International Conference on Africa
IAU Africa Application and Research Center

Economic transformations and emerging partners in Africa

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Growth in comparative perspective

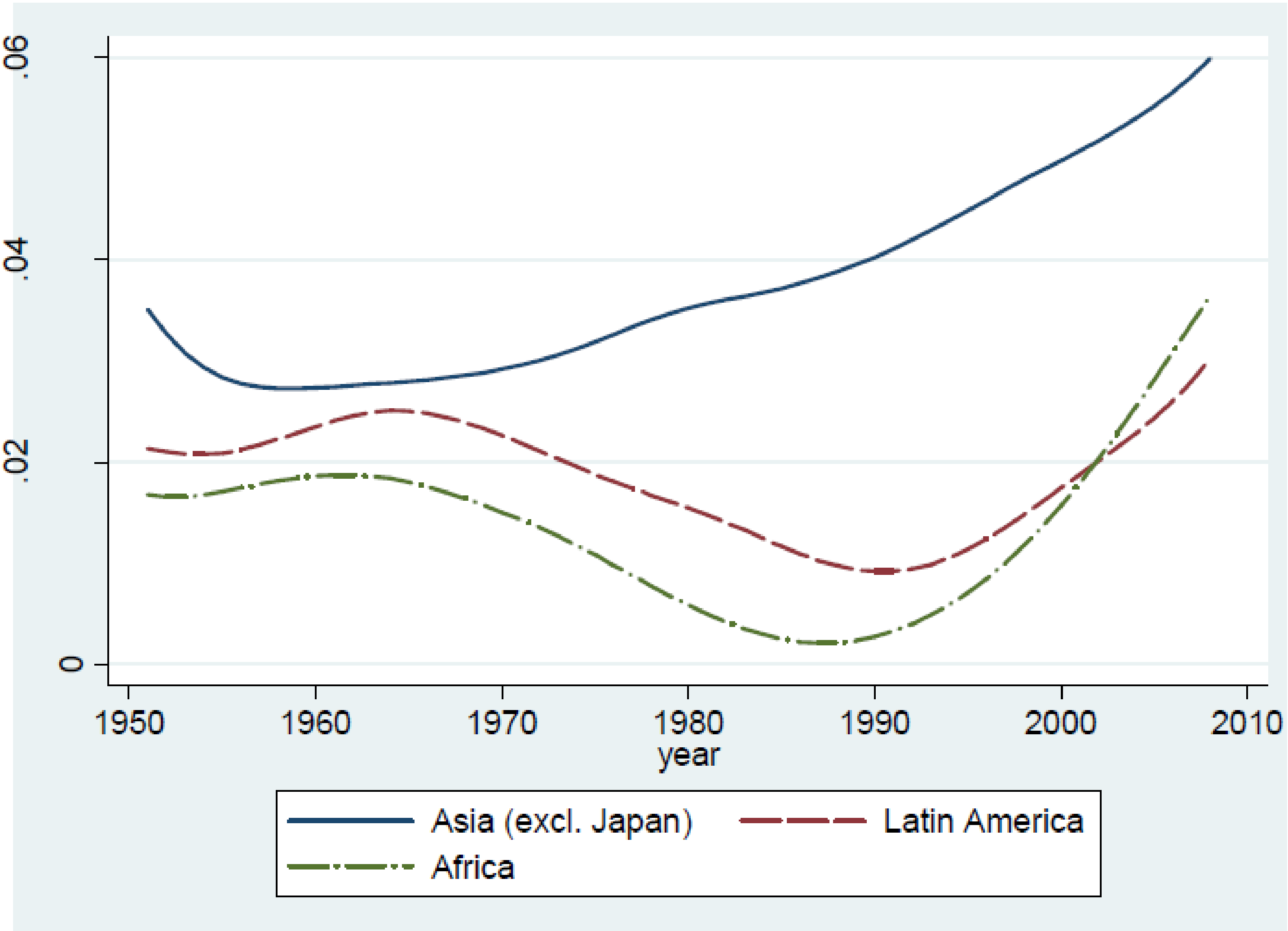


Figure 3: Developing country growth trend by region, 1950-2008

Rodrik 2011

Growth 'miracles' : 1990s and 2000s

Country	1990s	rank	features
Equatorial Guinea	**34.3**	**1**	**oil**
Iraq	14.7	4	
Cabo Verde	**10.1**	**6**	**other**
China	10.0	7	
Vietnam	7.4	11	
Malaysia	7.2	14	
Uganda	**6.9**	**17**	**post-conflict + aid**

