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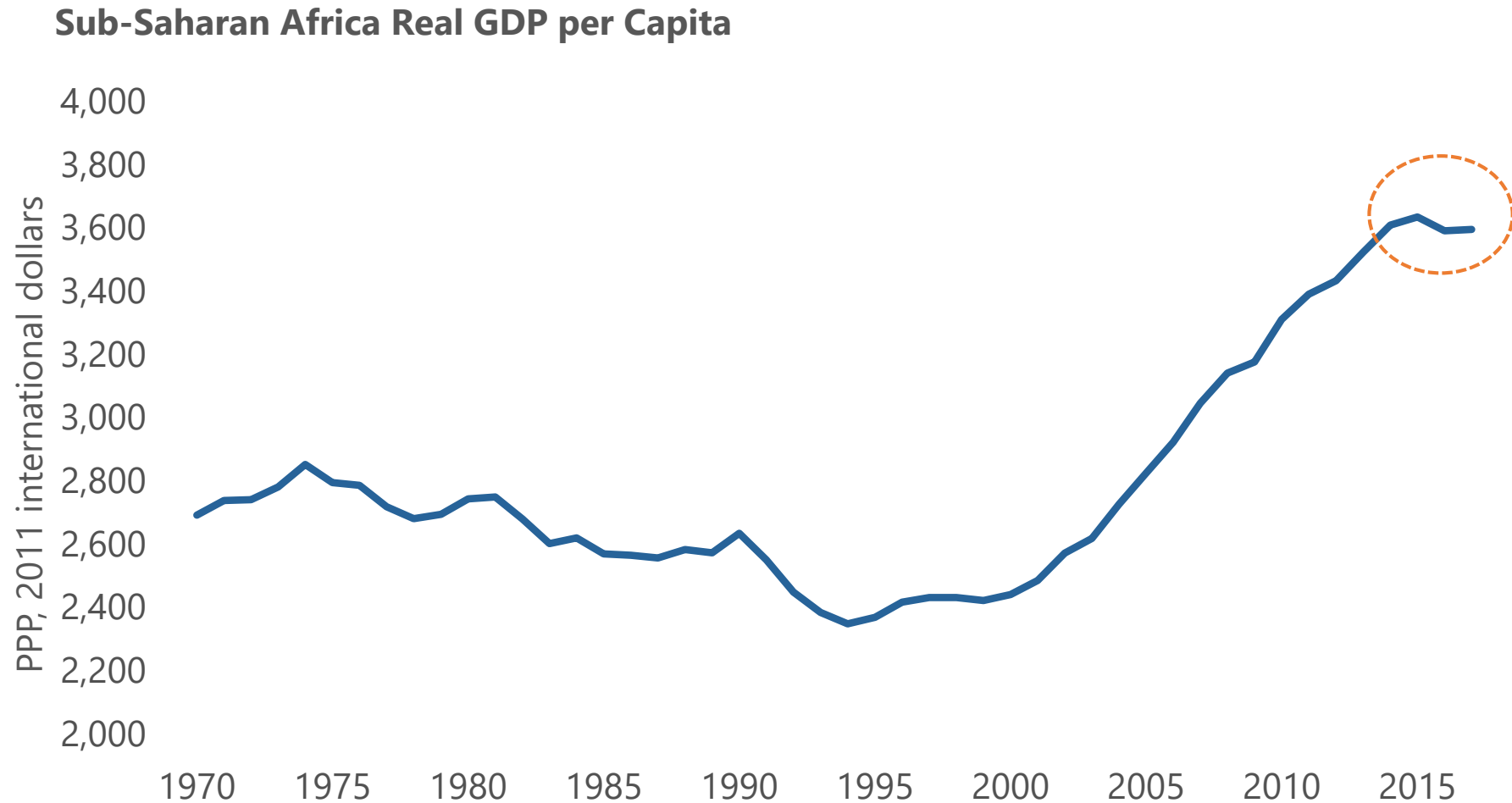
Regional Economic
Outlook

A Muted Recovery

May 2018



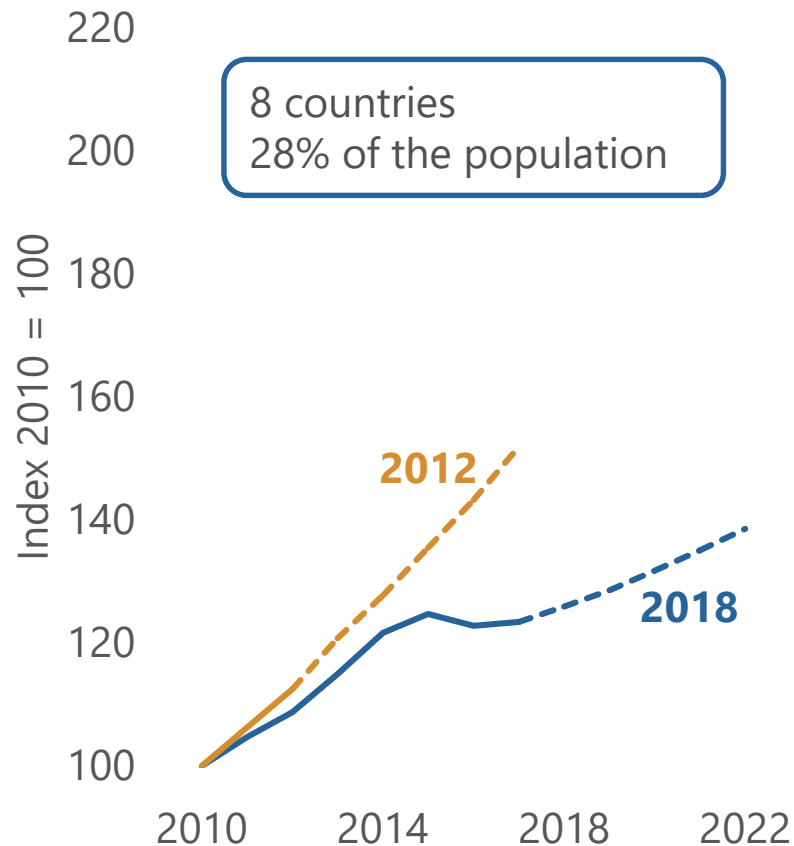
The sustained period of rising incomes in SSA has stalled...



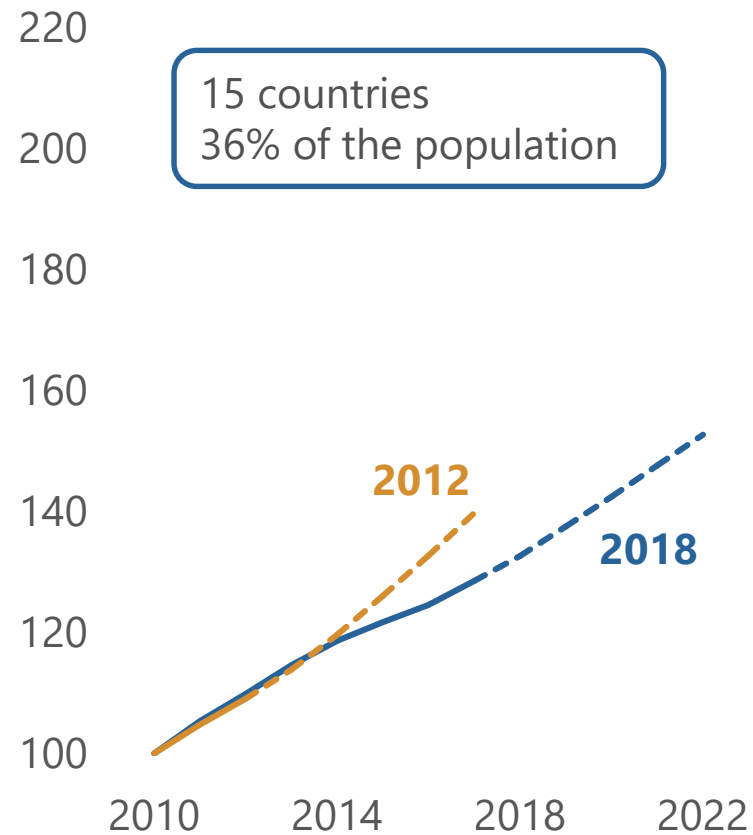
...following a significant external shock to commodity exporters

Real GDP (2012 vs. current forecast)

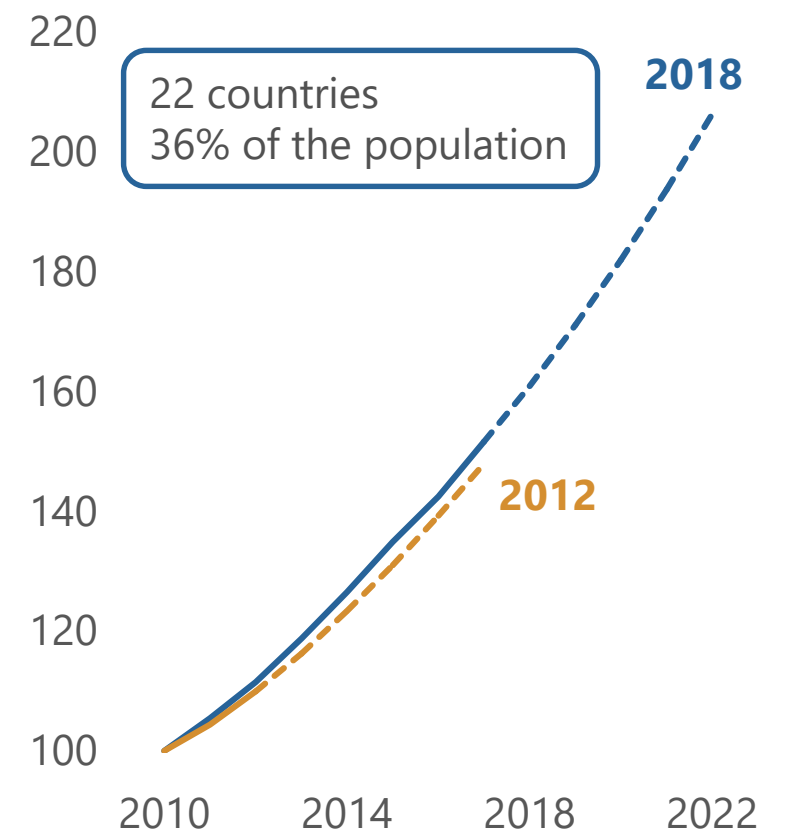
Oil exporters



Other Resource-Intensive Countries



Non-Resource-Intensive Countries



Key Takeaways From April 2018 SSA REO

- Sub-Saharan Africa is seeing a modest growth uptick, with growth accelerating in two-thirds of countries
- Debt vulnerabilities are rising in many countries
- Policy focus:
 - Reduce macroeconomic vulnerabilities
 - And raise medium-term growth

Roadmap

I. The Outlook

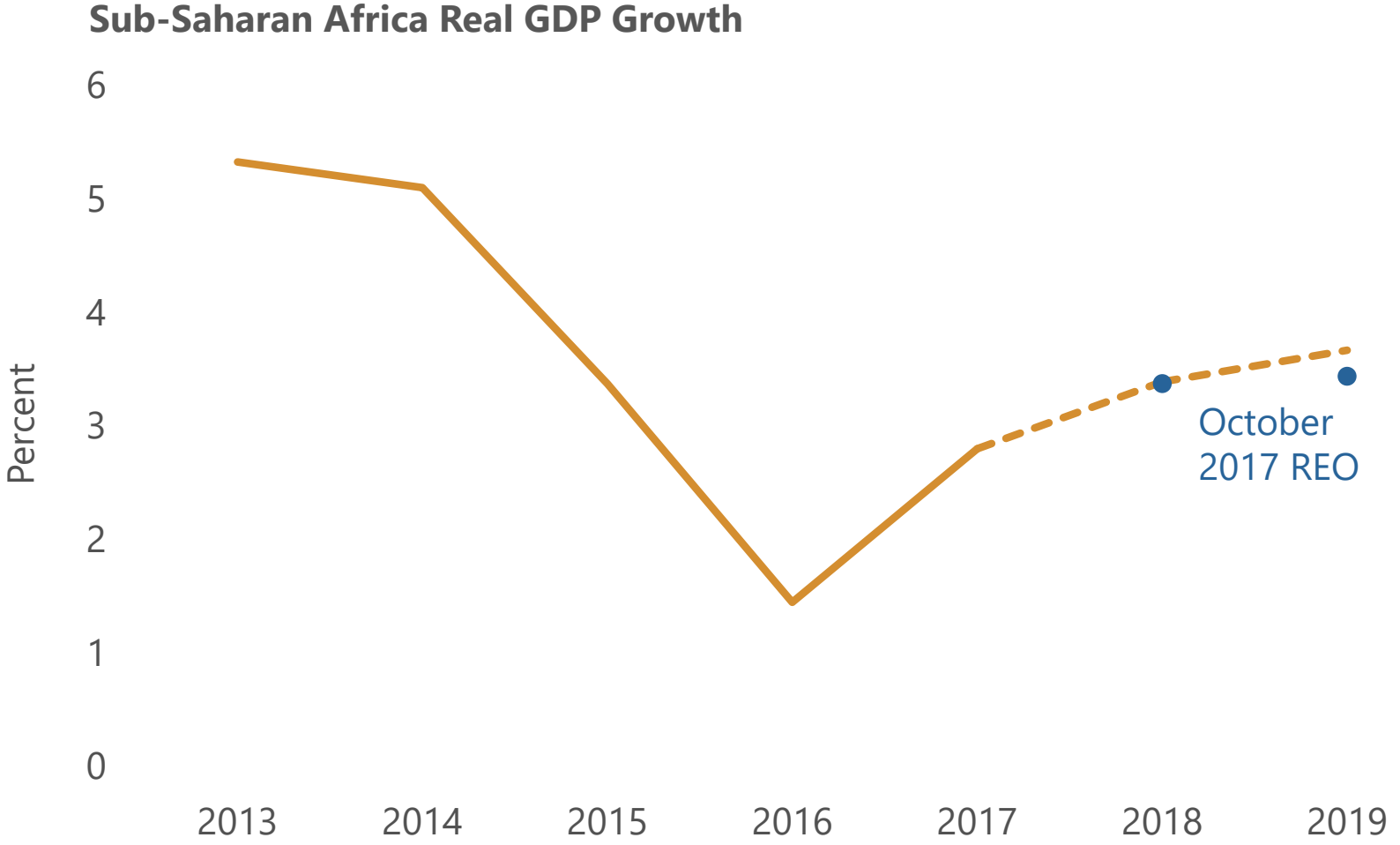
II. Policy Focus:

