



UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL
ECONOMIC COMMISSION FOR AFRICA

Twenty-ninth meeting of the Committee of Experts

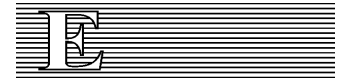


AFRICAN UNION
COMMISSION

Fifth meeting of the Committee of Experts

**Meeting of the Committee of Experts of the 3rd Joint
Annual Meetings of the AU Conference of Ministers
of Economy and Finance and the ECA Conference
of African Ministers of Finance, Planning and
Economic Development**

Lilongwe, Malawi
25 – 28 March 2010



Distr.: GENERAL
E/ECA/COE/29/3
AU/CAMEF/EXP/2/(V)
Date: 16 February 2010

Original: **ENGLISH**

Promoting high-level sustainable growth to reduce unemployment in Africa

Issues Paper

Prepared by the African Union Commission and the United Nations Economic
Commission for Africa

Contents

	Page
Acronyms	ii
1. Introduction.....	1
2. Achieving High-Level Sustainable Growth for Employment in Africa: Where are we?	2
3. Growth, Employment and Poverty Reduction: A framework for accelerated progress towards the MDGs	5
4. Employment-friendly growth strategies and policies	10

Acronyms

AU	African Union
APRM	African Peer Review Mechanism
FDI	Foreign Direct Investment
ICTs	Information and Communication Technologies
ILO	International Labour Organisation
MDGs	Millennium Development Goals
NAMAs	Nationally Appropriate Mitigation Actions
NAPAs	National Adaptation Programmes of Actions
NEPAD	Partnership for Africa's Development
ODA	official development aid
PRSPs	Poverty reduction strategy papers
SSS	South sub-Saharan Africa

1. Introduction

1. While many African countries witnessed notable commodity-driven growth before the global financial and economic crises of 2008 and 2009, that growth was highly volatile given its vulnerability to external shocks. Nor did such growth deliver meaningful job creation in their economies. The challenges facing African countries in the aftermath of the global economic downturn is not only to restart, accelerate and sustain growth, but also, to enhance the responsiveness of employment to growth, which is essential for sustainable poverty reduction.

2. Discussions on the growth, employment and poverty reduction nexus is not new. Indeed, the ways and means through which job-creating growth should be addressed have been discussed in policy and research circles in recent years, often within the context of the New Partnership for Africa's Development (NEPAD) and the Millennium Development Goals (MDGs). ECA has contributed to this discussion through the *Economic Report on Africa 2005* and the deliberations of its Conference of Ministers of Finance, Planning and Economic Development held that year. Since the African Union Heads of State summits of 2004 and 2008 also contributed to this discussion, the attention that this issue has received over the years obviously underscores its importance for development in Africa.

3. This issues paper provides a basis for discussion on a new and more effective approach to strengthen the growth-employment-poverty reduction nexus, which has been largely overlooked in policy formulation and implementation over the past three decades in most African countries. Experience from Africa and elsewhere suggest that comprehensive development planning that embodies well-designed and implemented sectoral (especially industrial) strategies as well as policies to address labour market failures and stimulate private sector investment, productivity and employment are essential if Africa is to achieve high-level sustainable growth and reduce unemployment with special attention to vulnerable groups. This new alternative employment-sensitive growth and development framework should be owned, implemented and monitored by both state and non-state stakeholders. In addition to long-term measures, the framework must also include countercyclical strategies to reduce the vulnerability of domestic institutions to external shocks.

4. While the resumption of growth before and after the crisis is a positive step—a clear departure from the disappointing performance of the 1980s and early 1990s—progress in sustaining high-level and job-creating growth on the continent will remain unsatisfactory unless bold country-specific growth and employment strategies are adopted and implemented, supported and guided by committed political leaders pursuing a coordinated regional effort.

5. The shape and remit of the envisaged growth and employment strategy should be informed by responses to the following questions:

(a) Why have African countries performed poorly in terms of achieving sustained high-level and job-creating growth to reduce poverty over the last three decades?

(b) What—in terms of strategies, resources, and modalities—can they do to address the growth and employment challenges in the coming decade in order to significantly reduce poverty and meet the MDGs?