Growth ‘miracles’ : 1990s and 2000s

Country	2000s	rank	features
Equatorial Guinea	**13.2**	**1**	**oil**
Qatar	11.8	5	
Liberia	**10.2**	**6**	**post-conflict + aid**
China	9.9	7	
Angola	**9.6**	**8**	**oil and post-conflict**
Ethiopia	**8.8**	**9**	**other**
Chad	**8.8**	**10**	**oil**
Afghanistan	8.7	11	
Nigeria	**8.0**	**14**	**oil**
Rwanda	**7.8**	**18**	**other**
Mozambique	**7.2**	**23**	**other NR**
Zambia	**7.0**	**24**	**copper**

Industrial employment: some contrasts

Employment in manufacturing (% of total)

Selected Asian and Latin American countries post-2000		
Country (sorted by %)	**latest survey**	**% of total employment**
China	2007	28.8
Taiwan	2008	27.7
Malaysia	2009	16.6
Mexico	2008	16.5
Singapore	2009	15.7
Brazil	2009	13.8
Thailand	2009	13.8
Colombia	2008	13.4
Vietnam	2004	11.7
India	2010	11.0
Sample average		*16.9*
Sample median		*14.8*

Source: ILO, Global Employment Trends 2011 and KILM (2011)

Employment in manufacturing (% of total)

All Sub-Saharan Africa with available data post-2000		
Country (sorted by %)	**latest survey**	**% of total employment**
Mauritius	2008	19.7
South Africa	2008	14.3
Ghana	2006	10.9
Nigeria	2004	9.8
Senegal	2006	7.8
Botswana	2006	6.7
Namibia	2008	6.3
Uganda	2009	6.0
Zimbabwe	2004	5.9
Ethiopia	2005	4.8
Zambia	2005	4.0
Kenya	2005	3.6
Tanzania	2006	3.1
Madagascar	2005	2.8
Burkina Faso	2005	2.0
Rwanda	2005	1.8
Mozambique	2003	0.8
SSA extended sample average		*6.5*
SSA extended sample median		*5.9*

Source: ILO, Global Employment Trends 2011 and KILM (2011)

