have not received sufficient policy priority despite the persistently large number of unwanted births. Outside Africa, the average level of unwanted births has decreased from one to zero over the past couple of decades; in Africa, it has remained at two. This difference suggests that there is a large latent demand for contraception.

Fertility is responsive to the implementation of family planning in low- and middle-income countries. In Africa, implementation delays of family programs explain the slow decline of fertility in the region (de Silva and Tenreyro 2017). General equilibrium simulations grounded in empirically estimated parameters of fertility behavior and the actual cost of family planning programs further show that an expansion of family planning services could reduce poverty and do so cost-effectively (Christiaensen and May 2007).

In addition to expanding reproductive health services, increasing the economic returns to education would lead to quantity versus quality trade-offs in fertility decision making. Declining child mortality reinforces this trade-off, because investment in children (focusing on quality) is more guaranteed to yield returns than in situations where children have a higher likelihood of dying. A key issue here is whether the recent recovery of growth in African countries will lead to increased returns to education, including in rural areas. Another critical question is whether African countries can increase post-primary educational attainment and schooling quality, which are critical for economic growth and poverty reduction.

Finally, these efforts must be complemented with other actions to empower women and increase their income opportunities. Examples include programs that offer life skills for women and girls, address social gender norms, and reduce child marriage.

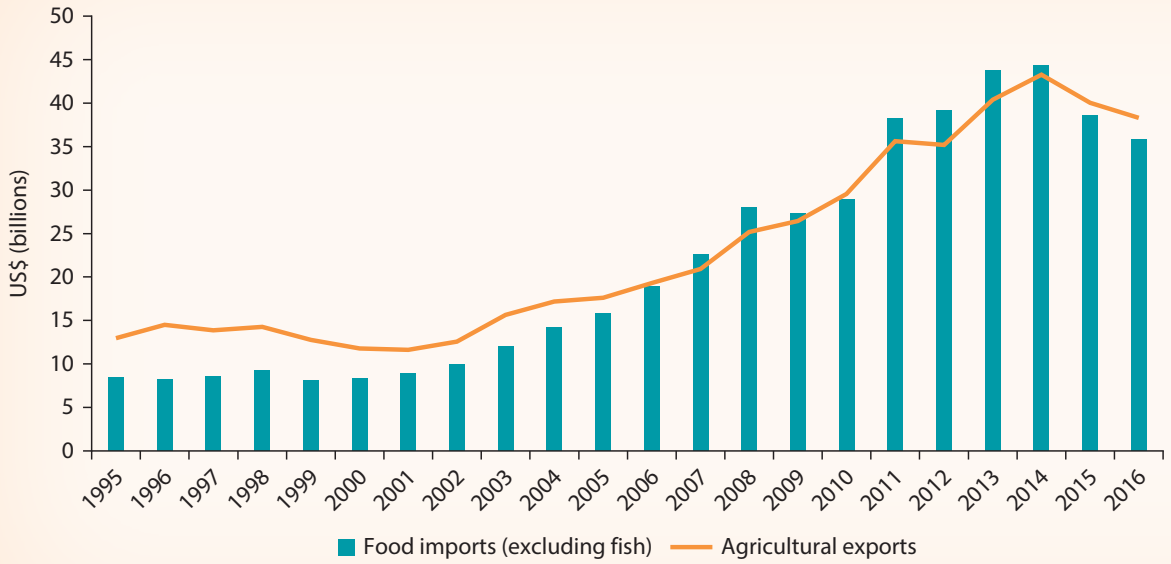
Leverage the Food System, on and off the Farm

Improving production and productivity in agriculture has historically had poverty-reducing effects, especially at low income levels (Christiaensen and Martin 2018), and the conditions for leveraging the food system for poverty reduction in Africa today are especially favorable. Food demand is robust; world food prices are still about 70 percent higher than they were before the 2008 world food crisis (40 percent in real terms); and urbanization and income growth provide opportunities for product differentiation and value addition and thus off-farm employment opportunities in agribusiness. The domestic agricultural policy and trade environments (including intraregional) have improved, and political leadership remains largely supportive.

Against this background, supply has responded, but insufficiently—Africa's food import bill has risen steeply, by US$30 billion over the past 20 years (figure 2.4). Many of these imports could be competitively produced domestically, although climate change and resurging conflict also pose challenges. Yet, the expected climatic changes are not unequivocally detrimental. Maize yields, for example, are predicted to increase in the Sahel and many parts of eastern and central Africa (Jalloh et al. 2013; Waithaka et al. 2013). And agriculture plays an important role in the prevention of conflict—which often finds its origins in climate-related agricultural shocks—as well as in the recovery of fragile states (Martin-Shields and Stojetz 2019).

FIGURE 2.4: Africa's Food Imports and Agricultural Exports, 1995–2016

Africa's food import bill has sharply increased over the past 20 years.



Source: FAOSTAT 2018 database, Food and Agriculture Organization (FAO), http://www.fao.org/faostat/.

Coordinating the supply response will require sustained political attention. Despite declared political commitment, the recent decline in the agricultural share of total spending to pre-2008 levels will need to be reversed. And not all agricultural growth models are equally poverty reducing. Increasing smallholder staple crop productivity (the so-called Green Revolution) demands particular attention. Low labor productivity in staple crops still locks many people into staple crop agriculture. Because of this, as well as more widespread income (including via the price channel) and linkage effects, increasing the productivity of staple crops has larger growth multipliers and greater poverty-to-growth elasticities than an equal amount of productivity growth in cash crops (Diao et al. 2012). Unfortunately, staple crops attract less public and private sector attention than cash crops, as does smallholder livestock holding, which is the second income source for many smallholders (Otte et al. 2012). Development of Africa's agricultural exports (old and new) complements the staple crop agenda. Such development does not have to compete with public investment in staples, because private sector interests can be leveraged. The challenge is to balance policy attention.

Larger poverty-reducing effects come from supporting slightly larger, commercially oriented smallholders, while the poorest and least productive farmers in the village (often also those with less land) benefit primarily through lower food prices and local labor markets (in and outside agriculture). Poorer farmers may further benefit from better access to technology and inputs as well as markets. Such positive spillovers are less likely, however, when farms become large (more than 100 hectares) or even of medium scale (more than 10 hectares). These entities tend to use less agricultural wage labor and yield smaller local consumption linkages for the poor—that is, more of the revenues are spent on urban (and imported) goods and services. However, larger ("estate") farm entities may be needed for some crops, to ensure consistent volumes of high-quality crops that also comply with the more demanding standards imposed by many of the export markets. Examples include labor-intensive exports of high-value fruits and vegetables, flowers, and fish. The necessity of such an agrarian structure to supply the domestic urban markets is less clear, however.

What are then the entry points to increase Africa's agricultural labor productivity? A myriad of factor and product market constraints hold agricultural intensification back, with pockets of land scarcity emerging and the seasonality of agricultural labor calendars too often ignored. The latter frequently leads to agricultural labor underutilization and the perception that agriculture is an intrinsically less productive activity. This only holds when agricultural labor productivity is expressed as agricultural output per worker, not when it is expressed per hour of work (McCullough 2017). Mechanization and better water management can help. Less than 2 percent of the cultivated area and less than 5 percent of households in six African countries (which together cover 40 percent of Africa's population) use any form of water control (Sheahan and Barrett 2014).[12] Small-scale, simple, affordable, self-managed irrigation systems that are rolled out at scale hold hope if access to complementary inputs and markets is developed simultaneously.

Single-focus interventions are still too often pursued, or interventions are poorly coordinated. Africa's Green Revolution, mechanization, and irrigation efforts each needs an integrated approach that simultaneously addresses supply- and demand-side constraints to tackle poverty.

12 The six countries studied are Ethiopia, Malawi, Nigeria, Niger, Tanzania, and Uganda.

Evidence from detailed microeconomic studies supports the existence of important synergies from integrated agricultural interventions. Yet, with integration comes complexity, which challenges effective implementation, especially in low-capacity, poor governance environments. Value chain development, often facilitated by external agents such as governments as well as nongovernmental and international organizations, increasingly emerges as a market-based, institutional solution that simultaneously addresses the multiple market constraints.

Smallholder farmers can gain from value chain development that creates links with higher value domestic and export markets: (a) directly, as producers, by supplying raw agricultural products, often in contractual arrangements with other value chain actors (gains stemming from reduced production and price risk, higher premium prices, and access to previously unattainable input and output markets and agronomic knowledge), or (b) indirectly, through employment opportunities. Buyers gain by securing a consistent volume of high-quality crops as well as the compliance with standards that is needed to access these markets. The poorest often benefit through localized spillovers. Horizontal coordination of smallholder farmers is important to make value chains more inclusive, by reducing the transaction costs of involving small farmers, increasing their bargaining power, and, thus, increasing their share of the value added.

Although value chain development holds promise for traditional and new cash crops as well as livestock and livestock products, contract enforcement is inherently more difficult in staple marketing because of the risk of (opportunistic) side-selling by smallholders or strategic contract breach by buyers. Experimentation with value chain development for staples has begun, however, along with the growing demand for consistent volumes and quality as well as opportunities for value addition in Africa's domestic staple markets (rice and teff for urban markets, feedstock maize for livestock, and barley for beer)—a space to be watched.

Nonetheless, the need for the provision of public goods remains undiminished, especially to increase smallholder staple crop productivity. This requires increased public spending in agriculture, which has started to falter, as well as a shift in its composition away from private (input subsidies) to public goods. Such goods include (a) agricultural research and development and extension for staples and livestock, and (b) investment in irrigation and rural infrastructure. The latter also benefits the broader rural economy, and new technologies hold promise. It also requires investment in public data, in institutions for entrepreneurship and business incubation at scale, and in productive alliances and platforms between private sector and farmer organizations across value chains.

In addition to raising incomes on the farm, employment opportunities off the farm will become increasingly important as agricultural productivity and incomes rise, countries urbanize, and the demand for nonfood goods and services grows. Over the short to medium term, moving to work opportunities off the farm will largely mean moving into informal household enterprises for many of Africa's poor (typically with no hired workers). It is unlikely to mean moving into (formal, or even informal) wage employment. Even in countries where wage employment is growing fast, the low base of wage employment and the pace at which youth enter the labor force imply that wage employment will absorb only a small share of the job seekers over the coming 10–15 years.

Few household enterprises fall into the categories of "opportunity" entrepreneurship, "constrained gazelles," or "transformational" entrepreneurs. Nonetheless, household enterprises are an important part of the broader economic transition—and they are particularly important for poverty reduction. They typically have low productivity; they tend to remain small and informal throughout their life cycle; they are managed and operated by household members; and only a few create paid jobs for non-household workers. These enterprises are often started from necessity. The lack of wage jobs and absence of formal unemployment insurance push people to jump-start self-employment as a survival strategy. Therein also lies their strength for the poor. The enterprises are readily available and, with little skills and capital required, they are easy to enter and exit and often critical in complementing income, thus helping households cope and smooth consumption. Because most household enterprises do not grow much, they create employment through entry (often complementary to the agricultural calendar), enabling productive use of underemployed agricultural labor. As such, they are often also an important source of cash for financing modern input purchases and developing other activities.

However, the choice of focusing on the formal or informal sector or small and medium-sized enterprises and large firms or household enterprises is not simply an "either-or" proposition. Investments in human capital, infrastructure, and a transparent regulatory framework will benefit the spectrum of enterprises. But not all investments cut across, and investments can also be made that more directly benefit nonfarm businesses run by poor households. About a third of off-farm employment will still be linked to agriculture, up and down the value chain, in agricultural input production and provision as well as food processing, marketing, and services (Allen, Heinrigs, and Heo 2018; Tschirley et al. 2015).

Because most household enterprises do not grow, they mainly create employment through entry. The available evidence suggests that job creation through entry can be achieved by relatively small amounts of financing, which can be combined with skills training, although the addition of training tends to make the interventions less cost-effective. As in agriculture, stand-alone interventions that address a single constraint (such as skills or finance) tend to be less successful than interventions that target multiple constraints at the same time, thus highlighting the importance of packaging different interventions.

An emerging and promising approach to reach the poorest and most vulnerable is to combine safety net interventions with support packages (including skills, finance, advisory services, working space, and so on) to facilitate entry into self-employment and increase the labor earnings of social protection beneficiaries. These combined "protection and promotion" interventions are currently being implemented on a large scale in several African countries, with ongoing impact evaluations examining their effects. Much remains to be learned, including about agricultural value chains linking small and medium-size enterprises with microenterprises and in rural settings.

Moreover, most interventions targeting the entry or growth of household enterprises focus on alleviating the supply-side constraints (such as finance or skills). Yet, the survival and growth of these small enterprises is ultimately determined by the demand for the goods and services they

provide, which is another key dimension of an integrated approach. In rural areas, improving connectivity with nearby markets and towns has the potential to improve earnings and spur welfare-enhancing diversification. Such an improvement entails not only investment in rural infrastructure, but also policies to foster better transport services. Critical within this agenda is how governments manage their urban spaces.

Cross-country research and country evidence from India, Mexico, and Tanzania suggest that growing towns matter more than growing cities for poverty reduction. Secondary towns in rural areas provide local centers of economic activity and demand and are more accessible to the poor because of their proximity and the lower threshold for migration. This accessibility facilitates especially the first move, which is often the most difficult, and their proximity makes it easier to return home when things fail, which is especially important in the absence of formal safety nets. The types of employment available in towns (unskilled and semiskilled) also tend to be more compatible with the skill sets of the poor. Public investments to help rural towns grow can increase demand for the agricultural products produced in surrounding rural areas, thus increasing rural incomes, which in turn would increase demand for nonfarm goods and services produced by household enterprises. Not all urban development strategies have equal poverty-reducing potential.

The demand for the poor's goods and services is often found across the border. This is illustrated by the concentration of (agri-processing) enterprises along the eastern and northern borders of Zambia, catering to Lilongwe in Malawi and Lubumbashi in the Democratic Republic of Congo, respectively. Cross-border trade is often an important driver of town development—the so-called border towns (Eberhard-Ruiz and Moradi 2018). Finally, digital technology holds the promise of connecting the enterprises of the poor with expanding urban and foreign demand for goods and services. Recent evidence from China shows the potential of digital platforms: e-commerce penetration (typically clustered in so-called Taobao villages) is associated with higher consumption growth, with stronger effects for the rural sample, inland regions, and poorer households (Luo, Wang, and Zhang 2019). Capitalizing on this trend will require equipping youth from poor households with at least basic education and digital skills while also making internet connectivity affordable, reliable, and widely available.