Reduce Macroeconomic Vulnerabilities

Raise Medium-Term Growth

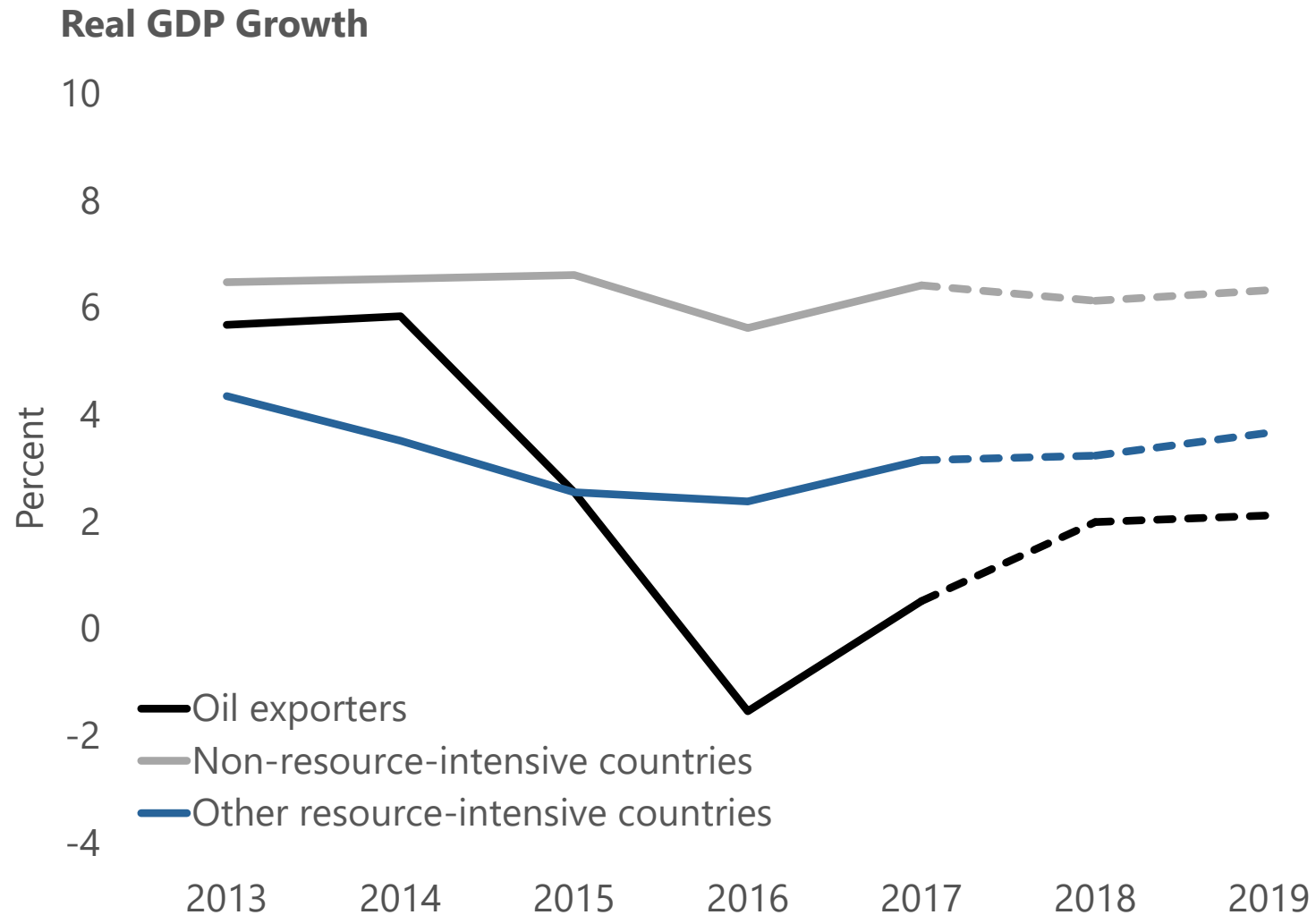
I. The Outlook

The near-term outlook is for a modest growth uptick...



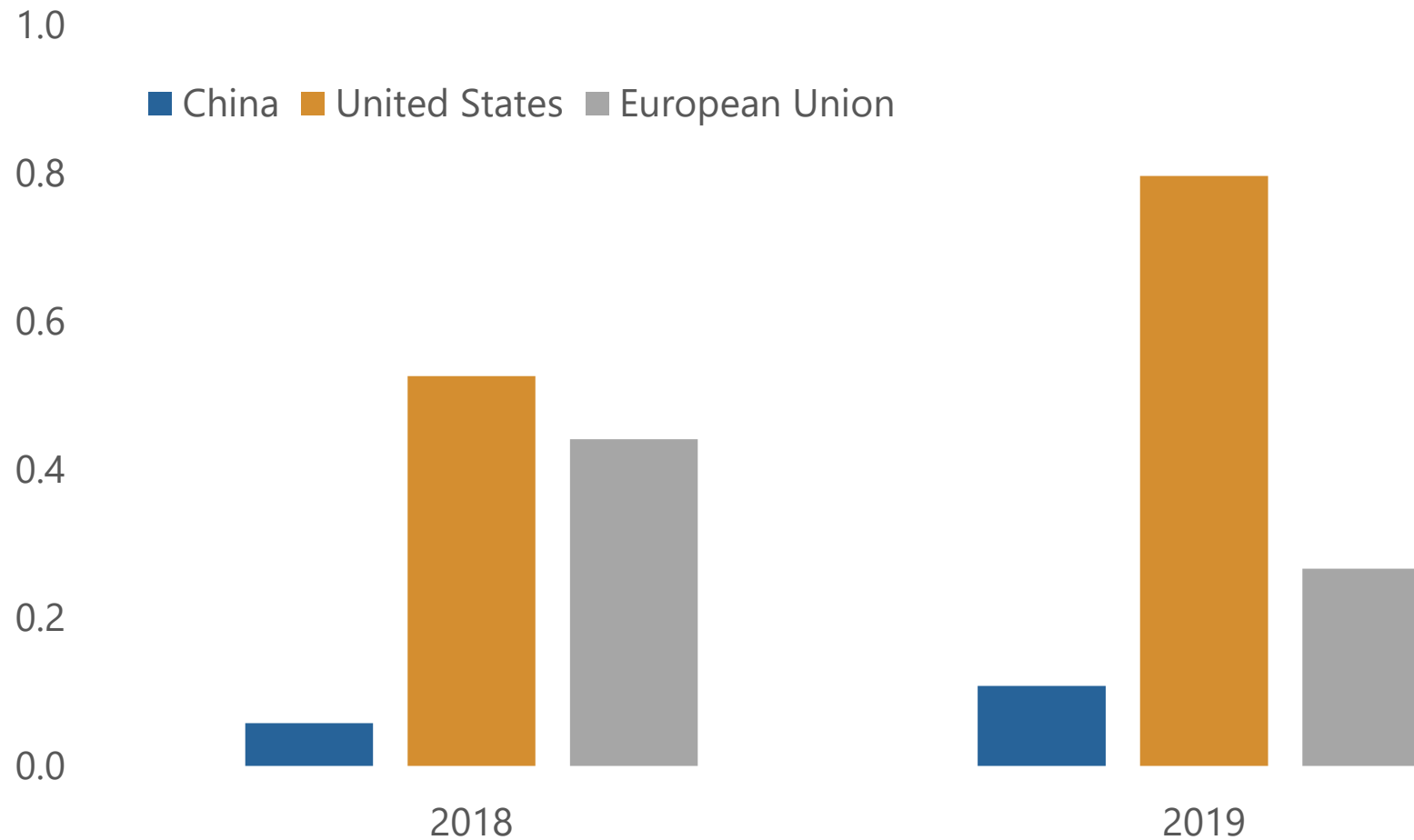
Source: IMF, World Economic Outlook database.

....while some countries continue to grow rapidly



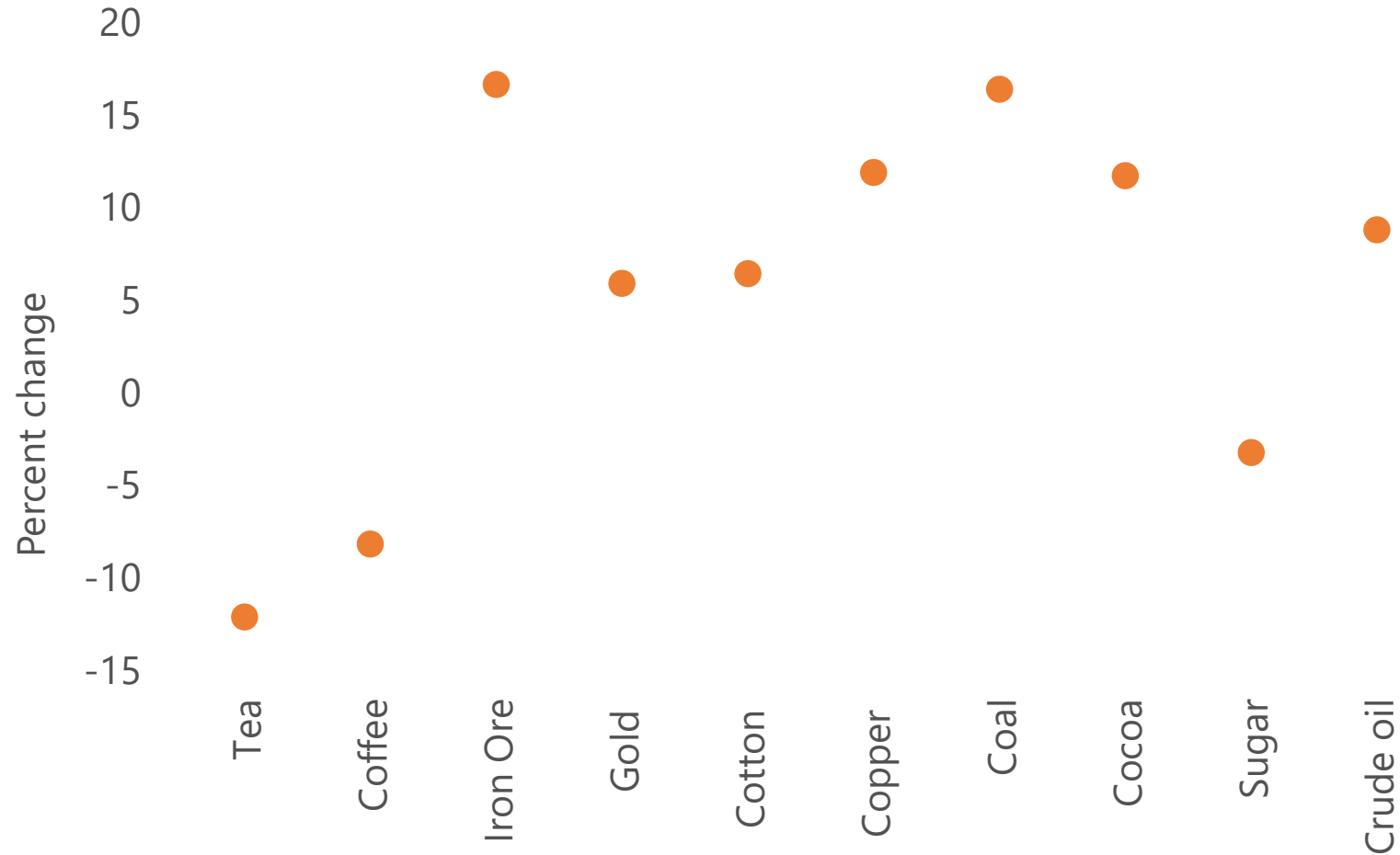
The outlook is supported by stronger global growth...