Sources of productivity growth: further contrasts

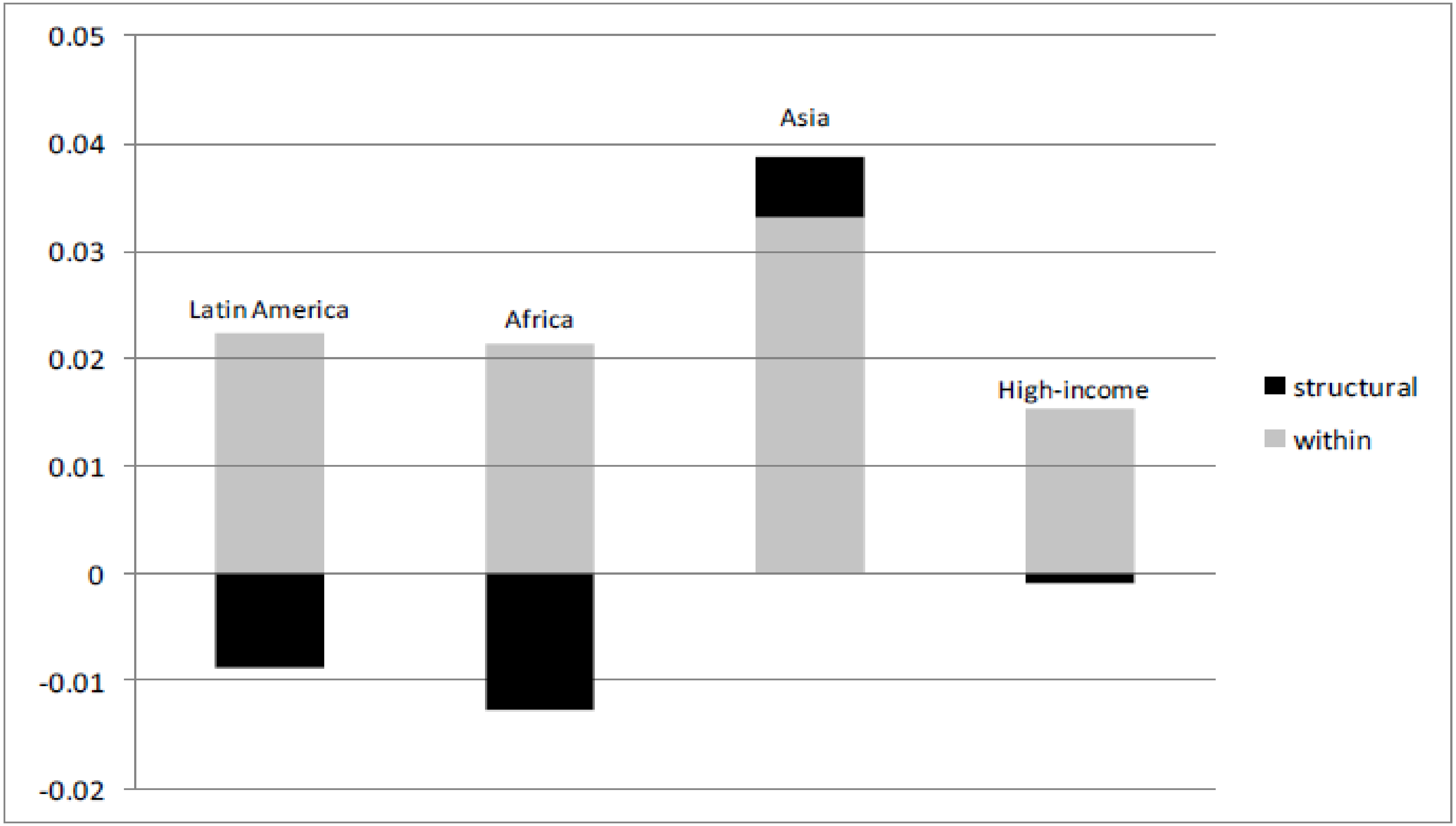


Figure 8: Decomposition of growth between "within" and "structural change" components, 1990-2005

Source: McMillan and Rodrik (2011). Regional averages are unweighted