

AFRICA RISING: THE NEED FOR STRUCTURAL TRANSFORMATION

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The rationale for much of the current discourse of the “African Moment” and “Africa Rising” is clear. Some of the fastest growing economies in the world are African. Africa has shown relative buoyancy in an era of economic crisis. While global growth declined by 2.7% last year, Africa bucked the trend and grew at 5%. Notably, all our sub-regions grew faster than the global average, with the highest rate being 6.3% and lowest one 3.5%. This performance was due to several factors including improved macroeconomic management, increased exports of natural resources and a rising middle class. Lagos now has a larger consumer market than Mumbai and spending in continental households exceeding those of India and Russia.

This growth experience is however not sufficient. It falls short of 7% which is the minimum required to double average incomes in a decade. This is partly due to the fact that far too many of our economies are dependent on the production and export of primary commodities. Far too many are highly unequal. As we celebrate the fact that seven of our countries are in the top ten of global growth we must also bear in mind that a similar number are in the top ten of global inequality. Indeed, far too many of our people remain in the grip of unrelenting hunger and poverty.

Let me take an unconventional excursion through Asia before coming back to the issues before us today. Although we are aware of individual conflicts in Asia we tend to look at them in isolation. Thus in the Philippines we know of the conflicts in Mindanao, in Malaysia there is the Sabah insurgency, there are the border clashes between Thailand and Cambodia, and many others. Even rising India has the Naxalite insurgency and issues of Kashmir to attend to while South Korea sits on the border of a belligerent sister state.

Despite the widespread nature of these conflicts in Asia the region is not branded as unstable but rather seen as a dynamic contributor to global growth. It is true that in Africa we have conflicts such as exist in Mali, the Great Lakes Region, Sudan and Somalia but these are the remnants in a declining trend of conflict in Africa. In other words, though the trend of conflict in Africa is downward and the numbers are smaller than Asia, the global perception of Africa continues in many to be one of a continent beset by crisis and a risky place for making investments.

Let me give just two examples. There were about 29 piracy attacks in 2009 off the coast of Somalia as compared to 150 attacks in the Strait of Malacca in 2005. Yet this did not lead to generalized negative perceptions about Asia’s economic prospects. It should be noted in a similar context that despite its unstable business environment, Pakistan is the second largest textile exporter in the world.

There are many ways in which structural transformation can be defined but the sense in which I am using it here is the ‘large scale transfer of resources from one sector to another due to

changes in economic fundamentals and policies'. In an empirical sense, it means a significant change in the sectoral composition of Gross Domestic Product with the share of the primary sector in employment and output shifting to industry and modern services. It also implies a greater use of technology and increased productivity across sectors.

Africa desires structural transformation and not structural adjustment and industrialization is indispensable to this objective. Industrialization will help to generate employment, increase incomes and enable diversification, including their exports. This is evident from the experience of other regions.

Africa has attempted industrialization before. In the 1960s and 1970s, newly independent Africa emulated other regions of the world in undertaking import-substituting industrialization. It did lead to some remarkable progress but ultimately stymied by the limits of the model and global political economy. This is why Africa must today also be mindful of the current global context.

In this regard, one approach with prospects for success is commodity based industrialization. Thus, rather than exerting our energies on trying to diversify away from commodities, we should focus more on using them as effective drivers of industrialization. In addition to the broader benefits of industrialization, a commodity based approach offers immediate scope for value addition and plenty of opportunity for exploiting forward and backward linkages. Given the dominance of global value chains and intense cost competition in the trade in manufactures, Africa can gain entry into the industrial sector using its huge commodity and natural resources base. The fact that agro-processing is already one of the most developed manufacturing sectors in the continent is proof that this approach can work.

However, achieving success in this regard will not be easy. It will require innovation and the determination to overcome infrastructural deficiencies. It will require robust knowledge base of industry structure and global value chains. Indeed, our economies must continuously invest in knowledge, skills, technology and innovation. The trading landscape including barriers and preferences must be well understood. Above all, boosting intra-Africa trade remains imperative for creating the markets needed for successful industrialization.

As we celebrate the 50th anniversary of the establishment of the OAU, we must begin to ponder on the kind of society that we wish to bequeath to our children and grandchildren. Such clarity of vision must also be accompanied by a clear understanding of our historical experience, current context and policies required to attain our objectives in a rapidly changing global environment. It is in this regard that ECA is pleased to be working with the AU Commission and African Development Bank on an "Africa 2063" vision. It is our hope that this process will benefit from the insights of several vital constituencies including our leaders.

WHAT THEN NEEDS TO BE DONE TO BRING ABOUT STRUCTURAL TRANSFORMATION IN AFRICA?

The starting point in my view is for a leadership that provides a clear vision and that mobilizes all sectors of society behind the development imperative. We have to change our approaches, attitudes, and priorities. We have to nurture a highly educated, healthy and skilled population

that can imbibe the technology and build the infrastructure which is indispensable for progress. Our states must similarly strengthen bureaucratic capacity to undertake dynamic long- term planning and the coordination of economic activity.

For finance, we must begin to pay more attention to domestic resource mobilization while we accelerate the pace of regional integration to reap greater economies of scale. We will increasingly require more robust data and better statistical systems in order to better measure and monitor progress.

Indeed, the push for structural transformation will require that we make better use of Africa's economic strengths and enable all sectors of society, particularly women and youth to fulfill their role.

ECA's objective going forward would be to work closely with member States to achieve Africa's transformation agenda. ECA will undertake rigorous analytical thinking in areas of research where its research can make a difference. We will support member States in their efforts to implement growth oriented macroeconomic policies, and to restore development planning. This will be underpinned by the generation of high-quality data using latest technologies, including mobile and GIS.

ECA's mantra going forward will be 'Africa First'. By this we mean that we will put the interests of this continent first in all that we do. It also means that we will address emerging and other issues from the lens of their impact on Africa. We must drive the process of structural transformation on the basis of our own vision and priorities. We must tell our own story and for this we must generate our own data and statistics. This approach will define our partnerships across board as we seek to promote coherence and deepen the impact of our work.

The time for action is now and if we do not take immediate steps, this window of opportunity may be lost for another generation.

Carlos Lopes