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Fourth Congress of African Economists

Theme:

“Industrial Policy and Economic performance”

Accra, Ghana

16-18 November 2015

Opening Speech by Anthony Mothae Maruping

Commissioner for Economic Affairs, AUC

Economic Affairs Department

African Union Commission

16 November 2015

“Optimal industrial policy for Africa’s transformation”

Excellency John Dramani Mahama, President of the Republic of Ghana,

Hon Ministers here present;

Excellencies,

Distinguished African Economists;

Ladies and Gentlemen;

It is my distinct honour and special privilege to convey warm greetings of Her Excellency the Chairperson of the African Union Commission, Dr. Nkosazana Dlamini Zuma, and on her behalf, may I warmly welcome you, one and all, to the 2015 Edition of the Congress of African Economists under the theme: ***Industrial Policy and Economic Performance in Africa.***

Allow me to express my profound gratitude and appreciation to the Government and people of Ghana for their usual warm welcome and hospitality and for graciously agreeing to host this 2015 Congress of African Economists in this pioneering country. Ghana is the cradle of Pan – Africanism and therefore a suitable location for this Congress.

I first came to Ghana in 1984 to attend the meeting of the Executive Board of the Association of the African Universities (AAU) which has its headquarters here. Those were in the days of Prof Sawyer (then Vice Chancellor) and Prof Benneh (then Pro-Vice Chancellor). Since then I have had the privilege of coming innumerable times. More vividly I remember negotiations on the predecessor to the Busan Commitments regarding Global Partnership for Effective Development Co-operation and later negotiations that resulted with UNCTAD XII in 2008. Not long ago there was a conference addressing inequalities.. Only last week, November 10 – 11, 2015, there was a regional stakeholders workshop seeking to identify effective ways of combating Illicit Financial Flows from Africa, under the baton of H E Former President Thabo Mbeki. Ghana ought to be commended for taking the lead in addressing inequalities and in curbing illicit financial flows and also for being exemplary in good governance and deepening of democracy, among many other contributions.

At this point let me also like to express gratitude to colleagues and development partners from the international community, and especially the African Capacity Building

Foundation (ACBF), for sharing with AUC valuable time and ideas and resources. The Congress of African Economists is an important platform for collaboration and for advancing solutions to the key economic challenges facing the African continent.

Gratitude should be expressed to the economists who have graciously honoured AUC invitation to come and actively participate in this congress.

Excellencies

Ladies and Gentlemen

At this juncture allow me to attempt to give context to the pivotal role of industrialization in the quest for transformative growth. Not so long ago almost every speaker on African economies, with the exception of the few, jumped on to a “bandwagon” chanting: the refrain “ six out of ten fastest growing economies globally are in Africa” Analysts put average growth rates at 4%+ seen as rising towards 5%+. The few that did not jump onto this bandwagon were viewed as pariah. Yet Africa has fifty four economies making six only eleven per cent. In addition, given that Africa is still home for over 30 least developed countries and several low middle income countries, all accompanied by rapidly growing populations, growth rates of between 4 and 5 per cent fell short of what would be required to achieve economic transformation sought. Sustained growth rate of at least 7 per cent in real terms remains what is required to achieve sufficiently rapid socio-economic development. Coupled with diversification and inclusivity and equitable distribution of income and wealth, some resilience to external shocks would be attained and Africa would be set on the road towards poverty eradication. That 4 – 5 per cent growth rate that Africa was supposed to celebrate depended largely on commodities price boom. Many African economies remain commodities based. They thrive during commodities price boom with multinationals engaged in extractive industry repatriating profits. GDP figures then look impressive but very little remains to permeate into the domestic economy. Such economies experience setbacks when commodities prices fall. Hence the need to transform African economies ensuring diversification and value addition. African economies are currently going through a rough patch. Demand for raw materials exports has sharply declined, commodities prices have dropped drastically,

drought is adversely affecting agricultural production and hydro-electric power generation, thus exacerbating energy deficit. Unemployment rate is rising and incomes are declining. Poverty is rapidly rising. Tax bases are shrinking. Fiscal deficits are widening. Foreign exchange reserves are dwindling. Domestic borrowing has soared. External borrowing has been complicated by credit rating downgrades. Authorities in most cases are resorting to deep expenditure cuts affecting supply of necessities. There is definitely a dire need for a new strategy for African economies. Business as usual is not an option. Agenda 2063 is that strategic framework.