averages for countries for which data are available.

The old 'structuralist' rationale for aid

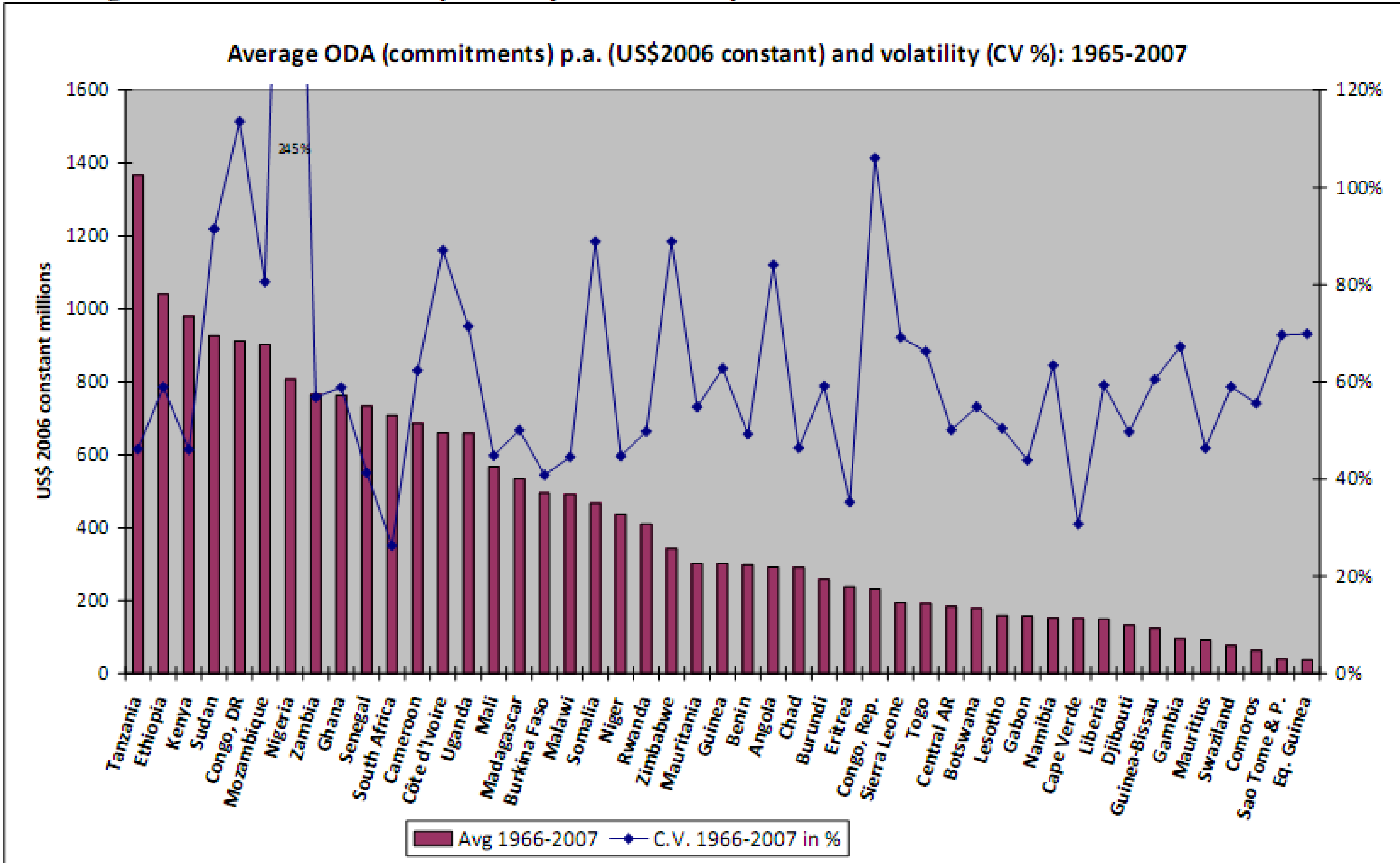
- Three <u>macroeconomic</u> gaps:
  - Savings gap
  - Foreign exchange gap
  - Fiscal gap (when positive links between Ig and Ip)