Real GDP Growth Forecast Revision (Current vs. Oct. 2017 WEO)

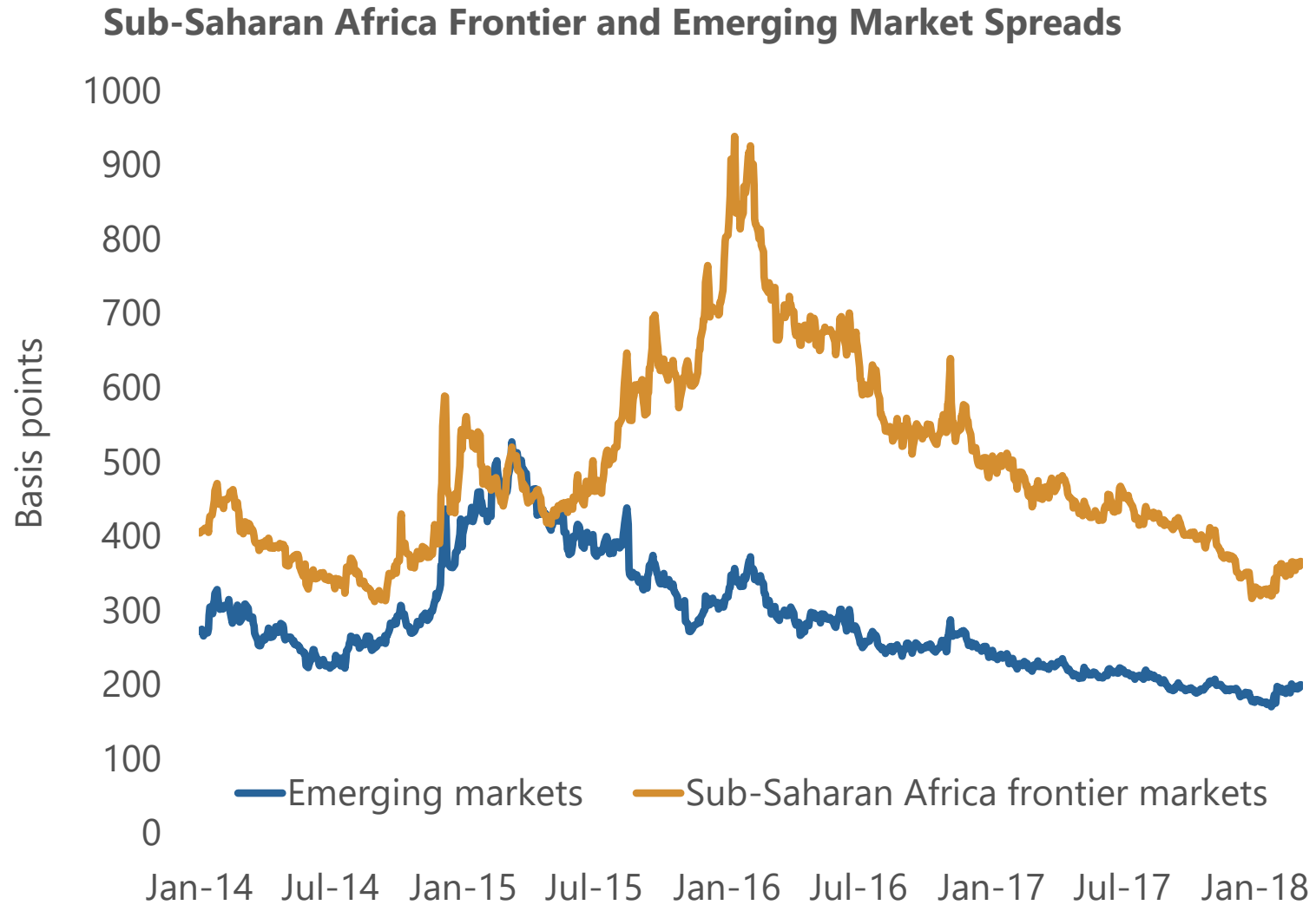


...better prospects for key commodity prices...

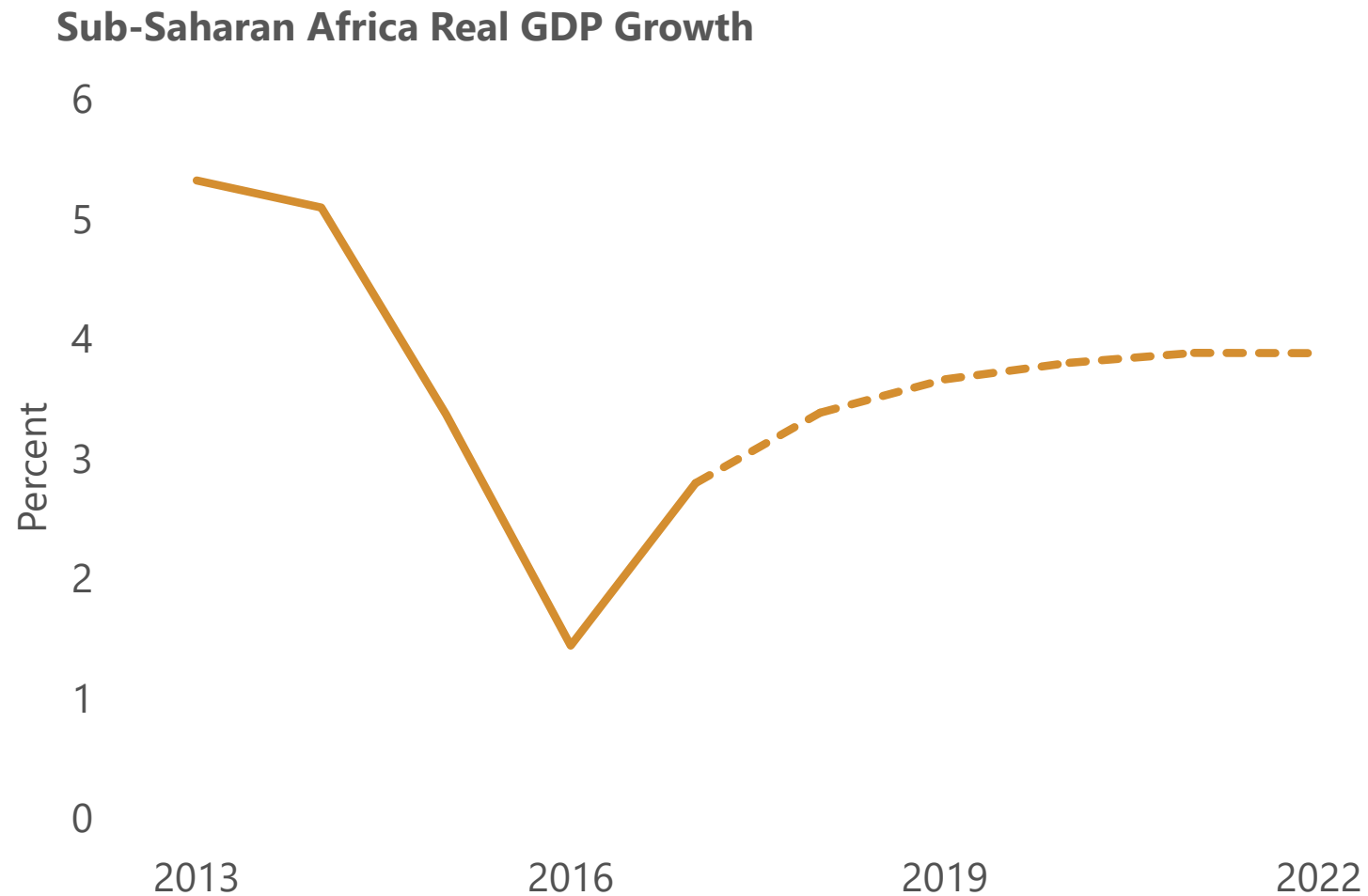
Medium-term Commodity Prices (Percent change from October 2017 WEO)



...and favorable global financing conditions



On current policies, the medium-term outlook remains subdued...



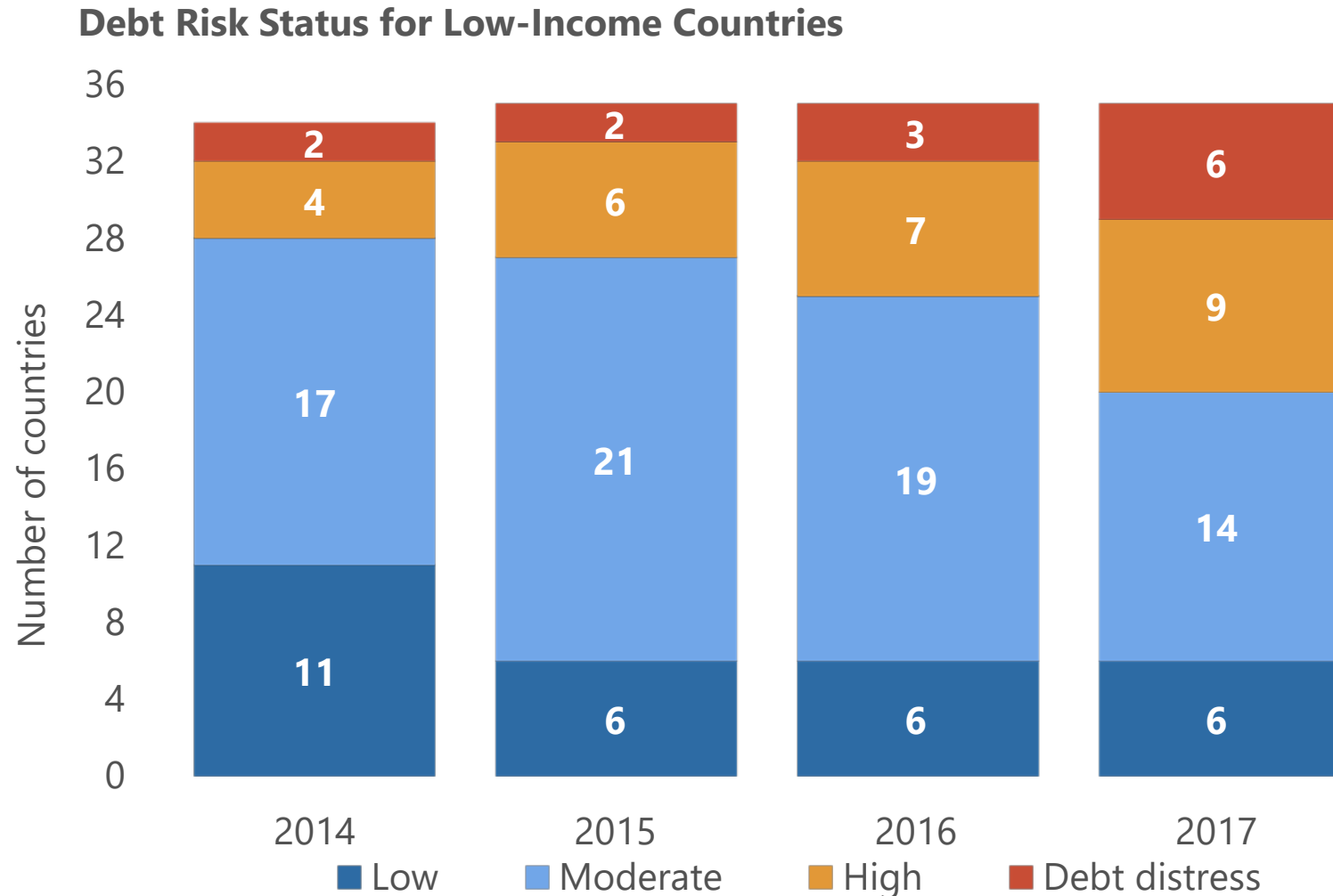
II. Policy Focus I: Reduce Macroeconomic Vulnerabilities

Public debt ratios are on the rise...



