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Aide – memoire

Territorialization of Industrial Policy and Inclusive Growth in North Africa

Ad Hoc Expert Group Meeting

Introduction

2015 was a turning point in the approach to economic and social development, with the adoption in September 2030 of a Sustainable Development Agenda, a roadmap for an ambitious sustainable and inclusive development for the next 15 years. This new sustainable development program succeeded to the Millennium Development Goals (MDGs), and should help eradicate poverty by better taking account its multidimensional aspects: economic deprivation, social inequality and environmental degradation.

The Economic Commission for Africa's work fits into this perspective. The ECA has made structural transformation and inclusive development its priority. Industrial policy is at the heart of the structural transformation of North African countries. Following a thorough debate on industrial policy and the green economy, which included publications, meetings of experts, the ECA office for North Africa (ECA-NA) is now addressing another crucial aspect of the SDGs: inclusive industrialization (Goal 9).

Context and justification

North African economies are characterized by volatile growth as they are dependent on sectors which are vulnerable to exogenous shocks (primary sector and natural resources), and their growth does not generate sufficient sustainable employment. Recent political events have highlighted the structural weaknesses of the economies across the sub region.

Although some countries have managed to achieve some economic diversification, they are still dependent on primary sectors and / or a limited number of natural resources (agriculture, oil and gas, mainly minerals), and tourism.

In Egypt, the primary sector and mining industries (mainly oil) have had a relatively stable share in the economy since early 2000. The two sectors accounted on average for 30% of the GDP between 2000 and 2014. The manufacturing industry also remained stable at 16% over the same period.

In order to reduce growth volatility, Morocco has developed its industry and reduced the dependence of agricultural production on rainfall (Plan Maroc Vert). Since 2005, the industrial sector has been characterized by structural change, with a slowdown in traditional sectors such as textiles and clothing and the emergence of new professions in the automotive and aeronautics sectors. Industry contributed 15.5% to GDP in current prices in 2014. Despite this, economic growth remains sensitive to climatic conditions.

Tunisia has also been able to reduce the share of the primary sector in its GDP, which decreased from 11.4% in 2006 to 9.4% in 2014, while industry and services accounted for 16% and 43% of GDP in 2014. The share of mechanical and electrical industries has doubled between 2010 and 2014, increasing from 3% to 6% of GDP, while textile and clothing lost half of their share (6% of GDP in 2000 to 3% in 2014).

On the other hand, Algeria, Mauritania and Sudan have not yet managed to sufficiently diversify their economies and remain dependent on a limited number of low value-added sectors. Their economies remain very sensitive to commodity price shocks.

The Algerian economy is heavily dependent on the hydrocarbon sector, which accounts for almost 30% of GDP and 60% of budgetary revenues. The industry is the economy's weak spot, accounting, on average, for 5% of GDP over the 2000-2013 period. In 2014, the significant decline in oil prices reduced the share of hydrocarbons in GDP to 27 %, and with the continued decline in crude prices, this share is expected to fall below 20%.

The Libyan economy is dominated by oil, which accounted for 46.9% of GDP in 2013.

In Sudan, the share of the primary sector remained stable at 30% of GDP over the 2000 – 2014-period.

In 2000, the primary sector and oil accounted for nearly 40% of GDP.

Finally, in Mauritania, the primary sector and extractive industry accounted for nearly 36% of GDP in 2005 and almost 39% in 2014.

Industrialization remains a major factor in the structural transformation of the North African countries, contributing to the diversification of the economies in the sub region. Industrialization also has a critical role to play in addressing the challenge of public finance volatility (and thus ensuring more sustainable financing for development), increasing and diversifying exports, and creating jobs, especially for young people (especially young graduates). Unemployment is indeed endemic in the sub-region. The unemployment rate exceeds 10% in most countries (Table 1).

Table 1 : Unemployment (%)

	2010	2011	2012	2013	2014	2015
Algeria	10.0	10.0	11.0	9.8	10.6	11.2
Egypt	9.0	12.0	12.7	13.2	13.0	12.8
Morocco	9.1	8.9	9.0	9.2	9.9	10.1
Mauritania			10.1		12.9	
Sudan*	14.8	14.8	14.8	15.3	15.4	
Tunisia	13.0	18.3	17.6	15.9	14.8	15.3

Source : National data n, (*) ILO.

Unemployment affects more young people (Table 2). It exceeds 25% in all countries except Morocco (19.3% in 2013).

Table 2 : Youth unemployment 15 - 24 years (%)

	2010	2011	2012	2013	2014	2015
Algeria	21.5	22.4	27.5	24.8	25.3	29.8
Egypt	24.8	29.7	34.7	34.3		
Morocco			48.7			
Mauritania	17.6	17.9	18.6	19.3	20.1	21.3
Sudan*			28.3		21.0	
Tunisia	23.7	23.7	24	24.9	24.9	
Algeria	29.4	42.3	37.6	34.7	35.0	

Source: National data, (*) ILO

The integration of young people into the labor market, inequality and poverty reduction, are fundamental elements of a more inclusive development in North Africa. The structural transformation of economies in the region is key to this, as long as industrialization takes these dimensions into account. The development of the industry sector cannot be considered independently from a larger framework of inclusive development. The Arab Spring has shown that insuf-

ficiently inclusive development policies are likely to lead to political destabilization, which could result in significant developmental delays.

There are many definitions of inclusive development. A commonly accepted one is «sustained growth over time which affects a wide range of industries, creating employment opportunities for the widest possible fraction of the population of working age and contributes to poverty reduction».