- <u>Developmental</u> role:
  - Late development/ industrialization →
  - investment and foreign exchange needs (import dependence) in context of low savings + constraints on export revenue generation →
  - inevitability of foreign savings and chronic trade deficits

But two main constraints…

Aid volatility in Africa

Figure 3. Aid distribution by country and volatility: 1965-2007



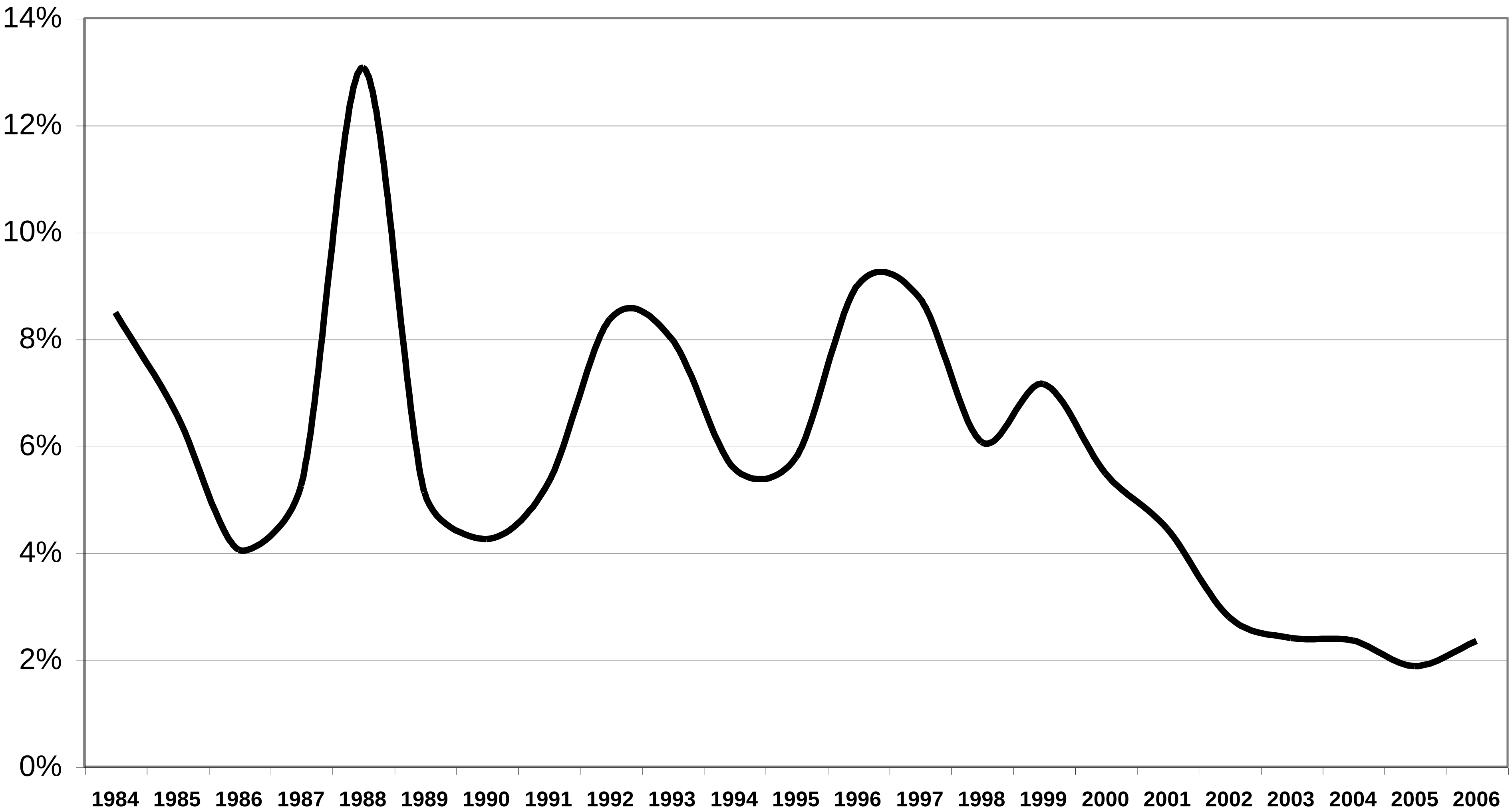
Source: Own elaboration from OECD /DAC 2008 database.

Conditionality and the loss of policy space

- **Conditionality alive but frameworks evolve**
  - Expansion of conditions → from Washington consensus to ‘Washington confusion’ (Rodrik) – endless shopping list of policy recommendations
  - Governance conditionality and move towards ‘selectivity’
  - From outcomes to process → greater interference through participation in policy-making processes (e.g. PRSPs)
  - Lack of focus on ‘production’ and structural change

Sector bias of aid: implications of focus on macro, social policies and governance

Aid to agriculture as a proportion of total gross disbursements (Sub-Saharan Africa)



Not all African countries equally affected

Agency and rents matter: despite these common problems outcomes may differ

Spectrum of 'government control' over policy agenda and implemented outcomes

Ownership as 'control' and not as 'commitment'

Strongest

Weakest

Bostwana (1960s-70s)