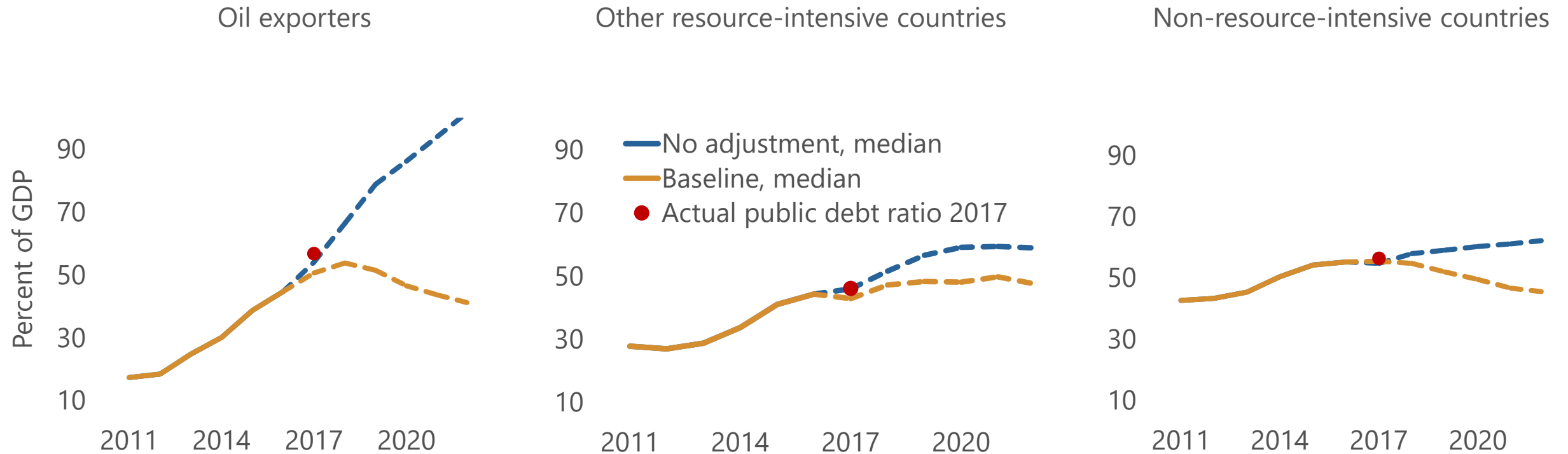
Source: IMF, World Economic Outlook database.

...leaving a rising number of countries at high risk of or in debt distress



More needs to be done to stabilize debt

Debt Ratios (Baseline vs. no adjustment)



Domestic Revenue Mobilization (DRM)

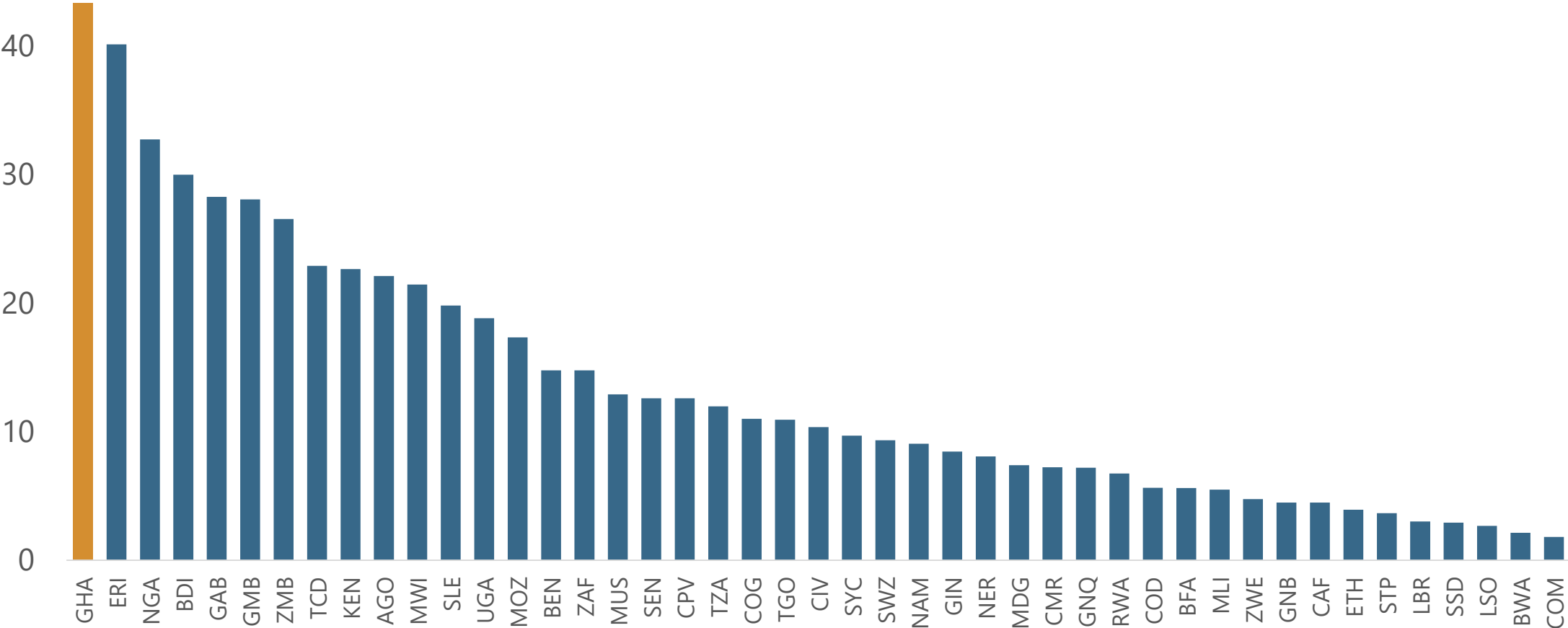
Can more be done and how?

Motivation: Why more revenue in SSA countries?

- Revenue can potentially be larger than (declining) ODA
- Revenue will help fund SDGs and increasing social demands
- Debt costs are absorbing increasing share of revenue
- Increasing revenue can be less harmful to growth than cutting spending

Motivation: Why more revenue needed in Ghana?

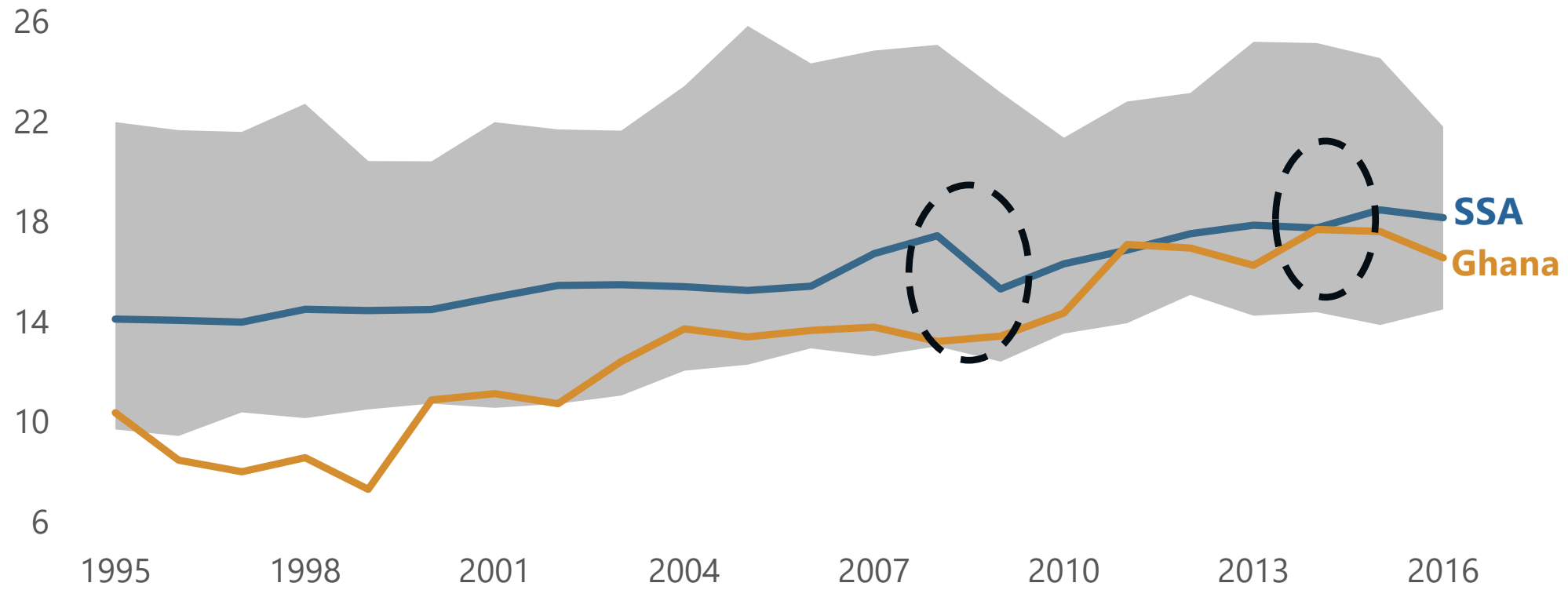
SSA: Interest Expenditure
Percent of Tax Revenue



Source: IMF, World Economic Outlook database.

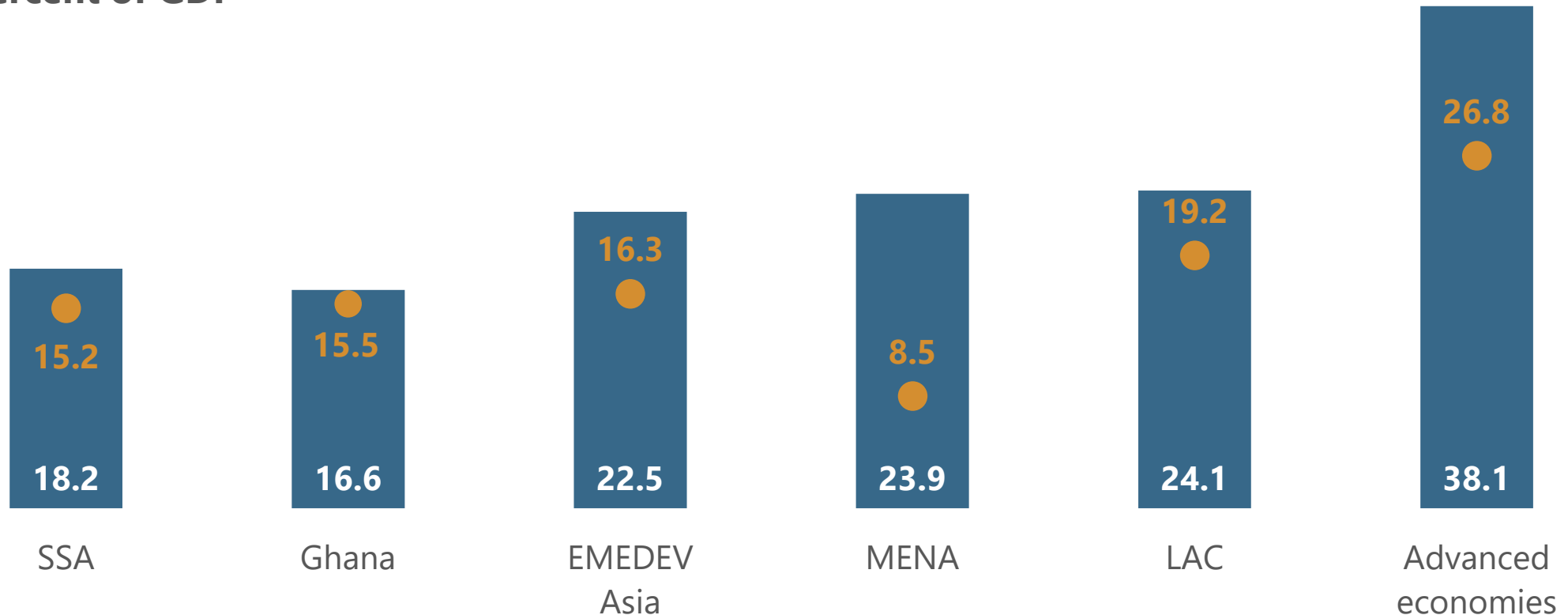
State of play: Some progress, despite commodity cycles