On September 25th, 2015, the General Assembly (GA) adopted by acclamation ***Transforming Our World: The 2030 Agenda for Sustainable Development*** together with its 17 Sustainable Development Goals (SDGs) and 169 targets. Statisticians are busy working on methodologies for quantifying attendant indicators. Africa had contributed substantially to this outcome through her Common African Position on Post 2015 Development Agenda (CAP on P2015 DA). CAP influenced the work of the Open Working Group and subsequent inter-governmental negotiations. Africa also had the fortune of holding the Presidency of GA and of G77 + China. In addition one of the facilitators was African and UN SG Advisor on P2015 DA was African as well. Omens were good for Africa. Industrialisation featured prominently as an essential part of transformative growth in CAP (paragraph 23) and in SDGs as Goal 9.

In 2013 the African Union (AU) decided to activate her new mandate, from that of OAU of pre-occupation with decolonization, to that of AU of economic, social and political development. Work on African Agenda 2063 was commenced. Consultations with a wide array of stakeholders were held. Interactive website was opened. Written inputs from member states were submitted. Regional Economic Communities and 35 member states strategic frameworks studied and factored in. Mega trends were analysed. Contents of the AU Constitutive Act, existing continental frameworks, programmes and resolutions were captured. All the foregoing were compiled, analysed and synthesized to formulate African Agenda 2063, both the conceptual part (Strategic Framework) and the First Ten Year Implementation Plan. Conceptual Framework was adopted by AU Summit in January 2015 while the 1st Ten Year Implementation Plan was adopted in

June 2015. Essentially Agenda 2063 calls for transformative economic growth in Africa. It proposes a move away from narrow base commodities based economies to diversified economies with high value addition. As a means to this end Agenda 2063 proposes:

- Development of infrastructure, hard and soft, and its broad context, as well as energy generation;
- Boosting quantity and quality of production in the agricultural sector;
- Investing much more in science, technology and innovation for development (technology development, transfer and diffusion);
- Increasing investment in human capital with emphasis on health, education and training with special emphasis on technical skills;
- Accelerated industrialization (which is still considered a leading job creator);
- Improvement of the services sector in quantity and quality;
- Expediting integration which creates economies of scale opportunities and facilitate efficient allocation of factors of production);
- Nurturing African private sector development (considering that it is largely the private sector that engages in extraction, diversification, value addition and distribution and thus create jobs and contributes to tax bases);
- Raising competitiveness to enable Africa joining sub-regional, regional and international supply chains through trade;

Agenda 2063 also has twelve fast track programmes and projects. These are:

- Realizing integrated high speed train network;
- Developing e-network on the continent;
- Speeding up implementation of open skies decision of 2002;
- Hastening the pace in implementing the Grand Inga Dam hydro power project;
- Silencing the guns by 2020;
- Devising and applying commodities strategy (this in essence is industrialization as it involves value addition and diversification);
- Convening periodic high level African stakeholders forum;

- Accelerating establishment of continental financial institutions;
- Reaching Continental Free Trade Area (CFTA) by 2017;
- Devising Africa outer space strategy;
- Giving impetus to the growth of African Virtual E – University.

Enablers, such as good governance in its broad context, and others have been given due attention as well. Similarly cross-cutting considerations such as gender parity and women empowerment, engagement of youth in economic activity and inclusion of people with disabilities in the work place, have all been duly factored in.

Clearly industrialization that Africa seeks cannot thrive in isolation. There is a definite symbiotic relationship among various development facets. They feed one another. They depend upon one another. A comprehensive approach is, therefore, more likely to succeed.

A tally of the 20 goals of Agenda 2063 and 17 SDGs show clearly that the latter are embedded in the former. Agenda 2063 encapsulates the 17 SDGs. Africa, therefore, by pursuing Agenda 2063 will ***ipso facto*** be meeting her global obligations on SDGs.

Ambitious as it may seem Agenda 2063 is doable. Due attention was paid to ensure avoiding pitfalls of the past that led to delays in the implementation of the previous frameworks. What gives greater hope of achieving the goals of Agenda 2063 are the fact that:

- Bottom up approach has ensured inclusion, participation, ownership and commitment by the public, private and civil society sectors;
- Basing the framework on firm foundations and commitments including constitutive act, existing continental, regional and national frameworks, initiatives and programmes, resolutions and action plans has ensured coherence, alignment and harmony;
- Implementation involves public, private and civil society sectors;
- Implementation is at national, regional and continental levels;

- 20 goals and 41 priorities of the First Ten Year Implementation Plan are clear, enabling results based management and mounting of a credible accountability framework;
- Risk analysis has been conducted and risk management strategy developed;
- Requisite implementation capacity has been assessed and strategy for closing the gaps devised;
- Effective communications strategy has been developed;
- Domestication process at national and regional levels is ongoing;
- Means of implementation have been, and is being, given full attention;