(c) What are the roles and responsibilities of state and non-state actors to ensure that employment strategies are given adequate priority and effectively implemented?

6. In line with the foregoing three questions, the *Issues Paper* has been structured around three sections:

- Section 1 assesses the overall and regional growth situations and the impact of external factors such as the global economic crisis on growth dynamics. It also analyses why high-level sustainable growth is important for development in Africa;
- Section 2 makes the case for a major shift in focus to the growth-employment-poverty reduction nexus and to the key engines of growth and employment creation for poverty reduction; and
- Section 3 recommends a bold and comprehensive development planning approach for achieving high-level, sustainable and job-creating growth based on country-specific growth strategies and the mainstreaming of employment to reduce poverty. It also highlights the role of regional integration, institutional coordination and implications for African leaders and other key stakeholders.

2. Achieving High Level Sustainable Growth for Employment in Africa: Where are we?

7. Growth is important not only for increasing levels of income but also for laying the foundation for sustainable poverty reduction, improving human welfare and enhancing overall development. Growth enables countries to increase the availability and distribution of basic life-sustaining goods and services such as food, shelter, health, and protection. It also enables countries to generate more jobs and better education, thereby expanding the range of economic and social choices available to individuals. Understanding how to achieve growth and sustain it at high levels is the key to understanding how to increase the standards of living of individuals and alleviate poverty on the continent.

2.1 The Current Situation

8. Africa enjoyed strong growth performance before the financial and economic crises struck in 2008, with an average annual growth rate of 2.5 per cent for 1990-1999 and 5.3 per cent for 2000-07.¹ GDP per capita growth rates recovered from negative levels in the early 1990s to 3.8 per cent during 2004-2007. Despite notable variations across subregions and countries over time, almost all African countries experienced positive average GDP growth over the last decade

9. Because of their size, oil-exporting economies contributed more than half of the continental growth during the pre-crisis period, but many oil-importing economies showed even higher growth rates. For instance, East Africa, an oil-importing subregion, recorded the highest average growth rate (7.1 per cent) during 2004-2007, while North Africa, the main oil-exporting subregion, had the

¹ UNECA and AUC. 2010. *Economic Report on Africa: Promoting high-level sustainable growth to reduce unemployment*. Addis Ababa. Ethiopia.

lowest average growth rate (5.8 per cent). In other subregions, average growth was 6.1 per cent in Southern Africa, 6 per cent in West Africa and 5.9 per cent in Central Africa. Three oil-importing countries (Ethiopia, the United Republic of Tanzania and Uganda) were among the top performing economies during this period, while Zimbabwe, Somalia and Eritrea were among the least performing economies.

10. High commodity demand and prices and improved macroeconomic management underpinned Africa's recent growth performance, which was associated with price stability, lower internal and external imbalances, predictable exchange rate movements and increased private investment. In addition, the continent has received substantial external financial resources in the form of new official development aid (ODA), debt relief, and private capital flows, including foreign direct investment (FDI) and remittances.

11. Observed growth differences across countries reflect the importance of multiple growth factors on the continent as well as the changing structure of African economies. Whereas agriculture remains the key sector in most countries, its share in GDP has declined over time, from over 30 per cent in 2000 to 22 per cent in 2007. Fuelled by increasing financial sector activity, tourism and the boom in the communication industry, the services sector has expanded in many countries. However, although the share of the industrial sector in total GDP remained relatively unchanged, its composition shifted significantly in favour of mining. Many African countries have experienced notable deindustrialization reflected in a declining share of manufacturing in aggregate output and exports. Limited investment and output in the generally labour-intensive manufacturing sector meant both limited job creation and an increased vulnerability of Africa's economies to external shocks.

12. The limited structural changes observed since 1990 and the concentration of economic activities in the extractive industries instead of manufacturing sectors has not provided solid foundations for high and sustainable growth and decent jobs. Although the agricultural share of the labour force seems to have declined, productivity in this sector has not improved.² This implies that the agriculture sector can neither cater for the food needs of the rising urban population nor generate the foreign exchange earnings needed to cover imports of intermediary and capital goods needed for industrialization, particularly in agriculture-dominated economies. The absence of significant productivity gains in agriculture significantly compromises the chance of unleashing a dynamic transformation in many African countries.