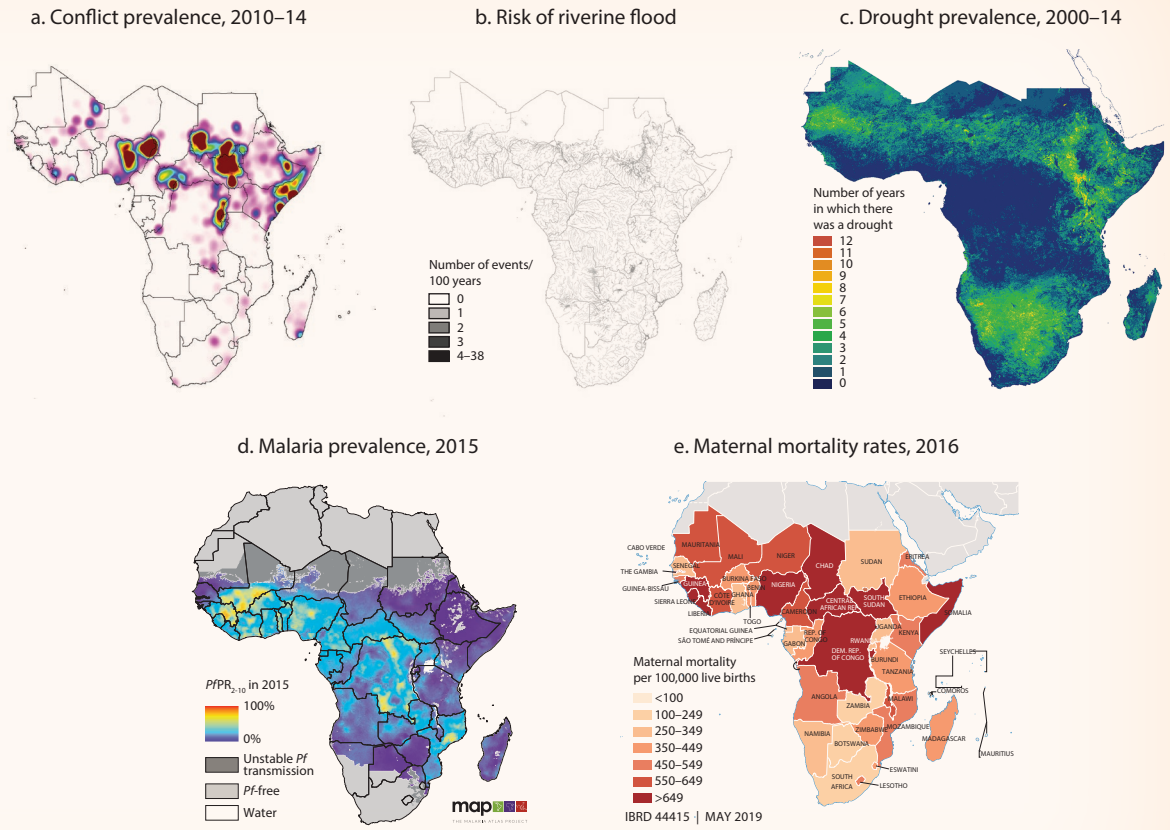
Address Risk and Conflict

Africa is more prone to risk and conflict than other regions. Civil war is prevalent. The dominant livelihood, rainfed agriculture, is risky. Markets are poorly integrated, making prices volatile; and health, water, and sanitation systems are weak. Price, weather, and health shocks have large impacts on welfare, especially given the inadequacy of financial markets, social protection, and humanitarian systems relative to the need, as well as the continued reliance on costly coping mechanisms. Conflict has far-reaching consequences, including forced displacement and migration of those who are able to do so.

The most prevalent shocks in Africa—relating to price, weather, health, and conflict—are slow in onset, affect incomes more than assets, and tend to be covariate, affecting many households in

The prevalence of different types of shocks varies across the continent .

MAP 2.2: Shocks in Africa



Sources: Panels a–c: Fisker and Hill 2018; panel d: the Malaria Atlas Project (https://map.oc.ac.uk/); panel e: World Development Indicators database, maternal mortality ratio.

Note: Panel c: A drought year is defined as a year in which at least half the growing period months are recorded to have a predicted greenness anomaly value below the 10th percentile of predicted greenness. Panel d: Each 5 km^2 pixel on the map shows the predicted *Plasmodium falciparum (Pf)* prevalence rate as a proportion of all children ages 2–10.

the same area at once. Risk is higher in poorer areas and rural areas. The prevalence of different types of shocks varies across the continent (map 2.2). Forced displacement, which affected 24 million Africans in 2018, is another type of shock that leads to a poverty trap (box 2.2).

These events affect poverty. Droughts reduce consumption. Lower real producer prices contribute to poverty increases. Food price variability makes urban households vulnerable. Malaria alone reduces income by 10 percent when it goes undetected and untreated (Dillon, Friedman, and Serneels 2014). Poverty in African countries has increased by 2.5 percent on average because of out-of-pocket health payments (Eozenou and Mehta 2016). Shocks can matter even before one is born. Children who are exposed to drought in utero attain fewer years of schooling. Shocks cast a long shadow on welfare. Income shocks increase the probability of being infected by the human immunodeficiency virus (HIV) (Burke, Gong, and Jones 2015). When a child's household experiences a shock, investments in education and nutrition are reduced, and this increases the child's likelihood of being in poverty as an adult.

The direct impact of a calamity on well-being is the visible, headline-grabbing way that conflict or poorly managed disasters set back progress. However, the persistent impact of uninsured risk

BOX 2.2: Forced Displacement as a Poverty Trap in Africa

The scale of the displacement crisis in Africa is large. As of mid-2018, the region hosted 35 percent of the global displaced population, accounting for approximately 24 million people, which is larger than the populations of 36 of 48 African countries. Of the top 20 countries in the world in terms of displaced populations being hosted, seven are in Africa.

Displacement in Africa is generated prevalently by conflict, concentrated around conflict areas and in a few countries. The main sources of conflict-related displacement in the region are generated around three regions:

1. Lake Chad: the war on Boko Haram, conflicts with other organized militant groups, and conflict in the Central African Republic
2. Great Lakes: conflicts in Burundi, clashes in eastern Kivu (the Democratic Republic of Congo), and civil war in South Sudan
3. Horn of Africa: conflicts in South Sudan, instability in Somalia, and curtailment in Eritrea.

The Democratic Republic of Congo, Nigeria, South Sudan, and Sudan are, by far, the countries with the largest numbers of displaced people.

Forced displacement in Africa has unique features. First, it is concentrated in a large geographical area, but the bulk of displaced persons live in a few countries. Second, internally displaced persons (IDPs) and refugees typically remain close to their places of origin. South Sudanese settle across the border in the poorest northern region of Uganda; Somalis settle across the border in the poorest northern regions of Kenya; and the IDPs in northern Nigeria settle in poor, nearby northern municipalities.

Third, these areas are as poor as or poorer than the places of origin; they are marginalized places in many dimensions. They are also environmentally fragile areas that are vulnerable to major environmental disasters, such as prolonged droughts. Fourth, they are often politically unstable areas, characterized by civil conflicts where terror groups of various natures roam freely across borders and manage lucrative illegal trades. In sum, these are areas that are often neglected by central governments, where infrastructure is scarce, services are weak or nonexistent, and development assistance has been historically low. They are the poor peripheries of poor countries.

Finally, unlike their counterparts in middle-income countries in other regions, more than half of African refugees are hosted in camps. Host governments regard the density of these settlements as a source of instability, and in recent years they have adopted policies increasingly leaning toward closure of the camps.

These are broad generalizations about the state of displaced persons in the region. However, there are more nuanced narratives across countries and according to the different circumstances of displacement (refugees versus IDPs, conflict versus disasters), the impact of camps on local communities and towns, and the details on where those who are not in camps reside.

The Convention Relating to the Status of Refugees (also known as the 1951 Refugee Convention and ratified by 44 of 48 countries in Africa) explicitly provides for work rights for refugees who are legally staying in the country. Despite these rights, de facto barriers still exist, such as encampment, high permit fees, and complex paperwork, along with other barriers, like lack of knowledge of the local language and cultural differences. And the laws of some countries may not align with the Convention to which the country is a party and thus may exclude refugees from national labor markets.

on household behavior every year—regardless of whether the feared event occurs—is arguably the larger constraint to accelerating poverty reduction in Africa. Poor households choose safer, less remunerative activities that limit income growth and poverty reduction.

In many cases, the cost of prevention is lower than the cost of managing the event. The development of markets is the best way to reduce price risk in Africa, and this requires addressing tariff policies as well as investing in infrastructure and transport services. To reduce health risks and improve child health, improving water, sanitation, and hygiene (WASH); fighting malaria; and achieving mass immunizations are key. And targeted investments in irrigation, natural resource management, and improved seeds can reduce exposure to weather risks. In general, there is underinvestment in these cost-effective, risk-reducing interventions.

A discussion on addressing the sources of fragility that underlie specific conflicts in Africa is beyond the scope of this issue of *Africa's Pulse*. Incipient evidence suggests that there is a link between job creation and employment and reduced risk of terrorism (Abdel et al. 2018) as well as other forms of violence and crime.[13] However, more evidence is needed. Mitigating the adverse effects of fragility on human capital, also when addressing fragility itself is not possible, remains another important point of attention.

When prevention is not possible, a mix of safety nets and financial instruments can help households manage in the aftermath of a shock. Both are needed to manage all types of shocks. Savings and regular safety net transfers help households manage small shocks, while larger shocks are better managed by insurance or scaling up safety net support. Better-off households are more likely than poorer households to rely on financial markets to manage risk, but poor households still need access to financial markets to help them manage smaller shocks and enable them to secure more "insurance" than could be provided through public safety nets alone.

Public spending on insurance subsidies and shock-responsive safety nets may target different households or different risks and may substitute for each other depending on the relative strength of public delivery and private markets in the local context. During conflict, financial market development that reduces the cost of sending and receiving remittances can also help, because private transfers and migration are the predominant coping strategies.

However, financial markets are often weak, and safety net investments are too often made after shocks occur. Moreover, to help households, countries continue to rely on ex post humanitarian aid, which by its nature is neither timely nor predictable. Reforming humanitarian financing—from reducing reliance on ex post appeals to using ex ante financing instruments with predictable and timely payout mechanisms (like the World Bank's Pandemic Emergency Financing Facility)—is essential. But it will not improve support to households on the ground unless it is combined with investments in contingency planning for support service delivery.

Addressing risk and conflict—through risk reduction and/or risk management—requires action before shocks occur. Currently, only 1.2 percent of GDP is spent on safety nets in Africa, on average, with development organizations financing more than half of it. There is also room for more technological innovation and better information systems, but fundamentally encouraging

13 See Davis and Heller (2017) and Andresen (2012) for urban youth; Blattman and Miguel (2010) for ex-combatants in Liberia; and both Fetzer (2014) and Dasgupta, Gawande, and Kapur (2017) for Maoist rebellion violence in Indian villages.

action *before* shocks occur will require addressing the incentives that currently keep postponing action until *after* shocks occur.

For governments, this requires addressing the perverse political incentives that reward them for big post-disaster gestures rather than planning for a rainy day. Coping with disasters using humanitarian aid is much cheaper (that is, free) than pre-disaster investments in prevention and preparedness. Building capacity within governments to invest in risk reduction and risk management is also necessary.

For individuals, this will require inducing households to overcome behavior that limits their investment in risk reduction and management: a scarcity-induced focus on the present, resignation, and ambiguity aversion. This can be done by reducing the household cost of investing in risk reduction and management while households learn about new strategies to reduce or manage risk. In addition, there is a need to expand mandates and regulations to address adverse selection in health insurance markets, increase trust in financial institutions, and reduce fixed-cost insurance markets.

Finally, there is a data agenda along with many aspects of improving policies and programs. Better data on disasters as they unfold and ex ante risk exposure will help improve financial market development and the design of shock-responsive safety nets.

Provide More Public Finance for the Agenda to Tackle Poverty

The agenda to address poverty in Africa extends beyond shifting programs and policies. It also requires a careful revisiting of a range of domestic revenue and spending patterns. Within the region, some countries have the means to address the poverty gap (the income needed for a poor household to just escape poverty) through either (theoretical) tax rates on the nonpoor or transfers of natural resource revenues directly to citizens (such as through "direct dividend payments").

For most African countries, however, closing the poverty gap would entail implausibly high tax rates on the rich or improbable natural resource revenues. Current domestic revenues are insufficient to tackle poverty in the short term, let alone to improve Africa's poor initial human capital conditions—investments that only pay off a generation later.

There is an imperative to boost domestic revenues for most African countries: tax revenues relative to GDP are below 13 percent (that is, revenues net of grants), which is often considered the "tipping point" necessary to execute basic state functions and sustain development progress (Gaspar, Jaramillo, and Wingender 2016). For comparison, the Organisation for Economic Co-operation and Development's (OECD's) average in 2015 was 34.3 percent (OECD 2017).

Sub-Saharan Africa has experienced the largest increase in tax revenues across the globe since 2000, although it remains low on average (IMF 2015). Furthermore, International Monetary Fund projections find that the countries with the lowest domestic resource mobilization levels are also expected to grow at lower rates, further widening the gap. To turn this around, countries need to continue to improve tax compliance, start focusing more on local large taxpayers and corporate taxes, and expand excise and property tax collection. And given that profit shifting by abusive transfer pricing happens among multinationals, several measures are needed at the global level to foster transparency among multinationals and reform the current rules for their taxation.

Some countries in Africa generate substantial revenues from natural resources. Of the 37 countries for which data are available, 22 are considered resource-rich—from oil-rich countries like Chad and the Republic of Congo, to those with lucrative mining operations, such as Botswana (diamonds) as well as Mauritania and Niger (minerals). In these countries, resource-based revenues make up 10-20 percent of GDP. Low- and middle-income countries with substantial natural resources tend to have higher tax revenues than countries at the same income level that lack such resources.

