

GROWTH AND STRUCTURAL TRANSFORMATION IN ZAMBIA

Recent statistics have highlighted Africa's strong economic growth since 2000 following three "lost" decades;

yet in the eyes of development economists (Clark, 1957¹; Chenery, 1960²;

Kuznets, 1966³), modern growth needs to be accompanied by structural transformation, defined as a reallocation of economic activity across three broad sectors (agriculture, manufacturing, and services). While economic growth is usually measured by the evolution of Gross Domestic Product (GDP) per capita or the national evolution of labor productivity, measures of structural transformation are generally based on employment shares (either workers or hours

worked) by sector, or value-added shares. Since inter-sectoral differences in labor productivity are substantial,

Structural transformation alone is not sufficient for economic development; it has to be accompanied by social transformation.

structural transformation illustrates how a change in productivity may be related to a

change in the distribution of labor across these three broad sectors. Transformation is positive if the shift in employment shares is toward more productive sectors, and negative if the shift is toward less productive sectors.

Herrendorf, Rogerson, and Valentinyi (2014)⁴ provide a clear illustration of positive structural transformation using long-term series throughout the 19th and 20th centuries for 10 countries (Belgium, Finland, France, Japan, Korea, Netherlands, Spain, Sweden, United Kingdom, and United

⁴ Herrendorf, B., Rogerson, R. and A. Valentinyi, 2014, Growth and Structural Transformation, in P. Aghion and S. N. Durlauf, eds, *Handbook of Economic Growth*, Elsevier, Volume 2B, 855-941.

¹ Clark, C., 1957, *The Conditions of Economic Progress*, 3rd edition, Macmillan, London.

² Chenery, H., 1960, Patterns of Industrial Growth, *American Economic Review*, 50, 624-53.

³ Kuznets, S., 1966, *Modern Economic Growth*, Yale University Press, New Haven.

AGRODEP is a Modeling

Consortium of African researchers living and working in Africa with research interests ranging from economic modeling to regional integration and development to climate change, gender, poverty, and inequality. There are currently 147 members from 27 countries; our members work at top research institutions and universities in their own countries as well as various government agencies and non-profit organizations.

The **benefits of being an AGRODEP member**

include opportunities for research grants, free access to cutting-edge economic research tools, data, and training. Members also gain access and exposure to large global networks of economic researchers and experts. [Click here to learn more.](#)

States). In all these countries, long-term increases of GDP per capita have been associated with a decrease of the share of agriculture in both employment and value-added and an increase of the share of services. The share of manufacturing increased during the initial stage of development and decreased in later stages.

Recent IFPRI research by Danielle Resnick and James Thurlow gives us a clear illustration of positive structural transformation in Africa.⁵ However, the picture is less rosy than it appears at first sight.

Zambia has traditionally been considered the archetype of economic decline in Africa. However, since 2000, Zambia has been pointed out as an example of Africa's economic dynamism, thanks to rapid growth during the 2000s. Resnick and Thurlow estimate Zambia's 2010 GDP per capita at US\$ 1,204 (2002 US\$ PPP⁶), as opposed to US\$ 875 in 2002 and US\$ 1,065 in 1991. These numbers reveal that Zambia experienced negative average economic growth (1.8%) between 1991 and 2002, followed by positive growth (4.1%) between 2002 and 2010. They highlight that

"this growth coincided with macroeconomic stability and a burgeoning consumer class" (Resnick and Thurlow, 2014, p.1).

The authors also conclude that at least half of Zambia's growth during the 2000s was driven by positive structural transformation, specifically a transition out of rural agriculture into more productive informal trade within cities and towns. However, this process is associated with relatively small increases in employment within construction and high-value services. Zambia is an important exporter of copper and until 2000, the mines were state-owned. However, even after their privatization in the wake of structural adjustment, the sector still does not produce many new jobs due to protected overemployment. Following structural adjustment, there was also a very significant decline in the manufacturing sector; employment in the textile sector fell from 25,000 in the 1980s to less than 2,500 in 2002. During the 2000s, new jobs were created mainly in the informal trade sector, contributing to one-fifth of the employment growth seen during the period.