2.2 Impact of the global financial and economic crises

13. Since the outbreak of the global crises, Africa's GDP growth has trended downwards, although showing some resilience compared to previous episodes of economic recession. That growth rate was 4.9 per cent in 2008 and 1.6 per cent in 2009 owing mainly to low commodity demand and prices and a sharp fall in domestic demand (especially private investment), external capital inflows and tourism receipts. Projected growth recovery in Africa (to about 4.3 per cent in 2010) will again rely mainly on the health of the global economy and its appetite for Africa's commodity exports, which will raise export prices and revenue.

² UNECA and AUC. 2009. *Economic Report on Africa*.

14. The economic impact of the global economic downturn on African countries depended more on their economic structures. Countries that are heavily dependent on mineral resources and undiversified export destinations were affected the most due to lower commodity prices and demand. The crisis also had an impact on social conditions, resulting in declining living standards, especially where social protection is not well-developed. The prolonged slowdown in the world economy caused remittances, job creation, tourism and ODA to decline and unemployment to increase.

15. However, on average, oil-exporting countries grew more strongly than the oil-importing countries in 2009. The reason for this is the position of strength from which many oil-exporting countries weathered the global financial and economic crisis. The combination of a prudent macroeconomic policy mix adopted during the recent oil-price boom allowed these countries to accumulate hefty external reserves and fiscal savings and lower external debt, therefore providing room for countercyclical monetary and fiscal policies.³ A few oil-importing countries, six in total, also withstood the effects of the crisis relatively well, posting a GDP growth of more than five per cent. Most of these countries (e.g. South Africa) implemented stimulus packages or effective countercyclical fiscal and monetary policies to increase public expenditure on infrastructure and services. This helped to boost domestic demand and create jobs, thereby reducing the adverse effects of the crisis.

16. The global financial and economic crises provide a number of short-term as well as long-term policy lessons to African policymakers. There is a need to increase policy space to enhance the ability of policymakers to cope with such externally-generated shocks. The crisis exposed the need for African countries to enhance domestic resource mobilization, promote regional integration and to embark on a veritable economic diversification programme. Overall, the crisis has intensified the need for African countries to pay urgent attention to strengthening South-South cooperation and private capital inflows, open new markets as well as strengthen social safety nets to minimize the impact on their poor.

17. Beyond the crisis, African countries need to reformulate national long-term growth and employment strategies. While there has been a general presumption since the 1980s that greater emphasis on, and achievement of, improved macroeconomic stability have been important in creating a better environment for growth in Africa, the immediate evidence does not suggest that this has been the determining factor of the growth story.

³ UNECA and AUC. 2010. *Economic Report on Africa: Promoting high-level sustainable growth to reduce unemployment*. Addis Ababa. Ethiopia.

Issues for discussion:

1. Why have many African countries not been able to diversify their economies?
2. What are the lessons learned from the experiences and responses of African countries to the recent global financial and economic crises?
3. What can African countries do to mitigate the effect of short-term external shocks such as the global crisis on growth and employment and reduce vulnerability to future shocks?

3. Growth, Employment and Poverty Reduction: A framework for accelerated progress towards the MDGs

3.1 The growth-employment-poverty reduction nexus

18. Growth depends, among other things, on the quantity of available production factors, labour and capital, as well as the efficiency with which these production factors are used, which depends on the quality of inputs -labour and capital- as well as on institutions, policies and geography. Growth is synonymous with increase in aggregate income. The fact that aggregate income and consumption may increase but those who are already well-off may get all or most of the benefits of growth calls for labour-intensive employment-focused public investment programmes that stimulate private sector growth and widen access to decent work by the poor.

