SECOND INTERNATIONAL CONFERENCE ON THE EMERGENCE OF AFRICA (ICEA-II)

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« Cross-sectional analysis of case studies of selected African countries’ experience towards emergence: Stock-taking, lessons learned, and way forward »

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A.1 Rationale of ICEA-I

Two lost development decades

**g(Y) = 5.1%**

C (consumption) = 1/3
Investment = 1/3
X-M (trade) = 1/3

(Growing middle class)
(Better governance)
(Commodity price boom)

Path A 10+ %
Emergence trend

Agenda 2030
Agenda 2063
Hi5s

Path B 5%
Present Trend

Path C 3%
Commodity price bust trend

1980 2000 2015 2030

Y (GDP)

**g(Y) = 1.7%**

1980 2000 2015 2030

T
A. Background

A.2 Emergence Path: Human development and poverty reduction tracks

Two lost development decades

- 1990: $e = 0.328$
- 2000: $e = -0.522$
- 2015: $e = -1.237$

MDG era

- $|e| > 1$

Development-enhancing power of growth

Human Development

poverty

Agenda 2030

Agenda 2063

Hi5s

|e| > 3

Growth is Not sufficiently inclusive compared to:
- East Asia & Pacific -2.48
- Latin America & Caribbean -3.08
- Eastern Europe & Western Asia -4.22

Radical policies for inclusiveness needed

$e =$ elasticity
A. Background

A.3 ICEA-I Model

- A clear and shared vision
- Equipped & strong institutional capacity
- Attract investment to key sectors
- Basic socio-economic services
- Corrupt free state

- Industrialization
- Conducive climate for business
- Strong & competitive financial & banking system
- Technology & innovative driven economy
- Green economy
- Regional integration
- Expansive tax base/revenue

- Improving rural incomes
- Creating social safety nets & cash transfers
- An education system that improves attitude & behavior
- Health planning systems
- Urbanization

Developmental state

Changes in production and Consumption patterns

Human development

Steady state of inclusive & sustainable development

Adapted from Uganda case study
A.4 Analysis of ICEA-I Model

Analysis of emergence with a focus on 13 case study countries out of 27 countries on emergence plans

Criteria for selection:
(i) Have emergence plan
(ii) Regional consideration
(iii) Development context: SIDS/LLDCs
(iv) Resource/non-resource dependence
B. Typologies

B.1 Typologies of Emergence Paths

Lessons learned

Kinked path

Côte d’Ivoire
Rwanda
(N.B. Sierra Leone, Guinea, and Liberia before Ebola)

i. Re-activation of under-utilized excess capacities
ii. Substantial improvement in productivity
iii. Strengthened resilience

Inflexion path

Senegal
Gabon
Kenya
Uganda

i.v. Sustained and deepened reforms until tipping point for inflexion is reached

Waves path

Mauritius
Cabo Verde
Ethiopia

v. Activation of new engines and strategies of growth every cycle of 10 to 15 years
vi. Continuous improvement of competitiveness

vii. Leadership foresight and traction
Strategies and Policies of Emergence
(Critical success factors: lessons, challenges and way forward)

I. Macroeconomic policies
II. Structural economic transformation policies
III. Social and human development policies
IV. Governance and institutional policies
Strategies and Policies of Emergence

C.1 Macroeconomic stability…but need to be sustained

Lesson: need to watch out for debt sustainability

Lesson: need to meet the UNCTAD 24% threshold for sustainable funding of development
Strategies and Policies of Emergence

C. Strategies

C.2 Macro stability: Best practices

1. Expanding fiscal space
   - Fiscal space is more than 20%
     - Lesotho, Algeria, Namibia, Senegal, Seychelles, South Africa, and Tunisia
   - Compared to OECD average 34.4% UNCTAD 24%
   - Innovative revenue collection and open budget tracker in South Africa and Seychelles

2. Improved fiscal account balance
   - Overall Fiscal Balance is improving in Morocco, South Africa, CIV, Ethiopia, Rwanda, Tanzania and Uganda
   - Integrated Financial Management Information System
     - Kenya, Ethiopia, Tanzania etc.
   - Fiscal transparency
     - South Africa, Ethiopia, Mauritius, Uganda

