SUPPORTING ECONOMIC TRANSFORMATION

DATA BRIEFING

Using data to understand economic transformation in fragile contexts

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Key messages

- The SET programme website hosts an interactive data portal that can be used to analyse economic transformation indicators across different countries and categories of fragility.
- The portal can help in identifying periods of growth on specific important indicators of economic transformation in fragile contexts, even when progress on average is low.
- Data analysis identifies specific case studies of success in Afghanistan, Burundi, Mozambique, Sierra Leone, and Somalia (McKechnie et al., 2018).

Introduction

Recent debates have paid increased attention to the role of conflict in economic development. Leaders of fragile and conflict-affected states (FCAS) highlight a neglect of economic development in efforts to address fragility (HLPFS, 2014). There is also widespread concern that current approaches are inadequate to support policy-makers working to promote economic transformation in FCAS.

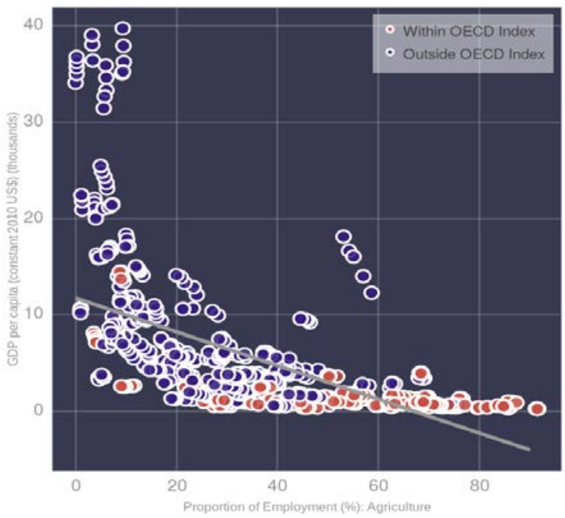
McKechnie et al. (2018) find that, although fragile states have low values on many indicators, the data clearly shows that FCAS have experienced periods of growth on key transformation indicators. This briefing explores how such data can be used to motivate and inform qualitative case study analysis.

Data on economic transformation

We distinguish between different categories of fragility according to the type or risk of violent conflict experienced. Our list of fragile situations embraces states under the following headings: active conflict, transition from conflict to resilience, subnational conflict, at risk of conflict and other.

Economic transformation refers to the continuous process of (a) moving labour and other resources from low- to high-productivity sectors (structural change) and (b) raising within-sector productivity growth. Economic transformation is usually associated with higher levels of export production, export diversification and upgrading within value chains (McKechnie et al., 2018). Using the methodology set out in McMillan et al. (2017), we updated SET data on employment structures, relative labour productivity and trade indicators. Figure 1 presents an example of this in use, showing that the share of employment in agricultural production is higher not only in low-income settings but also in more fragile contexts (red against blue circles).

Figure 1: Agriculture dominates in low-income and fragile economies



Source: World Development Indicators and UN Statistical Database. The figure plots observations from 2012 to 2016.

Using this updated data, an interactive portal has been developed. This examines 152 countries, using three types of fragility categorisations (used by the World Bank, the Organisation for Economic Co-operation and Development and SET). The indicators cover structure of employment and value addition, labour productivity and trade.

Plots include options to compare countries and group aggregates, to select time periods, to average years together and to generate moving averages. There are 11 different plot types. Most plots include interactive navigation tools in the upper-right-side of the visual that allow users to scroll, zoom and box select portions of the plot. Datasets are downloadable, allowing users to export and explore the data offline.

Using data to identify periods of success

While it is commonly accepted that FCAS have faced significant challenges in transforming their economies, it is less well noted that some FCAS have seen periods of success. We examine available country-level data to identify sustained growth periods on the indicators highlighted in McKechnie et al. (2018). Data quality issues remain a concern (for discussion, see te Velde, 2017).

Table 1: Identifying periods of success

GDP per capita (constant 2010 US$) **Growth: over 3.5% per annum (p.a)**	**Ethiopia (2004–2016)** **Liberia (1996–2000)** **Côte d'Ivoire (2012–2016)**
Labour productivity growth – excluding mining **Growth: over 4.1% p.a**	Ethiopia (2004–2016) Mozambique (1996–1998) Côte d'Ivoire (2012–2016)
Labour productivity growth – within agriculture **Growth: over 0.8% p.a**	Liberia (1995–2002), (2010–2015) Sierra Leone (2005–2013)
Growth in merchandise exports (current US$) **Growth: over 21% p.a**	Lesotho (2000–2004) Sierra Leone (2000–2004)

We set thresholds for both the level of growth and the number of consecutive years necessary to signify a successful growth period.[1] The selection thresholds we chose enabled us to identify several significant growth periods in FCAS on particular indicators, in the period 1990–2016. For example, from 2003 to 2008, Afghanistan recorded consistent and high growth in telecommunications provision. Burundi emerges as one of the rare fragile states recording a significant growth period in manufacturing exports as a percentage of merchandise exports. Sierra Leone displays significant growth in within-sector agriculture productivity. These findings motivate further qualitative analysis. McKechnie et al. (2018) focus on a select number of case studies: telecommunications in Afghanistan, money transfer in Somalia, construction and accountancy in Liberia, breweries in Burundi and Kenya, cocoa in Sierra Leone and sugar in Mozambique.

[1] To allow for flexibility, we developed an interactive heat map as part of the data portal. Thresholds and the number of consecutive years can be adjusted.

Conclusion

In conclusion, several fragile states have recorded important periods of sustained or remarkable growth on transformation indicators. This stylised fact can form the basis for more in-depth discussions and analysis, to draw out factors that contributed to these successes, and, going forward, to enable the identification of opportunities to promote economic transformation in fragile states where they arise. The SET programme's data portal is a key resource that policy-makers working in this sphere can utilise to identify sectors and time periods of interest and to promote economic transformation in FCAS wherever possible.

References

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