SOUTH AFRICAN INSTITUTE OF INTERNATIONAL AFFAIRS
African Perspectives. Global Insights

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GEGAFRICA
RESPONSIVE AND EQUITABLE ECONOMIC GOVERNANCE FOR AFRICA AND THE GLOBAL ECONOMY

SPEAKING NOTES

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Africa's Practical Development Challenges: What are the possible entry points?

In the recent past, African economies have recorded sustained and impressive economic growth and the continent's medium term growth prospects remain robust. Nevertheless, the continent has the world's **highest proportion of poor** people and is off track to meeting several other key Millennium Development Goals (**MDGs)**. Some of the statistics are clearly bad: **Youth unemployment** in 2012 was estimated at 23.7% for North Africa and 11.8% for the rest of Africa (ILO 2013). On average about 72% of the youth population in Africa lives on less than US$2 a day. The impressive **growth has been largely non-inclusive** as it has hardly contributed to job creation and the general improvement of **standards of living** (ECA, 2011). It is clear that having impressive growth trends have not translated inot sustained and inclusive development through rapid economic diversification, with special focus on industrialization that creates jobs, contributes to reduced inequality and poverty rates, and enhances access to basic services (UNECA, 2014).

Increased productivity: For Africa to move forward not only should the continent sustain and maintain strong economic growth but growth must be accompanied by transformation. There is need for structural change reflected in high **labour productivity** (McMillan and Rodrik, 2011). Rodrik (2013) which can translate into **large shares of the manufacturing** sectors, diversified economies, and export of a range of increasingly sophisticated goods. Structural transformation of African economies will entail a shift of employment and output, from largely agriculture and natural resources, to an economic structure based on industry and modern services, with diversified manufactured goods and commodity-based value addition (ACET, 2014 and UNECA, 2014). This is because industry and manufacturing have a larger employment potential, higher factor productivity and these can enhance the continent to tap into global value chains through higher-value-added products.

The GEGAfrica project is managed by the South African Institute of International Affairs and the University of Pretoria, and supported by DFID

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There are a number of initiatives (both external and internal) to address the challenges: African Union, G20, development and financial institutions, regional economic communities among others. It is evident that although the external interventions are necessary internal continental inertia is necessary. The following are some of the key areas, - the list is not exhaustive:

Investment in Infrastructure: Investment in infrastructure is a high priority as it can support both near-term demand and supply capacity in the medium-term. This calls for improved project selection and prioritization of quality infrastructure. This will support economic activity and is crucial to accelerating growth, job creation and productivity gains that create benefits now and into the future. ***The G20 can address long term infrastructure projects funding which is inadequate on the continent.***

Develop Human capital capacities: There are deficits of human capital that need to be addressed by developing skills to handle the transformation process. ***The G20 can support existing technical and technical vocational education and training to prove the necessary skills to the population***

Technology transfer: Technology deficits do exist implying technology transfer is a critical. ***Through FDI and GVC, Technology can be transferred to Africa to build the productive capacity on the continent***.

Promotion of trade: We need to promote trade as trade enhancement can open up market opportunities and improve economics of scale, contributing to rapid industrialization and structural transformation. ***The G20 should support the trade facilitation efforts to build the capacity of Africa to trade and open their markets as well***

Accelerate regional Integration: The continental RECS are crucial and must be accelerated regional to provide a framework for joint development and investment in addition to promotion of trade. ***These RECs can be used for joint development projects that can be financed by the G20 and others*** e.g what trademark EA is doing

African should capitalizes on the demographic dividend: According to ACET (2014) by 2050 Sub-Saharan Africa will have a larger and younger workforce than China or India. Given the continent's abundant land and natural resources, that workforce can be a global competitive advantage and a great asset in driving economic transformation. Investing in building the skills of the young people is important. ***The education system should be reformed from elitist training to skills development***

Value chain approach: According to the AfDB (2014) Global Value Chains (GVC) integration could accelerate structural transformation in Africa if combined with upgrading. However as of now Africa captures a small although a growing share of the benefits. Global value chains (GVCs) emphasize requirements for structural transformation in Africa since the shortcomings in the business environment, infrastructure, productive capacity and skills in Africa constitute major bottlenecks. ***Investment in high value nodes of the GVCs in Africa***

Increase energy uptake: Ensure access to affordable, sustainable, and reliable modern energy services for all. ***Development of both renewable and non-renewable energy is important through financing.***

Good Governance: This transformation will require Africa to build more accountable and representative governance systems with effective policies, institutions and improved global interdependencies: ***Through the existing peer mechanisms the G20 can fund activities that strengthen democracy, transparency and accountability***

The role **of the developmental state** is crucial to complete and assist the private sector:

Conclusion

Indeed Africa needs external assistance. However, the continental must take development as an imperative of the continent with external help on only to enhance.