A few jobs have also been created in high-value services (construction, finance and business services, communication, etc.) but these have mostly benefited the middle-class.

While Zambia's GDP per capita has substantially increased between 2002 and 2012, this performance has not been accompanied by a substantial *social* transformation. Agriculture was stagnant throughout the 2000s, and rural poverty remains high. New jobs were created in the informal trade sectors, but most of these jobs are not well-paying. This economic growth has also coincided with widening social disparities in major cities, which is particularly detrimental to young people, including the more educated. This situation exemplifies how positive structural transformation alone is not sufficient for economic development; it has to be accompanied by social transformation.

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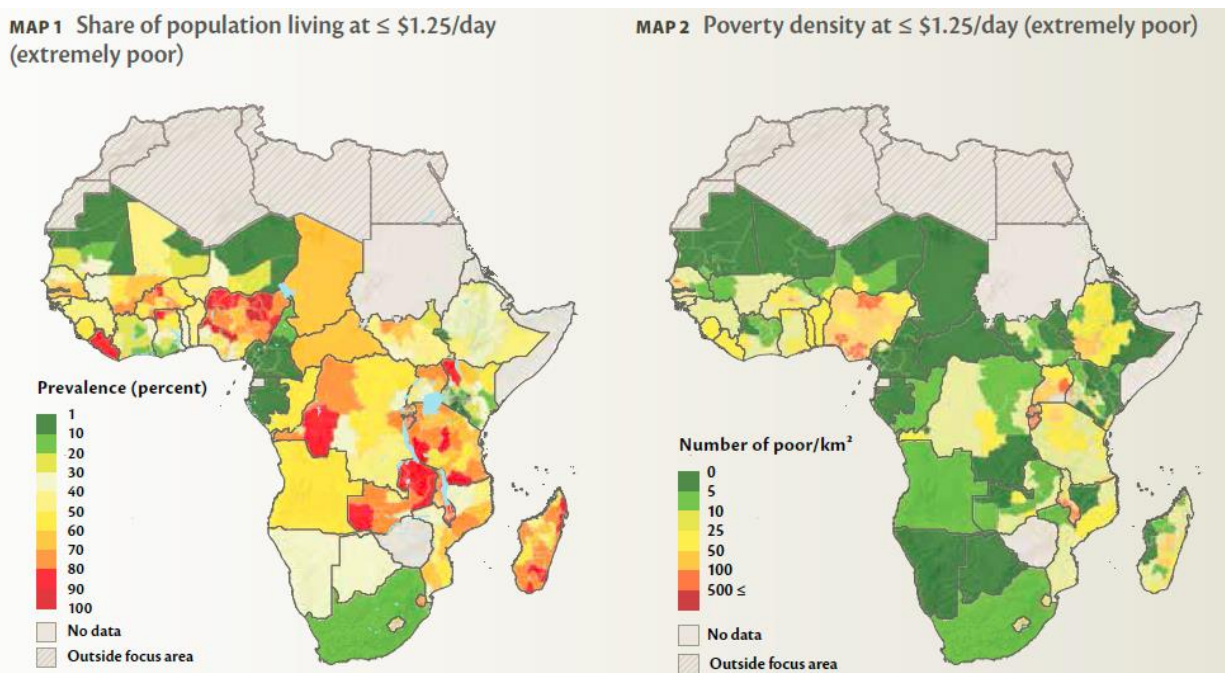
⁵ Resnick, D. and J. Thurlow, 2014, *The Political Economy of Zambia's Recovery – Structural Change without Transformation*, IFPRI Discussion Paper 1320, February.

⁶ PPP for (calculated at) Purchasing Power Parity.