The pursuit of inclusive growth requires , among other things, thinking about industry development as economic development spreads across the country. Considering the social impact of industrialization through its regionalization is only one parameter among others, such as the availability of inputs and production factors, infrastructure, utilities etc. Moreover, industrial policy responds to other objectives such as the development of exports. The State can be faced with trade-offs between efficiency and inclusion. In South Korea, for example, industrial policy has undergone a first phase in which the objective was primarily rapid industry development, without heavily impacting the territorial distribution of industrialization efforts. It was only at a later stage that the reduction of regional inequalities became an industrial policy target. Although the ultimate goal of development policy is to create wealth and employment, the «inclusive» dimension of these policies is not obvious, if one does not also take into account the distribution of economic opportunities generated by growth, and without considering all the factors at the root of inequality (income, and access).

Furthermore, the development of the industry is affected by public policies in areas that do not come directly from the institutions in charge of industrial policy. The degree of impact of these public policies on territorial impact of industrial development depends on the governance of public policies, including: (i) the degree of coordination of public policies; (ii) the distribution of roles between institutions of the central government and the local authorities / institutions.

With regards to the coordination of public policies, industrial policy requires public policies in areas such as training, infrastructure, utilities, R & D etc. Moreover, if we look for example at the impact of industrial policy on youth unemployment, it is necessary to examine the interactions thereof with policies to integrate young people in the labor market. These policies are not necessarily thought, designed and implemented in a coordinated manner.

Thus, beyond the tools of industrial policy, governance thereof, and more generally, the governance of public policies, plays a key role in the success of industrial policy and its capacity to generate inclusive growth. In South Korea, it was only during the second phase of industrial development that the focus was made on the coordination of public policies. Malaysia faces ethnic inequalities, the inclusive dimension of development policies was an important parameter for industrial policy in the late 1960s.

Meeting objectives

The main objective of this experts' meeting is to present, discuss and enrich the main results of the study conducted by the ECA Office in North Africa to evaluate the territorialization of industrial policy in North Africa and its impact on inclusive development in the sub region. Based on the study results and contributions of experts, the meeting is expected to identify the obstacles to tackle, the institutional reforms required to ensure that industrial policy better integrates inclusive development issues while ensuring its role in the development of the industrial sector.

The specific objectives of the meeting are to :

- Provide a survey of industrial policy in North African countries;
- Strengthening our understanding, of industrial policy, issues related to the territorialization of public policies to achieve inclusive development, both at the academic level and on a practical level;
- Allow the sharing of good practice, based on the experience of other geographical areas, particularly in terms of industrial policy governance and the coordination of public policies for inclusive development;
- Identify the axes of reforms in North Africa with a focus on industrial policy regionalization and inclusive development.

Participants

The meeting will bring together experts from ministries of industry, local authorities, institutions in charge of territorial public policy planning, and experts in public policy territorialization, governance, and inclusive development.

Workshop details

The workshop will cover two days, it will include plenary sessions and working groups. Participants will be able to take part in 4 thematic sessions and a final session for the adoption of recommendations.

Session 1 : Public policy territorialization and coordination : state of the art knowledge

This introductory session will set a common analysis framework on territorial issues related to public policies. It will draw up a survey of knowledge on the issues and practices of public policy territorialization; (i) What are the challenges of regionalization of public policies? (ii) How to define territories (objectives, criteria, etc.)? (iii) Design and management of public policies at the national and territorial level: what institutional structures? (iv) Coordination of public policies: what are the governance issues ?

Session 2 : Survey of industrial policy territorialization in North Africa

This session will build on the results of the study conducted by the ECA office in North Africa on the territorialization of industrial policy in North Africa and inclusive development: (i) industrial policy design and management; (ii) territorial declination of industrial policy: objectives, criteria, and institutional architecture governance; (iii) Inclusion of the «inclusive» dimension in the design and management of industrial policy; (iv) industrial policy and coordination of public policies.

Session 3 : International best practices and lessons for North Africa

This session aims to present international best practice in public policy regionalization and inclusive development: (i) How the «inclusion» dimension is it taken into account; (ii) What role does territorial dimension play? (iii) Which institutional architecture? (iv) Which governance? (v) What are the results ?

Session 4 : What reforms in North Africa for an industrial policy that contributes to a more inclusive economic development ?

Based on lessons from previous sessions, this session is to discuss the reforms to be implemented in the areas of industrial policy, and governance of public policies.

The issue of policy coordination will also be addressed from a regional perspective, with a particular attention to policy coordination between countries in border areas.

Final session : Key recommendations and closing

This last session will focus on the review and adoption of the main recommendations of the workshop.

Expected outcomes

The expected outcomes of the workshop are :

- An awareness and deepening knowledge of key stakeholders: (i) The importance of the inclusion of «inclusion» dimension in the formulation and conduct of industrial policy; (ii) A better understanding of the issues of industrial policy territorialization and coordination of public policies coordination;
- Concrete recommendations for an industrial policy that better tackles the issues of inclusive development.

Products

After the meeting, the following products will be developed and disseminated :

- The report of the meeting will include the main conclusions and recommendations;
- Press releases;
- A dedicated space on the Knowledge Management Platform of the ECA office in North Africa;
- The final report of the study document «Territorialisation of industrial policy and inclusive development».

Documentation and working languages

The working document and the program of the meeting will be communicated to participants in due time. The meeting's working languages are French and English, simultaneous interpretation will be provided in both languages.

Dates, venue and application

The meeting will take place from 24 to 25 November 2016, in Tunis.

Participants are requested to send their draft communications before September 15 2016 to zbenhamouche@uneca.org.

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