19. In recognition of this, the relationship among growth, employment and poverty reduction was one of the issues that African Ministers of Finance, Planning and Economic Development considered in the context of achieving the MDGs during their 38th annual meeting in Abuja, Nigeria in 2005. Paragraph 6 of the Ministerial Statement that emerged from the meeting states:

(a) It is clear that progress towards significantly reducing poverty and achieving the MDGs has been hampered by insufficient economic growth, and because the benefits of the growth achieved have not, for the most part, been shared broadly across society. Going forward, it will be important to expand growth in sectors that can generate greater employment, and to invest more intensively in sectors such as health and education that build human capacity to engage in productive economic activity;

(b) Many African countries are still struggling to expand growth in sectors that can generate greater employment while income inequality remains high. In other words, five years after Abuja, the key issues raised in that 38th meeting of the Conference of Ministers remain critical despite the progress made in growth;

(c) Indeed, throughout the last decade of commodity-driven growth recovery, Sub-Saharan Africa (SSA) as a whole reduced unemployment by a meagre 0.8 per cent and paid employment remains below 20 per cent in most African countries. The livelihood of the majority of Africans depends on informal sector employment. Thus, the continent has the highest and alarmingly vulnerable employment rate (77 per cent in SSA) among developing regions. The fact

that unemployment and poverty rates remained almost unchanged in Africa over the last three decades is a clear manifestation of the failure of African development strategies, if they exist. It is high time for African countries to adopt and implement development strategies for directing resources to investment in high-value-added sectors that generate employment opportunities, especially for the poor, and to empower the poor to compete in the labour market;

(d) If high-quality growth occurs in labour-intensive sectors including agriculture, manufacturing, construction, textiles, and services, the associated increase in employment will have a positive effect on the working poor and their dependants, and on the unemployed poor who can now be employed or self-employed. How far growth affects poverty depends on how much the growth increases opportunities for employment and on the extent to which the poor can join economic processes and take advantage of the improved employment potential. Levels of education, skills and access to capital and productive assets are important variables, as are social spending on health, education and training that will enable the poor to take advantage of more rewarding employment opportunities generated by growth; and

(e) How growth is distributed among sectors and regions is also critical in determining which groups benefit from expanded employment and income-earning opportunities. Reducing the weight of the informal sector through emphasising growth in modern labour-intensive industries and in agriculture, remote poor regions and urban slums could improve the extent to which the poor benefit.

3.2 Igniting the critical engines and drivers of high-level, sustainable and job-creating growth

20. If, as shown in the previous section, growth is the key to poverty reduction and employment is the vehicle, how can African countries ensure that growth occurs and that it is sustained at high levels and how can it be made job-creating? This requires an employment-focused growth and development strategy. An economy can grow if it can increase the quantity and quality of natural and human resources, increase the supply or stock of capital goods, and use improved technology to increase productivity. However, an adequate supply of productive factors is not a sufficient condition for sustainable growth. Certain growth engines and drivers must be in place for growth to occur at high and sustained levels.

21. African countries can no longer rely on static engines of growth, especially trading in primary commodities as a means of promoting and sustaining high-level growth in the long-run. The emphasis must be on the dynamic engines of long-term growth underpinned by accumulation of productive resources, including physical and human capital. The engines should be driven by high-productivity sectors having important spillover effects on the rest of the economy.

22. Recognizing the critical sectors is one thing but turning African economies into a well-oiled growth machine that achieves its maximum possible growth rate is another matter. Certain interconnected parts must work together and certain growth drivers are required. The two most important drivers are human capital and technology. Investment in human capital through high levels of education stimulates, growth through a better productivity of resources. African governments, through an efficient education and vocational training system, can raise the levels of

accumulation of human capital, creating a virtuous cycle that enables the economy to increase its capacity to produce new ideas and to generate more value added from the available resources.

23. Yet the challenge is not only that of producing human capital; it is equally that of retaining it on the continent. With good economic policies, "Brain drain" can be transformed into a long-term growth factor. Better governance and economic policies, which will improve opportunities and working conditions for highly-educated Africans, are likely to reduce brain-drain. The benefit of this is the contribution that Diaspora human capital and technical resources can make to entrepreneurship and technological progress. Technological progress, generated by new knowledge, plays the critical role of giving economies the ability to grow consistently over time. It includes innovative production techniques, new managerial methods and new business organizations that improve the process of production.