**SSA: Total Revenue excluding Grants, Median
Percent of GDP**



...though SSA still has lowest revenue ratios globally

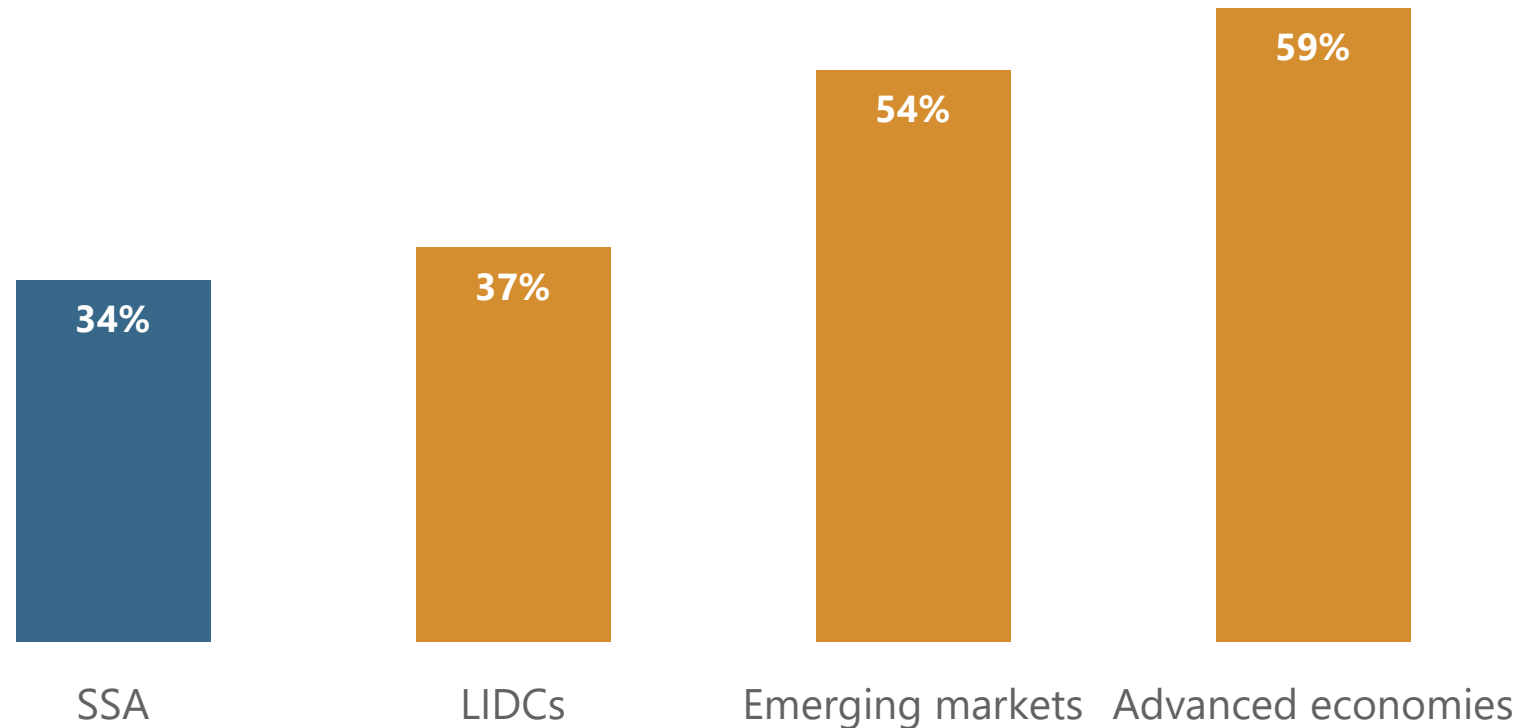
Total Revenue Excluding Grants and Tax Revenue, Median, 2016
Percent of GDP



Source: IMF, World Economic Outlook database.

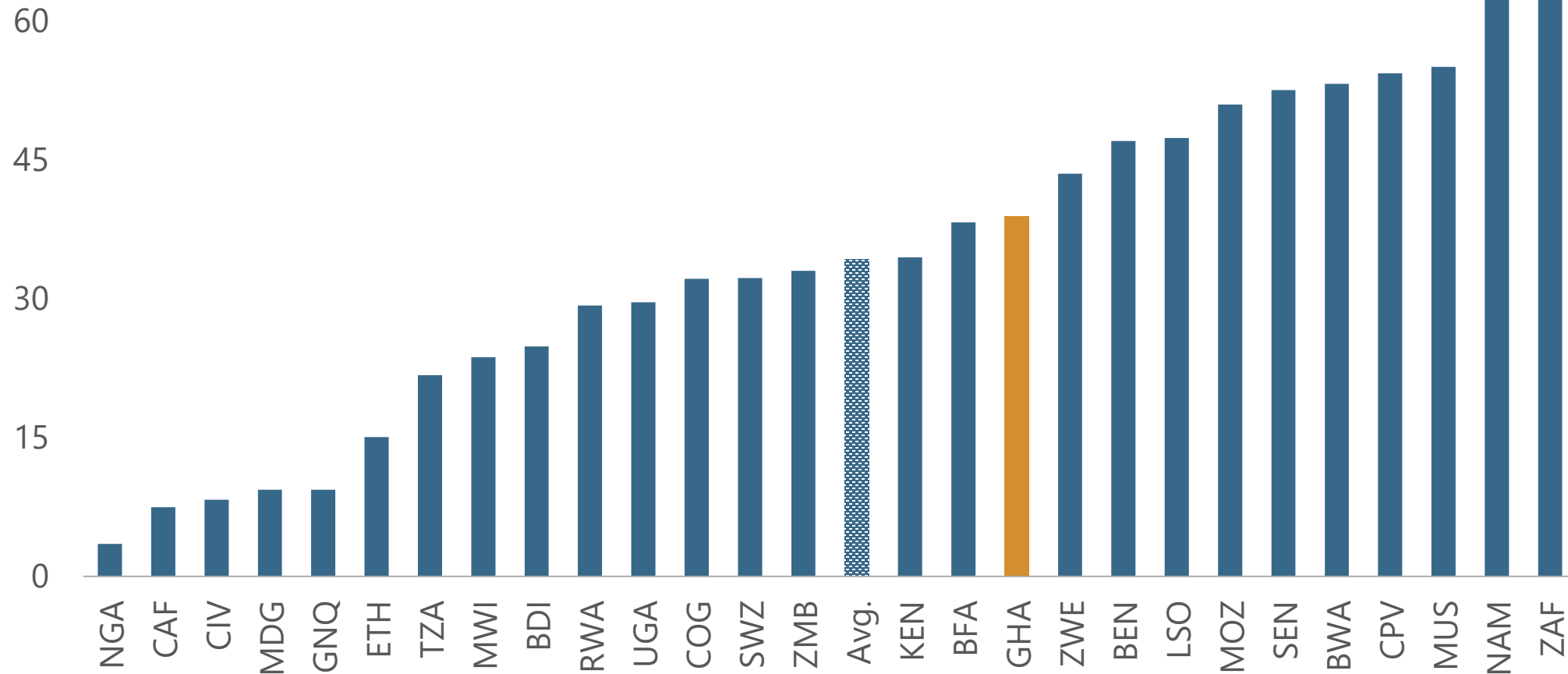
VAT productivity average lowest in SSA countries

VAT C-Efficiency, Average



... with varying performance across countries

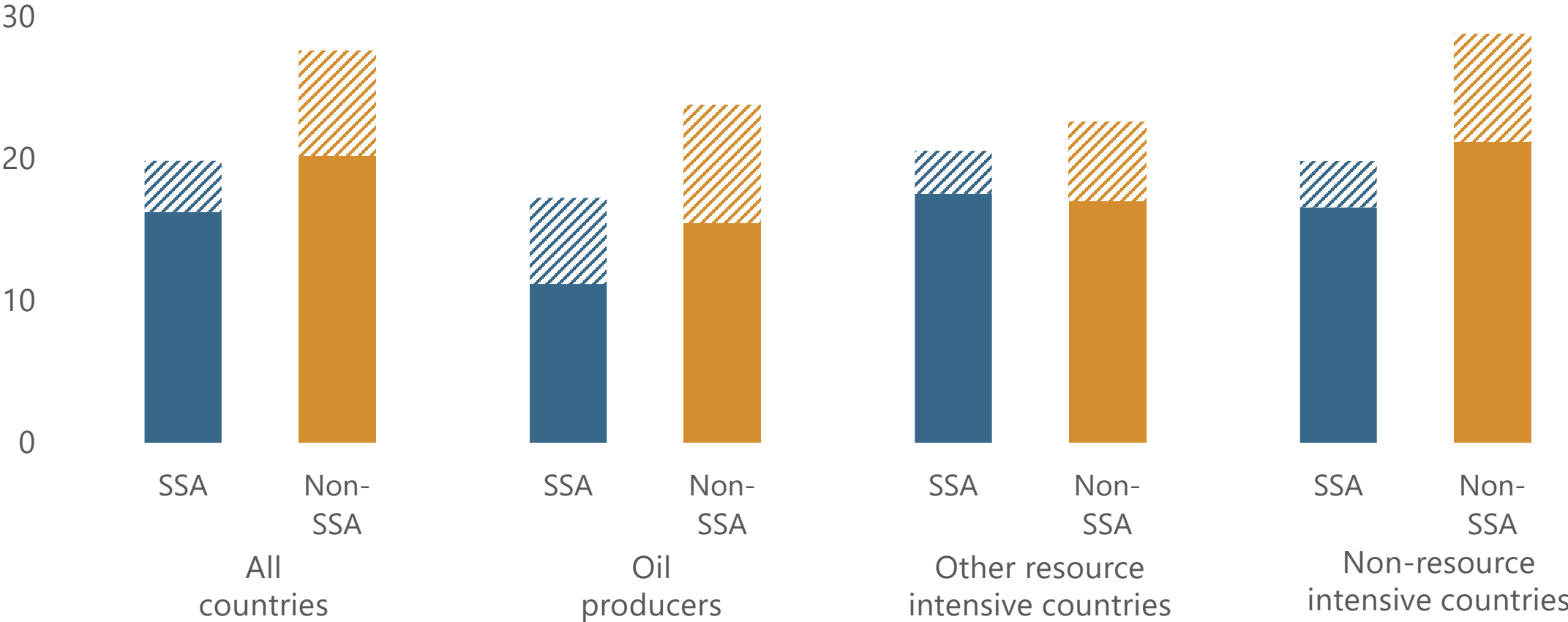
VAT C-Efficiency



Sources: World Revenue Longitudinal Database (WoRLD), IMF Fiscal Affairs Department Tax Rates Database, and World Economic Outlook database.

Can more be done? Tax gaps suggest so (though tax frontiers are low)

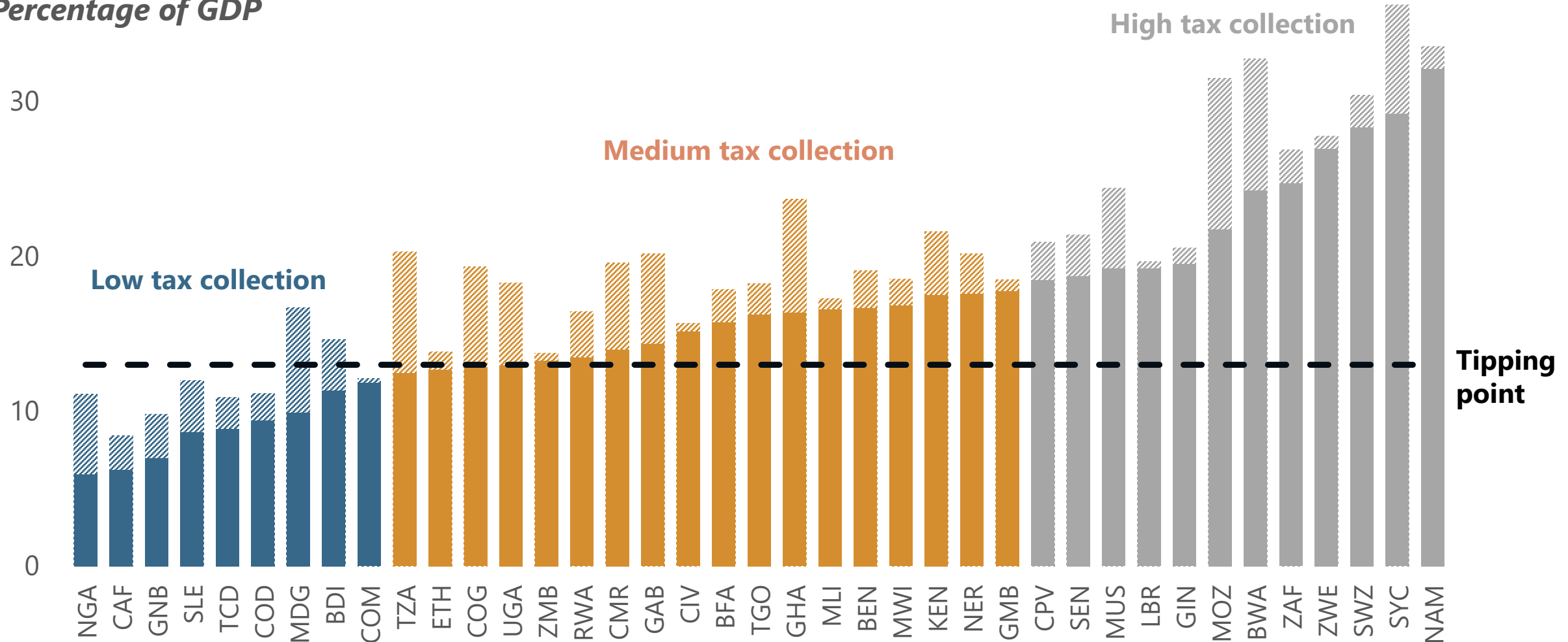
Tax Frontier and Tax Gap
Percent of GDP



Sources: IMF, World Economic Outlook database and staff estimates.