In principle, resource revenues can enhance spending on agriculture, rural infrastructure, and social sectors (for example, health and education as well as social protection programs, including cash transfer schemes) and thus contribute to poverty eradication. These revenues notwithstanding, poverty reduction is slower and multiple human development indicators are worse in resource-rich countries in Africa than in other African countries at the same income level—so this revenue does not result in greater pro-poor spending (Beegle et al. 2016; de la Brière et al. 2017).

Turning from raising more money toward spending more effectively and with a pro-poor focus, there is a large unfinished agenda. A key area to make public spending more pro-poor is to address high subsidy expenditures (especially fuel, energy, and fertilizer subsidies), which are often regressive with little impact on poverty. The lack of impact from agricultural input subsidies gets magnified when they crowd out other investments that could raise productivity. Cash transfers seem to be more effective and efficient than subsidies, where evidence exists. But more research is needed to compare their performance relative to other competing needs, like spending on education, health, WASH, public goods in agriculture (such as research and irrigation), rural infrastructure, and security.

Pro-poor spending patterns have a mixed track record—with some sectors generally reaching international expenditure targets (like education) but others falling short for many countries (health, WASH, and agriculture). Although many countries are close to meeting or exceeding global targets for spending as a share of GDP or government expenditures, absolute spending levels are still very low. Additionally, within-sector spending is often inefficient and regressive. For example, more resources are devoted to spending on services that are used disproportionately by the nonpoor rather than the poor. Children from wealthier households benefit more from public resources allocated to education. This results from two channels. First, children from poor households are less likely to attend post-primary schools, for which per pupil spending is higher. Second, within school levels, more public resources go to schools in wealthier, often urban, areas. In health, government expenditures are skewed toward tertiary services. In the Democratic Republic of Congo, 87 percent of government health expenditure was focused on hospitals, which are used disproportionately by the wealthy (Barroy et al. 2014).

Inefficient spending on services manifests itself in several ways, for example, in high rates of absenteeism among teachers and supplies not reaching frontline providers. Because of limited spending on pro-poor sectors and inefficient spending, many poor people still pay for access to basic services that are critical for human development, and out-of-pocket expenditures are

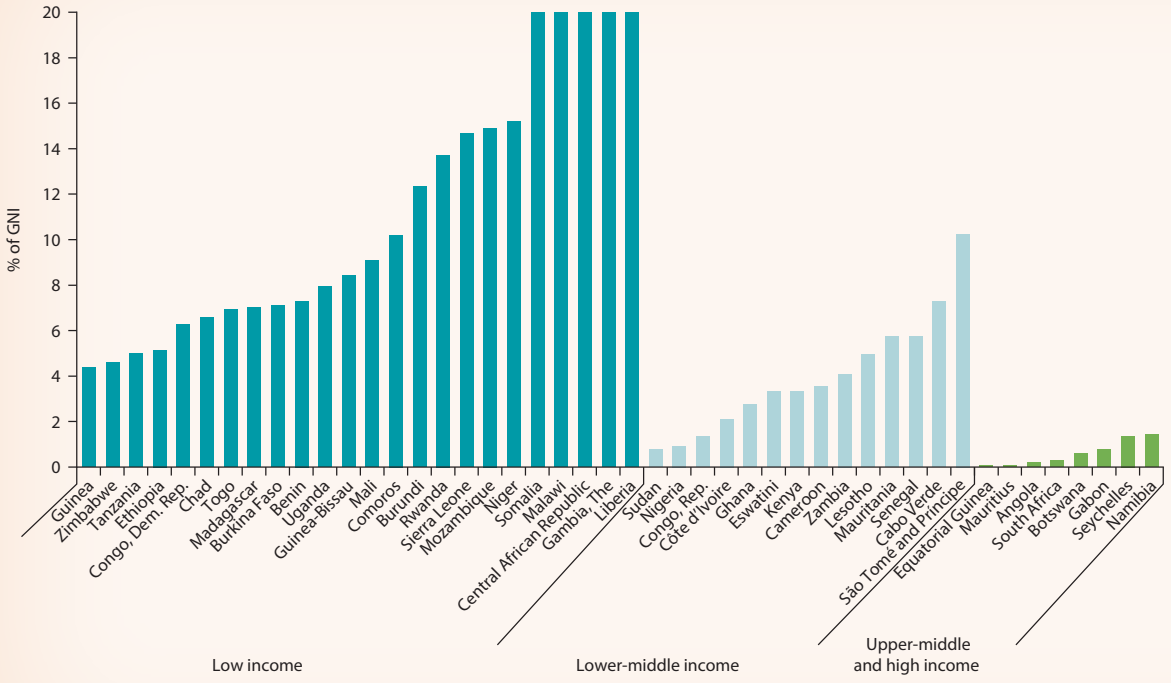
high. Notably, resource-rich countries spend less on education and health compared with other African countries at similar income levels.

Finally, combining the insights on taxation and spending practices, it emerges that many individuals in the bottom 40 percent of the income distribution are often net taxpayers instead of net recipients. That is, the aggregate cash benefit transferred to the poorest 40 percent of the population through subsidies and direct transfers is smaller in absolute magnitude than the burden created by direct and indirect tax instruments (de la Fuente, Jellema, and Lustig 2018). Although these calculations only refer to the cash-based financial position purchasing power of individuals—excluding the value of in-kind benefits like education, health, or infrastructure services—they give cause for pause.

Taken together, the low base on which to tax, the low capacity to tax more, and the political inability (or lack of will) to channel revenues from natural resources into pro-poor social spending result in a large financing gap for critical spending. Although improving revenue and spending performance is important, even with improvements, official development assistance (ODA) will remain critical for the poorest countries.

FIGURE 2.5: Official Development Assistance as a Share of Countries' Gross National Income, by Country Income Group, 2017

Aid still makes up more than 8 percent of GDP for half of Sub-Saharan Africa's low-income countries.



Source: Organization of Economic Co-operation and Development 2017 data, https://data.oecd.org.

Note: GNI = gross national income; ODA = official development assistance. ODA data do not include aid inflows from international charities, international nongovernmental organizations, and private donations.

Aid makes up more than 8 percent of GDP for half of the low-income countries in Africa (figure 2.5). ODA supports key sectors for poverty reduction, including health, agriculture, and education. But although global ODA has been increasing and reached an all-time high of US$140 billion in 2016 (at current prices), ODA to African countries declined from 2013 to 2016 (from US$43.3 billion to US$38.8 billion), which represents an even further decline in per capita terms, given population growth.

The proportion of aid going to African fragile and conflict-affected states also continued to decline. Thirteen OECD Development Assistance Committee donors, including the European Union institutions, reduced their contributions to African fragile and conflict-affected states between 2014 and 2015 (ONE 2017). At least in part, the overall decline was because the donor countries were spending more in their own countries on refugees and asylum seekers.

The issuance of international bonds in the face of macroeconomic slowdown over the past couple of years, combined with insufficient revenue and lagging ODA commitments, has put country debt concerns back on the radar. Although debt levels remain below those in the late 1990s—when several international debt relief initiatives were implemented—debt has been rising more rapidly in Africa than in other regions since 2013. At the same time, the public debt profile has become riskier—as the share of concessional borrowing is declining and countries in the region are resorting to non-Paris Club bilateral lending and private creditors. Although governments could borrow domestically and internationally to finance more spending on social sectors and WASH, many will find it difficult.

Section 3: Empowering African Women: A Force for Economic Change

3.1 INTRODUCTION

In the quest to eradicate poverty and achieve sustainable economic growth in Africa, the equal contributions of women and men are crucial.[1] Beyond the intrinsic value of equal opportunity, women's economic empowerment will bring economic growth and greater poverty reduction. This section provides evidence-based recommendations for policy makers and other stakeholders to design innovative solutions that unleash women's unmet potential.

There has been some recent progress in narrowing the gender gap in primary schooling and increasing female labor force participation on the African continent. However, large and persistent productivity and earnings gaps between men and women remain—and they come with a significant economic cost.[2] Africa quite simply cannot afford to lose out on the earnings potential of half its population.

Africa is the only region in the world that can boast that women are more likely to be entrepreneurs than men (Campos et al. 2019), and African women contribute a large share (40 percent) of agricultural labor across the continent (O'Sullivan et al. 2014). However, Africa's success story in terms of women's representation in the labor force is stifled by large gender disparities in earnings. It is still not a level playing field. To seize the greatest benefits from African women's participation at work, policy makers must confront the constraints that women disproportionately face and enact policies to help them boost growth.

Women's empowerment refers to women's ability to make decisions and affect outcomes of importance to themselves and their families, allowing them to expand their aspirations, strengthen their voice, and exercise more choice. While empowering women calls for a multi-dimensional approach requiring improvements in women's political, social, economic and health status, the main emphasis of this section will be on women's economic empowerment.

Women's economic empowerment is fundamental to strengthening women's rights and enabling women to have control over their lives and exert influence in society and is a powerful way to accelerate development. However, the focus on work and earnings should not undermine the other dimensions of empowerment. This simply means that other important policy areas for African women's empowerment are not covered here, such as addressing high fertility, child marriage, and gender-based violence.

1 Throughout this section, "Africa" refers to Sub-Saharan Africa (that is, the African continent excluding North Africa).

2 The average labor force participation rate of women in Sub-Saharan Africa has increased over time. However, this aggregate trend masks the large variation across countries and the heterogeneity among the types of employment entered into by men and women that the labor force participation indicator encapsulates.

One of the pillars of the World Bank's Africa regional strategy to accelerate poverty reduction and boost shared prosperity is to strengthen human capital. An entry point to the human capital agenda of the World Bank is to empower women (World Bank 2019c).[3] Section 2 of this issue of *Africa's Pulse* tackles the agenda to reduce poverty, including policy interventions to accelerate the fertility transition, and measures to narrow gender gaps in health, education, empowerment, and jobs. Similarly, this section stresses the need for policies that economically empower women, to be completed alongside foundational interventions, including policies to keep girls in school and access to quality reproductive health services. This will ensure that women benefit as directly as possible, enabling them to be in the driver's seat of improving their well-being.

Since opportunities to enter formal wage employment in most Sub-Saharan African economies are limited, this section focuses on policies that meet women where they currently are, in firms and on farms. The central question is, how can the productivity and earnings of women farmers and entrepreneurs in Africa increase? Evidence shows that women earn less than men in agricultural and non-agricultural activities: (a) for the average country, it is estimated that women produce 33 percent less per hectare of land than men do (O'Sullivan et al. 2014), and (b) profits earned by female entrepreneurs/business owners are, on average, 34 percent lower than those of male business owners (Campos et al. 2019).[4] These earnings gaps are extremely costly in foregone gross domestic product (GDP).[5] Supporting African women to raise their income opportunities, upgrade their earnings, and build skills will narrow these gaps and improve growth and welfare.

The earnings gap between men and women comes from a set of constraints that are more binding on women. Typically, women have lower levels of key inputs for earnings on farms and in firms: skills, time, and capital. Moreover, women face disadvantages stemming from the norms and institutions that govern the economic and household roles of women and men (Chakravarty, Das, and Vaillant 2017). In Sub-Saharan Africa, women tend to have significantly lower human capital endowments than men: gender parity is yet to be achieved in secondary and tertiary education in most countries.[6] At the same time, women have lower levels of other productive assets, including land and credit. Policies that better target the causes of women's disadvantage in the economic realm have the potential to contribute significantly not only to equality, but also to economic growth.

What can policy makers and other stakeholders do to accelerate the economic returns of African women? This section draws on the development economics literature to help identify interventions that have the most potential to advance women's economic empowerment across Africa. Six key policy pathways are identified that may help improve women's income opportunities: (a) building the right skills, (b) relieving capital constraints, (c) securing land

3 It supports coordinated policy action to keep girls in school and increase female education; reduce child marriage; address social norms on fertility; improve access to reproductive health care: reduce child mortality, morbidity, and malnutrition; and foster access to job opportunities, safer mobility, access to energy, finance, and internet in rural areas.

4 Gender gaps in agricultural productivity are estimated using the Oaxaca-Blinder decomposition analysis and show large variation across the six countries profiled, which make up 40 percent of Africa's population. For example, women in Tanzania produce 23 percent less per hectare than men, while the gap in Niger is 66 percent. The gender gap in profits is estimated across 10 countries in Africa from 14 impact evaluations on micro, small, and medium-size enterprises in the region.

5 In Ethiopia, the annual cost of the gender gaps in agricultural productivity and entrepreneurship combined are estimated at US$2.2 billion, that is, 3.3 percent of total GDP (Buehren, Gonzalez-Martinez and Copley, 2019).

6 Girls tend to do as well as or slightly better than boys on the Human Capital Index and its components, with the exception of learning-adjusted years of schooling (World Bank, 2019c).

rights, (d) connecting women to labor, (e) addressing social norms that limit women's economic opportunities, and (f) boosting the capacity of the next generation. The evidence reviewed in this section is not exhaustive; however, it is supported by results from rigorous impact evaluations of what has worked for women across the continent. Simultaneously relieving the multiple constraints that women face appears to deliver the most promising results for boosting their employment and earnings.

The section begins with an infographic that illustrates some of the key gender gaps at work in Africa (figure 3.1). The infographic reveals that although labor force participation is often touted as close to parity, at 0.85 for the region, closer analysis points to large variation across countries. In particular, countries in the Sahel region continue to have large gender gaps in participation rates. Among economic gender gaps, the average profit gap between male-owned and female-owned micro, small, and medium-size enterprises is estimated at 34 percent across the 10 countries profiled in figure 3.1. A large part of this gap can be explained by differences in the sectors in which women and men operate: the top sectors for women in Africa are beauty salons, retail, textiles, and cafes and restaurants, which have comparatively lower profits than the top sectors for males, the construction, land transport, and information and communications technology (ICT) sectors (figure 3.1). Gender gaps in agricultural productivity range from 23 percent in Tanzania to 66 percent in Niger. As in other regions, women in Africa spend a disproportionate amount of time on unpaid domestic and care services: women spend about four hours per day on unpaid work compared with one hour for men. There is also a gender gap in financial inclusion: 38 percent of African men have a bank account, compared with only 27 percent of women. For skills, gender parity in enrollment in primary education has been achieved in most countries (the average for Sub-Saharan Africa was 0.96 in 2017); however, gaps in secondary and tertiary levels remain.