24. Economic analysis shows that countries that have grown at significantly high and sustainable levels have painstakingly provided an enabling environment marked by peace and security, quality institutions, infrastructure and support for the private sector. Institutions are particularly important in providing good governance and a macroeconomic framework that is conducive to investment and growth.

25. This reinforces the call for a "Developmental State" that goes beyond 'the Capable State' by setting a long-term development vision that provides an anchor for economic transformation and poverty reduction through strategic public investment and other development policy measures. A capable State is a well-governed State that can deliver services effectively, manage funds transparently and respect the rule of law so that businesses may thrive and deliver growth, jobs and income. The enabling environment for growth also requires improving other aspects of institutional quality including reducing corruption, guaranteeing political rights, improving the efficiency of the public sector, removing regulatory burdens, providing legal protection of private property and enforcing laws in an equitable manner.

26. Research shows that investment in public infrastructure also increases productivity, which boosts economic growth, while poor infrastructure hobbles private sector development, restrains export diversification and blocks growth. Inadequate road and railroad networks increase transaction costs.

27. Africa is not making use of the most advanced methods of production available in the world. This is true in manufacturing, agriculture, trade, banking, transport, education and government services. Obviously, there are exceptions to this generalization, especially given the achievements in health and some social outcomes but the rate at which productive activities are modernized remains slow.

28. Technological change and private entrepreneurship are important in growth. Accumulation of capital and infrastructure will not lead to good results if the local technological capabilities are not upgraded. Modernization strategies cannot succeed unless enough foreign exchange is generated, initially through primary commodity exports to finance imports of modern equipment and raw materials. Post-primary education must be provided to large segments of the population accompanied by vocational training and an emphasis on scientific and technical skills.

29. Rapid growth is typically based on significant structural changes, which will be achieved through industrialization and services. This is because industries and the services that support them are the forms of economic activity that benefit the most from agglomeration effects and modernization. Returns to agglomeration in manufacturing are thus responsible for cross-country differences in trade patterns but also in growth performance. Because the potential for technological improvement is limited in primary exports but strong in industry and services, geographical locations that specialize in the former stagnate while the latter prosper.

30. Poor countries unable to attract foreign capital to finance rapid industrialization can nevertheless harness other engines of growth including allocative efficiency, identified in this Issues Paper. Countries could tap into allocative efficiency gains by apportioning resources among firms and industries to produce what the consumers in the society want the most. They can also focus, as an interim measure, on producing and exporting primary commodities and on the import of manufactures and begin adding value to their exports through processing. Becoming efficient primary producers can generate growth for a while, but is bound to run out of steam. Moreover, the well-being of primary producers remains sensitive to variations in commodity prices and the accumulation of external debt that invariably follows external terms of trade shocks.

31. Many views have been expressed in literature and many strategies have been advanced on what African countries should do to promote high-level sustainable growth. Certainly, each of these views and growth strategies has its own merits and should be carefully studied and noted. However, the guiding principle as to which strategy to adopt is to ask the simple question: Should African countries try to re-invent the wheel or should they learn how to make a wheel and how to use it to increase the quantity and quality of goods and services they produce in order to meet domestic and external demands, increase national income and social welfare? Related to this question are two other important ones: How have the newly emerging economic powers—whose political, economic and social conditions were, not too long ago similar to those of African countries—been able to achieve standards of living comparable to those of rich countries? What can African countries learn from their experiences? Successful African and other countries did not try to re-invent the wheel. They adopted a catching-up approach which involved copying and absorbing technological improvements invented elsewhere and emulated advanced economies.

32. The increasing rate of mobility in the factors of production (capital, labour and knowledge) means that any African country that wishes to industrialize must create an investment-friendly environment to make its location attractive. Attractiveness is no longer about cheap labour and tax holidays; it is now about good governance, quality infrastructure and services and strong and functional institutions.

