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Africa’s outlook appears bright and optimistic. Over the past year since the last Annual Meetings, macroeconomic and political stability across Africa has continued to improve. GDP growth of over five per cent on average in the past decade, in the face of the global economic crisis, earned the continent the top position among regional economies.

The growth surge over the past decade is expected to continue and the ‘lion economies’ of an emerging Africa are likely to outperform the ‘tiger economies’ of Asia over the next decade. According to the IMF forecast for 2011 to 2015, seven African countries – the DRC, Ethiopia, Ghana, Mozambique, Nigeria, Tanzania and Zambia – are expected to be among the world’s ten fastest growing economies.

Africa’s debt ratios are better than those of Europe, and several African countries have successfully launched ‘Eurobonds’ (e.g. Ghana, Kenya, Nigeria, South Africa and Zambia). In the past couple of years, democratic elections have been held in more than 20 countries across the continent. Reforms to improve the business climate in several countries, coupled with the region’s abundant natural resources, good growth prospects and improved political stability, make Africa an attractive opportunity for trade and investment despite a stagnant global economy.

These positive developments over the past decade have resulted in a major change in how Africa is perceived in the context of the global economy – from “the hopeless continent” to a “continent of hope” – and reflect the continent’s potential as a pole of global growth and new markets in a globalizing world.

However, this positive macroeconomic outlook is only a partial picture with respect to Africa’s future development. It is evident that high growth rates and increased investments and trade volumes have not contributed significantly to a reduction in poverty and social disparities in African societies, nor have growth and investment generated anywhere near the number of productive and remunerative jobs required to meet the needs and expectations of Africa’s growing youthful labour force and unemployment remains high overall.

The issue of ‘inclusive growth’ remain illusory. Although the middle class in the continent’s population is growing, generating a consumer boom and higher domestic investment, the majority of the continent’s population eke out a rather precarious livelihood in both rural and urban areas. There are serious and urgent development concerns with regard to food security, access to healthcare and relevant and quality education, reliable energy and clean water supplies, management of rapid urbanization, green growth, and climate change mitigation and adaptation.

In the political sphere, the challenge of governance and accountability persists. The main development challenge facing African leaders and policy-makers at present is not so much about how to grow their economies, but how to transform growth into a sustainable future for the continent: growth that drives human and physical development and growth that is self-sustaining over time.

It is in this context that the general theme of this year’s Annual Meetings of the African Development Bank Group, ‘Africa’s Structural Transformation’, comes into focus. This theme is about reforms in economic and social policies and programmes designed to transform national and sub-regional economies in Africa from the current low-income level, in which the basic human needs of the majority of the population are not being met and physical and social infrastructures are lacking, into dynamic and internationally competitive economies, in which growth results in a
wider access to sustainable socio-economic benefits and opportunities for the largest number of people and with the prospect of graduating into middle, or even high, income status within a generation.

The notion of structural change as required to stimulate more inclusive and sustainable patterns of economic growth and promote political governance and accountability is captured in the range of topics selected for the High Level Seminars and High Level Debate to be conducted alongside this year’s Annual Meetings, and I personally look forward to participating in them as well as gaining valuable insights into the practicality of policies and programmes for the economic transformation and sustainable development of Africa.
According to credible forecasts the economies of Africa are, for the most part, expected to continue to record solid growth performance in 2013 and beyond.

But African leaders and policy makers will continue to confront major development challenges with respect to both the drivers and outcomes of economic growth. While natural resource exploitation is driving dramatic growth surges in several African countries, it is proving far more challenging for governments to translate the enormous wealth and investment benefits from the region’s abundant natural resources into equitable and inclusive growth that impacts positively on poverty reduction and job creation.

Much of Africa’s growth is derived from primary agriculture and extractive industries and the current relatively high rates have been largely the result of a long commodity boom. The growth trend is not likely to be self-sustaining over time, given the cyclical volatility of demand and price for commodities in global markets, and could be a source of instability in future macroeconomic performance and uncertainty about prospects for sustainable development.

The huge potential of African agriculture and minerals as a powerful driver of stable and inclusive growth is contingent on diversification into on-site value-addition processing and manufacturing as part of a larger process of industrialization which has not yet taken root on the continent.

Short of economic transformation, it is inconceivable for current growth to be sustained and accelerated enough to drive the attainment of economic and social targets required for reducing poverty significantly and creating the quantity and quality jobs needed by Africa’s teeming millions of youth entering the labour force annually.

African countries need to proactively promote coherent policies for the required structural change. The notion of structural transformation, which is the general theme of this year’s Annual Meetings, as applied to the contemporary African situation implies bold actions on many fronts to meet the array of development challenges in the path of rapid, sustained and inclusive economic growth.

The plenary session on “Africa’s Structural Transformation” provides an opportunity to focus on policies and institutional changes needed to stimulate more inclusive and sustainable patterns of growth and, thereby, transforming African economies from low-income primary producers into dynamic and internationally competitive middle to high-income manufacturing countries.

In broad terms, the structural reforms needed for this transformation are not confined to the realm of economic management, but extend to the political and social spheres with respect to leadership, rule of law, governance and accountability and social protection.
The theme for this year’s Annual Meetings (AMs) of the African Development Bank is ‘Africa’s Structural Transformation’ which encapsulates Africa’s contemporary development challenges and prospects and its role as an emerging continent in an evolving global economy.

Africa’s economies in general have been enjoying a period of relatively high growth recently, at a time when growth has been sluggish and in some cases even precarious in other regions of the world in the face of a global economic crisis. This suggests that the main concern for African leaders and policy makers is not so much about how to grow their economies, but rather about how to ensure that high economic growth is sustainable over time and that growth is translated into badly-needed human and physical development in terms of poverty reduction, job creation and social progress for the people and improvements in the continent’s vital infrastructure.

This is where ‘structural transformation’ comes into focus, as it concerns economic policies and programmes designed to transform national and regional economies from the current low-income level in which people’s basic needs are far from being met, and electricity supply is unreliable into economies in which economic growth results in a wider access to sustainable socio-economic benefits and opportunities for the largest number of people. The notion of structural change reflects the urgent need for bold actions on many fronts to tackle the array of problems and confront challenges and opportunities that stand in the way of the transition of an emerging Africa into dynamic and internationally competitive economies and their graduation into middle, or even high, income status within a generation.

Structural reforms are needed primarily for stimulating more inclusive and sustainable patterns of economic growth; providing sufficient physical and social infrastructure; improving the management of the continent’s abundance of natural resources; investing in human capital and creating jobs at the same time so as to ensure that Africa reaps the demographic dividend of its youthful population; making the rapid urbanisation that is sweeping through the region sustainable and gainful; and adopting industrialisation strategies and policies that better prepare Africa to take over the lower end of global manufacturing from industrialised countries and the emerging economies.

The actions needed for reform are not confined to the realm of economic management but extend to the political sphere with respect to leadership, the rule of law, governance and accountability and social progress for individuals and households through decentralisation of resources and power to local levels.

The above holistic conceptualisation of structural transformation is captured in the topics of the six High Level Seminars for the 2013 Annual Meetings, variously on:

- Unlocking potential: Financing Infrastructure and Accelerating Regional Integration
- Inclusive Growth and Sustainability: Framing the Issues
- Africa’s Cities and Sustainability
- Africa’s Natural Resources: What is the Agenda?
- Global Value Chains: Africa, the Factory Floor of the World?
- Demographic Dividend or Time Bomb?

and respectively in the themes of the High Level Debate:

- Is this Africa’s Hour?
- and the CEO Dialogue:

- Business and Government: It takes Two to Tango

Africa has progressed, moving from economic stagnation in the 1980s and 1990s to robust GDP growth of over five per cent...
on average in the past decade, with the continent accounting for seven of the ten fastest growing economies in the world in the last couple of years. African leaders and policy-makers must take advantage of this positive growth scenario to develop their economies and improve the lives and livelihoods of their people, so that all members of society can benefit from the growth process on a sustainable basis. This calls for economic transformation and sustainable development which can be accelerated through stimulating and facilitating positive changes in economic management motivated by ‘practicality’, rather than ideology and greed, and improvements in governance, as required for harnessing the continent’s youthful potential; converting production and productivity in the dominant agricultural and extractive sectors toward industrial upgrading and technological innovation; investing in education and skills and in science, technology and innovation to compete in an increasingly globalised world; and capitalizing on the opportunities created by continent’s burgeoning middle class for expanding production and productive jobs linked to growing consumer markets for modernised goods and services.

Efforts to accelerate Africa’s economic transformation will undoubtedly face formidable challenges as major constraints pertaining to infrastructure, skills, trade facilitation, and private sector development exist for many countries, and these may take time to resolve.

But Africa should not wait until all of these obstacles are cleared before taking action to transform its economies. The lessons from other developing regions and countries (e.g. South Korea, India, Thailand, China, Brazil, Mexico, Costa Rica) have succeeded in growing and developing their economies sustainably and in achieving industrial development and upgrading including agriculture, show that transformation can take place while still grappling with the same sorts of constraints currently affecting Africa.

Transformation should be viewed as a process of continuous change and innovation in the harnessing and using of factors of production and technology which, in turn, contribute to sustained growth and the advancement of economic development and social progress.

1. Financing Infrastructure and Accelerating Regional Integration: This discourse highlights the importance of physical infrastructure (transport, energy, telecommunications and water) for improved growth performance in Africa and the need for investments to bridge the massive infrastructure gaps that exist in the region. Infrastructure plays a central role in attracting investments for industrialisation, improving competitiveness, facilitating domestic, regional and international trade, and enhancing integration into the global economy.

Africa’s absolute and relative lack of infrastructure points to the existence of untapped productive potential, which could be unlocked through scaling up investments in infrastructure. The estimated financing requirement to close Africa’s infrastructure deficit amounts to US$ 93 billion annually until 2020. The discussion also focuses on regional infrastructure needs and how meeting these needs through cross-border projects, such as transport corridors and transnational hydro-electric and water supplies, could enhance regional integration goals and concretize cooperation arrangements for building markets and creating robust and diverse economies in a region that are more closely interconnected.

The small size and primary production structure of the typical African economy provide the rationale for pursuing mutually beneficial economic cooperation and regional integration, as a way of increasing opportunities for growth and trade competitiveness and for attracting new sources of investment finance. Whether at national or regional level, it is crucial from a sustainable development standpoint to assess Africa’s infrastructure gaps and to explore opportunities to attract financing sources and introduce new mechanisms for closing Africa’s infrastructure gaps.

2. Inclusive Growth and Sustainability: Africa’s strong growth performance in recent years has evidently not been matched by significant reductions in existing high levels of poverty and unemployment across the continent. High growth as has occurred in several African countries therefore provides only a par-
tial picture of overall development: many countries that have achieved higher GDP growth rates and increased trade volumes over the past decade have not succeeded in improving key quality of life indicators for their citizens, or in solving perennial infrastructure problems of unreliable electricity and clean water supplies and insufficient and poor road networks.

Because of the lack of ‘inclusiveness’ in the pattern of growth, too few Africans are benefiting from the continent’s robust growth: much of Africa’s enormous resource wealth remain in the hands of narrow elites and foreign investors; rural populations are trapped in poverty and isolation; and a growing ‘urban divide’ leaves many urban dwellers excluded from the benefits of modernization and city life and without jobs and income. Growth, as presently experienced, may have actually intensified the extreme disparities in basic life-chances and staggering inequalities that are preventing millions of Africans from realising their potential.

At the same time, it is doubtful that the current high growth rates that are being enjoyed by African countries can be sustained over time because of the origin and nature of this growth. Much of Africa’s growth is derived from primary agriculture and extractive industries, and the current high rates have been largely the result of a long commodity price boom which is not likely to be self-sustaining. The discussion will provide an opportunity to identify the key issues that stand in the way of meaningful and sufficient economic transformation for stimulating equitable and sustainable growth, and exploring what can realistically be done about these, with respect to narrowing social disparities linked to wealth, gender and rural-urban divide; adding value to the extraction of agriculture and mineral resources, and improving governance and accountability.

The main challenge is to put in place policies and institutions that would ensure that high economic growth results in wider access to sustainable socio-economic opportunities for a broader number of people, while protecting the most vulnerable groups in society, and adopt industrial strategies and policies designed to get manufacturing off the ground and support sustainable structural transformation of the economy.

3. Africa’s Cities and Sustainability: Globally, there is an inexorable population shift towards living in cities, particularly in the developing world including Africa. The UN predicts that by 2030 more people will be living in urban environments than in rural communities in Africa, and Africa’s urban population is projected to more than triple within the next four decades.

This discussion here is centred on the current trend of rapid urbanization in Africa and the challenge of making it sustainable. In principle, rapid urbanization should be good for Africa, as cities are regarded as drivers of growth and development and generally there is a correlation between the extent of urbanization in a country and its per capita GDP. In practice, increased and rapid urbanization in Africa, as exemplified by mega-cities such as Cairo, Lagos, Johannesburg and Kinshasa and medium cities such as Abidjan, Nairobi, Durban, Kampala and Rabat, has been rather chaotic. Such urbanization is often not driven mainly by growth-enhancing factors linked to the creation of new jobs and economic opportunities but entails negative factors which present formidable development challenges of management and sustainability (slums, crime, unemployment, poor and overstretched infrastructure and distorted and inequitable consumption patterns).

The result is a growing ‘urban divide’ that leaves many urban dwellers excluded from the benefits of modernization and city life. Without doubt, rapid urbanization is transforming the spatial configuration and physical landscapes of African economies. With this transformation come both opportunities and challenges of accelerated economic growth and sustainable development. It is important that the potential of rapid urbanization to stimulate growth and sustain development is realised through proper planning and better management of cities that connect urbanization to structural change in a productive and economically beneficial way for all urban dwellers as well as create greater synergy between urban and rural economies.

4. Africa’s Natural Resources: Africa is endowed with abundant natural resources (agriculture and minerals) which have attracted significant investments in exploration and extraction that are largely responsible for the region’s impressive growth performance in recent years.
Many African countries have discovered more and new natural resources, including oil and gas, high-grade iron-ore, bauxite, chromium, platinum and phosphates as well as some of the world’s rarest metals needed for high-tech industrial production, and the region has vast arable land and timber resources. With such an array of natural resources and rising global demand for them, natural resources will continue to play a very important role in Africa’s economic development and transformation, but only if they are properly managed and backed by effective governance.

The major challenge facing African governments is how to translate the enormous wealth and investment benefits from natural resources into inclusive growth and sustainable development in terms of poverty reduction, job creation and industrialisation. This amounts to a re-examination of the relationship between resource wealth and development outcomes, and the implications for inclusive growth and long-term structural transformation.

If Africa is to overcome the so-called ‘resource curse’ associated with current economic activities in its agriculture and extractive sectors, and use its natural resources to fuel sustainable socioeconomic development and long-term growth, it is important that the pattern of resource exploitation in the continent is determined by the needs of Africa and for the benefit of its populations. Discussion of global, regional and national legal and regulatory frameworks, strategies, critical policies and governance structures for sustainable exploitation of Africa’s natural resources is therefore timely and relevant.

5. Global Value Chains: The absence of significant industrialisation in much of Africa is a missed opportunity for more robust, diversified and sustainable economic development.

The Asian experience of industrialisation provides a model for Africa to look at as a basis for its own industrial development. There are specific industrial policies and programmes that worked in Asia and that possibly can be replicated in Africa.

Among these are Global Value Chains (GVC) and Special Economic Zones (SEZ). A Global Value Chain is about the distribution of a particular type of production process between different producers through a division of labour that brings benefit via the distribution of income and profits between participating developing and developed countries. Actors in a value chain may range from micro enterprises to multinational corporations, and these actors – the different links in the value chain – can be embedded in quite different environments. The promotion of value chains is now widely recognised as a strategy for helping developing countries to get out of primary production and into processing and manufacturing activities as part of the process of industrialisation.

Africa seems ripe for using the global value chain approach to drive its industrialisation process and enhancing its role as a global growth pole, with the added bonus that might involve linking rural producers and urban processing and marketing enterprises at the domestic end of the chain.

Furthermore, the current era of globalization supports the coordination of production and trade relationships needed for GVC operations, based on the openness of trade and direct foreign investment and the global integration of production systems.

The discussion will focus on the unprecedented opportunity provided by GVCs for African economies to move beyond producing raw materials and build dynamic and competitive manufacturing sectors capable of processing the continent’s abundant minerals and agricultural products.

It is also an opportunity to make use of SEZs - designated areas possessing special regulations and economic incentives for promoting industrialisation – for organising production around processing and manufacturing activities, with the aim of creating sustainable jobs and stimulating inclusive growth as new markets for value-added products evolve both in the continent and externally in the industrialised and emerging economies. With China and other East Asian countries graduating to higher-value industrial production, Africa stands to benefit from the outsourcing of lighter manufacturing businesses from those countries based on production organised around GVCs and SEZs.

6. Demographic Dividend or Time bomb? Africa has a very young population, with over two-thirds of the continent’s total population under 25 years of age and about 200 million young people aged between 15 and 24 years.
The continent’s youth population is projected to continue growing until 2050 and beyond; between 2010 and 2050, it is expected to grow by another 200 million. By 2030, Africa is projected to have as many youth as East Asia and by 2050 it could exceed the youth population of South Asia.