DATA

Recent statistics about Africa

Figure 1: Poverty Prevalence and Density in Sub-Saharan Africa (2012)



IFPRI has just published the Atlas of African Agriculture Research & Development. Organized around seven themes, the atlas covers more than 30 topics, each providing mapped geospatial data. The map provided above shows poverty prevalence and poverty density in Sub-Saharan Africa in 2012. This map highlights the existing heterogeneity in poverty prevalence with regions with around 1-10% of their population living on less than 1.25\$ a day (North of Mauritania, Gabon, north of Niger, South of Cameroon) and with between 80-90% living on this amount (Liberia).

FIRST AGRODEP DATA REPORT

New Series Launched

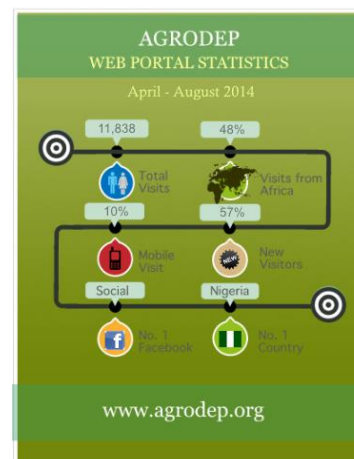
In July, AGRODEP released the first in its new series of Data Reports, designed to document AGRODEP datasets and provide a fuller understanding of the data's technical aspects.

"Construction D'une Matrice de Comptabilite Sociale Avec des Branches et Produits Agricoles Desagreges Pour le Togo" is based on the 2007 Togo Social Accounting Matrix (SAM). This SAM, prepared by Damien Akoete Ega Agbodji of the University of Lome, disaggregates Togo's two main agricultural sub-sectors (subsistence agriculture and export-oriented agriculture) into ten major commodities or commodity groups. The study then breaks down the SAM's labor factor into six categories based on gender, education (skilled vs. unskilled labor), and location (rural vs. urban).

NEW AFFILIATE MEMBERS

Affiliate Membership Expanded

Three new **Affiliate Members** were welcomed in July: **Sylvanus Kwaku Afesorgbor**, **Didier Alia**, and **John Ilukor**. Affiliate Membership is open to AGRODEP members who relocate out of Africa, qualified African researchers who live and work outside of Africa, and qualified African and non-African researchers who work in international and CG centers within Africa. The program aims to increase AGRODEP members' exposure to colleagues and experts outside of the Consortium and provides an opportunity for members to continue to benefit from the Consortium's activities if they leave the region.



UPCOMING AGRODEP TRAININGS

Training Courses To Be Rescheduled

The 2014 AGRODEP training courses originally scheduled to be held in September have been postponed to a later date due to the ongoing Ebola situation in West Africa. AGRODEP members who applied for these courses have been informed, and new dates will be announced soon.

NEW AGRODEP WORKING PAPER

Sixth Paper Released

AGRODEP recently released the sixth paper in its **Working Paper series**. "**Impact of Agricultural Foreign Aid on Agricultural Growth in Sub-Saharan Africa: A Dynamic Specification**" is written by Reuben Adeolu Alabi of Ambrose Alli University in Nigeria and was supported by AGRODEP's Innovative Research Grant. The study looks at the impact of different types of foreign aid on agricultural GDP and agricultural productivity throughout SSA using indicators from 47 countries during 2002-2010. The author finds that overall, foreign aid has a positive and significant impact in the region. Bilateral foreign aid affects agricultural productivity more strongly, and multilateral foreign aid has a larger impact on agricultural GDP. Scaling up funding (both foreign and domestic) for factors that will enhance productivity in the region, such as improved water resources and agricultural research and development, will be key in continuing to support economic growth in SSA.

WHAT IS AGRODEP?

The African Growth and Development Policy (AGRODEP) Modeling Consortium is an initiative led by the International Food Policy Research Institute (IFPRI). The goal of AGRODEP is to position African experts to take a leading role in both (1) the study of strategic development questions facing African countries as a group and (2) the broader agricultural growth and policy debate, which traditionally has been dominated by external actors and concerns.

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