3. Relatively stable prices
   - Inflation is in single digits
     - Senegal, Morocco, CIV, Gabon, Equatorial Guinea, Mauritius, Rwanda, South Africa etc.
   - Increase in food production and low oil prices are important drivers (e.g. Senegal and Rwanda)
   - Tight monetary and fiscal policies in South Africa

4. Improving gross national savings BUT still low
   - Between 20-32%
     - in Morocco, Cabo Verde, Ethiopia, Equatorial Guinea and Mauritius
   - Compared to Emerging economies (31%)
     - Developing Asia (41%)
   - Impediments to high savings rates:
     - IFFs • low financial deepening • low disposable income

5. Improved current account balance
   - CAB is high
     - in CIV, Ethiopia, Morocco, Uganda, Mauritius, Senegal
   - Improved domestic production and strong surge in exports
     - BUT income payments on FDI inflows is driving current account deficit

6. Robust net external inflows
   - FDI is high and improving
     - South Africa, Tanzania, Equatorial Guinea, Uganda and Kenya
   - Improved macroeconomic environment
     - Ethiopia, Rwanda and Cote d’Ivoire
   - Improved business environment
     - (e.g. investment and labour laws), CIV, Senegal
   - Improved infrastructure (e.g. energy) South Africa, Mauritius

7. Improved external debt sustainability ...BUT
   - Many countries are below the IMF threshold of 50-75%
   - Medium Term Debt Management Strategies e.g. Kenya
   - Forward-looking analysis of debt sustainability in Nigeria and India
Strategies and Policies of Emergence

C.3 Improving structural economic transformation...BUT

1. Improved multifactor productivity
2. Shift from low to higher productivity sectors
3. Enhanced global competitiveness
4. Promoting economic resilience
5. Cost of Production on average is still high
6. Progress in infrastructure development; but infrastructure gap is still a binding constraint.
7. Improved innovation, but low investment in R&D
Strategies and Policies of Emergence

C.4 Structural transformation: Best practices

1. Improved multifactor productivity
   - in a number of countries through institutional transformation
     - Continuous state reform programme in Cabo Verde
     - National Productivity Institutions in Tanzania, Kenya, Uganda and South Africa

2. Shift from low to higher productivity sectors
   - SSA experienced serious deindustrialization (2000-2015) with the share of manufacturing falling by 7.5%
     - BUT things are improving
     - The Phakisa is driving value chains in South Africa
     - Local content policies in Oil and Gas in Tanzania and Uganda
     - Entrepreneurship as an accelerator of emergence in Mauritius

3. Enhanced global competitiveness
   - especially in South Africa, Rwanda, Morocco, Kenya and CIV
   - Transparent and responsive institutions in Rwanda
   - Technological readiness and goods and labour markets efficiency in Cabo Verde, Morocco and South Africa

4. Promoting economic resilience
   - in Morocco, Tunisia, South Africa, Mauritius, Kenya and Senegal
     - EPZ, tourism and business process outsourcing in Mauritius
     - Horticultural production in Senegal
     - Tourism, telecoms and textile in Morocco

5. Cost of Production on average is still high
   - CIV, Senegal, Mauritius, South Africa but still as high as 31% to 57% in some countries.
   - Low inflation rates make low lending rates possible in these countries

6. Progress in infrastructure development
   - In South Africa, Mauritius, Morocco & Cabo Verde accounts for this
     - (e.g. 15% of GDP in Cabo Verde)
     - The infrastructure gap is an impediment in many countries

7. Improved innovation, But low investment in R&D
   - Heavy investments in technological hubs in South Africa, Kenya, Senegal and Tanzania are driving innovations

-improving

-entrepreneurship as an accelerator of emergence in Mauritius

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  - as an accelerator of emergence in Mauritius
C. Strategies

1. In most emerging countries, structural economic transformation has been accompanied by improvement in human development and vice-versa—e.g. Mauritius, Gabon and South Africa.

2. Increased Investment in education is yielding enhanced results (e.g. in Cote d’Ivoire, Ethiopia and Kenya) BUT quality, transition rates and skill development deserve strategic priority.

3. Expanded investment in health sectors is producing dividends (e.g. Mauritius and Cape Verde), YET accelerated action is urgently needed for a healthy and productive population.

4. Expanding social protection programmes and coverage are promoting inclusiveness and helping to reduce poverty and income inequality.