The rapid growth of the youth labour force implied in Africa’s demographic transition provides both a challenge and an opportunity from a development standpoint. Africa’s delayed demographic transition holds out the promise of African economies benefiting from the “demographic dividend” of this demographic change in the coming generation – as has been the case for East Asian countries in the 1980s and 1990s.

A rapidly expanding youth component in the labour force can drive accelerated economic growth and social development and become a formidable asset for innovation and creativity. However, in order for African countries to benefit from this demographic dividend, young people need to be productively employed and integrated in society.

From a long-term demographic perspective, and in the light of recent impressive growth performance, African countries face the challenge of turning their youth population into a development bonus. Countries need a comprehensive strategy and sensible policies to provide young men and women with relevant skills and knowledge to take advantage of development opportunities. In the present context, most African countries with their large youth cohorts are facing growing challenges in absorbing young people meaningfully into education systems and labour markets.

Lack of employment opportunities in the face of rapidly growing youth labour force in Africa is a ticking ‘time bomb’, as disaffection among young people can directly and indirectly result in actions including violent conflicts that undermine social cohesion and even threaten political stability - as some countries in the continent have already experienced.

High-Level Debate: Is this Africa’s Hour? For decades, the dominant African image and narrative in the media was of famine, war, and disease. More recently, in the light of measurable economic upturn and a relative reduction in famine, disease and political instability across most of the continent, the narrative has changed to one of thrusting progress and hope.

Many countries in the region have learned from past mistakes and now face huge new opportunities. Improvements in macroeconomic and basic social indicators are being recorded, largely on the basis of development strategies and policies designed and executed by Africans themselves. There is no doubt that Africa has been making recognisable progress particularly in terms of economic growth. In the past decade seven of the world’s ten fastest growing economies were in Africa, and in eight of the past ten years Africa has grown faster that East Asia. The rate of foreign investment has soared around ten-fold in the past decade, with billions of dollars annually is going toward the extraction of the region’s abundance of natural resources and related infrastructure development. Both The Economist and Time magazine have in the past year or so published cover stories extolling Africa as a continent of growth and aspiration, complete with positive statistics and photos of smiling children and confident young men and women.

After decades of economic stagnation, Africa is now moving ahead - Is this Africa’s hour?

The idea of Africa’s rise comes mainly from a straightforward interpretation of high growth rates and increased foreign investments in parts of the continent. While Africa’s growth performance is indisputable, there are divergent views regarding the type of growth and what constitutes appropriate development for the continent.

Without diminishing the important role of economic growth in the development process, there are concerns that growth has not led to more equity and greater poverty reduction nor has growth created the quantity and quality of employment opportunities needed for Africa’s teeming millions of young people.

There is a huge infrastructure deficit on the continent with respect to the transport, energy, water and sanitation sectors. Addressing these development constraints and challenges, in order to unleash Africa’s potential as a pole of global growth, will require the struc-
structural transformation of African economies, entailing urgent and concerted action in many areas.

Optimism about the future of Africa based on the continent’s robust economic growth performance, therefore, has to be tempered with caution in terms of the impact of growth on physical and human development. A major policy challenge for an emerging Africa today is how to sustain growth over time and use growth as a basis for broadening access to economic opportunities for its rapidly growing population, including the most vulnerable groups, as part of the necessary process of structural transformation.
1 | Introduction

Across Africa, investments in physical and social infrastructure have failed to keep pace with growth and demand, creating a serious infrastructure deficit, which is a major obstacle to attracting investment, achieving broad-based and inclusive growth, and reducing poverty in the region.

Less than 40 per cent of the population of the continent has access to electricity. About a third of the population lack access to clean drinking water. Approximately two-thirds of the population lack access to good sanitation facilities. Only about a third of the rural population has access to roads, and only five per cent of agriculture is under irrigation.

Africa’s infrastructure deficit situation in Africa is remarkable even when compared with other low-income countries and developing regions. The low-income economies of Africa have fewer miles of paved roads and fewer modern freight and passenger-transport systems than any other region in the world. Most of sub-Saharan Africa (SSA) is affected by unreliable electricity supply, which represents a major obstacle to the pursuit of economic activities with negative consequence for growth and long-term sustainable development. Businesses in many African countries suffer from power outages on more than half of the days they work per year. In addition, electricity costs are much higher in Africa compared to other developing countries and regions. Similarly, road freight charges are far more expensive in Africa than elsewhere. Inadequate and costly infrastructure is cited by most African-based enterprises as the single biggest obstacle to doing business in the region.

Although SSA economies grew by an average of almost five per cent annually over the last decade, constraints posed by weak physical and poor social infrastructure which contribute to high production and transaction costs, among other things, stand in the way of the transformation of these economies into rapidly growing, efficient and internationally competitive structures that will yield economic and social benefits for the larger segment of the population. To maintain and accelerate growth and create economic opportunities, African countries must address the binding constraints posed by the region’s deficient infrastructure. There is evidence that those countries in the region that have invested strategically in infrastructure are beginning to reap the benefits in terms of improved trade, job creation, better human development outcomes and dynamic spill-over effects that generate economic growth and enhance poverty reduction efforts. While infrastructure has undoubtedly played a significant role in Africa’s recent economic revival, it will need to play an even greater role if development targets and aspirations are to be met.

Opportunities for regional integration within Africa are also seriously hindered by the lack of cross-border infrastructure needed to boost intra-African trade, bring down costs and increase international competitiveness of national economies, which in turn will increase the return to other investments as well as catalyse further investment in regional projects with real growth and employment prospects. For this to happen, however, countries and regions within the continent have to be physically and economi-
cally connected and linked through appropriate cross-border infrastructural facilities in sectors such as transport, energy, telecommunications and water and sharing of common services. In an increasingly inter-connected world, regional integration represents a framework for improving competitiveness, facilitating domestic and international trade, and enhancing the continent’s integration into the global economy; thereby, ensuring that African countries reap the benefits of globalization and strengthen their position in international economic negotiations.

Advancing infrastructure investment is vital for promoting economic growth and for furthering the goals and objectives of regional integration in Africa. The challenge is formidable. The financing requirement to close Africa’s infrastructure huge deficit is estimated at approximately US$ 93 billion annually until 2020. It is clear that scaling up infrastructure financing from the traditional sources of taxes, government borrowing and aid will not be adequate to successfully address the infrastructure gap. Infrastructure investments in Africa are low primarily because of consistent under-investment and lack of attention accorded to the sector during the 1980s and 1990s, as well as fiscal constraints that limit the ability of the public sector to invest in infrastructure.

New and innovative sources of finance are required, and a range of policy options should be considered. Public-private partnerships (PPPs), which use private expertise and funding to construct, operate and maintain infrastructure and deliver public services, are one of the solutions African governments are turning towards to bring down infrastructure deficits and reduce wastage in infrastructure investments. While African governments are actively exploring opportunities for new sources of private finance for infrastructure, there are important inherent factors to be considered and addressed. For instance, there is little incentive for the private sector to invest in projects that have the characteristics of public goods; a lack of stable long-term finance; high sector-specific operational risks and similarly high macro risks that could arise from poor governance and political instability. For their part, governments on need to ensure that PPP infrastructure projects are well-structured, that they deliver value for money, and that operational risk is transferred to the private sector.

While estimates of Africa’s infrastructure gap are huge, it is nonetheless encouraging to note that about half the continent’s infrastructure financing needs are currently being met. With seven of the ten fastest growing national economies in the world over the past couple of years located in Africa, this creates a demand for infrastructure in the region which leads to investment opportunities and which, in turn, can result in human capital development, and improved intra-African trade, with positive impact on economic growth and employment objectives. It is equally encouraging, according to a recent assessment by the UN Economic Commission for Africa that spending on infrastructure in Africa is higher than previously thought, and that a significant proportion of the region’s annual infrastructure spending is financed internally by African governments and revenues from infrastructure users.

To finance the rest of the infrastructure gap, African countries need investment partners to help them confront and exploit the particular mix of challenges and opportunities they face in improving their infrastructure towards structural transformation of their economies. Recognition in global and regional meetings and by the international community of the interdependence of the global economy has led to the inclusion of infrastructure development on the G-20 and BRICS summit agendas as a tool to drive the transformation of African economies. Emerging economies within the G-20, like China, India and Brazil, and Arab funds are now poised to become important investors in infrastructure projects in Africa - vital not only for filling infrastructure needs gaps but also in creating additional opportunities for regional trade and economic integration through the execution of cross-border projects in sectors such as transport, telecommunications, energy and water. The recently concluded BRICS summit in Durban, South Africa (March 2013), included a decision to establish a BRICS Development Bank (BDB) to support state-driven infrastructure programmes in Africa. The BRICS leaders committed themselves to hold discussions with African leaders after the summit, under the theme, “Unlocking Africa’s potential: BRICS and Africa cooperation on infrastructure”.

China’s growing presence in Africa is bringing significant quantities of infrastructure capital. Chinese investment in African infra-
structure is estimated at around $9 billion annually, with some of these investments structured around the exploitation of oil and mineral resources, including in fragile states. These include roads and bridges in the DRC; railways in Angola, Gabon and Mauritania; power stations in Zambia; high-voltage power transmission lines to connect countries in Southern Africa; mass transit systems in Nigeria, and a national communications network in Ethiopia. These and other foreign commitments are strong indications and a positive sign that infrastructure development remains an attractive opportunity for investors. From these various sources, overall external financial support to Africa’s infrastructure rose from $37 billion in 2007 to $56 billion in 2010. However, the total resources still fall short of the estimated annual $93 billion needed over the next decade. This amounts to roughly 15% of the continent’s GDP, comparable to China’s investment in its own infrastructure over the last decade.

At the regional level, the East African Community – having been re-established in 1999 after breaking in 1977- has taken significant strides towards building an effective economic framework, with significant infrastructure projects planned for integration across its five member states (Kenya, Uganda, Tanzania, Burundi and Rwanda). In southern Africa, the SADC has given rise to important cross-border infrastructure projects and initiatives involving Mozambique and South Africa, Lesotho and South Africa, Zambia and Zimbabwe, and also the establishment of regional development and transport corridors, such as the Maputo Development Corridor and the Beira Corridor, which are intended to open up regional markets, promote increased trade and investment, and serve as a tool to support economic integration.

The focus of a recent African Investment Forum in Accra, Ghana, was on the desirability and need for greater integration in Africa through cross-border infrastructure investments to drive the process of rapid and sustained growth. This is consistent with the position that infrastructure investments have the potential to boost intra-African trade and Africa’s share of world trade, which is currently estimated at only three to four percent, and alleviate bottlenecks for African economic integration.

Access to regional markets enables African countries to achieve economies of scale and reduce their unit costs, thereby boosting their competitiveness. Furthermore, through raising competitiveness to the level required to operate effectively in global markets, regional economic integration can help African countries to break out of the low productivity equilibrium and contribute towards the transformation of their economic structures.

### 3 | Funding of infrastructure in fragile states

Some countries and regions in Africa have suffered violent conflicts, political and state fragility, which make it particularly difficult to attract investment and debt financing for infrastructural projects. The case of fragile states and those emerging from conflicts in Africa, therefore, requires special tools for addressing this most pressing development challenge. Taking into account the combination of a high propensity for political instability and a low capacity to absorb development funds in fragile states, on the one hand, and the massive infrastructure deficits resulting from the effects of protracted violent conflicts and wars and years of neglect, on the other, mobilising funds for the restoration of infrastructure and basic services defies conventional approaches and calls for options with a particular focus on development planning and programming tailor-made for fragile states.

Infrastructure financing in fragile states should be integrated into effective ways to help countries break the cycle of conflict and fragility, such as undertaking projects that will promote inclusive growth by correcting urban-rural and other spatial imbalances or ethno/socio-economic group marginalisation, and should also support transition out of fragility. Recognising that fragile states cannot compete for investment resources in a market setting, the AfDB has since 2008 developed a new corporate Strategy for Enhanced Engagement in Fragile States and created the Fragile State Facility (FSF). The FSF provides dedicated resources that can be used to scale up investment in infrastructure and other development projects in fragile states and tailor such operations to the specific needs and situation of these countries.

Infrastructure projects financed under the FSF are typically designed to improve access for poor and marginalised groups and households to social infrastructure and basic services (e.g. clean water and improved sanitation, health and education), electricity,
transport, etc., while at the same time providing them with socio-economic opportunities such as through local procurement of labour, inputs and services. The Bank is currently involved in the financing over 40 infrastructure projects in fragile states with a total value of about US$1.5 billion.

4 | Funding and support for regional infrastructure initiatives

There is widespread consensus that the objective of regional integration in Africa can be best served first, by the development and expansion of cross-border hard infrastructure projects in the transport, energy and telecommunications sectors, and putting in place institutional arrangements for their management and maintenance; and, second, by accompanying measures to remove intangible barriers to the free movement of goods, services, capital and labour, and creating the institutional frameworks necessary to integrate national markets. In addition, states should take joint action to address cross-border challenges of a regional or continental nature, such as water management, climate change adaptation, and cross-border health issues. In recognition of the importance of infrastructure for regional integration, efforts to address regional infrastructure gaps in roads, railways, ports, energy and information and telecommunications technologies are now being endorsed by African leaders and projects are being undertaken by the various Regional Economic Communities (RECs), as already mentioned.

In recent years, efforts to improve Africa’s infrastructure have intensified at continental, regional and sub-regional levels to address the challenge posed by funding and regional politics for large cross-border projects. While a broad range of regional and multilateral development finance institutions are becoming more inclined to funding regional projects, there is the issue of willingness of states to let go some of the sovereignty in favour of regional cooperation in infrastructure development. Even though African leaders have long recognised the importance of regional integration as a solution to the continent’s fragmentation, and committed themselves to the pursuit of greater integration, these commitments have not always proved easy to implement: in practice, national priorities have tended to trump regional ideals and goals.

African heads of state at their most recent summit in Addis Ababa adopted the Programme for Infrastructure Development in Africa (PIDA), a multi-billion dollar continental initiative that will run through 2040. This is a demonstration of the political will of African leadership to improve the continent’s infrastructure. The main goal of the PIDA, which is managed by the AfDB, is to accelerate the delivery of Africa’s current and future regional and continental projects in transport, energy, information and telecommunications technologies, as well as trans-border waterways, with the aim to support Africa’s regional and continental integration. In the longer-term, the enhancement of physical integration through infrastructure development will boost intra-African trade and raise African competitiveness in the global economy.

PIDA has identified the growth of productive sectors as a priority and it is estimated that US$70 billion of PIDA infrastructure investment will generate US$172 billion in additional growth. In addition, it is envisaged that the implementation of PIDA projects will create millions of new jobs in the construction, operation and maintenance of infrastructure facilities. The leaders have also put in place the NEPAD Infrastructure Champion Initiative; chaired by South Africa which is also the driving force behind the new BRICS scheme to set up a development bank to finance infrastructure development in Africa. The Infrastructure Consortium for Africa, launched at the G8 Gleneagles Summit in 2005 and endorsed by the African Union, is another vehicle for mobilising infrastructure finance. The eight RECs recognized by the African Union have also implemented or developed comprehensive infrastructure development programmes.

5 | Addressing policy, financing and operational challenges

Major policy and operational challenges need to be addressed in meeting the financing requirement to close Africa’s infrastructure gap. Infrastructure spending for the general good in Africa has sometimes been undermined by economic policy and financial circumstance. Well-intentioned national infrastructure investment projects have remained unexecuted and unfinished because of budget squeeze due to unanticipated revenue shortfalls and the
impact of external financial crises on donors. Poor macro-economic decisions – e.g. distorted exchange rate, tax and trade policies - have also hampered the implementation and completion of infrastructure in a number of African countries. Since the 1980s, African countries had come under pressure from donors and lending institutions for market liberalisation and privatisation of state-provided infrastructure (e.g. public utilities), which can also affect the performance and sustainability of infrastructure projects for better or worse.

PPP as a financing mechanism for meeting infrastructure deficits brings with it a range of operational challenges which need to be adequately addressed to ensure that the projects are cost-effective, well-managed and deliver value for money. The most significant of these challenges that need to be overcome relate to political instability; balancing the interests of investors and consumers; and shortage of public sector capacity.

With regard to political instability, we have already looked at the particular situation of fragile and ‘conflict-emerging’ states and saw the need for special financing tools to support project development and implementation that entail political risk and the risk of sovereign default. Second, it is important to balance the interests of investors and consumers in PPP-executed infrastructure projects - underlined by the fact that one of the most widespread causes of poor infrastructure in Africa is the lack of cost-reflective tariffs paid by consumers for basic services. Often, the utility or service providers are unable to these are not sufficient to enable the utility or service providers to recover the costs of providing the service.

At the same time, it is politically inexpedient for governments to increase tariffs for electricity supply, water, etc. to cost-reflective rates. As a result, many governments in the region have established independent regulatory authorities to de-politicize tariffs, but such steps introduce a new challenge that must be addressed - that of successfully balancing the interests of investors and consumers and the allocation of risks between private investors and rate-payers.

