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%**

**g(Y) = 1.7%**

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

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

Agenda 2030
Agenda 2063
Hi5s

Path A 10+ % Emergence trend
Path B 5% Present Trend
Path C 3% Commodity price bust trend

1980 2000 2015 2030

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**
  - $|e| > 1$

- **Agenda 2030, Agenda 2063 Hi5s era**
  - $|e| > 3$

- 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

1990 | 2000 | 2015 | 2030
Human Development | Poverty | Development-enhancing power of growth | t
A.3 ICEA-I Model

Developmental state

Changes in production and Consumption patterns

Human development

Steady state of inclusive & sustainable development

- 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

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*

Countries in green are case study countries. Criteria for selection:
(i) Have emergence plan
(ii) Regional consideration
(iii) Development context: SIDS/LLDCs
(iv) Resource/non-resource dependence
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

1. Expanding fiscal space
   - **18%** to **24%**

2. Improved fiscal account balance

3. Relatively stable prices…but

4. Improving gross national savings BUT still low

5. Improved current account balance

6. Robust net external inflows

7. Improved external debt sustainability…but

**Lesson:** need to meet the UNCTAD 24% threshold for sustainable funding of development
C. Strategies

Strategies and Policies of Emergence

C.2 Macro stability: Examples of best practices

1. Expanding fiscal space
   18%=>24%

2. Improved fiscal account balance

3. Relatively stable prices
   ...BUT

- Fiscal space is more than 20%
  Lesotho, Algeria, Namibia, Senegal, Seychelles,
  South Africa, and Tunisia

- Overall Fiscal Balance is improving in
  Morocco, South Africa, CIV, Ethiopia, Rwanda,
  Tanzania and Uganda

- Inflation is in single digits
  Senegal, Morocco, CIV, Gabon, Equatorial Guinea, Mauritius,
  Rwanda, South Africa (etc.)

- Between 20-32%
  in Morocco, Cabo Verde, Ethiopia,
  Equatorial Guinea and Mauritius

- Trade balance is improving
  in CIV, Ethiopia, Morocco, Uganda, Mauritius,
  Senegal

- FDI is high and improving
  in South Africa, Tanzania, Equatorial Guinea, Uganda and Kenya

- Impediments to high savings rates:
  IFFs • low financial deepening • low disposable income

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  IFFs • low financial deepening • low disposable income

- 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: Examples of best practices**

1. **Improved multifactor productivity**
   - **TFP is rising** 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**
   - Global competitiveness is improving 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**
   - Economic diversification is improving in Morocco, Tunisia, South Africa, Mauritius, Kenya & 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

6. **Progress in infrastructure development**
   - Africa Infrastructure Index is highest in South Africa, Mauritius, Morocco & Cabo Verde
   - High infrastructure spending 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**
   - Improving Innovation Capacity
   - Heavy investments in technological hubs in South Africa
   - Kenya
   - Senegal and Tanzania are driving innovations
C. Strategies

Strategies and Policies of Emergence

C.5 Social and human development policies

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
Strategies and Policies of Emergence

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.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

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

An ICEA-II Model

**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
Thank you