Africa hosted the 3rd International Conference on Financing for Development (FfD3). Watered down version titled Addis Ababa Action Agenda (AAAA) was the outcome document adopted. Developing countries would have preferred a more committal Addis Ababa Accord (AAA). In paragraphs 23, 24, and 25, illicit financial flows (IFF) is referred to. The leadership of Africa on this matter is recognized. Africa commenced in 2011 to address this issue through the African Union's High Level Panel led by H. E. former President Thabo Mbeki. HLP report, based on consultations with a broad spectrum of relevant stakeholders, is comprehensive, meticulous, incisive and courageous. The facts it unearthed, observations it made, analysis conducted, interpretations of results given, synthesis unfolded and conclusions arrived at and recommendations derived, are all profound. It is a credible report. At the instruction of the AU Summit consultations with African stakeholders have already been held to identify modalities of implementing recommendations of the HLP report on combating IFF from Africa. The last was right here in Accra, November 10 – 11, 2015.

On Friday October 23rd, AUC, UNCTAD and UNECA and others persuaded the joint meeting of ECOSOC and 2nd Committee of GA to put IFF issue on the global platform in keeping with paragraphs 23 – 25 of AAAA, with the view to developing a global framework or at least a roadmap on curbing IFF globally. Africa can do her part but for effectiveness it requires others to play their part as well considering that IFF is a global challenge.

In order to raise required funding for Agenda 2063 and SDGs IFF from Africa must be combatted resolutely and effectively, among many other measures and other sources. Heavy reliance for financing Agenda 2063 will be on Domestic Resource Mobilisation (DRM). Hence the imperative of stopping loss of potential domestic revenues through IFF. Still selective, conditionality laden ODA characterized by often unmet commitments, and the elusive FDI, are expected to be only supplementary.

It is clear from all the foregoing that **industrialization** is of great importance in order for Africa to achieve her sought after economic and social transformation, especially with regards to the realization of *Agenda 2063* in the longer term and the Sustainable Development Goals in the comparatively shorter term. Allow me to elaborate on industrialization.

A year ago, the Conference of Ministers of Economy, Finance, Economic Planning and Development resolved that the need for industrialization is obvious and that Africa must “design a comprehensive industrial development framework that is inclusive and transformative to speed up and deepen value addition of local production, linkages between commodity sector and other sectors”.

Therefore, this Fourth Edition of the Congress of African Economists offers a unique opportunity to develop and discuss issues of critical relevance for designing and implementing optimal policies for inclusive and sustainable industrialization in Africa.

While the Third Congress took a comprehensive approach to industrialization as a catalyst of economic emergence, this year we the agenda has been streamlined to cover specific topics to permit us to delve into greater details of the issues that have the biggest impact on growth and economic performance, and reach where impediments may be inhibiting growth in the region. In order to help deepen the understanding of these complex issues, a broad range of African Economists from the continent and its Diaspora have been invited to share their insights and expertise. The Commission will be in “listening mode”. The hope being to learn from participants about best approaches to tackling these challenges effectively, and about how the Commission

can be of assistance towards fostering industrialization and achieving **Agenda 2063** goals and priorities.

Excellencies,

Ladies and Gentlemen,

Industrialization is key for Africa to foster structural transformation and improve standards of living.

Yet, industrialization has remained elusive, with an embryonic manufacturing sector, low productivity and marginal participation in domestic and international markets. In fact industrialization is seen as receding by some analysts. While services have surpassed agriculture and industry as the leading income-generating sectors across Africa, this has not created the quantity and quality of jobs that are sought after which should emerge from manufacturing and labour-intensive production.

This Fourth Edition of the Congress of African Economists, therefore, calls on the continent to refocus its economic development strategies on industrialization, particularly on the means of formulating and implementing effective industrial policies.

In the past, most African countries pursued industrial policy with mixed results. It is now time to acknowledge that appropriate developmental state support is vital to address market failure and spur industrialization and to institutionalize industrial policy in national and regional development strategies at the highest levels of government.

Excellencies,

Ladies and Gentlemen,

Allow me to share with you **four** reasons that are viewed as making industrialization central for Africa's transformation.

First, industrialization is essential to sustain the current Africa's quest for growth leading towards structural transformation.

As African countries require high and sustained economic growth to make significant progress in reducing poverty, generating employment opportunities for young people and engendering development, industrialization appears to be one of the most important routes for structural transformation.

In that perspective, it should be stressed that ***no country in the world*** has achieved rapid and sustained economic growth without structural transformation, generally characterized by the shift of production and labour from lower to higher value and productivity activities and sectors.

A robust and expanding industrial sector, including more manufacturing and resource processing and value addition is crucial for the structural transformation of African economies. In spite of the continent's huge untapped human resources and natural endowments and more than a decade of growth turnaround, the lack of industrialization has limited Africa's long-term growth prospects as well as the success of growth on social development. Industrialization would also render African economies more resilient to external shocks.