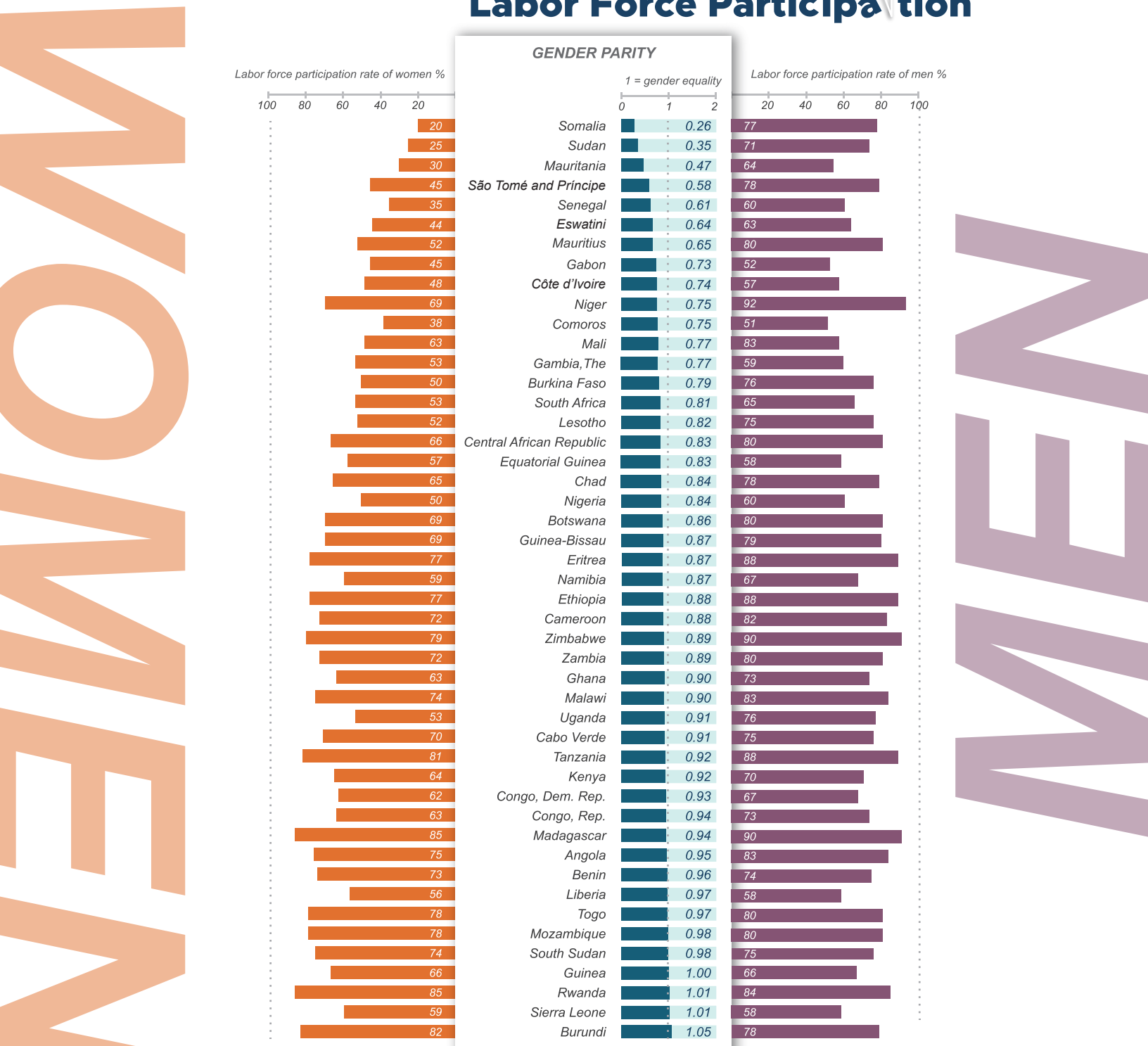
Subsection 3.2 examines policy solutions to address the economic gender gaps, focusing on programs and policies that have been found to work for women. The section can be used as an evidence-backed toolkit for policy makers and donors. It highlights six key policy pathways for tackling constraints to women's economic empowerment. These constraints include skills gaps, capital constraints, insecure land rights, labor constraints, restrictive social norms, and limits on economic opportunities. Programs for adolescent girls are also covered, but the majority of the policies that are included are targeted at adult women. Finally, subsection 3.3 concludes with practical guidance for policy makers, a checklist of factors to consider when designing policy actions, and a summary of policy options to support women's economic empowerment.

FIGURE 3.1: Key Gender Gaps at Work in Africa

GENDER GAPS

While there have been some increases in female labor force participation on the African continent, an earnings and productivity gap between women and men still exists …

Labor Force Participation[1]

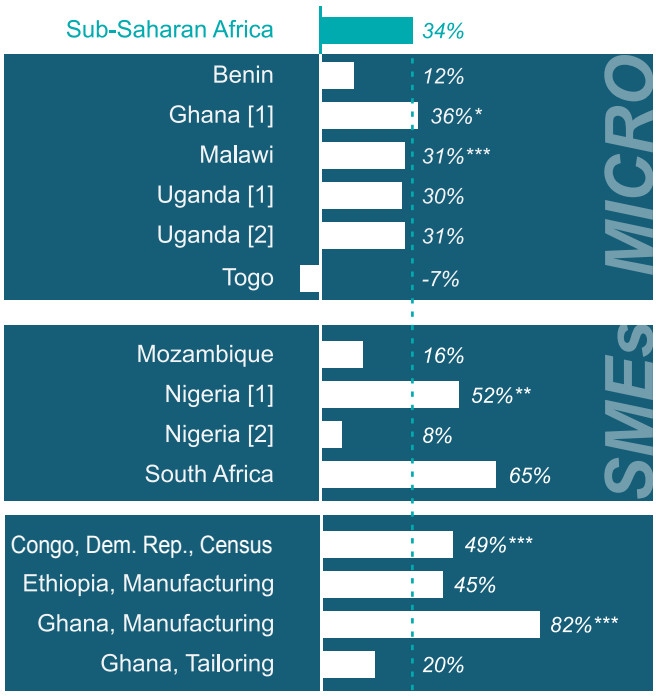


Sources:
[1] World Bank, Gender Data Portal, http://datatopics.worldbank.org/gender/;
[2] Facebook Future of Business Survey for 15 African countries, Dec 2018
[3] World Bank 2019 Profiting from Parity report;
[4] World Bank and ONE 2014 Levelling the Field report.

AT WORK IN AFRICA

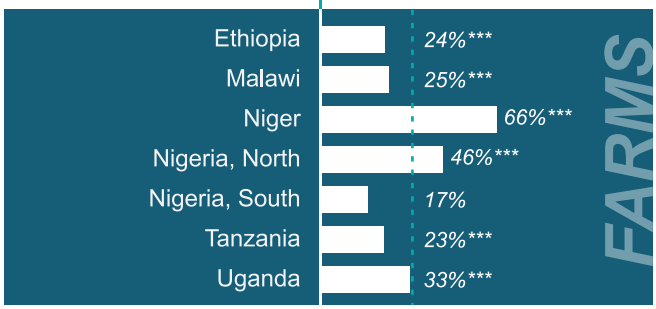
Economic Gender Gaps

GENDER GAPS IN MONTHLY PROFITS (%) [3]



Note: Gap in profits for male vs. female firms using data from impact evaluations.

GENDER GAPS IN AGRICULTURAL PRODUCTIVITY (%) [4]



Note: Gap in agricultural output per hectare on male vs. female-managed plots.

Note: The Symbols */**/*** denote statistical significance at the 10%, 5% and 1% levels, respectively.

Women

TOP BUSINESS SECTORS [2]

- HAIRDRESSING & BEAUTY SALONS
- CREATIVE, ARTS, & ENTERTAINMENT ACTIVITIES
- TEXTILE MANUFACTURING
- CAFE & RESTAURANTS
- RETAIL

DOMESTIC WORK PER DAY [1]

BANK ACCOUNTS [1]

FINANCIAL INSTITUTION

27%

MOBILE MONEY

18%

Note: percent of polulation, age 15+

Men

TOP BUSINESS SECTORS [2]

- CONSTRUCTION
- AGRICULTURE & FARMING
- TELECOMMUNICATIONS
- LAND TRANSPORT
- COMPUTER PROGRAMMING

DOMESTIC WORK PER DAY [1]

BANK ACCOUNTS [1]

FINANCIAL INSTITUTION

38%

MOBILE MONEY

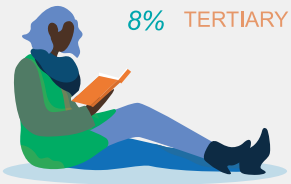
23%

GIRLS SCHOOL ENROLLMENT (net)[1]

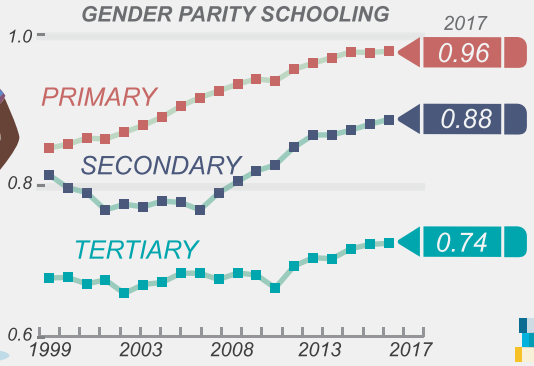
75% PRIMARY

33% SECONDARY

8% TERTIARY



GENDER PARITY SCHOOLING



BOYS SCHOOL ENROLLMENT (net)[1]

80% PRIMARY

36% SECONDARY

11% TERTIARY

NOTE: Enrollment rates are net. Gender parity index is the ratio of girls to boys enrolled in each level of schooling (gross).

3.2 POLICY SOLUTIONS TO GENDER-BASED CONSTRAINTS

This subsection highlights six key policy pathways for women's economic empowerment that are considered to be high-return policy areas. Gender gaps that are meaningful for each constraint are first described in further detail, with reference to firms and farming. Next, specific policy solutions that have shown some success in alleviating the constraint are provided through examples on the African continent. Knowing what works should help spur ideas for policy entry points to support women in achieving their full earnings and agricultural potential.

Pathway 1: Building Skills: Going beyond Traditional Training

Most countries in Sub-Saharan Africa have achieved gender parity in access to primary education (the average Gender Parity Index for primary school enrollment in Sub-Saharan Africa was 0.96 in 2017). However, gaps between men and women in educational and skills attainment remain. When women lack opportunities to obtain essential skills (for example, through less exposure to secondary or tertiary education or social networks), this in turn limits their ability to capitalize on income-generating activities and their potential to contribute to economic growth.[7]

In agriculture, women farmers may be excluded from training due to household responsibilities. Cultural norms can also prevent women from being free to meet effectively with male agents. For example, women in Ethiopia and Uganda tend to benefit less than men from (some sources of) agricultural advice received by their households. This finding suggests that current agricultural extension services maybe be better adapted to the needs of male farmers (O'Sullivan et al. 2014).

In the case of firms, the evidence has pointed to three critical skills gaps between men and women: formal education, management skills, and socioemotional skills (Campos et al. 2019). Women may have less access to opportunities to develop their management and entrepreneurial skills—and be less likely to attend training sessions for sectors where average earnings are higher (Arias, Evans, and Santos 2017). For example, women often self-sort into sectors such as retail and textiles, which have comparatively lower profits than male-dominated sectors such as construction and ICT (Facebook Future of Business Survey 2019). Globally, the evidence on the impact of skills training programs for entrepreneurship is decidedly mixed, which raises the question: are we focusing on the right skills? The evidence from Sub-Saharan Africa shows that training women to develop an entrepreneurial mindset can deliver promising results.

Interventions to build skills that go beyond traditional training include gender-sensitive agricultural extension services, socioemotional skills training for women in business, and providing women with information to support occupational changes across sectors.

Gender-Sensitive Agricultural Extension Services

Designing agricultural extension programs that better meet the needs of women can help to close the productivity gap. Increasing the number of female extension agents or providing agents and implementers with training on women's specific needs could be an option for effectively reaching more women and improving outcomes. For example, in Mozambique, selecting female volunteer farm advisors directly within communities enhanced the use of agricultural techniques by female and male farmers within those communities (Kondylis, Mueller, and Zhu 2017).

7 The scores for the Gender Parity Index for gross secondary and tertiary school enrollment were 0.88 and 0.74, respectively, for Sub-Saharan Africa in 2017. A score of one on the index indicates gender equality.

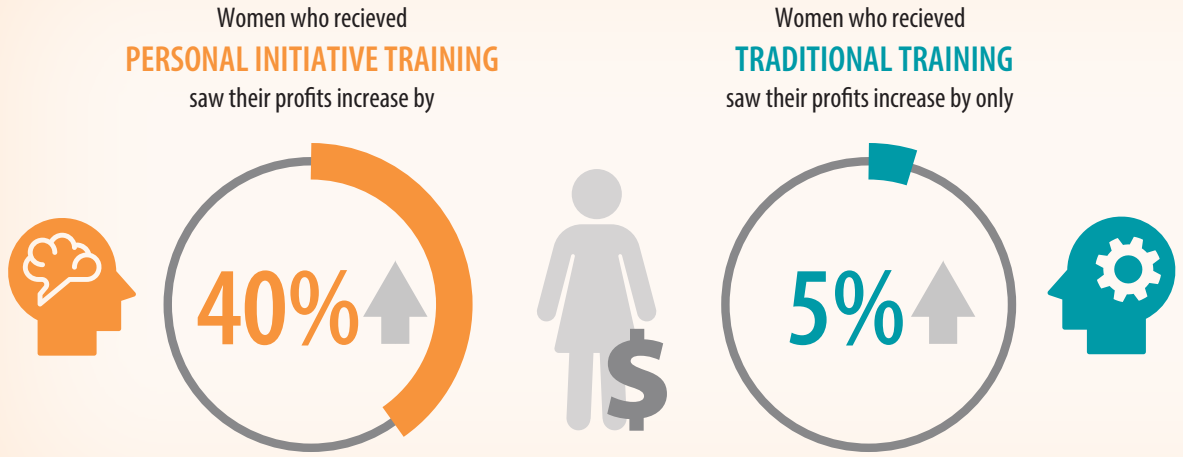
In Ethiopia, the government's Rural Capacity Building Project (RCBP) included gender-sensitive elements as part of the comprehensive design of its agricultural extension services. The RCBP program boosted the number of female extension officers and trained staff on gender issues to raise awareness of the potential differences in how female and male farmers respond to services. The extension program increased the overall area of cultivated land and the adoption of marketable crops by 10 percent. In RCBP areas, more people in the household contributed to income-generating activities, bolstering economic activity, and more work was undertaken off the farm. Notably, the main impacts of the program benefited male and female households equally but did not close the gender gap in agricultural outcomes (Buehren et al. 2019).