Third, launching a successful PPP requires government to find the political will to make a number of decisions of critical importance quickly and transparently. This challenge is often compounded by lack of capacity and experience and gaps in understanding at the level of political decision-makers and civil servants advising them. These problems may be overcome by quality advisers and upgrading of public sector capacity, but achieving this itself is a challenge for many governments. Again, this is an area where multilateral development finance institutions such as the AfDB can step in to fill the gap through the provision of technical assistance linked to infrastructure financing.

Infrastructure development in Africa is one of the AfDB’s top priorities. This stems from the realisation that the region still has massive infrastructure needs with respect to investments in transport, energy, telecommunications and water and sanitation, which stand in the way of economic transformation and sustainable development. For example, it is estimated that high transportation costs due to inadequate road and rail networks and insufficient port facilities can add 75% to the price of Africa’s goods; more than half of countries in the region suffer from chronic power outages which is a major obstacle to industrialization. The AfDB sees infrastructure as an enabler of productivity and growth, contributing directly to growth and development in productive sectors and playing a central role in improving international competitiveness and enhancing the continent’s integration into the global economy. The Bank has calculated that bridging infrastructure gaps in the region could add at least 2 percentage points to Africa’s annual GDP growth rate.

Increased focus by the AfDB on infrastructure development is aimed at catalyzing and leveraging larger resource flows, promotion of regional connectivity, narrowing of development gaps among African economies, promoting efficient use of infrastructure and reducing user-costs, and addressing country specific infrastructure capacity constraints. In line with the Bank’s 2008-2012 medium term strategy, infrastructure financing accounted for more than half of the Bank’s operations during this period, with the energy sector receiving the largest share of 57% of approvals in 2009.

Transportation is the second most important sector, accounting for 33% of AfDB approvals. The sector provides direct opportunity for investing in inclusive and transformational infrastructure,
such as a rural road project which can stimulate economic activities around it and link rural communities with markets for their produce; and a trans-boundary road project that could unlock the potential of intra-African trade, boost international competitiveness and reduce supply chain and similar cross-border transaction costs.

6 | Conclusion

It is clear that scaling up financing from traditional sources of taxes, government borrowings, and aid is not nearly adequate to close the existing infrastructure gap on the continent. Although financing an annual infrastructure gap of almost US$100 billion is a huge challenge, African governments and their development partners have a range of policy options that could open new sources of finance. Ambitious and innovative infrastructure financing mechanisms, such as the AfDB’s infrastructure bond scheme which seeks to raise US$22 billion for ports, railways, roads and energy in the region should be considered.

Similarly, special financing requirement for fragile states has to be recognised and endorsed in the context of transition from fragility to stability. There are huge infrastructure investment opportunities in Africa, where the benefits are expected to be high. In particular, Africa’s absolute and relative lack of infrastructure point to the existence of untapped productive potential that could be unlocked through scaling-up of investments in the sector.

Finance for infrastructure is getting a boost from Africa’s natural resource extraction: mining companies are drawing up infrastructural proposals to improve the competitiveness of their resource bids; revenues from extractives are providing governments with money directly, or enabling them to borrow commercially at reasonable terms, to support the execution of public infrastructure projects. The public sector is also exploring opportunities for tapping private financing and creating new partnerships (PPP) on capital investments for infrastructure development in Africa. There is already evidence that some countries that have invested strategically in infrastructure are reaping the benefits (e.g. Ghana, Ethiopia, and Rwanda). It is therefore crucial to open opportunities to attract new investors as well as exploring new and innovative mechanisms for financing infrastructure in Africa.

Issues for discussions

What are the most optimal sources of funding for addressing Africa’s infrastructural gaps?

How can infrastructure development contribute to job creation, human capital development, domestic private investment opportunities and promotion of intra-African trade as the backbone for structural transformation and economic integration?

How can the objective and goals of regional integration be served by the advancement of cross-border infrastructure projects?

What policy reforms can foster better access to socio-economic infrastructure, including water and sanitation, improve land use and investments aimed at overcoming barriers to women’s ownership and access to productive assets, that play an important role in poverty reduction?

What are some of the best practices in infrastructure development being implemented by the RECs and how can these make a difference with respect to regional integration?

What is the role of the AfDB in infrastructure development, particularly with respect to the situation in fragile states and the least developed countries?
Introduction

Impressive as Africa’s recent strong economic growth has been, it cannot be wholeheartedly embraced and celebrated when most of Africa’s people do not benefit from it.

The strong growth enjoyed by so many African countries does not reflect itself in terms of human and physical development. Many countries that have achieved high gross domestic product growth rates, increased trade volumes and bigger foreign investments over the past decade have not enjoyed deep cuts in poverty and unemployment as a by-product, nor has high growth led to a boost in key quality of life indicators of human needs such as food, clean water, shelter, health, education for the majority of their populations.

The advancements made in macroeconomic performance are being undermined by a lack of ‘inclusiveness’ in the pattern of growth. Too few Africans benefit from the continent’s growth, and too much of Africa’s enormous resource wealth - and the benefits it brings – remains in the hands of narrow elites and foreign investors. Rural populations remain trapped in poverty, insecurity and isolation, and in cities and towns a growing ‘urban divide’ leaves many urban dwellers excluded from the benefits of modernization and city life and without jobs and income. Not only has growth failed to benefit the majority in terms of human development, but it may be contributing to or worsening the extreme disparities in basic life-chances and staggering inequalities that are preventing millions of Africans from realising their potential.

Another disquieting aspect of the current high growth rates that are being enjoyed by many African countries concerns the origin of growth in relation to its sustainability. Much of Africa’s growth is derived from primary agriculture and extractive industries, and the current high rates of growth have largely been the result of a long commodity boom which is certainly not self-sustaining. Extraction of agriculture and mineral resources without domestic value addition and lack of governance and accountability could stand in the way of meaningful and sufficient economic transformation for stimulating sustainable growth.

Growth in Africa has generally not been underpinned by a long-term strategy for industrialization, and the manufacturing base is very low around the continent with the exception of a small group of countries, such a South Africa, Tunisia, Morocco and Egypt. Africa remains marginal in global manufacturing. The prospect for sustainable growth based on natural resources-based and low-technology export-oriented manufacturing activities is further constrained by the lack of infrastructure and inadequate institutional support for industrialization, and which could stand in the way of African countries positioning themselves to take over the lower end of global manufacturing from China and other East Asian countries in the coming decade.

African countries desperately need another growth path to confront the challenges of both inclusiveness and sustainability.
To achieve inclusive growth, African leaders and policy-makers have to put in place policies and institutions, backed by good governance, that would ensure that high economic growth results in wider access to sustainable socio-economic opportunities for a broader number of people, while protecting the most vulnerable groups in society.

A commitment to reducing inequalities is needed, and ways should be found to tackle social disparities linked to wealth, gender and rural-urban divide and to facilitate economic and social mobility as a function of growth. With regard to generating sustainable growth, a permanent structural change in African economies is needed that puts greater emphasis on value-addition in exports through agro-processing and manufacturing and, thereby, avert the kind of unstable and unsustainable growth arising from volatility in demand and prices of commodities. This implies a need for an industrial policy designed to get manufacturing off the ground and support sustainable structural transformation of the economy.

2 | Inclusive growth in a transformational agenda

Deliberate policies to reduce inequalities and promote inclusion in the growth process are needed now more than ever, if Africa and its people are to realise their full development potential and become a pole of global growth in the decades ahead. The distinguishing feature about inclusive growth, as compared with a pro-poor approach which is mainly limited to income outcomes, is that it also includes the manner through which growth takes place.

In addition, the concept of inclusive growth is broader in that it wants growth to benefit all segments of society including the poor, the near poor with meagre incomes, the middle class and even the rich. According to this conceptualisation, inclusive growth is growth that reduces the disadvantages of the vulnerable and most disadvantaged while benefiting everyone. The concern with the process of growth is based on the understanding that in addition to sharing the benefits of growth, people must actively participate in the growth process. Accordingly, inclusive growth can be thought of as entailing the expansion of opportunities for participation, which can include both engagement in productive economic activities and having a say on the orientation of the growth process.

Essential elements of inclusion on national development agendas should therefore respond to what people want and aspire to in order to improve their lives and livelihoods: decent, productive and properly-paid jobs; access to basic services; governments committed to balanced development; good governance and accountability, and how each of these elements relate to growth.

In specific situations, an inclusive growth agenda should reflect the actual relationship between growth and inclusiveness in a given context: assessing what type of growth improves inclusiveness; identifying changes in inclusiveness that accompany growth and; understanding how gains in inclusiveness can be instrumental for growth.

Typically for contemporary African economies, the pursuit of inclusiveness could entail boosting and modernizing agriculture which provides a livelihood for the majority of the population; improving the investment and business climate and providing support, in particular for indigenous micro and small businesses; providing and facilitating access to better quality and relevant education and training; broadening participation in the development process and giving a voice and a hand to marginalised and disadvantaged groups, and reducing disparities in development attributes and opportunities between regions and communities.

3 | Reducing inequalities

Equality is a fundamental issue in the inclusive growth agenda. Faster growth in Africa has not automatically been translated into narrowing the income and well-being gaps between the few rich and the many poor in the population. If anything growth may have widened the gaps. It could be argued that the poor may need an extra boost in some form, in order to reduce existing inequalities and improve their chances of benefiting from current and future growth.

In elaborating effective policies and programmes to address inequalities and improve the lives of disadvantaged people in society, it would be necessary to clarify what kind of equity we are striving for. In most cases, in order to overcome pre-existing barriers to equality of access and opportunities for meeting essential human
needs and enhancing basic capability, interventions to promote equality would require measures that deal with entrenched economic, social and political inequalities which hamper any significant progress in ‘levelling the playing field’. This ‘equity’ aspect of inclusiveness is about success in bringing about equality of opportunities and equal rights so that the poor and the worse off are not unfairly excluded from the benefits of growth and participation in the social life of a community.

A rights-based approach to inclusiveness
It follows that response to inequalities in a transformational agenda has to be guided by human rights based on clear standard and guidance on entitlements and inclusion. This rights-based approach to inclusive growth offers compelling means for putting equal (but not necessarily same) opportunities at the centre of development policies and practice for structural transformation, based on the recognition that all people have rights.

Persistently high levels of inequalities are not only incompatible with the achievement of human rights; they endanger economic growth, political stability and social cohesion. Fighting inequalities, from the standpoint of a rights-based approach, goes beyond doing more for disadvantaged people; it’s also about entitlements and capabilities. This is why it is argued that a comprehensive development framework is needed to effectively address inequalities beyond the distribution of income and goods and services and beyond poverty. Only such a framework would result in effective changes of system structures that underline unequal power relations, discriminatory norms and cultural values and other factors that limit right, freedom and dignity and impede equality of opportunity.

Growth and equity must go hand in hand
Africa’s challenge therefore is to harness economic growth to a more equitable distribution of opportunity and human needs. Meeting this challenge requires public policy action on two broad fronts. First, governments need to mobilise revenues from growth and invest those revenues on economic and social infrastructure and basic services that offer poor people greater opportunities. Second, they need to foster an environment that enables the job creation and more secure livelihoods, so that poor, disadvantaged and marginalised people can contribute to economic growth, share more of the benefits of growth, and work their way out of poverty. The two goals of growth and equity are not mutually exclusive in a transformational agenda. The central objective should be economic growth that increases equity and creates jobs. Indeed, there is a wealth of evidence from countries such as Rwanda, Ghana, and Mozambique that is now showing that greater equity can boost growth and strengthen the rate at which growth contributes to poverty reduction.

4 | Stimulating sustainable growth
A consensus is growing that to reduce poverty faster and more sustainably in African countries, development efforts need to focus on stimulating sustainable long-term economic growth. This, in turn, can generate the financial resources governments need to invest in infrastructure and in the well-being of their citizens, while building resilience to social, economic and environmental shocks. Maintaining robust growth in a dynamic economy will increase revenue generation and create employment, leading to higher personal and household incomes that can benefit all groups in society including the most impoverished.

What are the main ingredients for stimulating and sustaining robust growth in the African context?
Because current high growth rates in Africa are largely attributable to a long commodity boom which is not likely to be self-sustaining, the structural transformation of African economies is imperative to put growth on a more secure basis in terms of origin and sustainability. Currently, Africa’s growth tends to be concentrated on a limited range of commodities and extractive industries which exposes countries to the risk of volatility in price and demand on the global market. This critical situation implies first and foremost a need for economic diversification and structural changes in the pattern of production and export from essentially primary commodities including extractives and towards value-added and labour-intensive manufacturing including agro-processing for export.

Such a shift can come from a well thought-out and effective industrial policy and publicly-supported R&D, focusing on technological innovation, and backed by effective institutions for fostering private sector development, attaining better management of natural resources, ensuring efficient fiscal management and re-
source allocation, putting in place appropriate regulatory systems and sound public financial system – all of which are essential to stable and sustainable economic growth over time.

Next, infrastructure is a key component of an enabling environment for sustainable economic growth. Enterprises need adequate transportation systems (roads, railways and ports) to receive supplies and access markets for their goods; reliable energy supply and communication technologies for enhancing productivity and stimulating innovation; and a skilled workforce for employment in industry, in addition to the need for entrepreneurial, marketing and managerial skills in the private sector to take advantage of growth opportunities.

Other essential elements needed to achieve high rates of sustainable economic growth in Africa include:

- accountable governments that are willing to adopt effective and transparent public management of the economy, providing a safe, stable and attractive business and industry environment, which will in turn strengthen government’s ability to fulfil its development responsibility for the well-being the people;
- a business environment that stimulates entrepreneurship and is open to competition and market expansion, imports outside knowledge, and maximises investment opportunities, although African countries may need to make use of temporary measures for trade protection and subsidized credits under their industrial policies if they are realistically to get their manufacturing off the ground;
- sound environmental management characterised by sustainable and responsible management of natural resources and appropriate responses to climate impacts that enable the long-term viability of the economy.

5 | Issues for Discussion

With reference to the present experience of African economies, what are the main pillars that underpin an inclusive growth agenda and to what extent can these be realised within a tolerable period in terms of ensuring access and equality of opportunities created by economic growth?

How serious is the concern expressed by some international and regional development institutions (e.g. OECD, ILO, WEF, UNECA) that the inequalities created by current patterns of growth and employment in Africa pose serious risks to socio-political stability in Africa?

How important is reduction in inequalities for the attainment of inclusive growth, and can equity be reconciled with high growth in the context of Africa’s structural transformation?

Do we need a new consensus on the role of growth in development and poverty reduction in a post-2015 global development agenda, bearing in mind the centrality of economic transformation for long-term development and also the need to consider distributional issues when analysing the impact of growth in African countries?

Does it matter from the point of view of sustainability that Africa’s impressive growth performance tends to be concentrated on a limited range of commodities and extractive industries?

What are the priorities for action in a sustainable economic growth strategy for Africa, and in general how favourably disposed are countries in the region towards these acting on these priorities?
Introduction

Around the world, there is an inexorable shift towards city living, and particularly in the developing world. The United Nations predicts that by 2030 more people in the developing world will be living in urban environments than in rural communities. Currently, about 40 per cent of Africans are estimated to live in urban centres, and Africa’s urban population is projected to more than triple in the next 40 years. In principle, and conceptually, this should be good for Africa as urbanization is widely accepted as both a driver of economic development and generally there is a correlation between the extent of urbanization in a country and its per capita GDP.

There is a positive link between urbanization and economic development/transformation which is empirically supported by historical and contemporary evidence globally: cities and urban conglomerate have traditionally provided the anchor - factors of production and physical environment including infrastructure and services - for industrial development. Infrastructure development and the location and provision of basic services in Africa in the post-independence era have favoured urban settings as well as in some cases defined and influenced the growth and economic transformation of cities. The attraction of cities and urban areas in Africa as sources of employment and economic opportunities and the growth of a vibrant urban middle class in African societies are important factors contributing to increased and rapid urbanization.

Urbanization has been rapid in Africa more recently, but the process has in general been chaotic and in many instances not driven mainly by growth-enhancing factors such as new jobs and other economic opportunities, but by negative push factors which present formidable development challenges. Of most concern, perhaps, is the exodus of rural youth from the hopelessness of rural life and the lack of agricultural land, who head for cities to have a go at any options available including a life of crime. This mass migration poses a serious challenge in terms of managing a most pervasive demographic trend, in addition to the risk inherent in the growing ‘urban divide’ that leaves many urban dwellers excluded from the benefits of modernization and city life. The trend of exclusion and inequality that is implicit in this phenomenon clearly shows that urbanization without industrialization and job creation could be a problem.

Throughout Africa, rapid urbanization is placing enormous strain on existing social and other essential services that are already under-resourced, over-burdened and run down. Many cities in Africa are today characterized by poor infrastructure and housing; weak, inefficient and wasteful administrative structures; unsustainable institutional support, and inadequate public utilities and distorted and inequitable consumption patterns. Also, rapid and unmanaged urbanization brings health hazards, such as infectious and waterborne diseases, the depletion of natural resources and en-
Environmental degradation. African urbanization is thought to be markedly less equitable than in other developing regions and the rest of the world: it is believed that more than 60 per cent of sub-Saharan Africa’s urban population lives in informal settlements and slums, posing many developmental and managerial challenges to sustainable urban development.