... with substantial variations across SSA countries

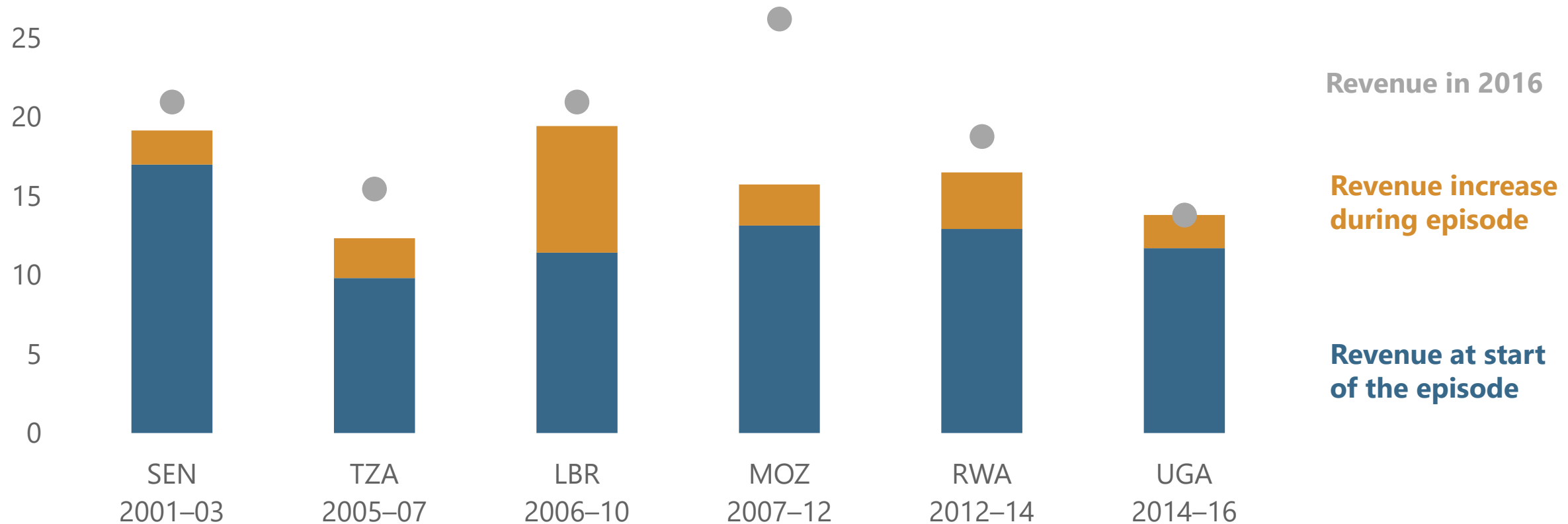
Sub-Saharan Africa: Tax Ratio and Tax Frontier *Percentage of GDP*



Sources: IMF, World Economic Outlook database and staff estimates.

What can we learn? Successful DRM episodes

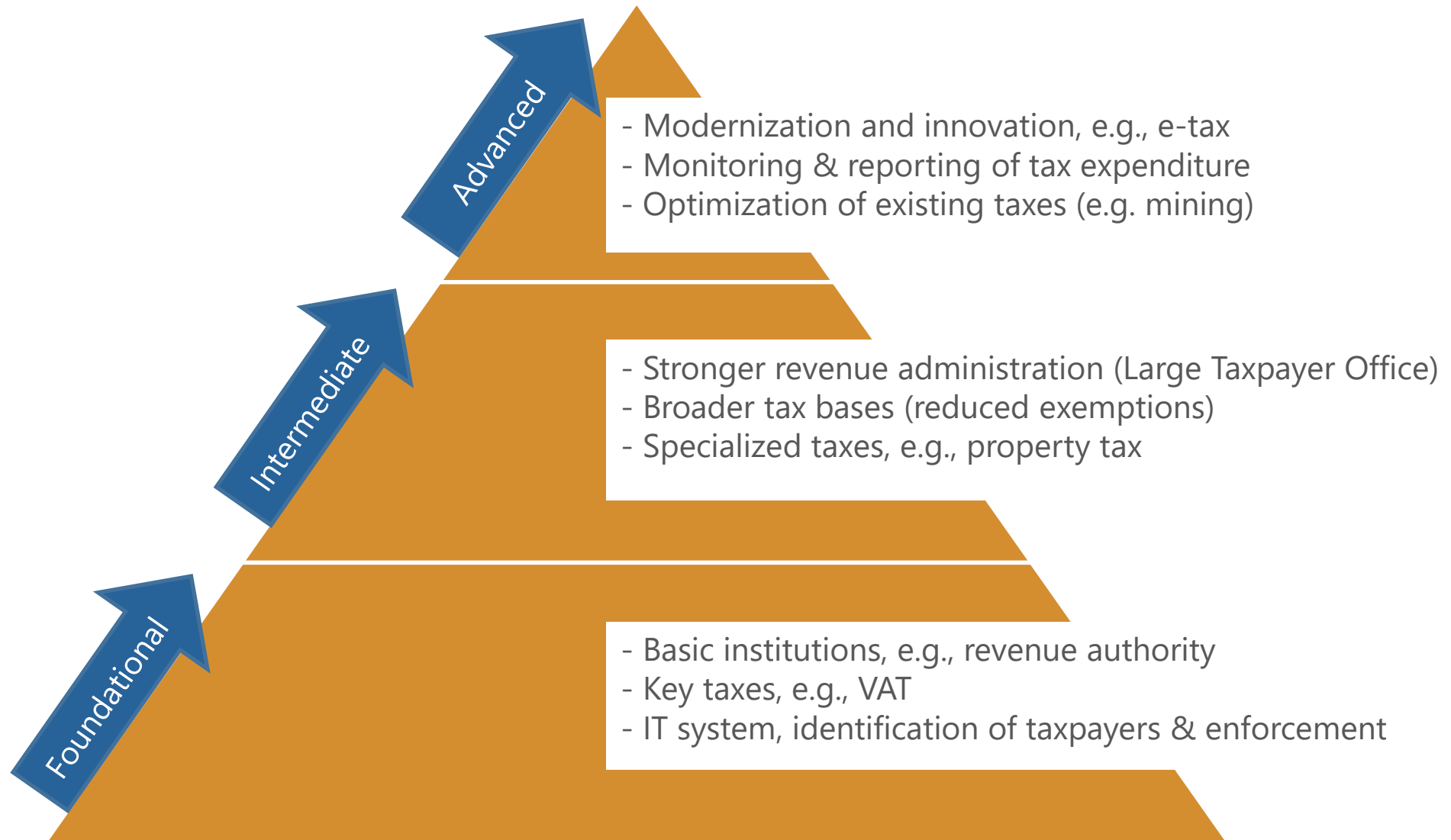
SSA: Non-resource Revenue Mobilization Episodes Percent of non-resource GDP



Sources: IMF, World Economic Outlook database and IMF Fiscal Affairs Department Sub-Saharan Africa Tax Revenue database.

Note: The current revenue ratio in Mozambique is as of 2015.

Building the foundations for enhanced DRM



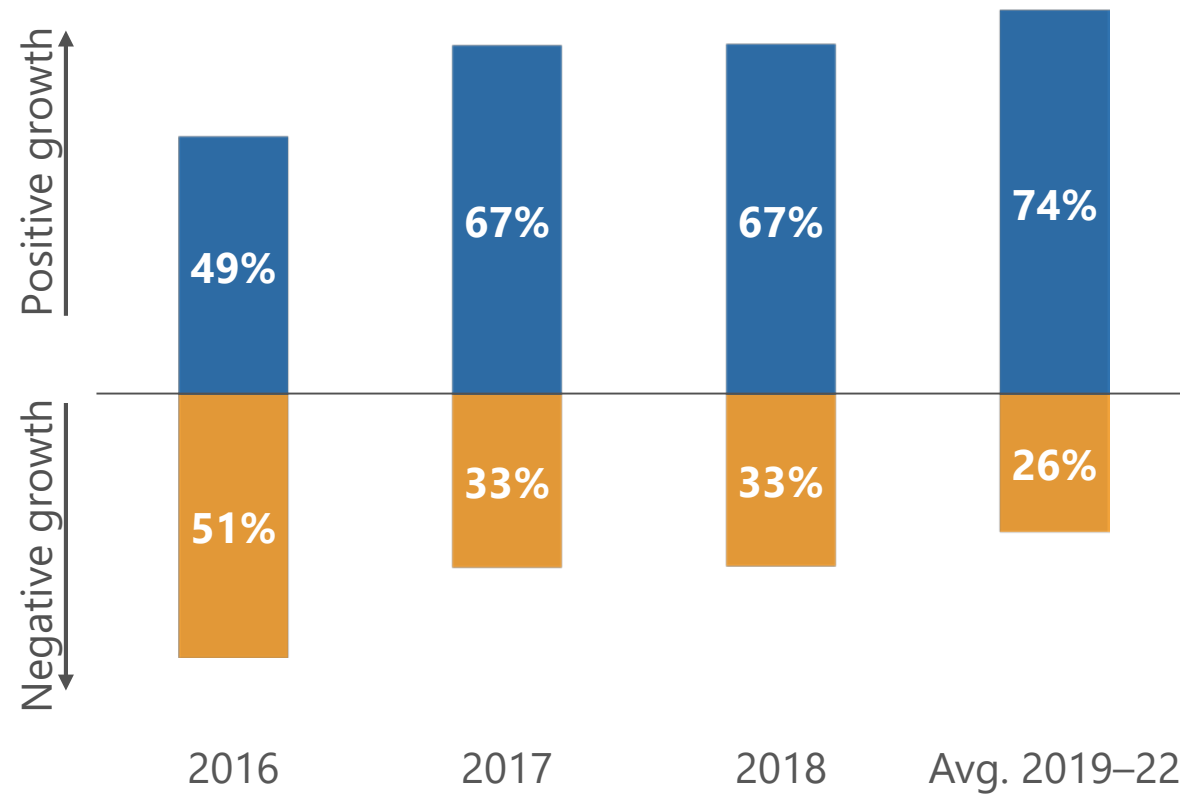
Enabling conditions for successful DRM

- Stability
- Medium-Term Revenue Strategies
- Capacity development & peer learning

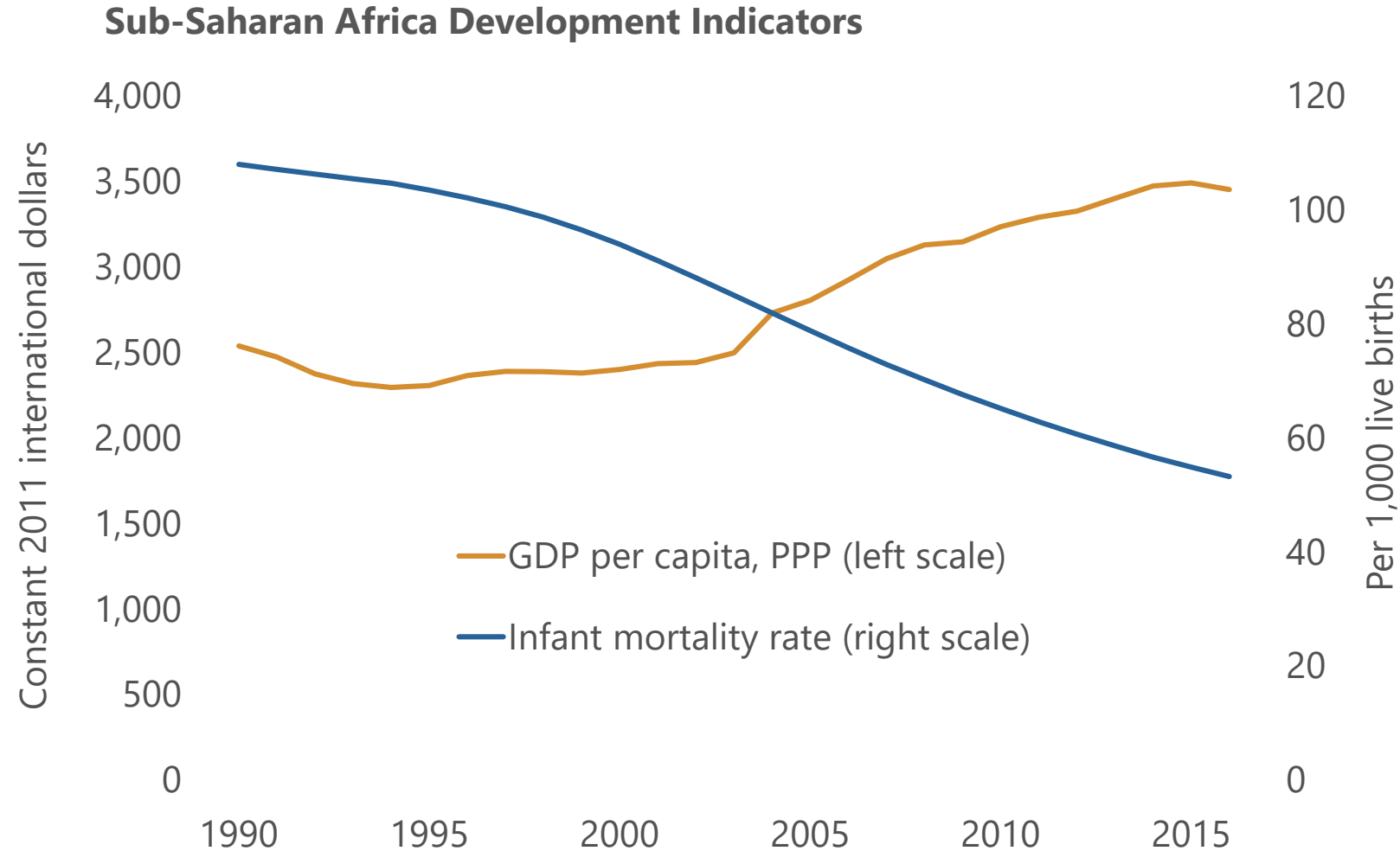
III. Policy Focus II: Lifting Medium-Term Growth

Raising growth is key to the challenges ahead...