Socioemotional Skills Training for Women in Business

Traditional business training often focuses on technical skills like accounting or marketing. However, assessments of traditional training programs have failed to find evidence of sustained impacts on business profits, especially for women (McKenzie and Woodruff 2014). Thinking outside the box on traditional training programs may be key to closing the gender gap. For example, training focused on developing an entrepreneurial mindset has been shown to be effective for women entrepreneurs.

In Togo, training for entrepreneurs to improve business practices as well as socioemotional skills aimed at helping entrepreneurs to become more proactive and resilient to obstacles led to higher sales and profits. The psychology-focused *personal initiative training* encouraged small business owners to be self-starting and future-oriented and to anticipate problems and plan ways to overcome them. Female microentrepreneurs, on average, increased their business profits by 40 percent compared with a statistically insignificant 5 percent boost for a comparison group that received traditional business training (see figure 3.2). Women who received the personal initiative training were also more innovative, increased investment, and introduced new products in their businesses (Campos, Frese, et al. 2017).

FIGURE 3.2: Benefits of Personal Initiative Training for Women Entrepreneurs in Togo



Psychology-focused trainings that develop an entrepreneurial mindset were shown to be more effective for women entrepreneurs in Togo.

Source: Campos, Frese et al. 2017.

Information to Support Sector Switches for Women

Individual biases can affect women's aspirations and employment choices. For instance, women may be reluctant to enter male-dominated sectors, where earnings are typically higher. Providing information through targeted trainings can prepare women for specific, higher-earning sectors and be a useful tool for mitigating these biases and providing women the skills needed to operate in these sectors.

In Nigeria, the government wanted to increase the workforce in the ICT sector. It created a two-month program to train university graduates in oral and written communication, cognitive skills, and soft skills like teamwork, stress management, and time management. The training program induced women to switch into the emerging ICT sector, and the tendency to switch was more pronounced for women who had indicated that they had a deep-seated bias against women in professional roles. Post-training, women with deep-seated biases were three times more likely to find an ICT service job than women who were unbiased. Notably, the program contained no special gender focus—but providing the information and training expanded women's possibility set and increased the likelihood of women taking jobs in the ICT sector (Croke, Goldstein, and Holla 2018).

Pathway 2: Capitalizing on Women's Potential: Relieving Capital Constraints

Across Africa, there are persistent gender gaps in ownership, use, and control over assets and wealth (Gaddis, Lahoti, and Li 2018). For example, the data from Demographic and Health Surveys suggest that only 13 percent of African women (ages 20-49) claim sole ownership of their housing property, compared with 39 percent of African men.[8] In firms and on farms, women face higher barriers than men do to access finance, especially in providing collateral for loans, since most assets that lenders accept are typically registered to men. Gender gaps can also extend beyond property to other forms of assets, including financial assets such as bank accounts and savings.[9]

In business, the lack of capital greatly contributes to the gender gap in performance for female entrepreneurs. Women have systematically lower levels of inventory, equipment, property, and other firm assets (World Bank 2019b). For instance, the typical male-owned firm in Africa has more than six times the capital investment of the typical female-owned enterprise. Multi-country research has shown that about 23 percent of women—compared with just 2 percent of men—rely on capital from their spouse to start their businesses (Campos, Goldstein, and McKenzie 2018).

Lower levels of capital also dampen financing opportunities for women, further hurting their ability to make productive investments in their businesses. In microenterprises, where African women are most concentrated, loans obtained by female entrepreneurs are smaller: women's loans range from 38 to 74 percent of the value obtained by male business owners in Malawi, Togo, and Uganda (World Bank 2019b). Microfinance institutions (MFIs) typically cater to women with group lending schemes that provide very small loans with restrictive terms (Field et al. 2013). These micro-loans are largely found to be insufficient to fuel business investment and growth (Banerjee, Karlan, and Zinman 2015). Furthermore, a *missing middle* phenomenon in credit markets across Africa has been well-documented: growth-oriented firms are highly capital

8 The statistic on housing property ownership is from the Demographic and Health Surveys for 28 countries collected from 2010 to 2016 for the population ages 20–49 years.

9 Data for Africa collected under the 2017 Global Findex show that 38 percent of men have a bank account at a financial institution, compared with only 27 percent of women (Demirgüç-Kunt et al. 2018).

constrained because their credit needs are too large for microfinance but not large enough for commercial banks (Alibhai, Bell, and Conner 2017). Capital grants to small business owners have a similar track record; that is, studies often fail to find a positive effect on women-owned businesses (De Mel, McKenzie, and Woodruff 2008, 2009; Fafchamps et al. 2014). The returns from providing appropriate capital to women could encourage investment, improve efficiency, and have positive effects on earnings and growth. Therefore, it is helpful to ask, what policy interventions would help alleviate women's capital and financial constraints?

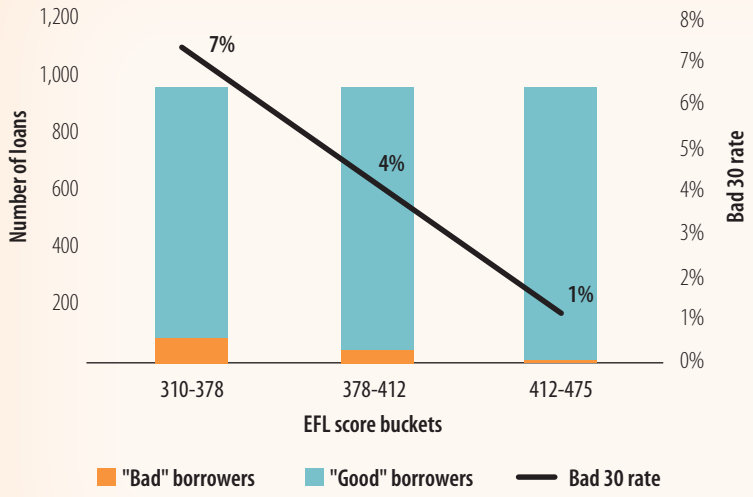
Alleviating financial constraints on women requires innovative technologies and interventions. Psychometric tests are used to create credit scores and identify creditworthiness. Digital applications to finance (say, mobile money, digital loans) are bringing unbanked people to the formal financial sector, especially women. Integrated interventions are combining programs to foster business registration with information on access to and use of banking services. Other interventions target and design lending products that are more adequate for growth-oriented women business owners. Finally, graduation programs combine asset grants, savings, and training to build sustainable income for those households in extreme poverty.

Psychometric Testing as an Alternative to Traditional Collateral

Psychometric tests are an innovative credit technology that helps to predict the likelihood that a borrower will repay a loan. With this alternative form of appraisal, lenders can identify creditworthy borrowers, so the test creates a means for shifting away from traditional, collateral-based lending. The possibility to bypass the collateral requirement provides a promising avenue to expand credit access to women.

In Ethiopia, the Women Entrepreneurship Development Project (WEDP) piloted a psychometric test for loan appraisal with two MFIs.[10] The test was found to predict loan repayment among female-owned microenterprises with a high degree of accuracy, yielding a 99 percent repayment rate. The repayment results of the pilot are presented in figure 3.3, which shows that customers who scored at a high threshold on the test were seven times more likely to repay their loans compared with lower-performing customers (Alibhai et al. 2017). The MFIs are

FIGURE 3.3: Microfinance Loan Performance, by Psychometric Test Score Thresholds



Source: Alibhai, Buehren, Coleman et al. 2018.

Note: EFL psychometric test scores are split into three buckets, where higher scores are more predictive of loan repayment. The Bad 30 rate gives the percentage of customers with payments due for more than 30 days over a period of 17 months. Bad borrowers are customers who went into arrears; however, there were almost no defaults. EFL = Entrepreneurial Finance Lab.

Psychometric tests in Ethiopia were able to predict the likelihood that a borrower will repay a loan.

10 WEDP is a World Bank International Development Association project offering a dedicated line of credit and training to women entrepreneurs in six cities in Ethiopia (Addis Ababa, Adama, Bahir Dar, Dire Dawa, Hawassa, and Mekelle).

currently providing uncollateralized loans to women based on their psychometric test scores, and an evaluation of the impact of the loans on firm growth is ongoing.

Leveraging Digital Technologies

Innovations in digital technologies can give women access to a safe and private savings platform, which can alleviate some of the pressures and barriers women face when trying to accumulate savings and potentially fund their businesses. Financial innovations such as mobile money have raised financial inclusion in Africa: they are bringing unbanked people into the formal financial system. Kenya's mobile money service, M-Pesa, has been one of the most successful mobile money deployments: it was adopted by nearly 70 percent of the country's adult population only four years after its launch.[11] The expansion of M-Pesa was found to be particularly beneficial for women, increasing the financial savings of female-headed households and enabling women to move out of subsistence farming into businesses, lowering their reliance on multiple part-time jobs, and reducing the average size of their households (Suri and Jack 2016). The diffusion of mobile money services in Kenya helped lift about 194,000 households out of extreme poverty and induced 185,000 women to change their main occupation to business or retail (Suri and Jack 2016).

In Tanzania, training sessions for women-owned micro-firms on M-Pawa, a mobile savings account linked to M-Pesa that also gives customers access to credit, had large impacts on investment and business outcomes. Women who received the program had improved business practices, increased credit access and use, and increased capital stocks—the women saved almost four times more on M-Pawa and were 16 percent more likely to obtain a loan than a comparison group (Bastian et al. 2018).

Linking Registered Businesses with Bank Accounts

Registering a firm in many developing countries can be daunting. It imposes additional costs on a business, and many owners thus choose to remain informal. However, business registration can grant a business owner more security and capacity to make larger investments in the long run. In Malawi, women benefited from a program that subsidized business registration, but the benefits arose only when registration was combined with a bank information session on the benefits of separating household and business money and the option to open a business bank account. For policy makers, it could be critical to remember that registration alone is not enough to help businesses grow. It is important to help firms connect with the benefits (such as a business bank account) that registration can bring.

Business registration alone had no impact for men or women on bank account usage, savings, or credit in Malawi. However, combining business registration with a bank information session and help opening a business bank account had an impact of 28 percent on firm sales and 20 percent on profits. Linking the bank accounts with information about how best to utilize them helped to encourage uses of the account that unlocked its potential (Campos, Goldstein, and McKenzie 2015).

11 M-Pesa is a platform that uses cell phone technology to allow individuals to make financial transactions. Users can deposit, send, or withdraw funds from an account stored on their cell phones. The fast adoption of M-Pesa in Kenya is attributed to: (a) the rapid expansion of mobile phone networks, and (b) the rapid deployment and growth of a dense network of agents (the end-distributors of the service), which are small business outlets that convert cash into e-money and vice versa for customers (Jack and Suri 2014). The rapid uptake of mobile finance in Kenya is also attributed to the dominant position of Safaricom in the mobile market, a progressive financial regulator, and multiple densely populated areas (Babcock 2015).

Accessing Loans to Catalyze Growth

Alleviating financial constraints on entrepreneurs can have a meaningful impact on growth; however, that requires getting the right loan products to those in underserved markets who have the desire and potential to grow their businesses (Cull and Morduch 2017). This would entail targeting and designing lending products that better fit the needs of existing entrepreneurs in specific contexts.

In Ethiopia, the Women Entrepreneurship Development Project (WEDP) increased the size of loans offered to growth-oriented women business owners. The larger,[12] individual liability meso-loans (870 percent larger than the previous average borrowing size) had a significant impact on accelerating business growth and boosting employment levels: increases of 25 percent in profits and 17 percent in net employment for women entrepreneurs three years after taking the loan. WEDP MFIs are also frequently developing new loan products and recognizing new forms of collateral, such as vehicles, personal guarantees, and even business inventory, to secure loans (Alibhai, Buehren, and Papineni 2018).

Big Push Programs for Graduation

Multifaceted graduation or livelihoods programs, which are comprised of a grant of productive assets, training, coaching, and savings, are in the social protection policy toolbox of many countries—and have been found to build sustainable income for those in extreme poverty (Banerjee et al. 2015; Bandiera, Burgess et al. 2017). The programs typically target women in ultra-poor households and have been found to spur activity in basic entrepreneurial activities, which enables women to spend more time working each day.

In Ghana, a program targeted at women combined a capital grant in the form of a business asset (livestock), business training/hand-holding, short-term consumption support, and help with saving through savings collection services. Households experienced a 91 percent increase in nonfarm income as well as significant gains in livestock revenue, earning 50 percent more than a comparison group one year after the program ended (Banerjee et al. 2015).

Pathway 3: Securing Women's Land Rights

Land is the key productive asset for rural households in Africa, but gender inequalities are prominent in the ownership of land and housing property,[13] which are important assets for securing financial capital, especially for the poor.[14] Customary norms and institutions often limit women's ability to control and use land, even in contexts where formal laws offer women strong land rights (O'Sullivan 2017). In addition, as women often have lower social standing within their community, their land may be more at risk of expropriation (Goldstein and Udry 2008). With these barriers, women face weaker incentives to invest in their land and constrained access to credit through collateral—factors that limit their agricultural productivity and firm earnings.