Second, industrialization must take advantage of best practices and strategic engagement with the private sector.

Our assessment must also check the best practices in terms of industrial and trade policy instruments- such as local content requirements, appropriate monetary policy required for industrialization, the impact of trade partnerships on industrialization and intra-Africa trade.

Building on past achievements and lessons, and taking account of feedback received from consultations with stakeholders during the drafting of *Agenda 2063*, the AUC proposes a strategic framework for strengthening the role of the private sector in achieving inclusive and sustainable growth. This framework consists of three levels at which the Commission believes it can add value and effectively complement actions by its Member States, RECs and private sector organizations to foster the role of the private sector in inclusive and sustainable industrialization and growth. These three levels are: (i) fostering a business environment conducive to private sector initiatives; (ii)

developing productive capacities of the private sector, and; (iii) strengthening private sector engagement for development in Africa.

Industrial policy is unlikely to succeed without conscious efforts to build champions, and without dynamic dialogue and interactions between the government and the private sector at sectoral, country, regional and continental levels.

Third, sustainable and inclusive industrialization must be built on regional integration and efficient economic and social infrastructures.

Sustainable and inclusive industrial development must be accompanied by our integration efforts towards the Continental Free Trade Area (CFTA). In doing so, developing effective regional policies will support industrialization, achieve more equitable growth and reduce the current trends of regional disparities within the continent. AU is taking practical measures to deepen integration, enhance free movements of people, goods and services and removing tariff and non-tariff barriers, as well as harmonizing regulations and policies so as to boost intra-African trade during the next decades. These are articulated in the fast track programmes/projects of the 1st Ten Year Implementation Plan of Agenda 2063.

To achieve Africa's regional integration agenda and prosperity, infrastructure has been recognized as a fundamental factor. We know that the infrastructure bottlenecks on our continent (especially transport, ports and harbors, energy, irrigation and ICT) are a major challenge to industrialization and intra-Africa trade. At regional level, AU is seeking to address this challenge through PIDA and other infrastructure projects that are critical for industrialization.

At a continental level, discussions have started on developing the High-Speed Train Network Project that will link capitals and major commercial centers. This project will accelerate integration process and intra-African trade and more critically, boost industrialization.

But for the High-Speed Train to facilitate inclusive and sustainable industrialization, energy efficiency to improve economic competitiveness in an environmentally

sustainable way is imperative. To avoid vulnerabilities due to energy shortage, countries should adopt efficient technologies associated with higher productivity and reduce negative externalities. Support for the development of the Grand Inga Dam Project and other energy generation projects will contribute to addressing the energy needs of the continent.

Fourth, inclusive and sustainable industrialization must ensure equal opportunities for all the segments of African society.

As the world leaders recently adopted the Post-2015 Development Agenda and SDGs, building inclusive and sustainable industrialization will be of critical importance to addressing the challenges of inclusivity and sustainability of Africa's growth towards a stable, prosperous and integrated continent as foreseen in *Agenda 2063*. For the African Union Commission, the moderate progress recorded toward achieving the MDGs underlines the need to give priority to inclusive and sustainable industrialization.

As part of its support to women entrepreneurship and employment through “2015 Year of Women Empowerment and Development Towards Agenda 2063”, the Commission gives particular attention to micro, small and medium-sized industrial enterprises and to creating an enabling environment for women entrepreneurship. Women are under-represented in business communities in Africa. The Commission pushes for gender-sensitive business regulations, and works tirelessly towards addressing the specific training and support needs of women as entrepreneurs and workers to ensure that recent improvements in girls' education are translated into real economic opportunities for women.

A similar plea is made for engagement of youth in economic activity. Inclusion of people living with disabilities also ensures that all human resources available to the Africa should be put to productive use.

Excellencies,

Ladies and Gentlemen,

With forthright and meaningful exchange of views and experiences during this Congress, I am confident that a better understanding of what works and what might not work for Africa's economic transformation, and forging a better mutual comprehension of policy priorities, will emerge. This is what is hoped for in this Fourth Congress of African Economists here in Accra.

Even as we proceed with the congress of African Economists the important role played by the twenty five year old African Economic Research Consortium (AERC) should be acknowledged and appreciated. Possibilities of synergies should be recognized

May I urge that we aim for practical and concrete recommendations that will reduce, or better yet remove, major constraints to industrialization and hence unlock Africa's growth potential during the next decade and beyond.

May I wish you fruitful deliberations that will generate credible and pragmatic ideas for Africa's accelerated industrialization which at present is suffering setbacks instead of progressing.

Thank you very much for your kind attention.