Historically, urban development in Africa has been slow in adapting to the way people live and work. Over time, this has resulted in exceptionally high adaptation costs and a legacy of mismanagement that persists at present, and many cities in the region are desperately short of resources and struggling to meet current financing requirements for investment in infrastructure. Addressing the challenges of rapid urbanization in a structural transformational agenda in emerging Africa would therefore require substantial investment in a feasible urban strategy that puts a stop on the current urban development path and introduces elements of sustainability related to green growth, and the application of modern technology to allow cities in the region to leapfrog traditional processes of urban infrastructural development and management.

Developing a better understanding of how technological innovations and solutions (e.g. renewable energy, mobile telephone applications) could be effectively integrated to reduce expenditures while improving effectiveness will be essential to a viable urban strategy in Africa. In the context of a transformational agenda, the aim of an urban strategy in Africa should primarily focus on the provision of access for the poor and excluded to urban services and remunerative and decent jobs, as a means of bridging the urban divide and promoting sustainable patterns of urban living and livelihood.

As a result, African governments are often provided with conflicting recommendations on the importance of rural agriculture or urban industry. The debate should not be phrased in terms of an ‘either or choice’ with respect to the relative merits of urbanization and rural development. In most African countries today, the two sectors exist in parallel and with both failing to achieve anywhere near their full potential in terms of contribution to positive structural transformation.

The relative underdevelopment of rural areas, in terms of absence of vital infrastructure, basic social services and opportunities for wage employment, has contributed much to the rural-urban migration flow which drives rapid but chaotic urbanization in Africa. The reality is that properly managed urbanization can be an important source of economic growth in Africa, and might well be a major driver of long-term structural transformation in the region. Also, the benefits of rapid urbanization – combined with infrastructural development – can serve to strengthen rural-urban production linkages, as well as international trade, thereby incorporating many of the arguments in favour or against agriculture.

Over the short term, investing in Africa’s major cities may not have much of an impact on addressing poverty, since most of the poor are still based in rural areas and agricultural growth may be a more effective means of reaching the poor – albeit at the cost of a slower national growth.

What rapid urbanization brings to the African transformational development scenario is the potential for realising the political and economic imperative of long-term sustainable growth with significant reduction in national poverty – such as through investment aimed at the modernization of African agriculture including agro-industry and agribusiness. The link between rapid urbanization and agricultural development should therefore be seen as a key requirement for successful structural transformation of African economies.

Cities play a key role in national economic growth. GDP per capita in OECD countries is on average 64% higher in cities and towns than in rural areas. In Africa and other developing regions,
the objective then is to make use of the potential of accelerated urbanization to drive positive transformation of national economies toward the attainment of rapid economic growth and poverty reduction.

In Africa, where agriculture has yet to demonstrate the ability to generate productivity gains like those experienced in Asia’s green revolution, urbanization and industrial localization can produce positive externalities by situating ‘producers’ closer to labour markets and consumers as well as closer to each other. In this manner, urban agglomeration and the development of industrial clusters that have economic linkages with rural areas could generate the productivity gains required to drive positive structural transformation, as the experience of China over the past quarter-century has indeed shown.

Urbanization thus provides an additional argument in favour of directing resources towards industries around major cities and towns as a significant potential driver of Africa’s structural transformation. The challenge is to effectively plan and manage the accelerated growth of towns and cities in Africa so as to enhance inclusive economic growth in both urban and rural areas. The Asian experience of economic transformation – the most successful among developing countries – has demonstrated that the fusion of industrial localization and urbanization policies, such as through the establishment of special economic zones around cities and towns, provides the thrust for inclusive economic growth and sustainable development.

The same experience also shows that the enhanced prosperity of cities and urban agglomerates can play a key role in the integration of rural areas into regional and national economies through the strengthening of urban-rural production and market linkages, the building of specific economic identities, specialisation in production within supply chains, the establishment of urban-rural transport corridors, and human capital development.

We are already witnessing in countries throughout the African continent, including interestingly a number of agriculture-based economies such as Ethiopia, Kenya, Rwanda, Malawi, Senegal and Côte d’Ivoire, indications of a structural transformation model in which urbanization is central to the key policy debate on inclusive growth and sustainable development. This link between rapid urbanization and agricultural development is crucial for reinforcing agro-related manufacturing base in the transformational process with good prospect for generating new urban and rural job opportunities in the economy.

Without doubt, rapid urbanization is transforming the spatial configuration and physical landscape of African economies. With this transformation come both opportunities and challenges of accelerated economic growth and sustainable development. It is important that the potential of urbanization to trigger economic growth is recognized and harnessed in the planning process, through the implementation of appropriate industrial policy in which infrastructure development plays an important catalytic role in strengthening urban-rural economic linkages as well as in reducing the ‘urban divide’ that is characterised by inequality, exclusion, poverty and slum formation in cities.

The connection between urban development and infrastructure development is crucial to the process of industrialisation that African countries must go through to transform their economies from low-income to middle and even high-income status and achieve rapid and inclusive growth on a sustainable basis. Infrastructure development defines how cities grow and develop: transport, energy, water, housing and the environment are all vital for promoting sustainable urban patterns in which access to basic services is easier, shelter is affordable, and the environment is less polluted and green. Rapid urbanization and the growth of large and mega cities require capable and efficient institutions within local government structures to mobilize and manage financial resources; plan and provide physical infrastructure; deliver basic services; and administer urban development with good governance. The improvement of institutions to manage rapid urbanization is a major transformational challenge that has to be confronted in much of Africa. The aim is to effectively plan and manage the accelerated growth of cities, so that this growth enhances the prosperity of cities, as well as that of regions and the nation.

The availability and quality of information and communication technology (ICT) is opening up new possibilities in the management of cities – a trend that could be an essential part of urbani-
zation in Africa where the proportion of the population living in urban areas is projected to exceed that living in rural, communities with a decade.

Managing the demographic shifts of rapid urbanization will present policy-makers across the continent with unprecedented challenges particularly with respect to the provision of infrastructure networks and public services and minimizing inequality and economic disparity between segments of urban dwellers. Ensuring that rapid urbanization is both sustainable and equitable will require a fundamental shift in public policy regarding the management and growth of cities – a process in which ICT is set to play an essential role.

At the heart of this is the concept of the “smart city” which involves the use of modern information technology – including mobile phones which are already widely available in Africa – to monitor and manage urban systems such as electricity grids, renewable energy supplies, water and sanitation schemes, and transportation networks. The acquisition of such information should enable municipal leaders in Africa to be able to more efficiently collect and analyse data, anticipate problems and coordinate resources, prevent wastage, as well as a chance for leapfrogging the problems of the past, and thus responding better to the challenges of rapid urbanization in new ways.

Coming on the back of the telecommunications revolution that has swept the continent in the last decade, the idea of smart cities is already gaining traction in Africa, with major technology companies such as IBM, Cisco and Samsung operating urban management projects in an increasing number of African cities, including Dar es Salaam, Nairobi, Kigali, Lagos, Cairo, Dakar, Johannesburg, Cape Town, Kampala and Addis Ababa.

4 | Conclusion

The trend towards urbanization in Africa has been accompanied with the growth of a consumer class among the 40 per cent of the region’s population that currently live in cities. According to a McKinsey Global Institute report, in 2008 some 85 million African households were estimated to have some discretionary income. That figure is expected to rise by 50% to 128 million in a decade, with a combined spending power of over US$1000 billion.

Urban consumers in Africa therefore represent a major driver of growth and transformation in the continent. AfDB data support the claim that a significant urban middle class is emerging in Africa, and that faster urban growth and higher urbanization levels are associated with the economic and social realities of economic transformation in terms of rising incomes and better living standards.

At the same time, it is clear that the phenomenon of a consumer and middle class-driven urbanization could be more burden than opportunity for the region’s structural transformation unless decisive policy and action is taken to effectively plan and manage the process.

African governments cannot afford to ignore on-going rapid urbanization, and cities must become priority areas for public policies on structural transformation. Managing rapid urbanization in already overburdened cities will be one of the key challenges for African policy makers in the coming decades – a challenge that will require the development and implementation of innovative solutions that will ensure that the potential benefits of urban development and growth opportunities are not outweighed by the already apparent problems and difficulties that come with highly concentrated human population settlements.

As urbanization does not automatically result in enhanced development, RMCs with the support of the AfDB should seize the opportunity of accelerated urbanization to develop action-oriented policy measures and strengthen institutional mechanisms that connect urbanization to structural change in their economies.

The focus for assistance by the Bank should be on actions and operations that are deemed ‘strategic’ and catalytic to a transformational agenda. These include operations that improve the planning and management of cities including financial management and maintenance, promote integrated policy planning of new areas such as urban corridors and gateways, have the potential to improve institutions, and promote density and industrial
clustering while avoiding unsustainable patterns of urbanization such as slums and urban sprawns.

Overall, the Bank should promote and support integrated urban projects in the Regional Member Countries as a way of strengthening inter-sectoral linkages involving people and production and creating greater synergies between the urban and rural economies.

**Issues for discussion**

Is rapid urbanization in Africa exacerbating an ‘urban divide’ and thus hindering the potential of urbanization to become a stable engine of inclusive and sustained growth?

Does urbanization enhance industrialization and infrastructural development and vice-versa?

Does urbanization contribute to the growth of Africa’s middle class that is now deemed vital to positive economic transformation and structural change?

What is the role of cities and urban societies in reducing national poverty and socio-economic inequality?

What can African countries learn from the urbanization patterns and experiences of Asian and Latin American countries for job creation and sustaining growth?
Africa has abundant natural resources which have attracted significant investments in exploration and extraction in recent years. The continent accounts for about 12% of the world’s oil reserves - about 40 countries in the continent are either producing or have proven reserves of oil and gas. Africa has 40% of the world’s gold, 85 to 95% of chromium and platinum group metals and 85 per cent of phosphate reserves. It has more than half of the world’s cobalt, and a third of its bauxite.

US Geological Survey estimates show Africa expanding its metal and mineral production of 15 important metals by 78% between 2010 and 2017 compared to only 30% in the Americas and Asia. Many African countries have discovered more and new natural resources including high grade iron-ore and diamonds in the past decade, and, in addition, the continent has vast arable land and timber resources and rich coastal fishing grounds.

Such an abundance and wide array of natural resources and the rising global demand for these resources provide an opportunity to structurally transform Africa’s economies. The major challenge facing African governments in a transformational agenda is how to translate these enormous wealth and investment benefits into equitable and inclusive economic growth. This amounts to a re-examination of the relationship between resource wealth and development, and the need to consider the implications for inclusive growth and sustainable development of policy and project in various natural resource sectors including mining, oil and gas, forestry and fisheries.

According to a new report, “Growing Africa: Unlocking the Potential of Agribusiness”, launched in March 2013, the World Bank estimates that agriculture and agribusiness together could command a US$ 1 trillion presence in Africa’s regional economy by 2030 (compared to US$313 billion in 2010). On that basis, the report argues that agribusiness should be at “the top of the agenda for economic transformation and development” in the region. The scope of the report is broad and addresses ‘agribusiness’ - encompassing agricultural production and upstream input markets, as well as supply chain and agro-processing – in its analysis of the state and potential of African agriculture, which is part of the broader concern about managing Africa’s natural resources efficiently.

Its main message about the need for transition from primary commodity export to agribusiness production is consistent with the AfDB’s transformational vision for African agriculture, which articulates the critical role of agro-based industries in the transformation of African agriculture towards a more dynamic, commercial-oriented, productive and competitive economic sector that generates much needed jobs and incomes and, thereby, contributing to rural development and the central goal of poverty reduction.

In the past, revenues from Africa’s natural resources went mostly towards fuelling domestic consumption, with very little going into productive investment needed for long-term growth. Also, poor
management of natural resources and the wealth generated contributed to economic instability, social unrests and environmental degradation.

In line with the main objectives of a structural transformation agenda, resource rent could be put to productive use and managed in a manner that improves living standards for both current and future generations. In this regard, the state has an important regulatory and redistributive role in natural resource governance, and this has to be enhanced through capacity building in African countries to undertake sound negotiations with foreign investors and to drive equitable economic growth through appropriate institutional mechanisms for transparency, effective monitoring and accountability.

Above all, if Africa is to overcome the “resource curse” and use its natural resources to fuel sustainable socio-economic development and long-term growth, it is important that the pattern of resource exploitation in the continent is determined by the needs of Africa and for the benefit of its populations.

2 | The development potential of African agriculture

Africa is endowed with a wide diversity of agro-ecological zones, which creates a vast potential for agricultural products in domestic and external markets. After decades of neglect in the post-independence era, agriculture is once again attracting the attention of African governments, their international development partners and private sector businesses, based on the potential of agribusiness and the provision of new markets and development of vibrant input supplies.

The potential of African agriculture as a powerful driver of stable and inclusive economic growth is immense. Sub-Saharan Africa (SSA) has about half of the world’s uncultivated land suitable for farming and immense untapped water resources; and global and regional food and agricultural markets are growing at unprecedented rates. Apart from the prospect of accessing global food export markets, particularly in emerging economies, the demand for food within the continent itself is expected to increase threefold from current levels. African countries as a whole import about US$ 25 billion worth of food each year and only about $1 billion comes from other African countries.

Despite these potential advantages, African countries are faced with major challenges to recover the ground lost over the past 50 years, when most of them ceased from being food surplus countries and instead became net food importers and steadily lost their competitiveness in global export markets.

Agriculture has traditionally been seen as a reservoir of inexpensive productive resources (principally labour and capital) available for use in the modern sectors of the economy as needed. In many cases, this perspective justified the neglect of agriculture by policy-makers, as agriculture was perceived to be a low-productivity sector with little to contribute to industrialization.

While this view of agriculture’s role in economic growth has been challenged in later analyses, available empirical evidence shows that as economies grow the share of agriculture in GDP and employment tends to decline. The systematic change in the economic significance of agriculture as African economies transit from low and towards middle levels of income per capita is a central feature of a process of structural transformation, which has to be purposely managed to ensure that transformation leads to benefits in terms of inclusive growth and sustainable development.

Agriculture has substantial implications at both macroeconomic and microeconomic levels in Africa, accounting for at least 25% of GDP and the largest single sector in many countries in the continent. In addition, over 70% of the population of these countries live in rural areas and depend on agriculture for their primary income. Even though rural inhabitants make up between two-thirds and three-quarters of the total population in most African countries, their share of national income is often less than a quarter – an indication that poverty tends to be disproportionately concentrated in rural areas.

It is therefore no coincidence that the AfDB’s agricultural strategy emphasizes the promotion of rural development as one of the pillars for poverty reduction, underpinned by the fact that the vast majority of the continent’s population live in rural areas and many
of these are living in conditions of extreme poverty. Agriculture also plays a substantial role in the consumption side of the economy. Poor households in developing countries like those in Africa can spend up to three-quarters of their total household expenditures on agricultural produce for food. At the same time, agriculture is unique in that producers in Africa (and other developing regions) consume a large share of their own output, implying that production and consumption decisions are inextricably linked. The large size of the agricultural sector in many African countries, both in its share of GDP and employment, and the concentration of poverty in rural areas point to the unique opportunity for structural transformation that the development of agriculture and agribusiness provides.

3 | Key challenges in agricultural transformation

The agricultural sector is a key factor in Africa’s economic transformation, as it provides direct inputs to the agro-processing value chain, supplies food to urban areas and is a source of household savings for investment in economic activities and social improvements. The transformation of African agriculture as an effective way of securing long-term inclusive growth and reducing poverty will require a shift from the dominant highly diversified subsistence-oriented farming to more market-oriented production, with more value-addition agro-processing and agribusiness and improved access to markets. This implies greater reliance on vibrant input supply and output markets including value chains and increased integration of agriculture with other sectors of the domestic and global economies. Agriculture and rural development go hand in hand, and the promotion of agriculture-related rural infrastructure is an integral part of any strategy for economic transformation. Agro-industrial development should be pursued as an operational priority through technological innovation and the incorporation of a more market-oriented and value chain approach, while ensuring that income generation, food security and livelihood benefits reach the largely rural farming communities. The emergence of locally-owned agro-processing industries will contribute significantly to employment creation and increase in rural incomes.

It is important that technological innovation is appropriate to local conditions: a good example is the development at the West African Rice Development Agency (WARDA) of NERICA, a “New Rice for Africa”, which combines the qualities of high-yield Asian and high-resistance African rice varieties to produce a variety uniquely suited to African conditions.

The compounded impact of climate change on agriculture and environment consideration on natural resources management would need to be considered and factored into a successful transformational strategy for agriculture and rural development. The focusing on mitigation, adaptation and technological innovation, policy interventions in the sector agenda for the sector should take into account the issue of resilience of agriculture and agro-industry to climate change and, accordingly, introduce effective adaptation measures including the mainstreaming of positive mitigation in the design and implementation of agriculture and rural development projects.

In the area of natural resource management, emphasis should be on improved conservation, utilization and governance of land, water, fish and forest resources, as well as the preservation of biodiversity. Increased foreign investments in agricultural land has led to growing concern about ‘land grabbing’ in Africa (and other developing regions), which raises important issues of land tenure security and access to productive land by local populations.