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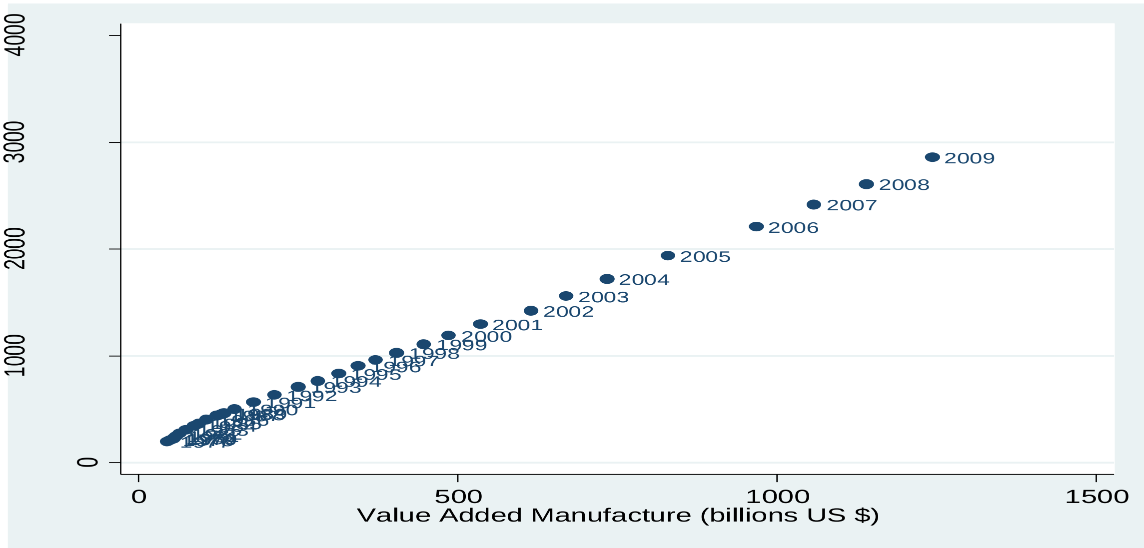
Industrialization and per capita income for China between 1960 & 2009 - (Constant Prices)



Industrialization and per capita income for India between 1960 & 2012 - (Constant Prices)