Ethiopia

Rwanda

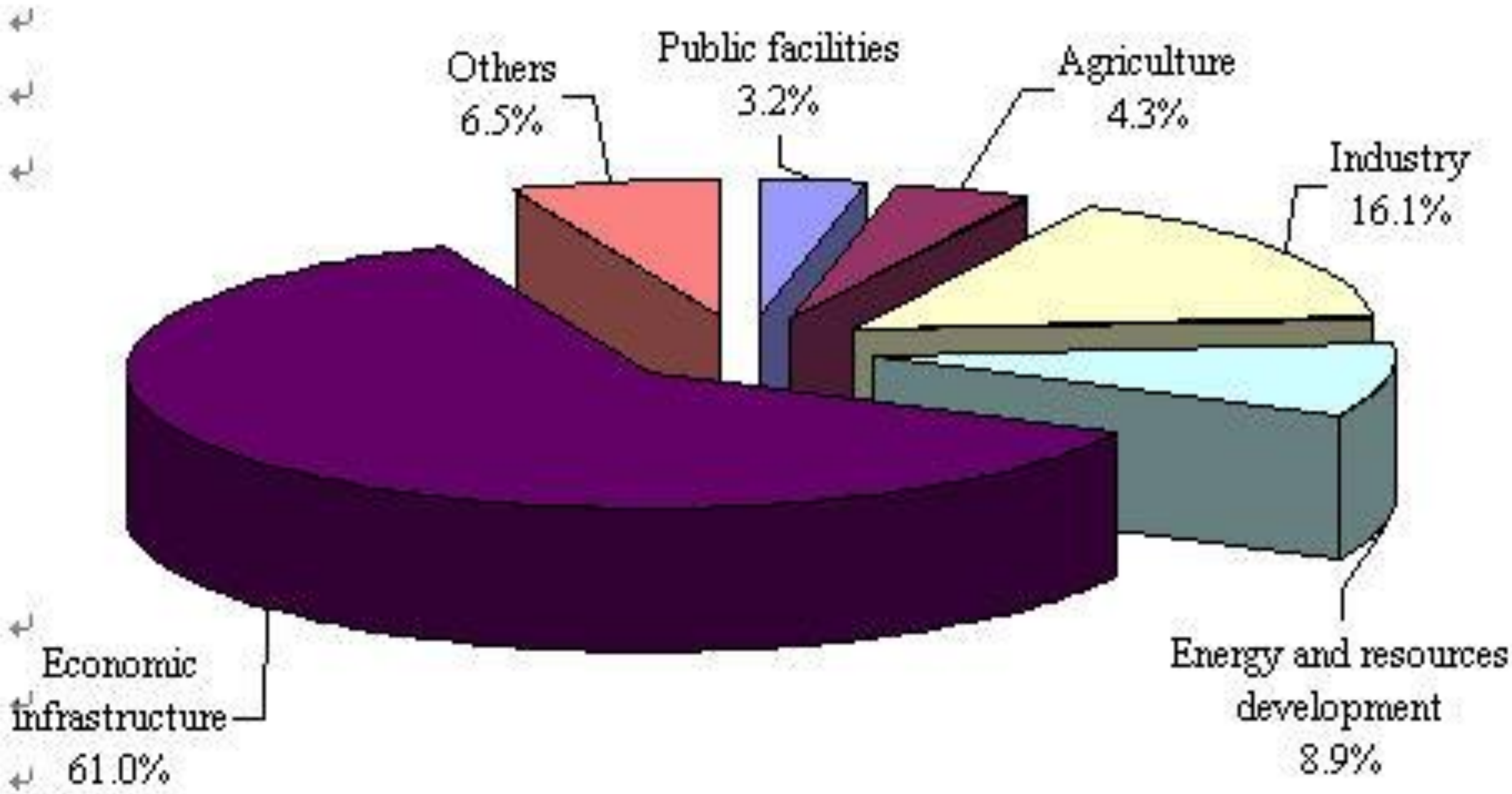
Ghana, Zambia, Mozambique, Tanzania, Mali

Key issues: structural conditions (economic, geopolitical, etc.) → **negotiating political capital**

Source: Whitfield (2009, p. 331).