Africa’s forest resources, the mainstay of energy supplies, have economic and socio-cultural significance and provide vital services which underpin economic performance, people’s well-being and environmental sustainability. Forests also play a vital role in climate change mitigation, thus making it critical to focus on conservation of forest resources. In Africa, where more than half of the population relies on agriculture, water scarcity constitutes a formidable challenge, closely associated with food security. With urban populations increasing, Africa’s water demands and consumption patterns are changing, and putting a strain on agriculture. Action is needed to create conditions that facilitate increased investments in water infrastructure and improved water management.

Successful agricultural transformation, as seen from the situation in Asian and Latin American developing countries, depends on all
stakeholders within the agricultural system working together. This requires the forging of strong public-private partnerships (PPP) for delivering high impact results and creating productive employment and income-earning opportunities for small-holder farmers, who are the mainstay of African agriculture and have to be right at the heart of Africa’s green revolution. In Africa, many smallholder farmers are women, and the transformational agenda should include specific policies to remove the barriers that women face in agriculture – e.g. access to land and credit.

The agenda should also include practical measures to strengthen linkages between smallholder farmers and larger, market-oriented farming and agribusiness operations. Inevitably, the realization of an African agrarian revolution will be about scaling up and transforming millions of the continent’s smallholder farmers into successful agricultural producers for the domestic, regional and global markets, and to make farming attractive to young people and the next generation of Africans. Such a people-centred transformation of African agriculture will enable African farmers to rise to the challenge of tackling hunger and food insecurity within the continent, through a successful green revolution which has equity and sustainability at heart.

The successful experiences of Asia and Latin America in agrarian reform and rural transformation indicate that the private sector has played an important role in responding to investment opportunities in agriculture, more so in the light of the prospects created by globalization to generate productive employment and income in agriculture including participation in global supply chains.

The potential of the private sector for investment in modern agriculture and agribusiness has until recently been largely untapped in most of Africa, especially as governments in the post-independence era had tended to rely more on public sector-led strategies to drive industrial development and economic transformation.

What is needed is a scenario in which the role of the state is that of a catalyst providing the vision, strategy, and long-term commitment for agricultural transformation; creates the enabling policy environment, and puts in place the right institutional arrangements for stimulating private sector investment in agriculture and agribusiness. On the basis of promising global market and growth opportunities, and the emerging global economic order, good reasons exist for optimism regarding Africa’s prospect for achieving high and sustainable agribusiness-driven growth alongside efficient natural resource management.

4 Extractives and economic transformation

Africa’s abundant natural resources include some of the most sought-after minerals in the world and hold enormous potential to finance economic development with positive impact on employment creation and poverty reduction. The debate about transforming commodity and mineral wealth into real development has attracted a lot of attention at national, regional and global levels, in the light of high commodity prices and the rise of emerging economies driving more ambitious investment strategies in the mining and extractive sector.

Policy-makers and stakeholders in Africa and beyond largely agree that it has become imperative to transform the rich African mineral resources into long-term sustainable development. This constitutes one of the key requirements for the economic transformation of Africa in the context of a post-2015 international development agenda. Most African countries are short of infrastructure and human capital, and at the same time face a vast youth bulge and the challenge of converting this into a "demographic dividend" with large-scale job-creation potential. Revenue flows from natural resources represent an unprecedented opportunity to make a breakthrough in development that could transform their economies and the lives of millions through investments in social, human and physical capital.

Another pressing challenge in natural resource exploitation is the use of minerals to foster industrialization in Africa. Most extractive industries in the region are currently not engaged in value-addition and have few linkages with the rest of the economy, causing the sector to operate as an externally-oriented enclave. Developing an industrial policy that supports value-addition to mineral exports could lead to higher earnings and the creation of additional job opportunities. Increased revenues from natural resources could underpin investments in transport and energy infrastructure,
decent education and health systems, upgrading of smallholder agriculture, and specific social welfare programmes to alleviate and reduce poverty and vulnerability.

In short, Africa’s mineral wealth could be the key to poverty eradication and lasting prosperity.

However, harnessing the benefits of minerals and other natural resources in Africa has so far been problematic and gives rise to the troubling question: How can a continent be so rich in natural resources, yet so poor in human and physical development?

This age-old question takes on a new relevance in the context of an emerging Africa that is today at the heart of a global mineral boom, but apparently beset by inequitable global extraction regimes and arrangements that undermine the ability of developing countries to benefit from their natural resources in the longer-term.

Part of the reason for the contradiction implicit in the above question is poor resource contracts that African governments have negotiated with foreign mining and extractive companies. It would appear that existing regulatory and legal frameworks for resource extraction in Africa (and the Global South) are often designed to maximize benefits for foreign private interests (and a small subsection of local elites), rather than provide broad-based benefits to the state and local populations.

In many cases, the capacity of the local public sector to monitor and enforce regulations is often low, resulting in manipulation or obfuscation of revenue tracking and, hence, lower financial yields for host governments. Negotiating better and fairer contracts is seen as a key part of the solution to assist Africa in its economic development and transformation. There is also in some cases an observable correlation between resource abundance and political corruption at the national level. This brings into sharp focus the important policy issue of natural resource governance.

5 | Governance of natural resources

The extent to which the positive benefits of resource extraction are attained – and corruption, environmental destruction and civil conflict avoided – is shaped by the quality of governance over the activities of the key actors involved, namely host governments, resource rich communities, and international and domestic extractive companies.

While it is important to address governance issues according to the guidelines and prescriptions of global protocols, charters and standards, such as the Natural Resource Charter (NRC) and the Extractive Industries Transparency Initiative (EITI), it is equally important to deal with the policy context or framework in which the key actors operate.

Adequate and effective governance will depend on national legal frameworks and corporate regulations and practices pertaining to accountability measures, revenue collection and sharing, local employment and investment requirements, and social and environmental safeguards. Implementation of governance requirements in practice calls for the combined efforts between host governments, their development partners such as the AfDB, and foreign companies investing in those countries. An innovative and inclusive approach to governance of natural resources is indeed required if mining and extractive activities are to support structural transformation and sustainable economic development in Africa.

Understanding the governance of natural resources (minerals, metals, land and water) in Africa is currently of greater importance than ever before, given the changing global order with the rise of emerging economies and their increased trade with, and investment, in Africa; the impact of climate change; the effect of the global food and energy crisis on Africa; as well as the continent’s quest for regional integration.

As the economist Joseph Stiglitz observed in a commentary on the subject in The Economist (11 February 2012), Africa’s natural resources can be a blessing and not a curse if they are managed effectively. The African Mining Vision ratified by African Union Heads of State in 2009, and followed by an accompanying Action Plan in 2011, represents potentially important steps toward beneficial and accountable natural resource exploitation in the continent, which can transform the continent’s enormous economic potential and resource wealth into tangible benefits in terms human and physical development, economic stability,
peace and security. The 2012 African Development Forum (ADF-VIII) – a combined UNECA, AU Commission and AfDB event - had as its theme “Governing and Harnessing Natural Resources for Africa’s Development”, which underscores the importance of natural resource governance in the economic and social transformation processes in Africa to foster inclusive growth and poverty reduction.

Africa can benefit from its resource wealth only if the ‘resource curse’ is avoided and appropriate institutions for the governance of natural resources are in place. The scarcity of investment capital, of funds to finance infrastructure development, and perennial constraints on government budgets can be resolved by revenues from natural resources.

The AfDB estimates that Africa’s natural resources and extractive industry will contribute more than US $30 billion a year in government revenues in the next 20 years. Natural resources could contribute a substantial part of what is needed to bridge Africa’s infrastructure deficit – indeed a number of countries have issued Eurobonds for infrastructure, on the basis of revenues from their natural resources.

6 | Conclusion

Globally, the scramble for access to and the development of natural resources in Africa has intensified, partly due to the rising demand from emerging economies. This provides a historic opportunity for Africa to effectively utilize its natural resources to fuel economic development and structural transformation.

This opportunity will be enhanced by positive developments on the continent, including governance gains, greater policy space and coherence, and improved public sector capacity. Agriculture including agribusiness, land resources, mining and extractive industries, water, forestry and fishery resources have potential roles to play in driving Africa’s structural transformation. Discussion of emerging strategies, critical policies and appropriate governance structures for sustainable exploitation of these natural resources is therefore timely and relevant.

Issues for discussion

What support is needed in the context of a transformational agenda to ensure that the potential of African agriculture for the creation of substantial remunerative and productive employment opportunities is realized?

Given the importance of the agriculture sector in the majority of African economies, can focusing mainly on this sector get African countries onto a path towards middle income and eventually high income status?

Would the creation of Sovereign Wealth Funds by resource-rich African countries serve the interest of structural transformation and sustainable development?

Should African countries use their revenues from natural resources to invest in and provide credits, including venture capital, to domestic companies as a way of boosting the indigenous private sector and enhancing its capacity create jobs?

How important is institutional development for the governance and effective management of natural resources?

What scope is there in the mining and extractive industries sector in African countries for the development and nurturing of ‘global African entrepreneurs’, similar to Aliku Dangote and Mo Ibrahim?
1 | Introduction

In order to significantly transform the economies of Africa from the current low-income level to middle-income status, it is paramount that value is added Africa’s large reservoir of natural and agricultural resources through processing and manufacturing activities - implicit in the transition process from predominantly agrarian to industrial economies.

The importance of industrialisation for Africa is the promise that it holds for a more diversified, inclusive and sustained pattern of economic growth. Africa’s recent relatively good growth performance has not been inclusive in terms of impact on poverty, due largely to the lack of diversification of the sources of growth including an over-reliance on primary commodity exports.

Also, growth has been largely not led to job creation, and has even been accompanied by rise in equality in some countries. The absence of significant industrialisation in much of Africa is a missed opportunity for more robust, diversified and sustainable economic development. The Asian experiences of industrialisation are the most successful among the developing countries, and there is good reason for Africa to look at this model as a basis for its own industrial development. There are specific industrial policies and programmes that worked in Asia and that possibly can be replicated in Africa: among these are Global Value Chains (GVC) and Special Economic Zones (SEZ).

Global value chain operation is about how the division of labour in the production process is distributed globally and how this affects the distribution of income and profits between participating developing and developed countries. The promotion of value chains is a gaining increasing recognition within the realm of private sector development and beyond as a strategy for helping developing countries to get out of primary production and into processing and manufacturing activities as part of the process of industrialisation.

Actors in a value chain may range from micro enterprises to multinational corporations, and these actors – the different links in the value chain – can be embedded in quite different environments. A global value chain might involve the link between rural producers and urban processing and marketing enterprises in a developing country at the domestic end and then linked on to firms in the developed countries.

This coordination of production and trade relationships has been made possible with the openness of trade and direct foreign investment brought about by globalization and the global integration of production systems. Global value chains present an unprecedented opportunity for African economies to move beyond producing raw materials and build dynamic and competitive manufacturing sectors capable of processing the continent’s abundant minerals and agricultural products.

It is also an opportunity to create sustainable jobs and stimulate inclusive growth as new markets for value-added products evolve.
both in the continent and externally in the industrialised and emerging economies.

Special economic zones, as designated areas possessing special regulations and economic incentives for promoting industrialisation, come in handy for organising production built around processing and manufacturing activities. China’s SEZs were key features of its early reforms, transforming coastal towns like Shenzhen into industrial centres within a generation.

SEZs have recently gained increasing attention in Africa the context of the economic diversification specifically intended to stimulate the agglomeration of new economic activities, particularly manufacturing and processing, in a designated location by providing infrastructure, industrial-related services and facilities. The growing Chinese presence in Africa appears to be playing a catalytic role in the growth of SEZs as a feature of industrial policy in the region. In the context of its development cooperation with Africa, China has initiated and supported the operation of SEZs in Zambia, Mauritius, Nigeria, Ethiopia, Egypt, Tanzania, Algeria and Botswana.

African governments have responded by granting favourable conditions to foreign investors in the SEZs, which they believe will create jobs and boost export earnings. With China graduating to higher-value industrial production, Africa stands to benefit from the outsourcing of lighter manufacturing businesses from China to African SEZs. The USA and EU countries are also sponsors of SEZs that are now emerging in Africa.

In recent years, African countries have demonstrated renewed commitment to industrialization as part of a broader agenda to diversify their economies and to develop productive capacity for high and sustained economic growth, the creation of employment opportunities and substantial poverty reduction. This commitment is manifested at the sub-regional and regional levels through programmes unveiled, for example, by NEPAD, SADC, EAC and ECOWAS to achieve economic integration through industrialization.

African leaders are showing determination to seize emerging opportunities to foster industrial development in support of sustainable economic transformation and as a vehicle for economic growth and poverty reduction. This is evidenced by a series of declarations and decisions made at major summits and ministerial meetings, such as the Action Plan for the Accelerated Industrial Development of Africa (AIDA) which was adopted by African Heads of States and Governments at the 10th African Union Summit in Addis Ababa in 2008.

At the global level, attention is also focused on the challenges of industrial development in Africa as evidenced by the adoption of relevant UN General Assembly resolutions, including one proclaiming an annual ‘Africa Industrialization Day’ (AID) and specific programmes and activities of UNIDO, FAO, ILO and other specialized agencies of the UN.

### Job creation

Much has been said about the fact that six of the world’s ten fastest-growing economies (DRC, Ethiopia, Ghana, Mozambique, Tanzania and Zambia) are in Africa, recording at least a seven per cent growth rate. But the evidence so far suggests that growth in the region has generally not led to job creation. Global value chains hold out much promise for realizing Africa’s potential in agro-industry. As part of the process of structural transformation, African countries should take targeted actions at national and regional levels to establish production and trade links and synergies between different actors along the entire agribusiness value chain, through the provision of incentives for bolstering private sector investments and competitiveness. Together with SEZs, which have sprung up all over Africa recently - mostly on the basis of Chinese capital investment and technological know-how – the shift from primary production towards modern integrated agribusiness will undoubtedly be crucial for job creation and poverty reduction.

The assumption is that production based on GVCs and SEZs would become an integral part of the wider policy framework for industrial development, and that they could create conditions that would enable African countries to create new manufacturing jobs and specifically position themselves favourably to win jobs that are destined to be exported from China to lower-production cost destinations. The World Bank estimates that China has 85
million light manufacturing jobs to export, and GVCs and SEZs could improve Africa’s chances to win a fair share of this number and reverse its declining share of world trade.

Preliminary evidence from some SEZs in Africa indicate that they are creating new jobs and that workers in these zones are on average paid more than workers outside of the zones. In addition to providing jobs, GVCs and SEZs have the potential to fostering economic diversification and, thereby, reducing dependence on traditional exports. Ethiopia, which is prioritising light manufacturing growth and its leather industry in particular as part of its economic transformation programme, recently landed a large investment by a Chinese firm producing designer shoes for the US and EU markets; production is based at an industrial SEZ just outside Addis Ababa.

It is estimated that over 25,000 jobs have been created through GVC and SEZ - FDI enterprises in the country. In Ghana, the Tema Free Zone, a 480-hectare industrial park just outside Accra and equidistant from the largest seaport in the country and the international airport, has attracted over 200 companies including multinationals such as Nestle and L’Oréal, many of which are links in GVCs: job creation is booming with about 30,000 jobs generated by 2012 of which only 1,000 are held by expatriates; smaller companies are using the zone as a platform into global production networks.

Economic diversification based on value-addition to natural and agricultural resources and export-oriented production, therefore, has a major role to play in the transformation of African economies from the current low-income to middle-income levels, with significant impact on job creation and poverty reduction. The upsurge in GVCs as a vehicle for economic diversification and the basis for resource-based industrial development is timely, given the increased demand for Africa’s natural resources, together with increased urbanization and consumer demand for processed goods within the continent.

Accelerating the industrialization process through diversification of exports can potentially contribute to the expansion of trade within Africa and between Africa and the rest of the world.

4 | The strategic importance of manufacturing (including agro-processing) in industrial policy

The strategic role of manufacturing in industrial policy as a vehicle for economic transformation of African economies hinges on the potentially strong linkage and spill-over effects between manufacturing and other productive sectors in the economy.

Global value chain manufacturing activities and similar investments can serve as a critical source of demand for other sectors such as transport, banking, insurance and communication services, etc., as well as provide demand stimulus for the growth of the agricultural sector.

Also, creating food-processing agro-industries in rural Africa would contribute to lifting a significant number of African rural dwellers out of poverty through the additional wage-earning employment opportunities created. In terms of an appropriate industrial policy, the high forward and backward linkages that can evolve from manufacturing and agro-processing will contribute to boosting domestic investment, employment and output in the transformation process.
The strategic role of manufacturing in industrial policy in Africa should be supported by technology and innovation, which are crucial for economic transformation and development. Manufacturing, on the back of the prevailing ICT revolution in the region, can be an important source of technological innovation in African economies as well as a conduit for the diffusion of new technologies to other sectors.

Despite the critical role of manufacturing per se in the transformation and development processes of African economies, it is important that African policy-makers do not seek to achieve industrialization at the expense of the agricultural sector.

Industrial policy has to address the role of the role and integration of the rural sectors with the rest of the economy and the contribution that these could make to industrial development through the advancement of value-addition agro-industries and the supply of wage goods that enhances the competitiveness of domestic enterprises in global value chains and export markets.