33. In the context of the preceding discussion, ECA's extensive analysis of successful experiences in growth and employment strategies in Africa, East Asia and Latin America provides a number of useful policy lessons for African countries as summarized below:

- Good development strategies, including growth and employment strategies, macroeconomic and industrial policies, matter for high-level sustainable growth and job creation;

- Successful countries managed to systematically shift from dependence on the export of primary and mineral products to manufactured and processed products and move later to heavy industry;
- Strengthening of the innovative and technological capabilities as critical drivers is important for economic transformation and increased productivity over time;
- Countries must have ambitious programmes to promote an enabling environment for venture capitalism and entrepreneurship;
- Addressing labour market failures and moving the labour force away from low-productivity to high-productivity informal and formal activities is critical; and
- Agricultural productivity must be increased and linkage with other sectors strengthened through value chain development and other policies that stimulate increased investment and employment in non-agricultural activities.

3.3 Promoting Growth, Employment and Poverty Reduction

34. In the last decade, African policymakers have made considerable progress in supporting high-level growth in Africa as a means of promoting employment, reducing poverty and fostering overall economic and social development in order to achieve the MDGs and the objectives of NEPAD. Likewise, notable efforts have been deployed at the global, regional and national levels to address the devastating economic and social impact of the global financial and economic crises on Africa. However, notwithstanding these efforts, there is a need to continue to promote growth, decent employment and poverty reduction through sound policies, promotion of investment and private sector development, paying particular attention to and supporting the needs of member States in population dynamics, social development and gender equity. Employment needs to be targeted not just through shared growth but also through explicit employment policies and strategies as well as through appropriate macroeconomic and sectoral policies.

35. With the resumption of growth—a clear departure from the disappointing performance of the 1980s and early 1990s - the big concern is *how* Africa will now move forward. There is a need for employment targeting and employment mainstreaming in policymaking in Africa to ensure that growth generates decent jobs for the poor and vulnerable groups. That is, there is a need for developmental macroeconomic policies—those that increase growth and create jobs to reduce poverty.

36. For poor people to participate in growth and share its fruits, it is important for governments to deal with informality and recognize and support the entrepreneurial spirit of their nationals, especially those working in agriculture and in small- and medium-sized enterprises (SMEs), the bulk of domestic private sector activity on the continent. African governments have a significant role to play in readdressing constraints such as the inadequacy of irrigation or transport for farmers and serious difficulties that farmers and SMEs face in accessing finance, as well as their shortage of information and of critical skills. In almost all African countries, growth and investment

opportunities are retarded because the majority of businesses find it very difficult to secure financing, in particular risk capital. This highlights the need for increased savings and mobilization of domestic resources for capital accumulation as well as better linking of education to growth and employment through training, vocational education and applied research.

Issues for discussion:

1. What are the country-specific experiences in promoting the nexus among growth, employment and poverty reduction?
2. What are the dynamic growth engines that drive this nexus?
3. How do African governments ensure that growth is better shared and that the poor and vulnerable groups fully benefit from these engines?
4. How can African countries establish competitive regional growth and development poles?

4. Employment-friendly growth strategies and policies

4.1 The need for country-specific growth strategies and regional coordination

37. Countries that have been most successful in meeting the MDGs and reducing poverty in the past two decades (examples include China, India, Botswana, Tunisia and Vietnam) have all enjoyed very rapid economic growth, as did the countries that reduced poverty rapidly before the MDGs were mooted (such as Korea, Tunisia, Taiwan, Thailand, Malaysia and Indonesia). These countries pursued successful country-specific strategies that benefited from regional integration and openness to international markets, confirming that there are no generic formulas. However, certain common elements can be traced, such as:

- Effective country-specific planning;
- Macroeconomic stability and policy flexibility;
- Striking the balance between government interventions and market autonomy;
- Adaptation and application of technology to production processes;
- Investment-friendly conditions (particularly providing adequate infrastructure and skilled labour, by reducing risks and ensuring access to credit on reasonable terms);
- Effective governance and capacity building; and
- Enhanced competitiveness in regional and global markets to benefit from globalization and regional integration.