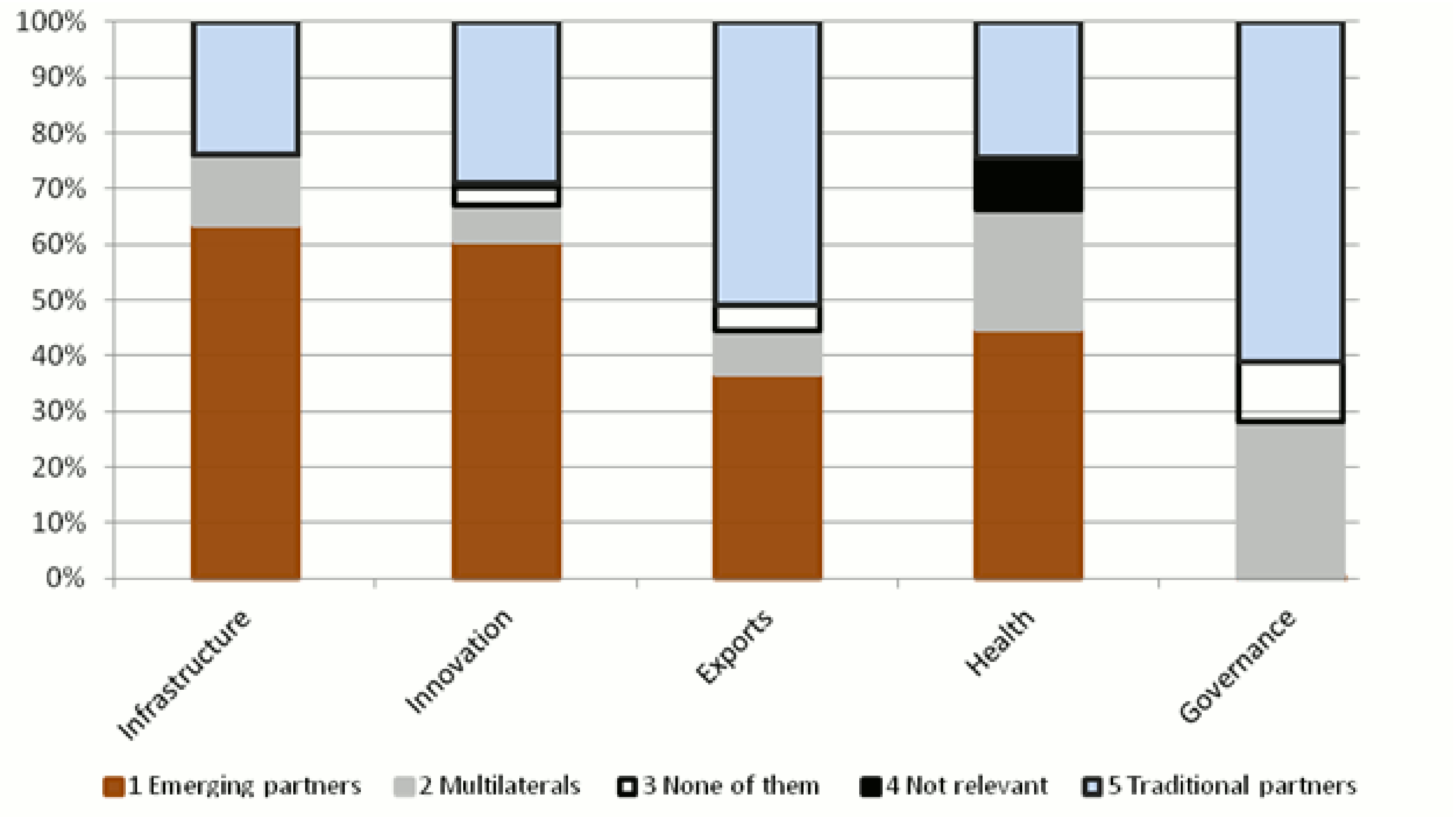
And negotiating capital may be enhanced by emerging partners (China etc.)

- No <u>policy</u> strings in aid programmes
- Focus on basic economic infrastructure and investment projects with long maturity
- Less bureaucracy and transaction costs → more cost-effective and faster delivery
- Potential for technical cooperation at level of long-term strategic planning – learning from Chinese experience?
- Critics:
  - Aid to ‘rogue states’? Not really, all sorts of recipients…
  - Focus on natural resources? Not only, multiple interests and multi-sector approach
  - Aid tying? Yes, but still cost-effective
  - No concern for governance issues? Not really (think Sudan, Angola…)
  - Promoting a ‘Beijing consensus’? Not yet and no interest from China



Others
6.5%
Public facilities
3.2%
Agriculture
4.3%
Industry
16.1%
Economic
infrastructure
61.0%
Energy and resources
development
8.9%

Perceived comparative advantage



Who among the following partners are typically most effective at meeting the development objectives of the country?
Source: http://www.voxeu.org/index.php?q=node/6741 and African Economic Outlook 2011 p. 109

‘Flying geese’ to Africa?

- “Leader's imperative for internal restructuring“
- Rising labour costs in Asia (China)
- ‘Going out’ for Chinese, Indian, Brazilian, Turkish capital…
- Export opportunities and expanding African markets
- Industrialization deficit in Africa

Ethiopia's exceptionalism?

- £1.5bn investment expected in 2015 and E&Y expecting this to continue for a few years
- China was providing the largest number of investments by 2014, although by value, the biggest investors were Turkey and India
- Ethiopia is landlocked, but:
  - Low power prices
  - Access to land
  - Very low labour costs
  - Tight security
  - State-owned Ethiopian Airlines
- Expected to become a major manufacturing hub in Africa in the medium term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Questions by way of conclusions

- Will economic transformation and structural change depend on FDI?
- What place for pro-active industrial policy?
- Will international finance and development aid decisively turn to economic infrastructure?
- How will dynamic national investors be promoted?