The promotion of GVCs should be based on the complementarity between agriculture and industry, taking into account the potential of agricultural development to contribute to the creation of competitive advantage industry. In many African countries, given the dominance of agriculture in their economic structure, the sector will continue to be an important source of foreign exchange needed to import intermediate inputs needed by domestic industries. A major challenge in industrial policy, including its implementation through the establishment SEZs, is how to create mutually supportive linkages between the industrial and non-industrial sectors of the economy.

5 | Long-term strategy for industrialization

Despite the progress made in a number of countries, industrialization in Africa remains a challenge. This is mainly because agriculture has not been sufficiently modernized and the manufacturing base is very low around the continent (with the exception of a small group of countries – e.g. South Africa, Tunisia, Morocco and Egypt).

Africa lags behind other developing regions in its industrial performance. For Africa to be successful with its economic diversification efforts, new industrial policies are needed to support the exploitation of its industrial potential. Opportunity exists within the context of private sector development, which is one of the priority areas for AfDB’s support to Regional Member Countries (RMCs), to promote industrialization that would emphasize the modernization of agriculture and its integration into the manufacturing base through agro-processing and agro-industrialization. If requested by RMCs, the Bank should be able to provide assistance in the development of operational policy instruments for creating synergies between agriculture and industry, with beneficial growth and employment outcomes.

Global value chains are perceived as a means through which African countries can take advantage of growing opportunities to promote industrialization, but it should be cautioned that the Asian experience or model cannot simply be transposed to Africa where different socio-economic conditions and levels of human and physical development exist.

To begin with, the formal private sector in much of Africa is still dominated by foreign and international firms as compared with the situation in Asia where the indigenous private sector has a substantial presence in national economies. Also, GVCs and SEZs are not overnight success stories, and may require long-term commitment to have a lasting impact on growth and employment. It is, perhaps, too early to judge the effectiveness, or otherwise, of GVCs and the new generation of SEZs in Africa, in terms of their contribution to industrialization and as a source of export revenues.

When viewed as the fulcrum of an industrial policy that is supposed to drive the process of economic transformation, GVCs are useful frameworks for concretising backwards and forwards linkages within the local economy and potential spill-over effects with regional and global economies. However, lack of infrastructure (e.g. power from the national grid, road networks to ports and suppliers) and inadequate institutional support are obvious constraints that stand in the way of African countries positioning themselves to take over the lower end of global manufacturing from China and other Asian countries.
Production structures and institutions have to be transformed toward value-addition, rather than commodity extraction, and export, to ensure that GVCs and SEZs are beneficial to national economies in terms of creating decent jobs that are well-paid and under working conditions that meet with international labour standards.

The success of global value chains and SEZs and other industrialization initiatives requires the creation of an enabling environment that enhances required domestic capacity and capability, particularly in respect of physical and social infrastructure, human capital, technological innovation, financial systems, and governance.

In addition, governments should put regulatory frameworks in place for tackling market failures as part of an industrial policy. The creation of such an enabling environment will help realize the full potential of the African private sector in an industrializing economy. There is a need, as part of an industrial strategy, for appropriate policy measures to encourage the development of Africa’s private sector, particularly the indigenous private sectors focusing on SMEs.

A credible private sector will impact positively on growth and sustainable development through the ability to contribute to structural transformation. Africa’s vast unexploited resources and abundance of labour provide opportunities for development of the private sector and attracting private investments for economic diversification and value-addition. It should also be recognized that entrepreneurs in Africa continue to face greater regulatory and administrative obstacles and high transaction costs, which make doing business harder; these obstacles and constraints must be addressed in any industrial policy. Deepening regional integration also offers the potential for Africa to tackle some of the challenges it faces in pursuing meaningful and beneficial industrial development.

Taken together, these constraints on GVCs reduce the potential for developing manufacturing production for exports and to integrate into the global decomposition of value chains; hence, the US trade-promotion AGOA legislation has been beneficial to just a few African countries which are in a position to produce processed and manufactured goods for export to the US. China has similarly reduced tariffs on manufactured exports from some of its African trading partners, with relative flexible rules of origin, but indications are that they have not been able to benefit fully from these concessions precisely because of the above-mentioned constraints.

While GVC and SEZ-fuelled industrialization has contributed to export and employment growth in countries such as Malaysia, Thailand, Indonesia and Vietnam, and turned China and South Korea into industrial giants, Africa’s experience with industrial policy and its outcomes since independence has been largely disappointing.

Most of Africa’s economies are still driven by commodity production and export of agricultural and mining products, and the continent remains the least industrialised region of the world. If GVCs and SEZs in Africa are to be sustainable and successful as showcases of industrial progress and structural transformation – as they have been in Asia – the role of African partners have to be enhanced. Specifically, industrial strategies and policies have to be introduced as a matter of urgency to remove existing constraints on value-addition and economic transformation – weak infrastructure, unreliable energy supply, underdeveloped and inefficient private sector, and shortage of skilled labour. Such strategies should not only focus on promoting high and sustainable long-term growth but must also ensure that the benefits of such growth are widely shared in order to reduce poverty and improve living standards for all.

Issues for discussion

Are global value chains effective as an instrument for attracting investment to support industrial development in an emerging Africa?
What are the major challenges faced by African countries in designing and implementing effective industrial strategies and policies that will support the promotion of value-addition and sustainable structural transformation?
What lessons can Africa draw from the Asian industrial experience with GVCs and SEZs to inform Africa’s industrialization drive, especially in addressing key challenges of industrialization for economic transformation?

Under what conditions will the growth of GVC activities in Africa have an impact on industrial development in general and specifically create the linkages needed between agriculture and industry?

Should African countries reinvigorate the role of national development finance institutions to promote industrial financing or rely mainly on external sources of finance to drive their industrialization process?

What types of enterprises should be granted SEZ status in Africa in order to maximise employment creation and export diversification opportunities in evolving regional and global economic settings?

Given that SEZs are established to provide export revenues, should SEZ firms also enjoy exemption from import duties on raw materials and exemptions from sales and other taxes over prolonged periods?

What steps can be taken to support women’s empowerment and effective participation in Africa’s industrial development and the benefits from it?
African Development Bank Group
Grande Section du Développement

Demographic Dividend or Time Bomb?

Description

Africa has the youngest population in the world - about two-thirds of its total population is under 25 years of age. There are almost 200 million young people aged between 15 and 24 on the continent, and in the majority of African countries young people account for more than 20 per cent of the population.

There is also the question of gender when talking about the demographics of Africa and the implications for the future, in particular for future employment.

On the youth question, in 2011, the ten countries in the world with the youngest populations were all in Africa. The continent’s youth population is projected to continue growing until 2050 and beyond; between 2010 and 2050 it is expected to grow by more than 200 million. At the projected rates of population growth, the number of young people in Africa will double by 2045.

By 2030, Africa is projected to have as many young people as East Asia, and by 2050 it could exceed the youth population of South Asia. The rapid growth of the labour force implied in Africa’s demographic transition¹ will pose serious development challenges as well as opportunities. Compared to other developing regions, Africa’s demographic transition is delayed, which indeed holds out the prospect of African economies benefiting from the “demographic dividend” of this demographic change in the coming generation – as has been the case for East Asian countries in the 1980s and 1990s.

On gender, because of social and cultural norms and historical value systems concerning prescribed gender roles, women and girls in many African (and other developing) societies are disadvantaged as compared with men and boys - such as in terms of access to education, income-earning and other socio-economic opportunities, participation in economic, social and political life, and control over resources – at a cost to development.

Globally, despite the progress made in enhancing the voices of women globally in the last half-century, the way in which economic progress is judged in the contemporary world tends to give a much larger role to men’s needs and demands.

This realisation prompted the distinguished economist, Professor Amartya Sen, Nobel laureate, in his contribution to a panel discussion on ‘Securing the future we want: Gender equality, economic development and environmental sustainability’, during the 67th UN General Assembly in New York in September 2012, to advocate that “empowering women and girls with more choices and more freedoms is crucial for achieving a better future for all”.

¹ The demographic transition, which occurs at different speeds in different regions and countries, involves three stages. First, lower mortality rates among children lead to an increasing proportion of youth in the population. Second, declines in fertility lead to lower proportions of young people and a higher proportion of adults of working age. Third, and finally, in mortality and fertility lead to increasing proportions of older persons. The youth bulge in the working-age population during the second stage of the transition is temporary, lasting typically about 50 years – which is long enough to have significant development for countries concerned. Characterized as the “demographic dividend”, this stage can provide a window of opportunity for accelerated economic growth and development.
From the standpoint of economic development, a rapidly-expanding labour force implied in Africa’s demographic transition and the empowerment of women and girls offers the possibility of accelerated economic growth and social development and, in addition, a youthful population with equal opportunity for both genders can be a formidable asset for innovation and creativity in economies and societies.

Also, with ageing populations in advanced economies and rising wages in China and other Asian countries, Africa’s demographic transition provides opportunities for the continent to become the next global centre for manufacturing and service industries. However, in order for African countries to benefit from this demographic dividend, young people need to be productively employed and integrated in the society. Countries need a comprehensive strategy and sensible policies to provide young men and women with relevant skills and knowledge to take advantage of these opportunities.

In the present context, most African countries with their large youth cohorts are facing growing challenges in absorbing young people meaningfully into education systems and labour markets, and are thus not benefiting from the youth demographic dividend.

Africa is not creating anywhere near the number of jobs needed to absorb the 10 to 12 million young men and women coming on to its labour markets each year. There is also the challenging trend of the unemployment of educated youth, including graduates of tertiary education institutions, that is emerging in several African countries. This raises a serious concern in economic development policy terms as it contradicts the assumption that higher education and training increase the productivity and employability of young people. It is also a wasteful development outcome because of the high cost of investment in higher education and the zero social returns from unemployed graduates.

Lack of employment opportunities in the face of rapidly growing youth labour force in Africa is a ticking ‘time bomb’, as disaffection among young people can directly and indirectly result in actions including violent conflicts that undermine social cohesion and even threaten political stability - as some countries in the continent have already experienced.

Frustration and resentment at being unable to find employment as expected after qualifying are behind the emigration of highly skilled youth and the consequent “brain drain” from Africa. From a long-term demographic perspective, and in the light of recent impressive growth performance, African countries face the challenge of turning a young population into a development bonus.

But unlike the situation in other developing regions, with the exception of South Asia, demographic trends in Africa are not contributing to easing pressure in labour markets, as indicators of youth employment signal a worsening of the problem. Reversing these trends calls for a different policy scenario in which employment creation, and youth employment in particular, is among the principal goals of macroeconomic frameworks and a priority for fiscal policy.

New patterns of growth are needed, including industrial strategies and policies that encourage economic diversification and the creation of good quality jobs. The renewed sense of urgency for prioritizing youth employment in transitional agendas in Africa is not only a question of meeting young people’s aspirations for a better life, but also a necessity for enhancing the well-being of societies at large.

When it comes to the gender question, the essence of Professor Sen’s pronouncement, when translated to the objective of this High Level Seminar, is that the assessment of economic transformation and advancement in an emerging Africa has to include the measurement of progress achieved in enhancing the voices and meeting the specific needs of women and girls.

African leaders and their international development partners have to ensure that the goals and targets relating to women’s participation and empowerment in the economic, social and political spheres of the development process be systematically included and prioritised in policy formulation and implementation as well as in resource allocation.

The need for appropriate policy responses for creating more equal societies has long been recognised by the African Deve-
Development Bank, which in 2001 adopted a “Gender Policy” that seeks to provide, among other things, a requisite framework for action to ensure equal access of women and men to all Bank resources and opportunities and identifies the empowerment of women as an unambiguous objective of socio-economic development in African countries.

Hence, the AfDB advocates and supports interventions at national and local levels to blunt and counteract those values and norms which legitimise gender difference and justify unequal relations between women and men, and makes the instrumental argument for the intrinsic value of gender equality as prerequisite for economic progress and transformation. The AfDB’s position regarding gender equality and empowerment of women has been endorsed by powerful global institutions.

The World Bank devoted the 2012 edition of its flagship publication, the World Development Report, to the topic of gender equality; the report focused on three key dimensions of gender equality that are inherent in the AfDB Gender Policy paper: the accumulation of endowments (e.g. education, health and physical assets); the use of those endowments to create economic opportunities and generate income’ and the application of those endowments for taking actions at household, community and national levels. In effect, the World Bank report widened the intellectual and policy space for analysing gender-based bias and segregation, with respect to macroeconomic, labour market and employment issues that define contemporary globalization; the adverse effects on the well-being and security of women; and the challenges that confront gender equality in the 21st century.

The OECD identified ‘investing in women and girls’ as the ‘breakthrough’ strategy needed for achieving the Millennium Development Goals (MDGs), forcefully making the point that none of the MDGs will be achieved unless there is equality between men and women and increased empowerment of women and girls. The OECD Development Centre has constructed a ‘Social Institution and Gender Index’ (SIGI), which is a cross-country measure of discriminatory laws, norms and practices, to shed light on the several dimensions of gender inequality and violence against women.

Core Issues and Priority Areas for Action

The importance of gender equality as a means of providing African women with opportunities to participate actively in and benefit from the wider development process has to be recognised in economic, social and political life. In the economic sphere, for example, given the key role of women in the agricultural sector throughout the continent, improving their access to education and training, technology, and to land, capital and markets, would result in progress and huge gains for this important sector of the economy. Making agriculture and rural development investments responsive to women’s needs and concerns should therefore be an integral part of economic transformation in Africa.

Women are predominant and active in the large dynamic informal sector of African economies in areas such as petty trade, food processing and domestic work, and improvements of working conditions and access to services in the informal sector would help to reduce poverty and insecurity among women and society as a whole.

With respect to the social sphere, gains in gender equality can be can be made through investment in improved and equal educational opportunities for girls at all levels, access of women to productive resources and safe employment opportunities, provision of social infrastructure and basic services like maternal and child healthcare, and social protection.

Keeping girls in school and improving reproductive health and access to family planning are now recognized social policy preferences that better equip women and girls to make informed choices about their lives. Participation of women in political and public life at all levels of decision-making in Africa must be one of the specific objectives around which goals and targets relating to gender equality and women’s empowerment must be set for measurement of progress in transformational agendas. In many societies, women lack political influence and, as such, their needs are not recognised when policies are formulated and programmes are designed and implemented. Women are agents of change within their families, and increasing their voice and participation in politics is essential for advancing issues of women on national agendas, with benefits for both women and men.
This problem of gender inequality in many African societies is further compounded by weak institutional capacities and insufficient prioritisation of resources which undermine the effectiveness of existing laws and efforts. Therefore, in terms of the link between gender equality and wider economic transformation, improving women’s participation and empowerment within the economy and society needs to be prioritised in national and regional development agendas and, furthermore, be given operational significance through financial and institutional support, and with regular monitoring and reporting on progress.

The High Level Seminar is a welcome opportunity for widening both the intellectual and policy space to engage seriously on discussions on how to reduce the gender biases of macroeconomic agendas and elevate social policy responses to a narrow focus on nominal and incremental ‘fixes’ which can be difficult and easily blocked.

**Strategy and Policy Framework**

**Addressing gender biases in society and production**

What is needed for narrowing the gap between women and men in all spheres of economic, social and political life are, first and foremost, policies and actions that effectively address persistent fundamental factors that are rooted in deeply entrenched gender roles and social norms in African societies – such as, what is ‘acceptable’ for women and men to study, do and aspire to, and who is responsible for care and housework at home.

Discriminatory laws, regulations, social norms and practices that impede the empowerment of women and girls in all walks of life, and contribute to inequalities in rights and entitlements – whether economic, civil of family - have to be identified, analysed and neutralised. Investment in human capital, particularly women and girls, is highly effective towards removing systemic barriers to women empowerment and for achieving equality of socio-economic opportunities as a basis for inclusive economic growth and social progress.

The training of women in quality standards and marketing procedures, and giving them access to capital and relevant financial products and services, could improve their potential for participation in lucrative internal markets and regional and global value chains, and support the transition of women-led enterprises from informal to formal status.

Within the framework of an African transformational agenda, everything should be done at all levels of policy-making and authority to protect women from domestic violence and put an end to indescribably cruel sexual violence inflicted against women and girls during situations of conflict and civil war. Violence against women is now receiving growing global attention and, while not a new problem, this renewed attention has sparked a global conversation about how to create a world where women and girls live without the fear of violence.

This is not just an African problem. As the UN Secretary-General observed: “Violence against women and girls makes a hideous imprint on every continent, country and culture”. As such, the UN Commission on the Status of Women at its 2013 session focused its attention on the prevention of all forms of violence against women and girls and actions that policy-makers can take to stop violence from happening in the first place.

Women’s empowerment is catalytic and central to achieving economic growth in key sectors. In agriculture and agribusiness, the contribution of rural women’s entrepreneurship to economic growth remains largely unrecognized and an untapped potential. With few employment choices, rural women are increasingly running their own enterprises as part of a broader livelihood strategy but these are often concentrated in informal, micro-size, low-productivity and low-return activities and they benefit from little or no social protection. Enabling and gender-responsive policies, services and business environments are crucial to stimulate the start-up and upgrading of women’s businesses and thereby help generate decent and productive work, achieve gender equality, reduce poverty and ensure stronger economies and societies.