12 The average WEDP loan size was US$12,000 at the 2017 U.S. dollar-to-Ethiopian birr market exchange rate.

13 The data from the Demographic and Health Surveys on land ownership suggest that 51 percent of African men report owning any land (alone or jointly), compared with just 38 percent of African women.

14 In addition to formal and customary laws that disadvantage women in property ownership, women's lower levels of productive assets and savings may be due to social pressures to share their income with family and friends (Dupas and Robinson 2013; Jakiela and Ozier 2016; Schaner 2017).

Weaker land rights have tangible effects: African women are less likely to report owning land, or to have documented ownership of it, and their plots are typically smaller than those of men (Doss et al. 2015). Women's lower tenure security means that they must spend more time guarding their property, which leads to inefficient use of their time and labor. In Benin, women were found to reallocate their "guard" labor and production toward their less secure land, which negatively impacted their yields (Goldstein et al. 2015).

The adverse effects of insecure land rights on investment take a toll on economic growth. In Ghana, for example, Goldstein and Udry (2008) examined how underinvestment in a farmer's field (stemming from insecure land rights) affected crop yields. They estimate that the loss of these potential crops cost US$15.9 billion, or about 1 percent of Ghana's 1997 national GDP (Goldstein and Udry 2008). Hence, improving land tenure security for women is a high-return policy area.

To secure women's land rights, governments have rolled out land formalization programs, co-titling of land rights in the names of both spouses, and the formalization of existing customary rights.

Land Formalization

Land formalization programs, which specify ownership and usage rights, can resolve some of the issues of land rights insecurity; however, they should be carefully designed to ensure there are no unintended consequences. Typically, land formalization programs involve a systematic land demarcation process and provide formal evidence of land rights.

Rwanda's pilot land tenure regularization program, which registered husbands and wives as joint owners of land, resulted in a boost in rural land investment for female-headed households by 19 percent. This program also recognized the need for the inclusion of non-formally married women, such as those with common-law unions, when designing a formalization program to ensure that no groups are left behind (Ali, Deininger, and Goldstein 2014).

Co-Titling

Small nudges can be effective in encouraging men to include their wives in registration and co-title their land in the names of both spouses. This provides another route to more secure land rights for women. For example, these programs might include providing a subsidized land title, conditional on including women in the registration. Providing information on the benefits of co-titling, through scalable solutions like a short educational video, can also be cost-effective.

Evidence from Uganda suggests that a conditional subsidy and an educational video can be effective tools to increase women's documented land rights. Across 253 villages, the impact results from the program in Uganda suggest that providing a subsidized land title conditional on a wife's name being included raised demand for co-titling by 50 percent without any negative impacts on the overall demand for titling. Providing the educational video raised the demand for co-titling by 25 percent. Both instruments can thus be useful ways to improve the strength of women's land tenure and help to get more women formally registered. Notably, even simply providing the option for a man to co-title his plot with his wife led to a high co-titling rate, with 62 percent of men opting to co-title without any incentives (Cherchi et al. 2019).

Customary Land Demarcation and Certification

Approaches that formalize existing customary rights can also strengthen women's land rights. An example of such an approach is to demarcate land parcels within a community, using cornerstones to delineate their boundaries (based on community surveys), and deliver land certificates for these parcels.

Customary formalization programs can trigger positive investment effects at the individual and community levels—particularly for women. In Benin, households that underwent this program boosted long-term investments in cash crops. Participating households increased their investments by 39 percent in cash crops, such as oil palm and teak, and by 43 percent in tree planting. Female-headed households were also more likely to fallow their land, which is critical for soil fertility. However, women moved their agricultural production from land that had been demarcated to less secure, nondemarcated land outside the village—presumably to guard the land that was now less secure. Thus, when designing these types of programs, it is critical to conduct thorough land use investigations (Goldstein et al. 2016).

Pathway 4: Increasing Women's Use of Hired and Household Labor

Given the low levels of mechanization in Sub-Saharan Africa and the critical role of labor in boosting productivity, women's relatively lower use of hired labor has considerable implications for gender gaps in farm and firm productivity (O'Sullivan et al. 2014; Campos et al. 2019).[15] For example, Ethiopia's female farm managers live in households with 1.7 fewer members, on average, compared with the households of male farm managers. Therefore, female farm managers have lower levels of household farm labor from which to draw, accounting for nearly a quarter (23 percent) of the overall gap in agricultural productivity (O'Sullivan et al. 2014).

Agricultural success depends heavily on labor. Having more hands to tend the crops can have huge impacts on productivity. Several factors may contribute to women's lower use of hired labor, including inadequate financial resources to pay laborers and restrictive social norms that prevent women from entering a hired labor contract with men (O'Sullivan et al. 2014). Across several Sub-Saharan African countries, women farmers have fewer household members on whom they can call for help in the field (Udry 1996; Aguilar et al. 2013; Oseni et al. 2013). Furthermore, a larger share of household responsibilities likely restricts women's time to manage their plots or supervise their laborers. In addition, women's hired labor is in some cases less efficient than men's and generates lower returns, perhaps due to liquidity constraints that drive women to hire cheaper or less productive labor (O'Sullivan et al. 2014).

Women-owned firms employ fewer workers and hire labor for fewer hours compared with male-owned firms. The typical male-owned firm in Africa uses 25 percent more labor hours compared with the typical female-owned enterprise (Campos et al. 2019). Multi-country analysis finds that the labor gap is particularly large for microenterprises. For example, the total average number of hours of monthly labor for male-owned firms (827) dwarfs that for female-owned firms (361 hours) in Uganda (Campos et al. 2019).

15 All six of the countries profiled in "Leveling the Field" (O'Sullivan et al. 2014) and six of the 10 countries analyzed in *Profiting from Parity* (Campos et al. 2019) indicate that the lower levels of labor used by women farm and business managers contribute to gender productivity gaps in agriculture and entrepreneurship.

The current evidence of what works for women to overcome the access-to-labor constraint is limited; however, the programs highlighted in the following subsections have successfully helped women-owned firms or women farmers expand the number of workers they employ while simultaneously addressing other barriers that women face. These programs include capital injections through competitive business grants, and seasonal financing to hire farm labor.

Capital Injections through Competitive Business Grants

Providing cash grants as part of a business plan competition can help address the liquidity and capital constraints of the firms that are most likely to succeed in business, including firms owned by women—and have been found to induce more hiring.

A business plan competition (YouWin!) run by the Nigerian government provided large cash grants averaging US$50,000 to winning business plans. In addition to boosting the likelihood that women would operate firms, the business plan competition triggered hiring and higher sales and profits. Among startup businesses, receipt of the grant led to an increase of 23 percentage points in the likelihood of having a business employing 10 or more workers three years after applying for the grant. The competition was estimated to have created 7,027 jobs (McKenzie 2017).

Smaller business plan competitions in Ethiopia, Tanzania, and Zambia (of about US$1,000) have also yielded positive impacts on employment levels for young male and female business owners. On average, winners had two more permanent employees compared with close runners-up in the competition (Fafchamps and Quinn 2017).

Seasonal Financing to Hire Farm Labor

Agricultural tasks are typically conducted within specific time periods, and labor shortages often occur during these windows. For women farmers, being unable to afford labor during these key times can result in lower productivity for their farms. Providing women farmers with the financing to hire outside labor—whether it is channeled through vouchers, cash transfers, or credit—could help women source labor at critical times.

Such financing could help women farmers to spend more time on their own farms. In Zambia, households that had access to a small loan at the time of the year when farmers were most constrained (between January and March, typically referred to as the "hungry season" prior to the agricultural harvest) were 10 percent less likely to do any casual labor and sold 24 percent less casual labor per week during this season. They also spent more time working in their own fields. These effects were larger for female household members, who had a lower beginning rate of off-farm labor. As a result of the reduced supply of casual laborers and increase in hiring, daily earnings (wages) increased by 9 to 16 percent in villages where households received loans. Farming households produced around 8 percent more agricultural output on average relative to households in comparison villages (Fink, Jack, and Masiye 2014).

Pathway 5: Addressing Social Norms That Constrain Women's Economic Opportunities in Africa

Social norms are unwritten rules about how to behave in a particular social group or culture. Women's economic opportunities and earnings may be constrained by a range of social norms that influence the types of roles and responsibilities that are acceptable for men and women and uphold widely shared conceptions of masculinity and femininity (Marcus and Harper 2014). Norms can exert a strong influence on behavior (Platteau 2000; Bicchieri 2006). For example, norms can lead to systematic differences between men and women in self-perceptions and aspirations. Norms (often subconsciously) encourage behaviors that are socially valued and discourage behaviors that elicit social sanctions (Campos et al. 2019).

Norms differ across countries and even across communities (Beegle and Christiaensen 2019). Understanding the backdrop of social norms in each context will play an important role in anticipating responses to policy changes that encourage gender equality. This subsection examines three aspects of social norms that are relevant for women's economic advancement in Africa: appropriate types of work for men and women, distribution of domestic labor, and resource management within households. The subsection also discusses how laws may influence the prevailing norms in society.

Appropriate Types of Work for Men and Women

Cultural values and gender norms are likely to constrain women's choices about whether and which types of work to pursue.

Occupational Choice: To Work or Not to Work?

Although there is greater parity between men and women in labor force participation in Sub-Saharan Africa than in any other region, there is large variation across and within countries. In particular, in countries in the Sahel region, there still exists a large gender gap in labor force participation rates. Perceptions about a woman working in the region are characterized by patriarchal norms that establish men as the provider for the family and women as dependents. For example, 36 percent of women and 40 percent of men still believe that women should not work in Northwest Nigerian communities.[16] In addition, men and women say that approximately 45 percent of the community would speak badly of a woman who works and would think a man is a bad provider if his wife was working for pay. This means that there are perceived social sanctions for a woman deciding to work in these communities. Programs that look to encourage the labor supply of women in the context of restrictive norms should consider additional supportive structures that could help cushion any negative backlash against men and women violating those norms.

In Northwest Nigeria, a region with entrenched norms restricting female work, a community livelihoods program (the U.S. Agency for International Development's Feed the Future Nigeria Livelihoods Project) and a large cash transfer (US$600 in purchasing power parity terms) to women had strong impacts on the likelihood that women began engaging in non–farm

16 Statistics on societal norms on female work were measured in Kebbi state for the U.S. Agency for International Development's Feed the Future Nigeria Livelihoods Project impact evaluation endline survey (Papineni et al. 2016).

enterprise activity. The women who received the services were most commonly engaged in home-based activities, such as petty trading, rice crop processing, and frying cakes for sale. The community aspect of the program helped mitigate some of the backlash from giving cash directly to women (Bastian, Goldstein, and Papineni 2017).

Types of Work Pursued

Social norms can govern the types of productive work in which women engage. For example, in business, this can be observed through a higher concentration of women in certain sectors and, in farming, a lower likelihood of women being included in cash crop markets.

Sectoral segregation in business. Sectoral segregation is often used to explain a large part of the well-documented gender earnings gap in business profits. Women tend to sort into different sectors than men, and the sectors dominated by women tend to be less profitable. For example, in many countries, female-owned businesses are concentrated in retail trade and service sectors (mainly health, education, and social services), which are characterized by lower investments and growth compared with the manufacturing, construction, and mining sectors (Rosa and Sylla 2016). A woman's capacity and desire to enter a sector dominated by men will largely be driven by a set of social norms that govern whether working in a male-dominated sector is acceptable.

Using data from the Future of Business survey collected by Facebook, this pattern of sectoral segregation was examined on a global level. Indeed, it was found that women who enter male-dominated sectors earn 66 percent higher profits than women who remain in traditionally female-concentrated sectors (Goldstein, Gonzalez-Martinez, and Papineni 2019).[17] A hierarchy of earnings ("*the profitarchy*") was documented whereby men in male-dominated sectors were the top earners, women in male-dominated sectors and men in female-concentrated sectors were in the middle tier, and women in female-concentrated sectors were at the bottom. Globally, the average male-owned firm in a male-dominated sector earned slightly more than double the profits of a female-owned firm in a female-concentrated sector (that is, about 116 percent more). This pattern was driven mostly by the 54 developing economies in the sample, including 15 countries in Sub-Saharan Africa.

The global finding is consistent with micro-level analysis from Campos et al. (2017) in Uganda and Alibhai et al. (2017) in Ethiopia. Those studies find that firms owned by women in male-dominated sectors, on average, are far more profitable than firms in traditionally female sectors. Both studies find that a large part of the earnings gap can indeed be explained by sector choice.

In Uganda, among urban female business owners, monthly business profits were found to be 140 percent higher for women operating in male-dominated sectors compared with traditional female sectors (Campos, Goldstein, McGorman, et al. 2017). A similar result was found in Ethiopia, where monthly profits were 120 percent higher for urban female business owners who operate in male-dominated sectors (Alibhai, Buehren, et al. 2017). Women in male-dominated sectors can create firms with more employees and capital. Correlation analysis suggests that women who enter higher return, male-dominated sectors do not necessarily possess greater entrepreneurial ability or education, but they have better support networks and are more likely

17 The Future of Business Survey is a bi-annual survey conducted by Facebook, in partnership with the World Bank and the Organisation for Economic Co-Operation and Development. The global survey of small and medium-size enterprises that use Facebook currently includes 97 countries across every geographic region.

to have the assistance of a husband or role model. Role models can expose women to new sectors or provide knowledge about career options in higher performing, nontraditional sectors. In addition, role models can relay important information about the profitability of certain sectors. They may also help women navigate unfamiliar business cultures. Information and support may be particularly important when trying to address gender biases in the selection of fields of study and occupation (Arias, Evans, and Santos 2017).

Crop choice and the role of men in connecting women to cash crop markets. In farming, women provide labor for cash crops. However, men perform all the market-facing activities in many cases and, consequently, they control the income from these cash-cropping activities (Maertens and Swinnen 2010). Although men are much more likely than women to control cash crop plots, the empirical evidence shows that when women manage plots and have access to the same inputs and marketing resources as men, they can be equally productive (Hill and Vigneri 2009). An intervention designed to encourage husbands to transfer or register contracts in their wife's name in Uganda was effective at increasing women's integration into the more lucrative value chains (Ambler, Jones, and O'Sullivan 2018).