38. Attaining the MDGs in Africa will require similarly country-specific strategies as the sources of growth will vary widely and the appropriate financing strategies to improve people's access to social services. Growth itself will depend on many factors (the relative importance of mineral extraction, agriculture and services such as tourism); the opportunities for trade provided by the global and regional economies and a successful effort to stimulate private domestic and foreign investment. The country-specific strategy should be based on a long-term vision and on achieving

the Goals in the context of growth strategies linked to the sources of growth and measures to improve the investment climate and infrastructure, coupled with intra- and inter-sectoral diversification to reduce national and subregional vulnerability to external shocks:⁴

39. For example, a manufacturing-based approach requires competing in global markets through the development of essential services including banking, health, education, transport and information and communication technologies (ICTs). For mineral-rich countries, transparency and good governance in the mineral sector, accompanied by redistributive fiscal policies and encouragement of investment in the non-mineral sector, would be important, if earnings are to become drivers of growth and development. And for agricultural economies, the emphasis would be on higher productivity and better market access.

40. For the middle-income countries, which have fewer financial constraints, relatively well-developed industrial sectors and diversified trade, and are already largely on track to meet the MDGs, the appropriate strategy may be to emphasize redistribution and targeted programmes. These countries must still accelerate their economic growth, although their poverty strategies might be less dependent on that acceleration. In South Africa, for example, considerable success has already been achieved in extending safe water supply to rural and poor urban households. Egypt's social investment fund has successfully targeted basic infrastructure and services in the poorer regions.

41. In all countries, the emphasis on infrastructure and service delivery and better quality in education and health, as well as on safety nets for vulnerable groups, needs to continue. This, in turn, implies a continued emphasis on good public sector management. Better infrastructure in under-served areas will be critical. Experience suggests that decentralization to subnational governments and to the community level is also important.

42. The global and regional context matters if African countries are to exploit their comparative advantages. Regional markets and increased intra-Africa trade provide opportunities for African countries to enhance growth and employment and become more competitive in global markets. Studies have shown that regional markets can provide greater opportunities for African countries to develop agriculture as well as industry and other sectors through value-chain development.⁵ Regional integration also facilitates regional infrastructure development and other investments that increase regional economic viability and economies of scale. Also regional coordination enables African countries to maximize benefits from international trade negotiations and agreements and create regional institutions and arrangements, such as common currency zones, to foster capital and labour mobility and improve economic management.

⁴ *Our Common Interest*. 2005. Report of the Commission for Africa.

⁵ ECA and AUC. 2009. *Economic Report on Africa 2009: Developing African Agriculture through Regional Value Chains*, Addis Ababa. Ethiopia.

4.2 Mainstreaming employment to reduce poverty and achieve development

43. Creating new jobs depends primarily on accelerating economic growth but also on employment-friendly macroeconomic and sectoral policies, mainstreaming employment in national development strategies through the systematic promotion of mutually-reinforcing policies and creating synergies in support of employment goals. An integrated approach to employment strategies in Africa should deal with the challenges of unfavourable labour markets, including insufficient demand and insufficient supply of skilled labour and put equal focus on four priority areas: entrepreneurship, employability, equal opportunity and employment creation.

44. Both the International Labour Organisation (ILO) and the AU summit on Employment and Poverty Alleviation held in 2004 in Burkina Faso have highlighted this and all African countries have signed onto the AU's action plan. To implement it, African governments—education, labour and finance ministries in particular—need to analyse labour markets and use the information to guide policy decisions, working in close partnership with all stakeholders, including trade unions and the private sector. Public, private and international resource spending must focus on providing the infrastructure needed to support the growth of labour-intensive enterprises in agriculture, industry (particularly agro-industry) and commerce in addition to the investments in human capital mentioned earlier. Strategies for decent and productive work for youth in Africa (one of the MDG8 targets) need urgent attention and employment generation issues should be explicitly addressed in national poverty reduction strategies using the MDGs.

4.3 Capitalizing on new job growth opportunities

45. Adaptation to and mitigation of climatic change impacts have social and economic implications in terms of production and consumption patterns and, inherently, employment, incomes and poverty reduction. Aligning economic growth and development goals to the need to address climate challenges would require a shift towards clean, green and low- carbon economies worldwide. One of the advantages of doing this is that green jobs can be generated in many sectors of the economy, from energy supply to recycling and from agriculture and construction to transportation.

46. In the context of climate change policy, African countries can capitalize on their own resources as well as funding by donors to create green jobs through the development and implementation of National Adaptation Programmes of Actions (NAPAs) and Nationally Appropriate Mitigation Actions (NAMAs). This calls for integrating climate change adaptation and mitigation actions into development strategies and practices.