Sub-Saharan Africa Share of Population based on Real GDP per Capita Growth



...and important for meeting the SDGs

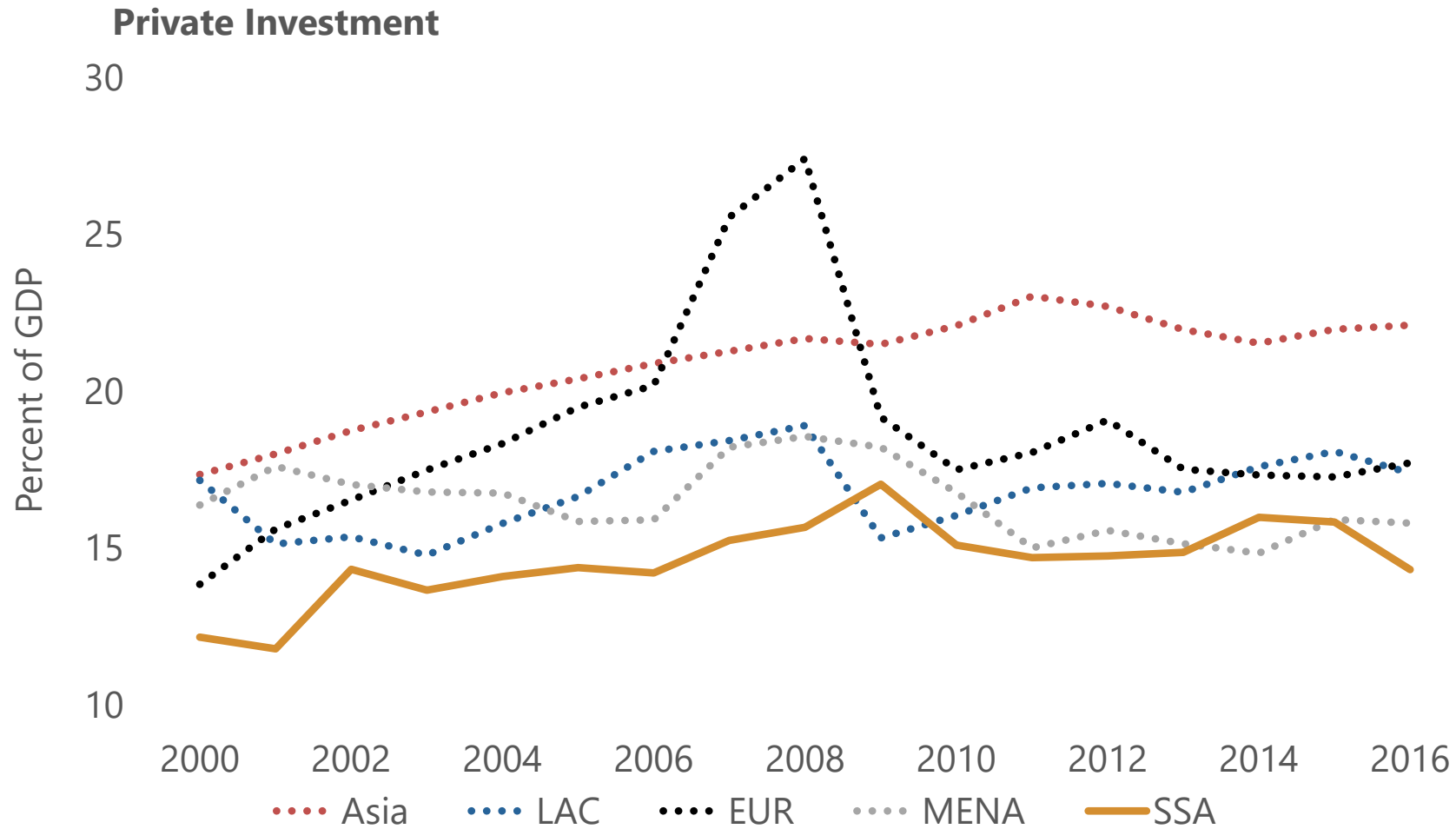


Private Investment to Rejuvenate Growth

Key Takeaways

- Private investment is too low
- Improving opportunities for profits
- Macroeconomic and institutional reforms
 - Better regulatory and supervisory frameworks
 - Trade liberalization
 - Deepening financial markets
 - Better infrastructure
- Additional ways to jump start private investment
 - PPPs, but the associated fiscal risks should be carefully managed
 - SEZs, successful under specific circumstances
 - International Initiatives (Compact with Africa and BRI).

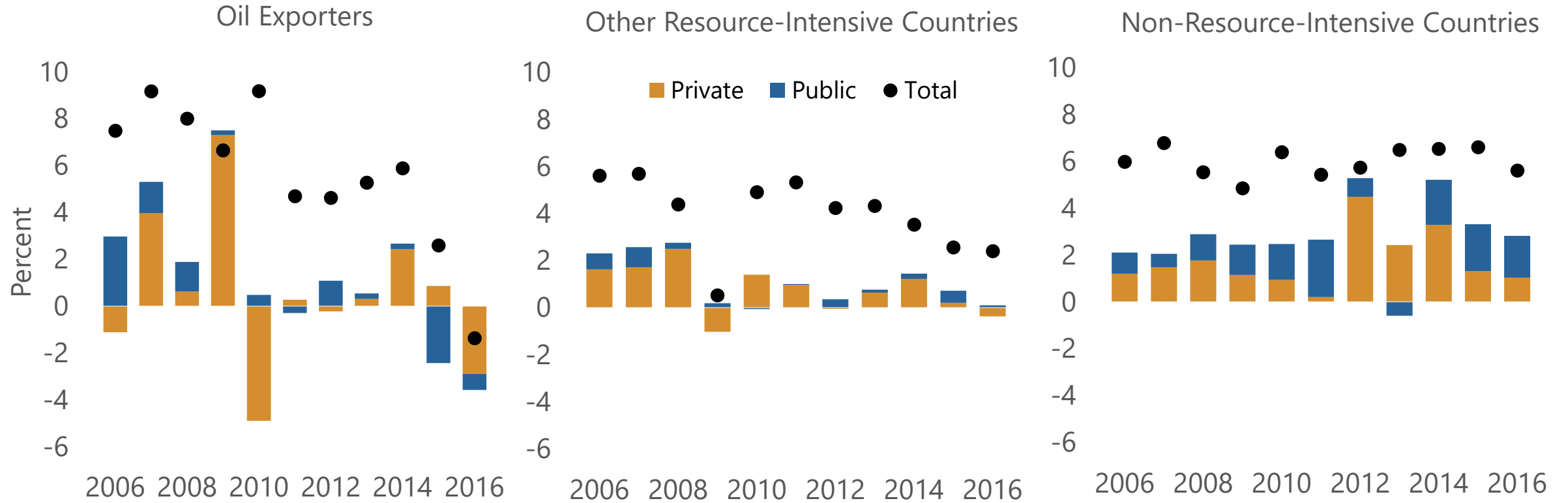
Private investment is low



Note: EUR = Europe; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SSA = sub-Saharan Africa.

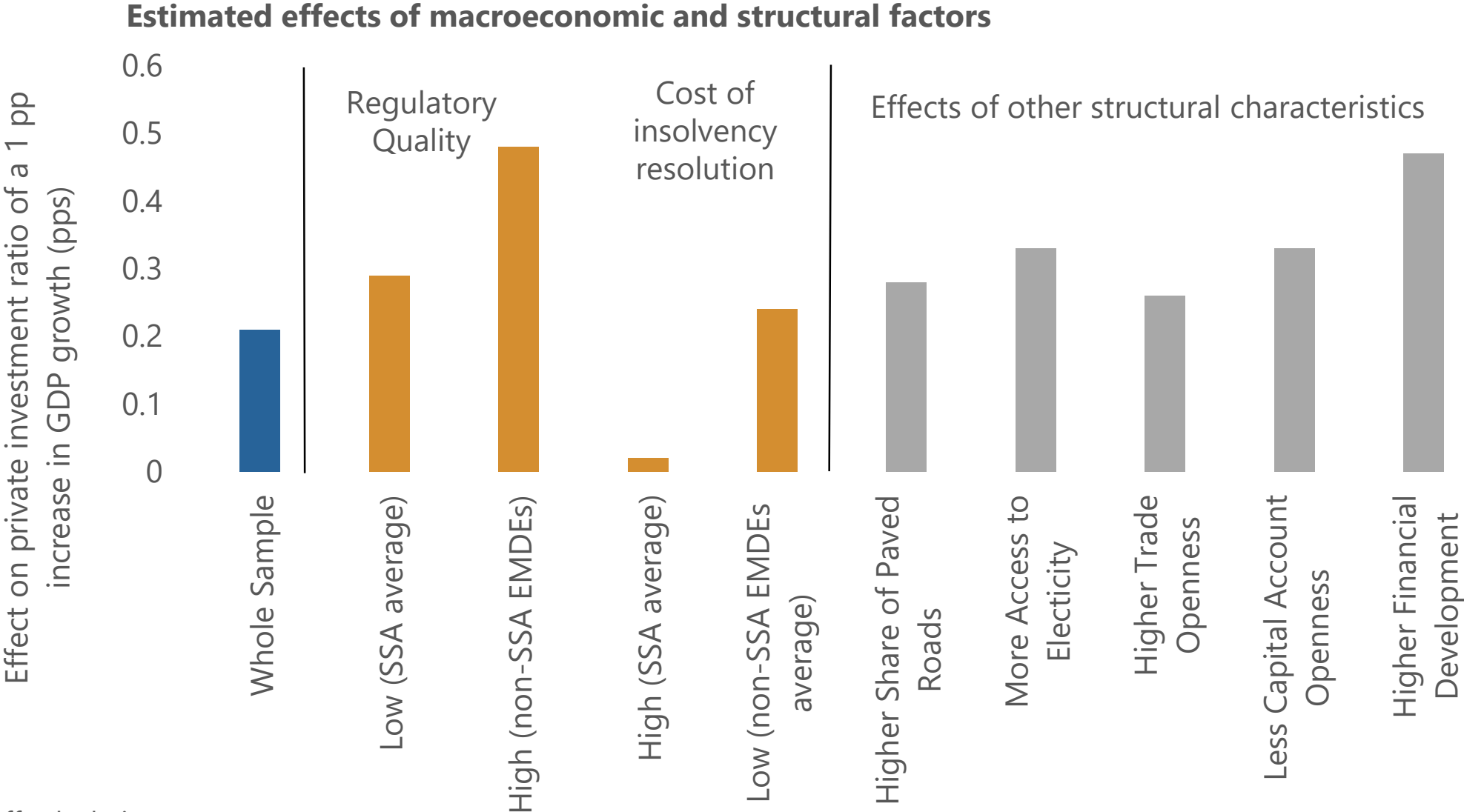
Weak investment has weighed on growth

Investment Contribution to Real GDP Growth



Source: IMF, World Economic Outlook database.

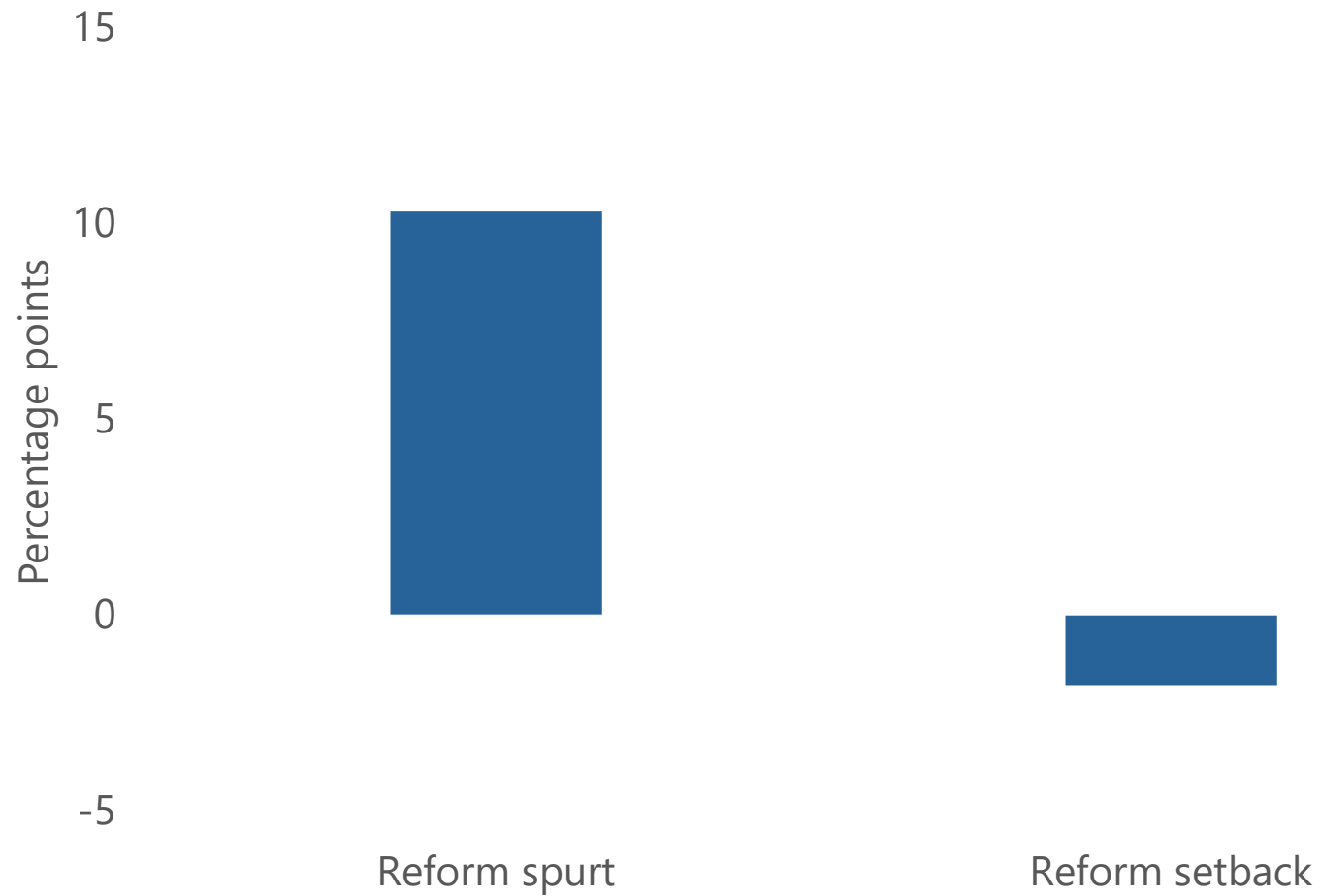
Private investment depends on macroeconomic and structural factors...