5. Aggressive pursuit of social inclusion and community development programs [PUDC—Senegal; decent work programs in South Africa; Rwanda’s VUP; Kenya’s Equalization Fund; Zanzibar pension scheme, Tanzania].

6. Youth empowerment and development is a vital tool for accelerating emergence. [The Youth Connekt in Rwanda, the National Youth Service Scheme in Nigeria, and the Shongai Project in Benin].

7. Africa has continued to close the gender gap, YET gender inequality in the labor market alone cost sub-Saharan Africa almost USD 105 billion in 2014 equal to 6% of GDP.

Good examples of social protection in Africa

- Cabo Verde’s expansion of the pension system;
- Senegal’s Family Allowance and universal healthcare coverage;
- Tanzania Social Action Fund;
- Ethiopia’s Productive Safety Net Program;
- Uganda’s Social Assistance Grant for Empowerment Programme;
- Mauritius’ Basic Retirement Pension;
- South Africa’s broad-based Social Protection Scheme;
D. Strategies

Strategies and Policies of Emergence

D1. Governance, institutional policies, and the political economy of emergence

1. Strong correlation between good governance & supportive social norms; and between growth and human development

Most countries with strong control on corruption have high Human Development Index

Correlation between control of corruption and human development index

Graph showing the correlation between control of corruption and the Human Development Index.
Strategies and Policies of Emergence

D. Strategies

D.1 Governance, institutional policies, and the political economy of emergence (cont’d)

2 Setting up of strong institutional coordination and monitoring of emergence
   - President’s Office in Senegal
   - National Steering Committee in Rwanda
   - National Planning Commission in Ethiopia, Tanzania
   - Vision Delivery Board in Kenya
   - Operation Phakisa in South Africa (Malaysian experience)
   - Big Results Now – BRN in Tanzania (Malaysian experience)

3 Setting up of specialized institutions to implement emergence
   - Industrial Parks Development Corporation – and Metal and Engineering Corporation in Ethiopia
   - Investment Promotion entities in Senegal (APIX) and Cote d’Ivoire (CEPCI)
   - Special Economic Zones and Industrial and Manufacturing Zones in Kenya

4 Public sector reforms to reduce corruption, improve efficiency, ensure service delivery
   - Performance Contracts in Kenya and Rwanda
   - Using private sector to run government business enterprises – Rwanda
   - High Authority Against Corruption – Cape Verde
   - OFNAC (Anticorruption office) - Senegal
Strategies and Policies of Emergence

D. Strategies

D.1 Governance, institutional policies, and the political economy of emergence (cont’d)

5. Digital transformation

- Mobile money - MPESA in Kenya
- Commodities exchange - Ethiopia
- Agriculture Cadastre - Cape Verde & Rwanda

6. Good participatory process

- National Umushyikirano Council – NUC (a forum that brings together the President of the Republic and citizens’ representatives to debate issues that affect the citizenry and the nation at large) in Rwanda
- Citizen participation in policy formulation and budgeting in Kenya
- Strong decentralization and devolution policies in Kenya and Senegal

7. The imperative of social contract

- Ihimigo Performance Contract (signed between the President and Local Government institutions) in Rwanda
- Social Accountability Programme (holding local leaders and service providers accountable at the community level) in Tanzania

Growth in mobile phone usage*

*PWC: Disrupting Africa: Riding the wave of the digital revolution
Enhanced framework for emergence

An ICEA-II Model

E. Framework

Emergence is TAKING ROOT in Africa

- Stronger developmental states
- Rapid structural economic transformation
- Positively impacting on human development

BUT its LONG TERM VIABILITY requires

- Expanding fiscal space for state to drive development forward
  - Continuous innovation to lift productivity to higher plateau
  - Regional integration and cooperation to promote regional goods and synergies

The imperatives of its SUSTAINABILITY include

- Greater citizen and non-state actors engagement
- Inclusive political dialogue with all actors to avoid disruptions by change of leadership
- Building sturdy social contracts

Emergence is positively impacting on human development, expanding fiscal space for state to drive development forward, and continuous innovation to lift productivity to higher plateau.

Regional integration and cooperation promote regional goods and synergies, allowing for sustained growth.

Imperatives for sustainability include greater citizen and non-state actors engagement, inclusive political dialogue with all actors to avoid disruptions by change of leadership, and building sturdy social contracts.
Thank you