47. However, this new growth strategy presents for African countries some challenges and adjustment costs which need to be taken into consideration. First, a green growth model requires the use of new technologies and practices, for which Africa is not a producer. The risk is that Africa will be losing its traditional comparative advantages to those countries more advanced in environmental policies and with much better access to new technologies and financing opportunities. The transformation of African economies to a low-carbon growth model requires the adoption of a long-term action plan with packages of incentives and financing schemes able to

reduce the cost of such transformation and to develop new comparative advantages for the continent.

4.4 The role of the key stakeholders

48. Despite the adoption of poverty reduction strategy papers (PRSPs) by many African governments, the developmental role of the State in Africa has been in many cases weakened since the 1980s as macroeconomic and other policies were focused almost entirely (in some cases) on stabilization rather than growth and employment. Thus, national policy announcements on job creation are rarely linked to quantifiable budget targets and disappear once the budget preparation process is completed. In other words, employment does not feature in the end-of-cycle assessment of the budget. Also, coordination across ministries and departments, especially ministries of finance and labour, has been a missing link when it comes to employment policies.

49. This partly explains why African countries have made numerous declarations and commitments to promote decent work as a means to alleviate poverty, but failed to implement them. For example, in Ouagadougou, September 2004, the African Heads of State and Government endorsed the Decent Work Agenda by adopting an AU Declaration, Plan of Action and Follow-up Mechanisms, calling for commitment by member States to placing employment at the centre of their economic and social policies.

50. Five years later, the first report on the progress on the implementation of the Ouagadougou Plan of Action was presented at the 7th Ordinary Session of the African Union Labour and Social Affairs Commission (Addis Ababa, October 2009). The report notes that while progress has been registered in implementing the Ouagadougou Summit commitments, much more needed to be done to alleviate poverty and create jobs. Part of the problems cited in some countries is the diversion of the resources needed to meeting the challenges of the global crises mainly through the implementation of stimulus programmes

51. The implementation of declarations and commitments on decent work remains a major challenge in Africa also because most African countries lack adequate statistics on employment and their employment targets, often included in national development plans, are hard to quantify and monitor. Another major issue in many African countries is the lack of recognition that employment should be the central focus of macroeconomic policy in general and the budget process in particular and that employment ought not to be treated as an afterthought or, at best, as something exogenous to the macroeconomic framework. Hence, there is a need to address this lack of recognition of the centrality of employment in the national development consciousness as the major objective, outcome and driver of growth and development.

52. Therefore, designating sound growth and employment strategies and effectively implementing them requires the active participation of all stakeholders including the government, parliament, labour organizations, donors and the public at large. Governments need to ensure that appropriate labour market information is provided through regular country-wide employment surveys, which serve as a basis for growth and employment strategies.

53. These strategies must include time-bound and measurable targets agreed by all stakeholders. Progress in job creation should be annually audited by state and non-state stakeholders as part of the annual budget and expenditure review process. Moreover, decent work, which has since 2007, been added to the list of MDG targets and indicators must form part of the African Peer Review Mechanism (APRM) both as an issue of social development and as a component of good economic governance. Good economic governance must embody employment-focused sustainable development strategies and promote paid employment and decent work.

54. Finally, Africa's development partners have responsibilities as well, they must undertake to provide full support, "in the form of increased development assistance, a more growth and employment-oriented global trade system and wider and deeper debt relief" to developing countries.⁶

Issues for discussion:

1. What are the experiences of African countries to effectively mainstream growth and employment targets in their national development plans and give them adequate priority at the level of implementation? What should development plans aimed at reversing de-industrialization contain?
2. What is the role of various stakeholders in designing, implementing and monitoring employment-targeted growth strategies?
3. How can governments exploit opportunities for regional policies to support growth and employment and what are the synergies between national, regional and global efforts?
4. How can the private sector play a more effective role in long-term employment-focused growth in Africa?

⁶ Report of the Secretary-General. 2005. "In larger freedom: towards development, security and human rights for all", Fifty-ninth Session of the United Nations General Assembly.