In Uganda, an ongoing study shows that small incentives and engaging men may help induce greater participation of women in cash crop production. The intervention combines couples' training that emphasizes cooperative decision making and budget management with sugarcane out-grower contracts assigned to the man or woman in the household. Early results suggest that the couples' training nudged some households to accept the offer to transfer or newly register a sugarcane contract to the wife. This finding suggests that increased dialogue between the spouses can help overcome barriers to women's economic participation (Ambler, Jones, and O'Sullivan 2018).

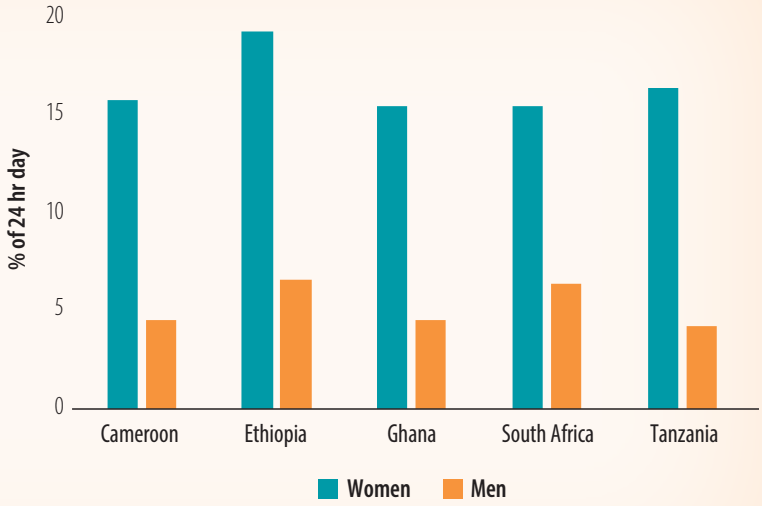
Division of Domestic Labor

Gender differences in time allocation over the life cycle are among the most pertinent factors that distinguish the lives of men and women in Africa (Beegle and Christiaensen 2019). Work such as childcare, cleaning, and cooking is necessary for a household's welfare and, therefore, for the well-being of societies as a whole. However, women still shoulder the brunt of this often invisible and undervalued workload (ILO 2018). The unequal sharing of domestic responsibilities between men and women constrains women's leisure and time for income earning.

As in other regions, women in Africa spend a disproportionate amount of time on unpaid domestic and care services (see figure 3.4). Although the availability and comparability of time-use data for African countries are low, recent estimates from a handful of countries suggest that women spend on average 15 to 22 percent of their time on unpaid work (3 hours and 58 minutes per day, on average), compared with only 2 to 9 percent among men (1 hour and 16 minutes). Empirical evidence suggests that the time and labor constraints on female farmers and entrepreneurs may be one of the most salient factors underlying gender gaps in productivity (Carranza et al. 2017; Nordman and Vaillant 2014; O'Sullivan et al. 2014; Palacios-López and López 2015).

African women spend a disproportionate amount of time on unpaid domestic and care work.

FIGURE 3.4: Proportion of Time Spent on Unpaid Domestic and Care Work



Source: World Bank Gender Data Portal: http://datatopics.worldbank.org/gender/.

Note: The figure shows the average percentage of time that men and women spend on household services according to surveys conducted between 2008 and 2014.

Public infrastructure provision (water, sanitation, electricity, and roads) and labor-saving technologies can potentially ease women's time constraints, but more empirical research is needed to understand how this would affect the intrahousehold distribution of labor. Evidence from South Africa suggests that household electrification raises employment by releasing women from home production and enabling microenterprise activity (Dinkelman 2011).

In addition, limited access to affordable early childcare inhibits women's participation in paid work. Changes in the intrahousehold allocation of women's time may be attained by interventions that foster (a) greater participation of men in housework and care work, and (b) provision of childcare services.

Men Doing Housework and Care Work

One way to alleviate some of the burden of housework and care work on women is to redistribute responsibilities within households, so that the work is shared more equally. However, redistribution of this work will require addressing social norms that characterize housework and care work as the responsibility of women. For many men, engaging in housework is inconsistent with their male gender roles and indicates weakness. When men feel threatened in their role as main providers, they may be even less inclined to engage in behavior associated with female gender roles (Munoz Boudet, Petesch, and Turk 2013). In Ghana, for example, women do more than 80 percent of the housework even when they provide the lion's share of the household income (World Bank 2012). Programs that encourage individuals or couples to deviate from the norms around sharing domestic responsibilities would support women in their engagement in productive work.

In Rwanda, a training intervention for couples (Bandebereho-Kinyarwanda for "role model") engaged expectant fathers and their partners in participatory, small group sessions of critical reflection and dialogue on gender and power, fatherhood, couples' communication and decision making, violence, caregiving, child development, and engagement of men in reproductive and maternal health. Participants reported higher levels of men's participation in childcare and household tasks compared with participants in a comparison group who did not receive the training (Doyle et al. 2018).

In the Democratic Republic of Congo, Engaging Men through Accountable Practice is a 16-week, men-only discussion group that aims to reduce gender-based violence and transform attitudes

and behaviors around gender and power in the couple. Participants in the group's training reported higher levels of men's participation in childcare (83 minutes daily versus 61 minutes) and household tasks (60 minutes daily versus 28 minutes) compared with participants in a comparison group nine months after the end of the intervention (Pierotti, Lake, and Lewis 2018; Vaillant et al. 2019).

Childcare

In addition to redistributing domestic tasks within the household, increasing access to childcare services would expand the amount of time that women have available for income-generating activities. Scaling up public and private services for childcare (especially for preschool-age children) can be done through a range of policies and regulations.

In Kenya, subsidized center-based childcare improved women's ability to work. Women in Nairobi, Kenya, who were offered vouchers for subsidized early childcare were, on average, 8.5 percentage points more likely to be employed than those who were not given vouchers. Most of these employment gains were obtained by married mothers. In contrast, single mothers benefited significantly by reducing the time spent working, without any loss to their earnings, and shifting to jobs with more regular hours. In poor urban Africa, as elsewhere, the failure to address women's childcare needs undermines efforts to promote women's economic empowerment (Clark et al. 2019).

In Western Democratic Republic of Congo, there is an ongoing impact evaluation of the effects of community-based childcare centers on women's productivity in farming and non-farming activities. Pre-program data suggest that female plot managers did 1 hour and 52 minutes more domestic work per day than male plot managers. Female plot managers were also 12 percent more likely than their male counterparts to report taking care of children when farming. More than 60 percent of the individuals reported being likely to leave their children in childcare if it was available (Donald et al. 2018).

Resource Management within the Household

Social norms that emphasize men's role as providers and women's role as caregivers can result in the prioritization of investments in men's income-generating activities within the household, regardless of the potential returns to women's economic activities. Women's disadvantaged position due to men's greater control over resources, coupled with social norms that reinforce men's power as head of household, can influence women's investment decisions (Blumberg 1988; Agarwal 1997; Doss 2013). Practically, this can mean greater investments of labor and nonlabor inputs for agricultural plots managed by men (Udry 1996; Duflo and Udry 2004) and greater capital investments in men's businesses (Bernhardt et al. 2017).

Various factors affect intrahousehold resource management. Investments in women's economic activities are discouraged when those activities are perceived as secondary for meeting the household's needs. And an in-depth qualitative study of microentrepreneurs in urban Ghana finds that women may choose to limit their business investments if they fear that their income growth will result in a reduction of their husband's support for the household (Friedson-Ridenour and Pierotti 2019). In addition, when men control most of the household resources, they may limit investments that would reduce their dominance in the household. Interventions that

increase women's control of resources within the household (for example, in-kind grants) or encourage intrahousehold cooperation for income growth for all household members can increase women's ability to invest in economic opportunities.

In-Kind Grants

Unlike cash, which is fungible and can easily be invested in any household enterprise, in-kind grants tend to remain within the enterprise to which they are assigned (Bernhardt et al. 2017). A study of microentrepreneurs in Ghana examined a possible mechanism for increasing women's control over resources within the household. In-kind and cash grants were randomly assigned to female and male microenterprise owners. Indeed, in-kind grants led to 30 to 60 percent growth in profits among women business owners, whereas cash grants did not. For men, the difference between cash and in-kind grants was less pronounced. These results suggest that policies that encourage enterprise growth may need to include features that help women maintain control over potential business resources (Fafchamps et al. 2014).

Bernhardt et al. (2017) use the Ghana data reported in Fafchamps et al. (2014) to show that the returns to in-kind and cash grants for female entrepreneurs in single-enterprise households are statistically similar to the returns for male entrepreneurs in multiple-enterprise households. However, when there are multiple investment opportunities within the household, this negatively affects the returns to capital for women entrepreneurs in Ghana.

Intrahousehold Cooperation

An ongoing study in Côte d'Ivoire is evaluating an intervention that encourages intrahousehold cooperation for shared economic gains. Among recipients of an agricultural extension training for couples in the *Projet d'Appui au Secteur Agricole*, husbands and wives were encouraged to write a joint action plan together. So far, this exercise has resulted in higher quality agricultural planning, increased female management of cash crop tasks, higher use of nonlabor and labor inputs, higher female agricultural knowledge, and shared agricultural decisions. Crucially, households saw substantial increases in the value of household agricultural production (Carranza et al. 2017).

Legal Discrimination and Institutional Barriers

Laws are signals from powerful institutions about what kinds of behaviors are valued and acceptable—and, as such, they can influence prevailing norms (Benabou and Tirole 2011). Although many African countries have made progress in enacting legal reforms to improve women's rights, gender biases still strongly influence legal systems and institutional structures (Campos et al. 2019). In some countries, statutes related to marriage, divorce, inheritance, ownership of land and property rights, and labor openly discriminate against women (see map 3.1). For example, according to the Women, Business and the Law database, in 11 of 47 countries in Sub-Saharan Africa, women and men do not have equal legal ownership rights to immovable property; and in 13 of 47 countries, female and male surviving spouses do not have equal rights to inherit assets (Campos et al. 2019).

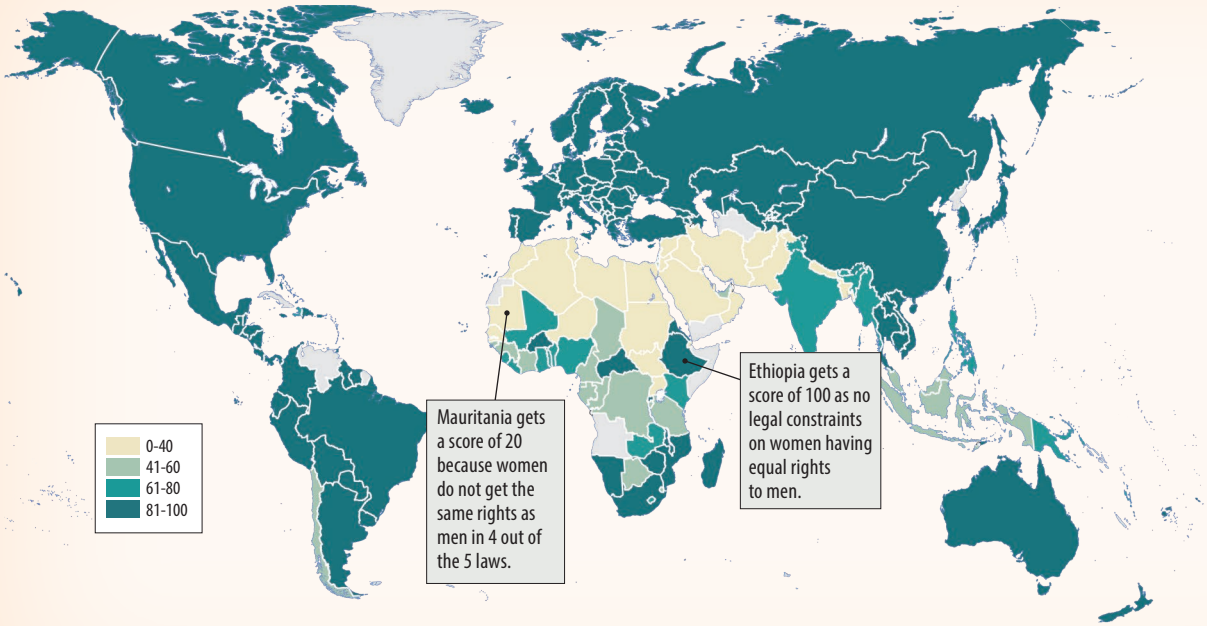
Meanwhile, even in countries where women's property rights are formally protected, customary laws tend to predominate and often privilege men's ownership of land and assets, given their role as head of the family (Jacobs and Kes 2015). Marital dissolution or widowhood in such a context can be devastating for women and entail the loss of their land, home, and possessions (Cooper 2008; HRW 2017; Izumi 2007). There is some emerging evidence of positive gender impacts from efforts to reform family and inheritance laws in the African context and globally. The evidence suggests that such reforms are correlated with increases in women's labor force participation, access to land, and educational attainment (Hallward-Driemeier, Hasan, and Rusu 2013; Hallward-Driemeier and Gajigo 2015; Harari 2018; Deininger, Goyal, and Nagarajan 2013).

Administrative barriers may also present challenges to women. For example, complex and costly business registration processes may prevent formal, female-owned firms from growing, by constraining their access to credit, networks, and government contracts and subjecting them to harassment from tax collectors (Campos et al. 2019). A few studies show that easing constraints to business formalization on its own is not sufficient to help small, informal women-led firms grow. But recent results demonstrate positive impacts when combining business formalization with complementary interventions (Benhassine et al. 2018; Campos, Goldstein, and McKenzie 2018).

Map 3.1 depicts the country scores from the Managing Assets Index (World Bank 2019b). The map shows that many countries in Africa still lag behind the rest of the world in terms of laws that limit women's property rights. A score of less than 100 depicts at least one legal constraint on women's property rights. Over the past decade, only Mali reformed its inheritance law to provide sons and daughters and male and female surviving spouses equal inheritance rights, and Togo granted women equal ownership rights to property and sons and daughters equal inheritance rights (World Bank 2019b).

MAP 3.1: Gender Differences in Property and Inheritance Laws

Africa still lags the rest of the world when it comes to laws that limit women's property rights.