**The Role of Men in Gender Equality**

Given that gender inequalities affect so many aspects of development – including political and economic participation – the pursuit of gender equality as a development objective will require fundamental change in power structures, or power relations between men and women, in society as an ‘end’ as well as a ‘means’.
Gender equality therefore implies the need for men – as the beneficiaries of the existing gender order of male dominance and female subordination and the dominant partner in both the domestic and national policy spheres – to have a stake and a role in creating more egalitarian societies where women and men are able to co-exist with equal access to social services and economic opportunities, rights and dignity, whilst simultaneously improving the quality of women’s lives. The Beijing Platform for Action (1995), adopted at the world conference on gender equality, explicitly called for men and boys to be involved in achieving gender equality.

Similarly, the UN Commission on the Status of Women in 2009 recognized “the capacity of men and boys in bringing about change in attitudes, relationships, and access to resources and decision-making which are critical for promoting gender equality and the full enjoyment of human rights by women”. Civil society initiatives to involve men and boys in bringing about gender equality are now operational in a number of African countries, especially with respect to addressing the HIV/AIDS epidemic and the legacy of armed conflict and war: these include the Rwandan men Resource Centre; the Men’s Association for Gender Equality in Sierra Leone; Kenya’s Men for Gender Equality Now; and the Sonke Gender Justice Network in South Africa.

Gender Equality and Economic Transformation

Gender equality, economic transformation and sustainable development are intrinsically linked. The gender dimensions of sustainable development have indeed been considered to varying degree in major development and environmental processes and legal frameworks since the 1990s including the MDGs. However, these global efforts to address and incorporate gender in international development regimes have often been linked to global standards and targets which may not be relevant to or adequate for addressing fundamental obstacles to gender equality at the local level. Furthermore, existing policy intentions and promises are often not fully translated into concrete actions because they lack legal enforcement. While law alone cannot provide all the answers to addressing gender discrimination in sustainable development processes, the exclusion of legal rules considering gender issues make the realization of these goals harder, if not impossible, to achieve.

In identifying strategies and policies to promote gender equality, we need to draw on feminist and socio-cultural research regarding how different economic models meet the needs of the world’s low-income women in taking care of themselves, their families and their communities. This knowledge is rooted in the everyday realities of women’s lives, recognizing the contribution that women make through unpaid house work including caring for families and communities, as well as paid work producing for the market or in the public sector. Gender equality is not just about economic empowerment; it is a moral imperative that concerns fairness and equity and includes political, social and cultural dimensions.

Men have a role and a stake in promoting new and egalitarian models of masculinity, in which women (and men) are able to live free from the threat and trauma of domestic and sexual violence and have improved access to health, rights and dignity while simultaneously improving the quality of men’s lives. In this regard, gender equality is about making sure that economic development benefits from the actual and potential contributions that women make to the economy, and making the most of the talent pool that ensures that men and women have an equal chance to contribute to sustainable development, thereby enhancing their well-being and that of society.

Issues for Discussion

How can the growing youth of Africa be absorbed into an employment culture? Should the state have a strong, regulatory role or a ‘light touch’?

What are the implications in terms of urbanization, tradition and society as Africa and its young men and women move more towards an industrial and commercial economy rather than an agricultural one? Are there dangers as well as benefits?

Which countries and regions of Africa are more likely to nurture job creation opportunities for young men and women than others?
To what extent can Africa and Africans create their own employment opportunities, enterprises and manufactured products compared to importing jobs from China and other countries in the Far East?

What does gender equality and empowerment actually mean in the context of structural transformation on an emerging Africa?

What are the core issues in gender inequality that need to be addressed by the AfDB’s programmes and activities to promote economic opportunities for women and girls?

Can we make an economic case to support gender equality in a transformational development agenda?
The international development landscape is changing, as new actors emerge on the scene to challenge the preponderance of traditional donors who are increasingly feeling the pinch from the effects of the current austere global economic climate.

Among the new actors are philanthropic foundations (private and corporate) who have the potential not only to provide alternative and additional sources of financial resources for development, but also to introduce innovative models for providing assistance and to create opportunities for new forms of partnerships with other development actors.

This gives the philanthropic sector a privileged position and a space in the Africa development debate at a time when innovative thinking and ways to tackle the persistent and emerging challenges of structural transformation are needed. As aid budgets for Africa continue to fall, the participation of philanthropists from the West and Africa in national and regional development efforts is becoming more prominent.

So the development of Africa has come become linked to names such as Bill and Melinda Gates, Bill Clinton, George Soros, Tony Blair, Bono and, from Africa, Mo Ibrahim, Aliku Danbata, Tony Elumelu, Theophilus Danjuma, Patrick Motsepe, Tokyo Sexwale, Cyril Ramaphosa and others.

While much of philanthropic aid in Africa is targeted at the social sector, mainly health and education, and local causes for improvement in human well-being and poverty reduction, a new trend is emerging in which private foundations and philanthropists are increasingly applying principles and methods from the corporate sector to their development assistance practices.

The movement which is variously referred to as “philanthrocapitalism”, “smart philanthropy”, or “venture philanthropy” promotes and supports investments in the agriculture, services and ICT sectors, and its origin is based on the belief that philanthropic capital could be made available for development purposes through a more efficient use of resources that would yield more social impact. It features innovative financing tools such as ‘social bonds’ and provides non-financial support (e.g. access to networks, mentoring and coaching) and built-in performance measurement. Equipped with these new tools and methods, and aimed at addressing development challenges, this new type of philanthropy should be particularly relevant for enhancing social cohesion and inclusiveness in areas such as women and youth empowerment which complement market-driven approaches.

While philanthropy is certainly filling gaps in development resources and needs, there are concerns about the lack of accountability that comes with private foundations being able to influence public policy through their aid-giving. What are the implications of billionaires setting development policies for emerging democracies? How far do foundations consult with people they have pledged to help? On the other hand, most philanthropic foundations are more result-oriented and a more stable source of capital flows. As African economies grow and develop, more African philanthropists are likely to come on to the development assistance scene, seeing that the culture of giving is inherent in African tradition, and that their contribution will cover both human development and social impact investments.
The theme of the 2013 Annual Meetings of the African Development Bank Group is the structural transformation of Africa. The idea that such a structural transformation is necessary on the continent comes from the process of change and growth that has taken place in recent years.

Due to a combination of steady economic growth across Africa and a more stable environment, Africa stands ready to make a leap forward, to become more industrialised, more urbanised, more technological, and a place where economic growth is shared by a far greater proportion of its population, not least through the creation of employment for its growing numbers of young men and women.

However, such a transformation can bring potential dangers as well as benefits. To steer clear of such dangers, Africa will need a new type of leadership at the pyramid of its governments, institutions, corporations and other organisations.

In this seminar, the distinguished panel will ask what the nature of this new type of leadership might be, what kind of people these new leaders will be and what kind of future they will shape for Africa.

Capable and accountable states that make sound policies, provide public services, regulate markets and involve citizens in overseeing how public resources are used, are critical for Africa’s transformation. The Bank has played a significant role in recent years in supporting regional member countries to improve economic and financial governance, through reforms in critical areas such as public financial management and business enabling environment, and will continue to support governance as a pillar of its Ten-Year Strategy for 2013-2022. The Bank and the Mo Ibrahim Foundation share a common belief that governance and strong leadership can transform Africa, and recognize the importance of measuring and tracking progress in governance.

The Bank uses a number of tools to measure progress in governance, one of which is the Ibrahim Index of African Governance (IIAG). The IIAG is an annual assessment that reports on progress in governance and is composed of four main categories: safety and rule of law; participation and human rights; sustainable economic opportunity; and human development.

The target audience of this side event includes high-level decision makers (ministers, central bank governors, private sector players, civil society, and regional and international organisations).
1 | Background to the Debate

This September, the UN General Assembly will take decisive steps towards setting a new global development agenda that will replace the Millennium Development Goals (MDGs) after the target year of 2015.

Given the timing of the AfDB’s 2013 Annual Meetings in Marrakech, the High Level Debate there assumes even greater significance in relation to the timetable set by the UN Secretary-General for the international community to come up with a new development agenda beyond 2015.

This post-2015 development agenda will represent the foundation and guidelines for formulating a new set of goals and targets and for shaping the framework and architecture of the international development landscape. In this context, an interactive High-Level Debate in Marrakech among Africa leaders and policy-makers provides a unique opportunity for the AfDB and its constituents to contribute towards the African perspectives on the post-2015 Development Agenda.

In line with the theme of this year’s Annual Meetings, ‘Africa’s Structural Transformation’, and with the changing global development landscape since the establishment of the MDGs in 2000, the High Level Debate will cover a wide range of development challenges and opportunities related to the continent’s quest for sustained and inclusive growth.

2 | The Issue: ‘The times... they are changing – this is Africa’s hour’

As its title indicates, the main thrust of the debate is on Africa and what African actors (political leaders and governments, the private sector, civil society, African organisations such as the African Union, and the African people) themselves can do to seize the opportunity presented by current internal and external economic circumstances to ‘reimagine’ the development path of an emerging Africa, and take action to transform their continent and shape Africa’s destiny. Hence, the debate focuses on major challenges and prospects for realizing Africa’s potential to transform itself into a strong, stable and sustainable pole of economic growth and balanced development in the current and future global economic context.

Development thinking is becoming more multi-directional as new global challenges emerge and the supply of public goods becomes more global in character, with the international community searching for better ways to address macroeconomic, social and environmental imbalances.

Even so, it is imperative for Africa to remain focused on the continent’s development needs and challenges. For decades, the dominant African image and narrative in the media was of famine, war, and disease. Many countries in the region have learned from past mistakes and now face huge new opportunities. More re-

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1 The UN Secretary-General has established a High-level Panel of Eminent Persons on the Post-2015 Development Agenda that is co-chaired by the President of Liberia, Ellen Johnson-Sirleaf (together with the Prime Minister of the UK and the President of Indonesia). Other Africans nominated by the S-G to serve on this panel are the Nigerian Finance Minister, Ngozi Iweala, Graça Machel, Betty Maina (Chief Executive of Kenya’s Association of Manufacturers) and Fulbert Amoussouaga (head of Economic Analysis Unit in the Office of the President of Benin – the current chair of the AU).

2 The term ‘reimagine’ is derived from the Reimagining Development initiative launched by the Institute of Development Studies (IDS), University of Sussex, UK, in an effort to build a more grounded basis for understanding how this moment in time affects development thinking and practice by challenging the core assumptions and exploring new ideas about development [see, ‘Time to Reimagine Development’, IDS Bulletin, Vol. 42, No. 5, September 2011].
ently, in the light of a perceived economic upturn and a relative reduction in famine, disease and instability across most of the continent, the narrative has changed to one of thrusting progress.

Progress is being made by a number of African countries towards reducing poverty in both relative and absolute terms, but abject poverty persists in many countries. Basic social indicators such as infant mortality rate and school enrolment in primary and secondary education are improving largely on the basis of development strategies and policies designed and executed by Africans themselves.

As 2015 approaches, and the international community is analysing the results of the MDGs set down in 2000 and omnipresent in the development debate since then, there is no doubt that Africa has been making recognisable development progress particularly in terms of growth. Over the past decade, six of the world’s ten fastest growing economies were in Africa; in eight of the past ten years, Africa has grown faster than east Asia, including Japan. The rate of foreign investment has soared around tenfold in the past decade: billions of dollars annually are going toward the development of physical and social infrastructure and the extraction of the region’s abundance of natural resources.

According to a report by the McKinsey Global Institute, real GDP in Africa grew twice as fast in the first decade of the current millennium as it did in the 1980s and 1990s. Africa has more than 600 million mobile phone users – more than the US or Europe, which reflects the continent’s enthusiasm for technology as applied to mobile banking and telephonic agro-info service. Both The Economist and Time magazine have in the past year or so published cover stories on a growing, confident Africa, complete with positive statistics and photos of smiling schoolchildren and young men and women talking on mobile phones in cities – replacing earlier pictures of starving and dying children with flies crawling across their faces.

The idea of Africa’s rise comes mainly from a straightforward interpretation of high growth rates and increased foreign investments in parts of the continent. After decades of economic stagnation, Africa is now moving ahead: the continent’s economic growth averaged about five per cent annually between 2000 and 2008, and its total GDP in 2008 was US$1.6 trillion – similar to Brazil and Russia. There is increased readiness to invest in Africa: regional investment funds attracted nearly $500 million in 2010.

Africa now has a fast-growing middle class. According to Standard Bank, around 60 million Africans have an income of US $3,000, and this number is expected to reach 100 million in 2015. Since the beginning of the millennium, a sizeable number of African countries have defied expectations and launched a remarkable, if little noticed, turnaround. These countries are putting behind them the conflict, stagnation and dictatorships of the past and replacing them with steady economic growth, deepening democracy and improved governance. In the past few years, this turnaround has happened while the rest of the world struggled with recession and pessimism about the future.

Africa has come a long way from where it was in the 1980s and 1990s. For the first time since independence, Africa is ready to face the future seriously and with determination, without always dwelling on the past and blaming its problems on the colonial inheritance and external factors beyond their control. Africa is no longer perceived as a continent of pity or gloom, but one of hope and optimism. It is clear that the African continent does not any longer want to undergo agendas that are designed elsewhere.

What is needed in the context of a post-2015 development agenda to complement Africa’s home-grown efforts are innovative and transformative global development partners. Many African countries seem to be committed to cutting aid dependency and to build alliances for structural change with types of new partners on their own terms. The Africa post-2015 agenda holds potential for a change of attitudes and a country-driven development agenda of structural adjustment beyond aid.

Economic growth…a necessary but not sufficient condition for sustainable development

While Africa’s growth performance is indisputable and its increasing presence on the global economic stage as a continent of emerging economies is beyond doubt, there is a divergence of views regarding the type of growth and what constitutes appropriate development for the continent.
While there is a firm belief in the role of economic growth in the development process, there are concerns that Africa’s growth has been driven mainly by a long commodity (agriculture and minerals) boom, rather than industrialization (e.g. large-scale manufacturing), raising the question of self-sustainability.

There are also doubts over whether economic growth has led to more equity and greater poverty reduction; hence, the growing consensus about the need for more inclusive type of growth which spreads the benefits of development among the largest segment of the population. Growth has not created the quantity and quality of employment opportunities needed for Africa’s teeming millions of young people. Also, opinion differs on whether the focus of employment policy and investment should be, for example, on agriculture or industry, rural development or urbanization, and so on. In some cases, in the pursuit of national development, the society is torn between maintaining traditional values and embracing the value changes that flow from increasing engagement in the globalised system.

Optimism about Africa’s future based on the continent’s robust economic growth performance, therefore, has to be tempered with caution in terms of the impact of growth on physical and human development. huge infrastructure deficit exists on the continent with respect to the transport, energy, water and sanitation sectors. Poverty is pervasive and inequality and social exclusion persist; most Africans live on less than two dollars a day and do not have access to basic social services; inappropriate and poor levels of education contribute to the growing rank of unemployable young people; healthcare is inadequate and access to what is available is limited, with average life expectancy in many countries is below 50 years, and many African countries cannot grow enough food to feed their populations, with per capita food production declining since independence in the 1960s.

A major policy challenge for Africa today is how to broaden access to economic opportunities for its rapidly growing population, including the most vulnerable groups. Unemployment (including underemployment) is widespread and remains high overall, and the ‘employment problem’ among youth is especially acute. Africa is a continent of young people, with youth accounting for up to two-thirds or more of national populations. As the continent’s population booms, African leaders and policy-makers face a stark choice - turn the youth surge into a demographic dividend by focusing relentlessly on jobs, equity and justice, or face a potential demographic time-bomb. Addressing these development constraints and challenges, and in order to unleash Africa’s potential as a pole of global growth, will require the structural transformation of African economies entailing urgent and concerted action in many areas.

3 | Rethinking African Development: The need for Structural Transformation

Economic growth does not appear to be transforming Africa’s economies at the pace, manner and magnitude needed to meet some of the continent’s most urgent development needs and challenges – for example, youth employment, poverty reduction, gender and social equality.

The continent is rich in natural resources, which should provide revenues to address these challenges, but it remains poor in human and physical development terms compared with other developing regions that are less resource-endowed. Questions about Africa’s decade of strong economic growth remain. Good reasons exist for rethinking development in Africa. Policy outcomes, including long run growth and income poverty reduction, have been rather disappointing and there is still no consensus on what kind of issues would be relevant to the contextual analysis of African economic development.

There is consensus, however, that it is time to rethink African development by introducing relevant structural transformation policies to support economic reforms to ensure that wealth from natural resources is used to foster human and physical development and create socio-economic opportunities; facilitate the emergence of investment into both the capital and consumer markets and the enhancement of private sector development, and, overall, to transform national economies toward the wider spread of the benefits of growth widely and achieve a more inclusive pattern of development.