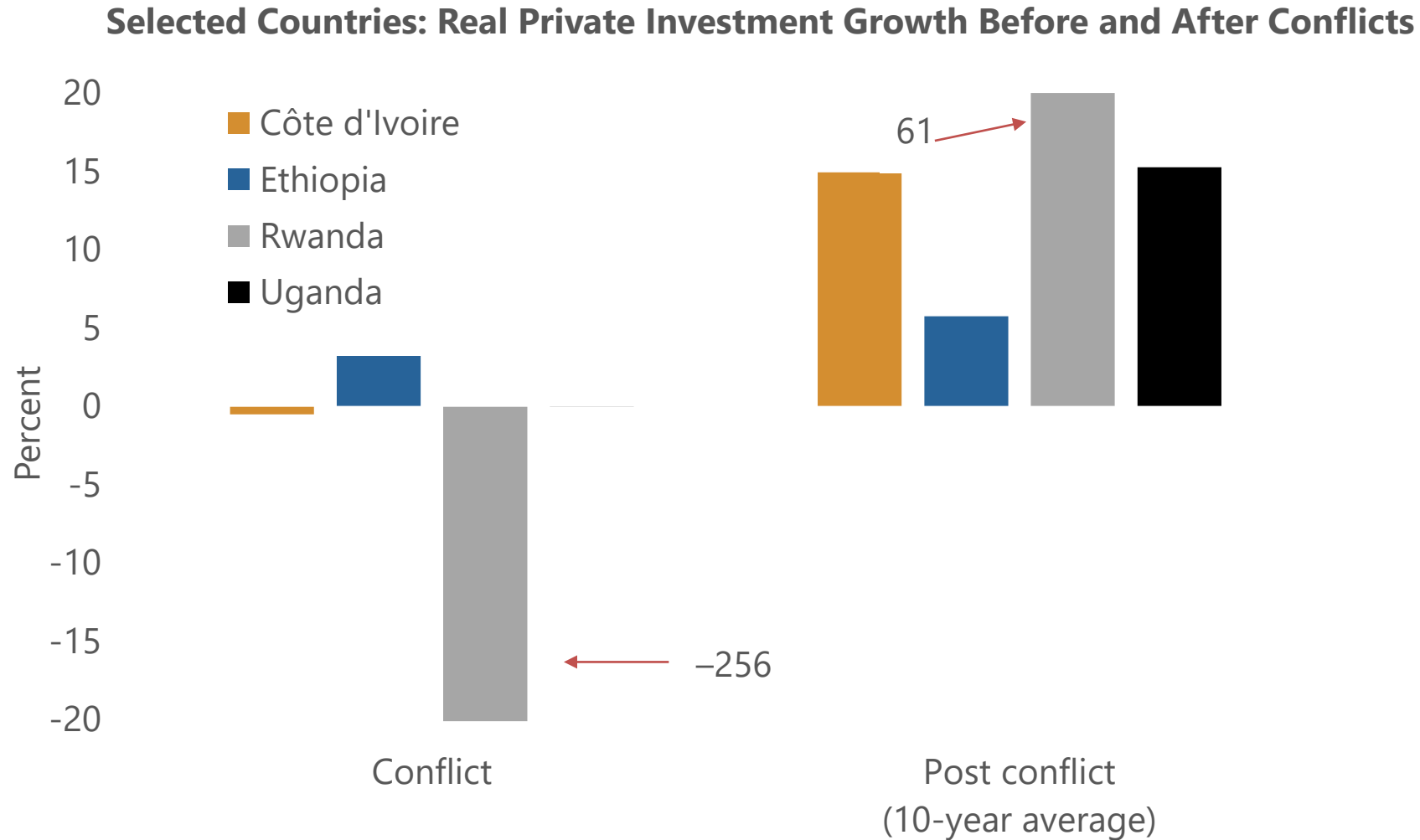
Source: IMF staff calculations.

...reforms...

Selected Sub-Saharan African Countries: Real Private Investment Growth



...and resolution of conflicts



Public investment can crowd in private investment, but this is not always the case

Compete for scarce physical and financial resources

State enterprises compete with private sector

Macroeconomic instability



Crowd out

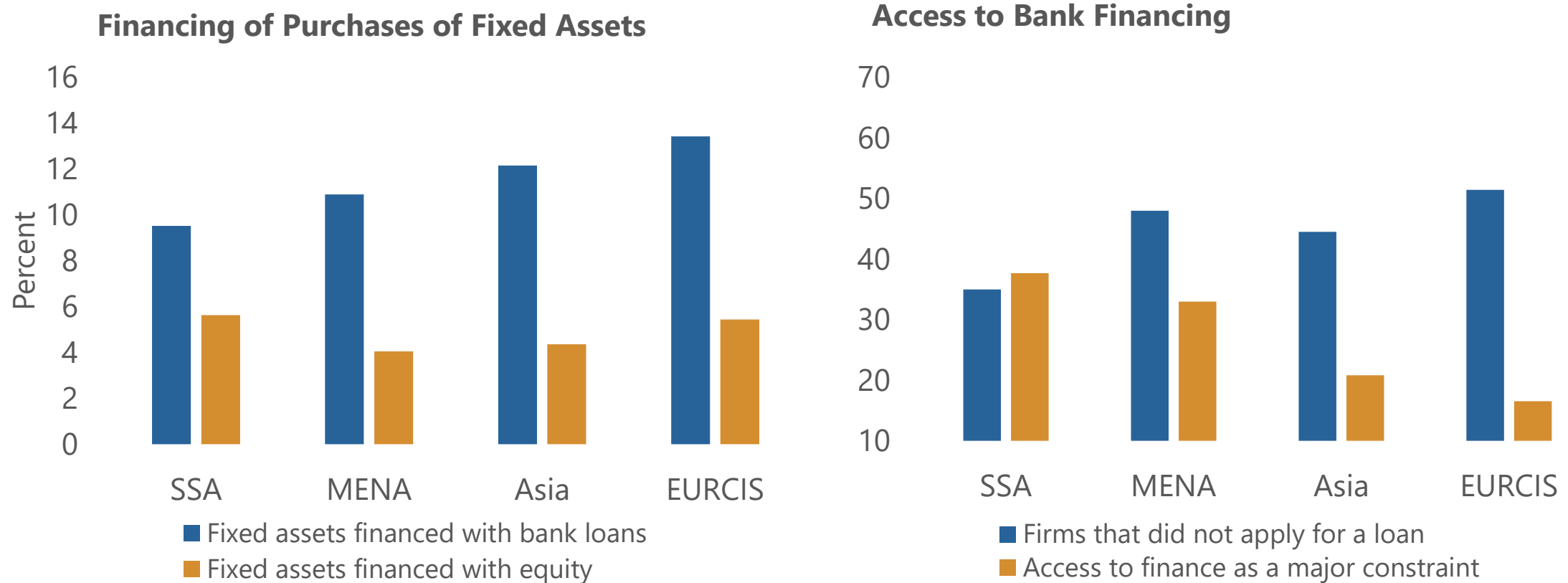


Infrastructure spending raises productivity of private capital



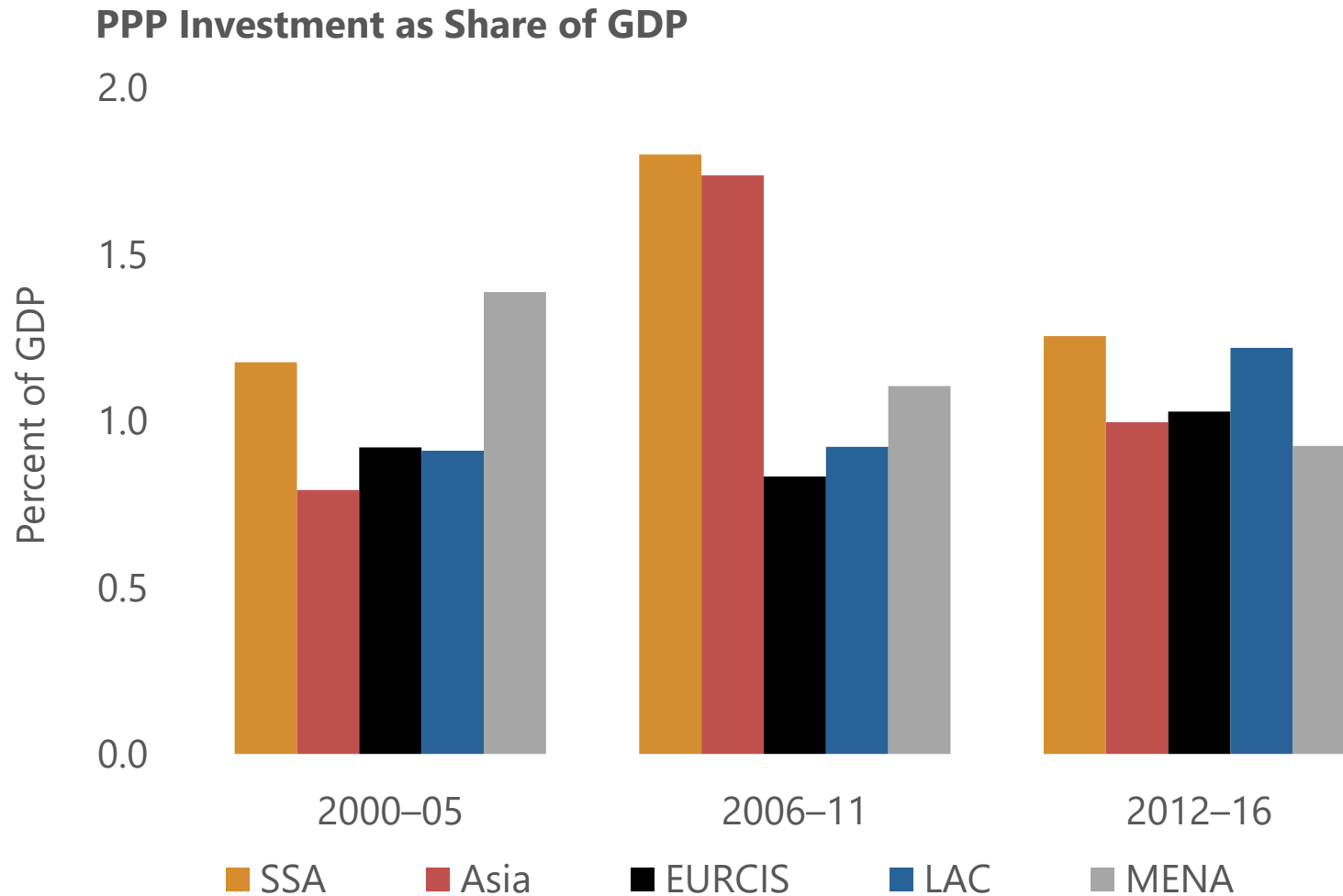
Crowd in

Private investment is constrained by limited access to credit



Note: EURCIS = Europe and Commonwealth of Independent States; MENA = Middle East and North Africa; SSA = sub-Saharan Africa.

PPPs can help jump start private investment, if risks are well managed



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Additional ways to support private investment

- Attracting FDI
- Special Economic Zones
- International Initiatives:
 - Belt and Road Initiative
 - Compact with Africa

Recap: Key Takeaways From April 2018 SSA REO

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THANK YOU