Source: World Bank 2019b.

Note: The Managing Assets Index is comprised of five indicators: (a) Do men and women have equal ownership rights to immovable property? (b) Do sons and daughters have equal rights to inherit assets from their parents? (c) Do female and male surviving spouses have equal rights to inherit assets? (d) Does the law grant spouses equal administrative authority over assets during marriage? (e) Does the law provide for valuation of nonmonetary contributions?

Pathway 6: Next Generation: Helping Girls Navigate Adolescence

Adolescent girls face multiple challenges that restrict their horizons, and girls often must make decisions about employment and fertility at an early age and with limited formal educational opportunities. With lower levels of education than boys, girls are often less equipped for work. In addition, a plethora of expected domestic responsibilities limit their time for income-generating opportunities. These barriers can loom even larger in the face of crisis, when economic activity may be disrupted and women's choices are further contracted. And although most African countries have seen a decline in fertility over the past decade, the pace of decline has been modest, and there is evidence that fertility transitions have stalled in some countries—a pattern that is not commonly observed in other parts of the world (Bongaarts 2017).

A range of studies across Sub-Saharan Africa have demonstrated the potential of girls' empowerment programs to change the life trajectories of young women across a variety of contexts. These programs typically combine community-based girls clubs, life skills training, vocational training, and sometimes financial literacy and microcredit access for young women. In addition to implementation in countries such as Uganda and Tanzania, these programs have also helped create a buffer from conflict for young women in South Sudan and during the Ebola crisis in Sierra Leone—showing that they are beneficial even across deeply fragile contexts.

Creating Safe Spaces

Creating safe spaces for girls to receive job or life skills training that is tailored to an adolescent girl's environment and experiences has been shown to be effective across a variety of contexts. In Uganda, the nongovernmental organization BRAC implemented a multifaceted program: Empowerment and Livelihoods for Adolescent Girls (ELA) created girls-only clubs, which became hubs for the delivery of vocational and life skills training. Young women, only slightly older than the participants, led the training sessions—which were held at convenient times, outside regular school hours, to allow out-of-school and enrolled girls to attend.

The program had positive impacts on income and girls' decision-making power over childbearing, marriage, and sexual activity. Overall, girls in the ELA program were 26 percent less likely to have a child, 58 percent less likely to be married or cohabiting, 25 percent more likely to report always using a condom during sexual intercourse, 44 percent less likely to have had sex against their will over the previous 12 months, 72 percent more likely to be engaged in income-generating activities, and reported self-employment earnings that were three times higher compared with the original average (Bandiera, Buehren, et al. 2017).

After the successes in Uganda, a similar program was designed for Sierra Leone. However, Sierra Leone was hit with the 2014 Ebola epidemic during program implementation. Quarantines were imposed, which limited travel, halted market activity, and closed schools. Health services were quickly repurposed to fight the epidemic—and medical services for sexual and reproductive health were thus severely reduced. In light of the changing circumstances, the program was redesigned to understand if and how the ELA clubs might help safeguard adolescent girls in a crisis environment.

Working with village leaders, a World Bank team categorized communities into high- and low-disruption areas to determine how the crisis and the program might have impacted the resilience of girls in both types of communities. Although the measures taken were critical to contain Ebola, they had strong, negative effects on adolescent girls (Bandiera et al. 2018). In high-disruption communities with no ELA programming, younger girls were 16 percent less

likely to return to schools after they were reopened, spent additional hours with men, and were more likely to become pregnant.

In contrast, for girls who were exposed to the ELA clubs, the school enrollment slump in high-disruption communities was reduced by half. In all types of communities, younger and older girls who participated in the clubs spent less time with men. In high-disruption communities, pregnancies outside of wedlock decreased by 7.5 percent. However, in areas that were highly disrupted by the Ebola crisis, older girls reported increases in unwanted and transactional sex. As younger girls who were enrolled in the ELA program spent less time with men, it is likely that men shifted their attention to older girls. However, the ELA program increased the ability of older girls to mitigate some of the risks associated with transactional sex. The older girls were more likely to use contraceptives and there were no increases in pregnancy rates (Bandiera et al. 2018).[18]

The ELA intervention is being rolled out in six countries across West Africa in the Sahel. The Sahel Women's Empowerment and Demographic Dividend project is a six-country program (Mali, Mauritania, Côte d'Ivoire, Niger, Burkina Faso, and Chad) aiming to accelerate the demographic transition by addressing supply- and demand-side constraints to family planning and reproductive and sexual health. The program includes clubs for girls and clubs for boys, which will offer safe spaces for reflecting on gender norms related to education, marriage, and childbearing.

Taking Barriers to Participation into Account

Careful program design that is tailored to the specific needs of adolescent girls is critical for programs geared toward young women. Indeed, training for young women that takes into account the constraints that may restrict girls from attending the sessions has been demonstrated to be effective. For example, such training might include free childcare or transportation that allows women with children or limited means to attend.

In Liberia, the Economic Empowerment of Adolescent Girls and Young Women project offered a year-long employment program, including six months of training—which included socioemotional skills as well as vocational or business skills training—and six months of follow-up support. Free childcare was provided during the classroom training as well as savings accounts, a stipend for transportation, and a completion bonus. The program was geared toward young women, between ages 16 and 27, who had been out of school for at least a year. Compared with nonparticipants, the young women in the program had strongly positive employment and earnings outcomes: employment increased by 47 percent, and earnings increased by 80 percent (World Bank 2012). Along with the economic outcomes, the young women gained other elements of empowerment: access to money, self-confidence, and reduced anxiety about circumstances and the future (World Bank 2012).

Providing Mentoring Programs

Mentors can play a positive role in girls' lives, helping them to transition into adolescence and adulthood, adopt healthy behaviors, build confidence and self-esteem, and navigate decisions about schooling, employment, and fertility. At critical junctures in girls' development, mentors can help to nudge them in positive directions.

18 This approach has also been studied in Tanzania, where, along with core elements of the ELA program, researchers tested the impact of providing microcredit services. There were no impacts on young women's social and economic outcomes; however, the program led to an increase in savings among adolescent girls from communities that received the ELA program with microfinance. According to qualitative research, resource constraints were a driving force behind these results—yielding the policy lesson that careful and thorough design is critical to ensure that a program delivers its intended effects. In South Sudan, research has found that conflict is a mediator; girls who were unaffected by conflict were more likely to have savings and control over some cash. In areas affected by conflict that also received the ELA program, there was no striking effect on income-generating activity, going to school, or ages of marriage or childbearing. These results stand in sharp contrast to conflict-affected areas that did not receive the ELA intervention—which had marked decreases in school attendance. The ELA program offset some of the disruptions that the conflict had on girls' lives and helped them to keep ahold of their decision-making power.

The Sisters of Success program in Liberia harnessed the power of mentorship: it created a program in which mentors and girls' groups delivered life skills training—social and emotional skills—to young adolescent girls ages 12 and 15. Compared with girls who did not receive the program, girls in the mentorship program were 4 percent more likely to have completed primary school and 3 percent more likely to have enrolled in secondary school (World Bank and IRC 2016). In addition to the boost in school enrollment, girls in the clubs improved the quality of their relationships with their peers and parents. For younger girls, ages 12 and 13, the impacts were more concentrated—indicating that policies for girls in fragile environments can indeed be effective at younger ages.

3.3 CREATING A POLICY ECOSYSTEM TO DELIVER ON GENDER GOALS

Policy makers across Africa are increasingly recognizing that women are a force for growth and job creation, especially in the context of a large youth population with high expectations for quality employment. This subsection provides recommendations for policy makers and other stakeholders on designing programs and policies to boost women's economic empowerment (figure 3.5). First, it outlines the key considerations that policy makers should take into account while designing programs. Second, it provides an overview of evidence-based policy solutions in six core areas, namely: (a) supporting skills-building by going beyond traditional training, (b) capitalizing on women's potential by relieving capital constraints, (c) helping women secure their land rights, (d) connecting women to labor, (e) alleviating the effects of social norms that constrain women's opportunities, and (f) building a strong new generation by helping girls to navigate their adolescence.

By promoting evidence-based policy making and designing new solutions to support women, countries in Africa have a rare and unique opportunity to provide a model for unleashing women's unmet potential.

FIGURE 3.5: Policy Makers' Guide to Growth through Women's Economic Empowerment

Think of the population you want to support

Making sure that policies are targeted appropriately can help to ensure their effectiveness. Policy solutions will depend on who the program is looking to support. The following are some things to consider.

Age of the target population: adolescents, youth, adults, elderly

Social status: single, married, common-law union, widowed

Geographical area: urban, rural, conflict zone

Economic status: extreme poor, poor, middle-income, high-income

Cultural and social norms: restrictions on mobility and time

For entrepreneurs:
– Status of business: formal, informal
– Years of experience in business
– Business size: small scale, medium size, high growth

For farmers:
– Type of crop grown
– Access to export markets

FIGURE 3.5 *continued*

What to think about when developing your program

Once the target population is identified, the next step is to diagnose the gender differential constraints and problems, to find the solution. For example, why do female farmers have less labor? Is it capital, social networks, information, intrahousehold dynamics, or yet another factor? All these factors would have different policy responses. The following are policy areas to consider when designing programs to support women.

Support skills-building by going beyond traditional training

- Design agricultural extension programs that better meet the needs of women
- Provide socioemotional skills training to grow businesswomen's entrepreneurial mindset
- Offer information to support sector switches for women who wish to enter more profitable male-dominated sectors

Capitalize on women's potential by relieving capital constraints

- Introduce financial innovations such as psychometric testing as an alternative to collateral
- Leverage digital technologies to give women access to safe and private savings platforms
- Facilitate access to loans that can catalyze growth
- Provide "big push" livelihoods programs to spur entrepreneurial activity for the ultra-poor
- Link business registration with a bank account to enhance access to financial services

Help women secure their land rights

- Formalize land rights to increase women's tenure security
- Encourage men to include their wives in registration and co-title land in both spouses' names
- Support customary land demarcation and certification and deliver land certificates

Connect women to the labor necessary for growth

- Provide capital injections through competitive business grants to help businesswomen hire labor
- Provide financing for farmers to hire farm labor, through vouchers, cash transfers, or credit

Alleviate social norms that constrain women's economic opportunities across Africa

- Support women to enter the workforce by changing norms through community livelihoods programs and cash transfers
- Encourage women to cross over into higher paying, male-dominated sectors by providing information on earnings in these sectors and giving women access to role models
- Foster a more balanced division of domestic labor by offering childcare services as well as couples interventions
- Engage men through small incentives and couples training to promote more equal resource management within households
- Offer in-kind grants to facilitate investment in women's businesses

Build a strong new generation by helping girls to navigate their adolescence

- Create safe spaces for girls to receive job or life skills training
- Consider time, cash, and mobility as attendance barriers linked to constraints faced by adolescent girls, by providing free childcare and a stipend for transportation
- Offer mentoring programs through which girls can build life skills

Although this toolkit connects specific outcomes with specific policy options, it is important to remember that some of the policies outlined help tackle multiple constraints faced by women. For example, safe spaces for adolescent girls not only tackle skills building, but also address restrictive gender norms. By contrast, some constraints are best lifted not by one policy but by a combination of several. For instance, providing in-kind grants or capital injections to women entrepreneurs may achieve the best results when combined with training aimed at developing women's entrepreneurial mindsets. Finally, some of the constraints that women face may prevent them from accessing the policy and its benefits in the first place. Thus, when considering implementation and design, it is helpful to consider women's time and mobility limitations—for example, by offering childcare services during training, providing stipends for transportation costs, or adjusting the time and day of visits to women's schedules.

Tackling the key constraints to women's economic empowerment is vital to unleashing women's unmet potential and stimulating economic growth and poverty reduction in Africa. However, addressing these challenges will depend not only on targeting the right problems with the most effective approach, but also resourcing the requisite analytical, programmatic, and operational capacity to make policy reform a reality. As African governments continue to design and implement policies to close gender gaps in their countries, the World Bank and other development partners play a critical supporting role through delivering operations designed to address women's economic empowerment at scale. These dedicated multi-stakeholder engagements will be critical to realize women's economic potential and accelerate poverty reduction across the continent.

Appendix

TABLE A.1: Country Classification by Resource Abundance in Sub-Saharan Africa

Resource-rich countries		Non-resource-rich countries		
Oil	Metals & minerals			
Angola	Botswana	Benin	Gambia, The	São Tomé and Príncipe
Chad	Congo, Dem. Rep.	Burkina Faso	Ghana	Senegal
Congo, Rep.	Guinea	Burundi	Guinea-Bissau	Seychelles
Equatorial Guinea	Liberia	Cabo Verde	Kenya	Somalia
Gabon	Mauritania	Cameroon	Lesotho	Sudan
Nigeria	Namibia	Central African Republic	Madagascar	Tanzania
South Sudan	Niger	Comoros	Malawi	Togo
	South Africa	Côte d'Ivoire	Mali	Uganda
	Sierra Leone	Eritrea	Mauritius	Zimbabwe
	Zambia	Eswatini	Mozambique	
		Ethiopia	Rwanda	

Note: Resource-rich countries are those with rents from natural resources (excluding forests) that exceed 10 percent of gross domestic product.

TABLE A.2: Country Classification by Income in Sub-Saharan Africa

Low-income countries		Lower-middle-income countries	Upper-middle-income countries	Higher-income countries
Benin	Malawi	Angola	Botswana	Seychelles
Burkina Faso	Mali	Cabo Verde	Equatorial Guinea	
Burundi	Mozambique	Cameroon	Gabon	
Central African Republic	Niger	Congo, Rep.	Mauritius	
Chad	Rwanda	Côte d'Ivoire	Namibia	
Comoros	Senegal	Eswatini	South Africa	
Congo, Dem. Rep.	Sierra Leone	Ghana		
Eritrea	Somalia	Kenya		
Ethiopia	South Sudan	Lesotho		
Gambia, The	Tanzania	Mauritania		
Guinea	Togo	Nigeria		
Guinea-Bissau	Uganda	São Tomé and Príncipe		
Liberia	Zimbabwe	Sudan		
Madagascar		Zambia		

Note: The list is from the World Bank list of economies, June 2019.

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