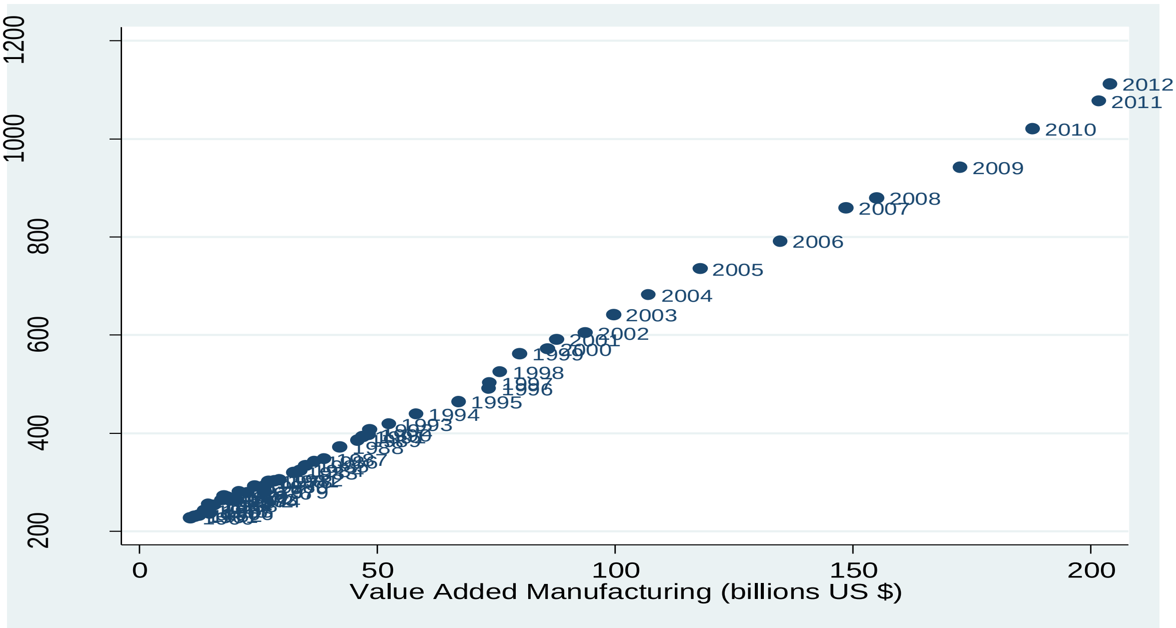
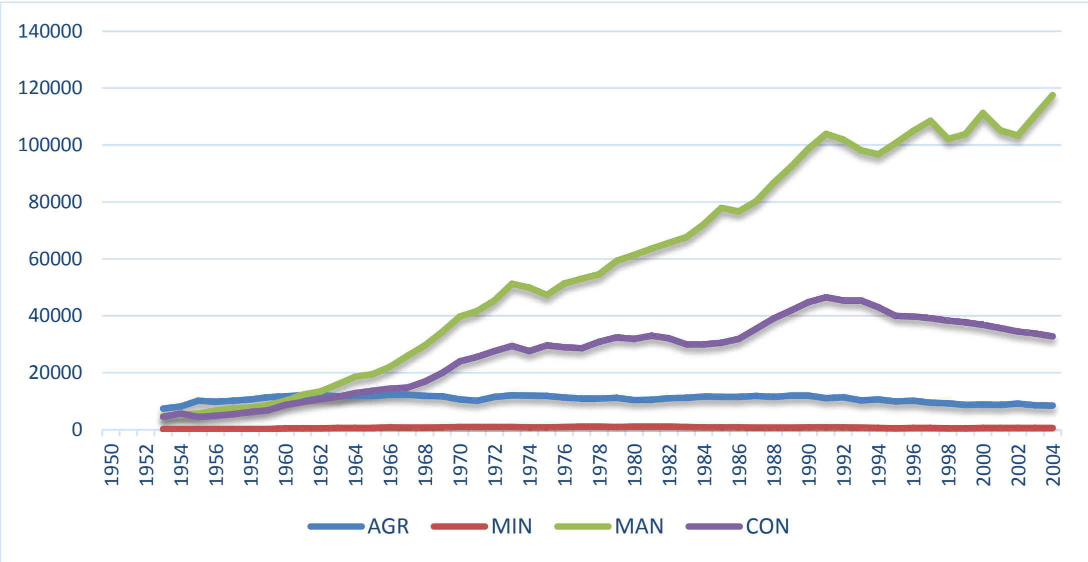
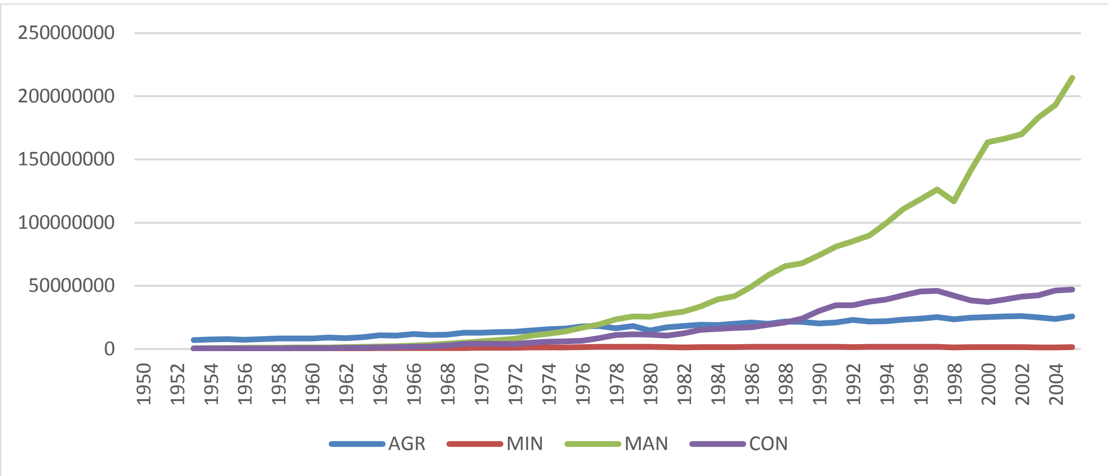


Figure 17: Labour Productivity - Japan



Data source: GGDC ten Sector database

Figure8: Labour Productivity -South Korea



Data source: GGDC ten Sector database