The debate provides an opportunity to review a range of issues that underpin structural transformation. Among those topics are in-
Industrialization including agribusiness; institutions to support stable economic development; effective markets and promoting exports; infrastructure; political and economic governance; gender equality; civil and social order, and regional integration. In the context of re-imagining Brand Africa, structural transformation is about sketching out a new development regime for Africa emphasizing:

• Creating an investment regime based on a more productive approach to the management of natural and external resources, giving local institutions in a greater discretion and leeway over how those resources are used.
• Improving infrastructure through investments in roads, railways, energy, water and prioritising infrastructural development in national development plans and programmes.
• Investing in human capital and in science and technology to provide skills and innovation necessary to drive the process of economic transformation and industrialization.
• Promoting social and gender equality and women’s empowerment to reduce inequality and enhance broad-based human development.
• Reinforcing governance and accountability to deal with corruption and ensure the provision and delivery of physical and social infrastructures for the largest segments of the population.
• Improving natural resource management and environmental protection to ensure that resource wealth is used to fuel economic development and transformation.
• Strengthening the business climate by focusing on private sector development, particularly indigenous small and medium-sized enterprises (SMEs), to create more favourable conditions for inclusive economic growth and job creation.
• Establishing new public-private partnerships to support infrastructural development and the economic exploitation of the continent’s resources on a fair basis, and to generate a better relationship between government and business and institutionalize the type of social capital that is necessary for sustaining a strategy based on investment and a favourable business climate.
• Seeking innovative and transformative international partnerships in favour of a new model of development cooperation to deal with the challenges of providing global public goods, such as climate mitigation, trade regulations, mining codes and agreements, financial flow controls and global economic crisis, in a manner consistent with Africa’s interests and needs.

4 | Key Issues for Africa in a post-2015 agenda

Economic transformation

Africa is gradually embracing structural transformation as a solution to its endemic national development problems of poverty, unemployment, socio-economic inequality and underdevelopment and imbalances in regional development patterns. This trend must be reflected in a post-2015 development agenda. The consensus that is emerging points to the need for Africa to use its current and future growth as a platform for broad economic transformation and development driven by manufacturing rather than the primary sector.

Some progress has been made in this transformation as a result of recent sustained economic growth, which has triggered a process of income-generation and wealth creation, especially among the region’s burgeoning middle class. This has led to the establishment of new, expanding and more sophisticated consumer markets for goods and services, as well as attracting investors interested in tapping into these new markets and business opportunities.

Continued progress in generating strong and sustainable growth across the continent will depend on how quickly and effectively countries in the region can transform their economies and industrialize in response to changing circumstances and new economic opportunities at national, regional and global levels. The process of economic transformation would entail substantial change in the sectoral composition and diversification into sectors and production areas, such as industry and manufacturing, that have a higher job-creation potential and that can stimulate growth across various sectors including the rural economy.

Governments should support institutional development and strengthening that would make it easier to start and run businesses, especially SMEs, and improve governance and accountability. At the regional level, close collaboration is needed on development issues among the three main pan-African institutions, namely the AfDB, the AU and the UN Economic Commission for Africa to ensure coherence and synergy in policy formulation and programme delivery.
The international development partners of Africa should open up to trade with Africa rather than focus on providing aid. In terms of a wider development strategy, a balanced dimension must be incorporated in the growth path to generate a more inclusive pattern of growth, which is vital for reducing inequality and poverty. The essence of economic transformation is, therefore, that growth must work for Africans and be driven by their own priorities. The process should have a strong focus on the use of Africa’s economic advantages and strengths to scale up infrastructure, create productive jobs, and develop domestic entrepreneurship.

**Urbanization and the rise of the middle class**

The growth of cities is one of the most significant transformations taking place in contemporary African societies, with the potential to widen markets and regional value chains.

With continuing urbanization and the rise of the African middle class, the next generation of Africans will play an important role in the continent’s growth and development prospects. Currently, 40 per cent of Africans live in urban areas and this proportion is projected to increase; over 80 million African households earned US$5,000 or more in 2010 – which is the level at which these households start spending roughly half of their income on items other than food.

Cities in Africa are the sites of major political, social and economic innovation, and are also key platforms for interaction with the wider world. A post-2015 agenda should recognize that urban centres represent opportunities for the myriad actors engaged in all aspects of economic life, including cross-border trade and international migration, to connect people and sectors within and between countries.

**Natural resources management**

Africa boasts about 12 per cent of the world’s oil reserves, 40 per cent of its gold and 85 to 95 per cent of chromium and platinum group metals, 85 per cent of phosphate reserves, and more than half of cobalt, in addition to vast arable land and timber resources. With the abundance of these resources and rising global demand for them, the major challenge facing African governments in a post-2015 development agenda is how to translate the enormous wealth and investment benefits into equitable and inclusive growth. This amounts to a re-examination of the relationship between resource wealth and pressing development objectives such as poverty reduction and employment creation. Poor management of natural resources and the wealth generated by their exploitation has in the past contributed to economic instability, social unrest and environmental degradation, and given rise to the notion of the ‘resource curse’ that has plagued several resource-rich countries in Africa. In order to transform commodity and mineral wealth into inclusive growth and long-term sustainable development, policies should be put in place and acted upon to use resource wealth to foster industrialization through investments in physical, social and human capital and for the upgrading of smallholder agriculture. This implies improved governance and accountability in the management of natural resources through actions at both national and international levels and involving host governments, their international development partners and foreign investors.

**Technology**

The mobile phone revolution in Africa suggests that the continent has embraced technological innovation with enthusiasm. The rapid spread of the mobile telephone technology in Africa and its pioneering application in resolving practical day-to-day problems and challenges, such as financial services including remittances and payments, education, agriculture marketing transactions, healthcare, and so on, have made it possible to leapfrog traditional and outmoded patterns of development. The transformational power of the ICT industry is now instrumental in attracting new investments and technological businesses and promoting entrepreneurship especially among young people in countries across Africa – notably in countries such as Kenya, South Africa, Ghana, Senegal, Nigeria, Rwanda, Uganda, and Tanzania.

Africa is now an easier place to do business because of the much improved connectivity brought about by the mobile phone. The rapid development of broadband communication and the availability of affordable smartphones and tablets will increase the economic and social impact of ICT in Africa’s transformational agenda.

**Regional integration**

Regional integration is important for the economic transformation of African countries because of the need to address the deve-
lopment problems of unsustainable small markets; weak national institutions; limited bargaining capacity in global systems and negotiations, and lack of coordination and harmonisation of trade policies and custom procedures.

Economic integration of African economies has been recognized as one of the key conditions or strategies for accelerating intra-Africa trade, stimulating high growth and reducing poverty in the continent. From the standpoint of a post-2015 agenda, African countries would do well to have a unified framework for negotiation and cooperation with both emerging and old partners to maximize trade and development opportunities. They need to build capacity to enhance, rationalize and maximize gains in their current relations with the emerging economies of the global South (south-south cooperation), focusing on trade and investment including access to concessional loans for development purposes.

International partnerships
The opportunity of a post-2015 development agenda should be used to incentivise the creation of new development partnerships to address existing barriers to inclusive growth at global level. The hope is that a post-2015 framework could be used to drive progress on key areas of growth where agreement between developing and developed countries has so far proved difficult. This could include global policy reforms in the areas of trade, finance, commodities, technology and climate change adaptation and mitigation.

These are crucial factors driving success or failure in development, and change could have a huge transformational impact. One possible way to deal with the challenge of building consensus in these areas is to build on the existing MDG8 – to establish ‘a global partnership for development’ – and use new goals to drive new global relationships in specific areas. International cooperation and transformative partnership will be crucial to reversing the flow of African capital back to the continent. Africa suffers from the loss of billions of dollars every year as a result of capital flight, money which could have been invested in the region with a substantial impact on job creation and poverty reduction. In addition, African countries need to build capacity to enhance and maximize gains from their relations with BRICS and emerging economies in the global South.

5 | Issues for Debate
The above summary of Africa’s economic transformation entails two sides to this debate;

**Side 1 (high and rapid growth is needed to get Africa ready for an economic take-off and sustainable development)**
Side 1 of the debate will propose the motion that Africa is now in a much better position than it was at the turn of the century, and with rapid economic growth it should be possible for Africa’s economies to address the pervasive problems of widespread poverty, growing inequality and social exclusion, and high unemployment, especially among youth.

The argument is that Africa’s robust growth performance and economic resilience during the global financial and economic crises provide evidence that African leaders and people can build on improved economic prospects and huge untapped financial potential to spur future growth and reduce economic internal and regional imbalances. It is assumed that Africa’s economic growth progress puts it at the brink of an economic take-off, much like China 30 years ago, and constitutes the foundation for lifting millions of Africans out of poverty in the coming decades, just as millions of Asians were in the past few decades.

Although recent economic growth is far from inclusive, it is arguable that it laid the foundation for an increasing number of Africans to benefit from growth linked to the exploitation of natural resources that the continent has in abundance and the world needs. Despite the apparent convergence among key actors about the relevance of growth as an urgent development objective that must be included and emphasized in a post-2015 agenda, there is far less clarity and agreement on what specific actions should be prioritised to achieve this.

Much of Africa’s growth is derived from extractive industries and the extraction of mineral resources without on-site value addition and lack of governance and accountability could stand in the way of meaningful and sufficient economic transformation – underlining a process where the continent’s ruling classes and elites and foreign investors are about the only people to benefit from this growth. Until Africa develop its capacity to negotiate properly with
foreign investors and develop manufacturing capacity, it will not be able to take full advantage of its natural resources advantage and high growth potential as a springboard for ‘rising’ and remaining significant player in the evolving global economic order.

Hence, in proposing the motion, the debate will explore the following key questions, among others:

What can African leaders and policy-makers do in terms of a development strategy to ensure that recent gains in economic growth are sustainable in the medium to long-term?

How important is the development of strong and effective national institutions for sustaining high growth and macroeconomic stability?

How can African countries boost human capital development and investment in science and technology for innovation to support high economic growth with substantial employment and income benefits?

How important is regional integration for the transformation of African economies into emerging economies on the global stage?

Does it matter for long-term sustainable and transformative development that that Africa’s growth tends to be concentrated on a limited range of commodities and extractive industries?

Do improved democratic and economic governance and accountability have a key role in the attainment and sustenance of high growth rates in African countries?

Side 2 (the need for inclusive economic growth and balanced development)

Side 2 of the debate will oppose the motion and argue that, while one of the recurring themes in the deliberation on the post-2015 development agenda pertains to the prominent role given to growth in the next generation of development goals, this should or does not imply a return to the days of ‘growth’ being the sole objective of development policy.

There is now increasing awareness among African leaders and stakeholders that growth has to be inclusive and job-creating in a transformational agenda. Recent gains in growth are only the first manifestations of profound, long-term transitions, which have the potential to accelerate Africa’s development.

It is assumed that African governments will be at the driver’s seat and set the agenda for their development based on sensible economic policies that enhance and protect their national and regional interests. Primarily, this agenda should include better management of Africa’s abundance of rich natural resources; a favourable business environment and investment climate to support private sector development with a sharp focus on indigenous SMEs, and greater commitment to promote regional economic integration.

While some African countries deserve credit for recent successes toward economic diversification in favour of service industries and in raising per capita incomes, emerging Africa is not likely to become the next global player until it can move out of ‘dead-end’ activities that only provide diminishing returns over time (low value-added primary agricultural commodities and extractives), and into activities that provide increasing returns over time (manufacturing and services).

Historically, from the Middle Ages in Europe and all the way up the East Asian Tigers of recent renown, development has generally been synonymous with ‘industrialization’, and Africa will be no exception. The failure to factor in industrialization in the development matrix renders most comparisons of growth in Africa and Asia spurious. With the possible exception of South Africa, hardly any country in sub-Saharan Africa seems to have the vision and capacity to develop its economy rapidly and sustainably as, say, Indonesia, Malaysia, Thailand, South Korea and China have done. Furthermore, Africa’s growth tends to be concentrated on a limited range of commodities and capital-intensive extractive industries and therefore less transformative in development terms – in marked contrast to the Asian experience, where the growth of labour-intensive manufacturing has contributed to lifting millions of people out of poverty.

Structural transformation of African economies is needed and provides hope for development progress of the correct type and in right direction. With the right conditions and enabling policy environment in terms of infrastructure and business climate, Africa
with its relative low-wage regime and proximity to European and US markets should be able to attract a sizeable proportion of lower-end manufacturing jobs that will be exported from China to low-income developing counties as wages in China increase.

Many African countries would need to use industrial policies, such as temporary trade protection, subsidized credit and publicly supported R&D with technology and innovation policies, if they are to ever get their manufacturing sectors off the ground. They would also need to take immediate action to realise the great potential for the expansion of the service industry in Africa that goes with natural resource exploitation, which could yield additional employment and income benefits for the local population.

Hence, in opposing the motion, the debate will explore the following key questions, among others:

How important is industrialization for Africa’s economic development and transformation, and what are the main constraints on African countries to adopt appropriate industrial policies needed to broaden and deepen the production base of their national economies?

Why and how should African countries establish innovative and transformative partnerships with donors and multilateral institutions that respond to continent’s development needs?

What are the main obstacles in the path of efforts by African countries to accelerate the development and structural transformation of their economies, and should Africa wait until all of these obstacles are resolved to diversify production into light manufacturing for exports?

Is there a realistic prospect of Africa transforming itself and, thereby, escape the scourge of poverty and underdevelopment, embark on the process of industrialization – just as China, India, South Korea and other emerging and developing countries have done in the relatively short period of a generation?
There is widespread consensus in development policy circles that the transformation of African economies toward inclusive growth and sustainable long-term development implies a major role for the private sector, especially in industry.

The importance of private sector development (PSD), as a driver of growth, is based on a conceptual framework linking entrepreneurship, investment and economic growth with major development objectives such as job creation and poverty reduction. The framework implies a relationship between business and government, in which development is realised through entrepreneurship and investment, on the side of business, and an enabling policy environment and business-friendly investment climate, on the part of government.

As African economies continue to grow and expand, the link between business and government will become more important to support the process of industrialisation as a means of enhancing the value and productivity of domestic production and creating export competencies. Already, there is a fundamental shift in Africa’s industrial policy approach away from state-driven initiatives and towards the private sector, with an increasing number of countries considering the sector a key development partner. This shift in policy is justified by a recent AfDB estimate that, in order to meet the major structural transformation challenges of rapid urbanisation, youth employment, population growth and industrialisation, African countries will need to raise their gross domestic investment ratios to about one-third of GDP and that at least two-thirds of this will have to come from private sector investment.

The theme of the 2013 CEO Dialogue focuses on the synergy between business and governments as development partners in the broader context of the structural transformation of African countries. The straightforward assumption is that with government creating the right conditions for the expansion and development of the private sector, these will contribute toward the fulfilment of key requirements for economic transformation and development. These are mobilizing domestic resources and improving the investment climate; advancing technological innovation; developing economic infrastructures and improving household and enterprise access to reliable productive services; developing a vibrant private sector system of industrial and commercial enterprises, financial intermediaries, capital markets and corporate service firms; facilitating trade and export, and creating the employment opportunities needed for absorbing current unemployed persons and youth entrants into the labour market. However, the role of the private sector as a development partner of governments in Africa faces fundamental challenges, including insufficient infrastructure and inadequate access to power and financing. Furthermore, the sector is largely dominated by informal and low-productivity, low-wage economic activities with limited contribution to formal employment.

Given the importance of private sector development for poverty-reducing economic growth, African governments and their development partners need to make strategic choices regarding the type of private sector development to pursue and priority areas for interventions. If the private sector is to fulfil its developmental role, it has to operate as an economic structure that is embedded and rooted in the national economy, and one in which indigenous actors play an important, if not dominant, role. The prospect of leveraging private sector funds for development goals not only calls for an enabling environment to attract private capital, mainly foreign direct investment (FDI), but also to create conditions for an increased participation of domestic firms in the economic transformation and wider development processes. In this regard, and looking at the employment challenges facing most African countries, it is imperative for government-induced private
sector development programmes to give a high priority to the development of small and medium enterprises (SMEs), and promote entrepreneurship and ownership of enterprises, especially among youth, through SME activities.

For example, the participation of indigenous firms as sub-contractors and suppliers for the procurement of goods and services in major foreign investments projects in mining and infrastructure sectors can serve both employment and capacity-building objectives. In many African countries, SMEs contribute to well over 50% of all new jobs, and SME private sector flows dwarf traditional public sector investment resources and ODA flows. This raises the issue of how best to bring foreign and domestic private sectors into regular and focused dialogue with the state on key policy issues; and how best to create linkages between local firms at the micro and small level with large domestic and international firms, to support long-term inclusive growth and employment objectives.

Private sector involvement in African development can be enhanced through public-private-partnerships (PPPs) – sometimes also combining international commercial firms, donors and philanthropy – to leverage non-state capital for investment in national development, with impact on employment and poverty reduction. The experiences of a number of developing countries in Asia and Latin America bear evidence that the state through PPP has fulfilled a complementary catalytic and partnership role in making PSD instrumental to the structural transformation of their economies.

For example, PPPs can be particularly useful for the exploitation of mineral and other natural resources needing large capital outlays and advanced technologies not locally available. The participation of the private sector in infrastructure through PPP has opened up wide opportunities for improving the supply and quality of basic social services in areas such as transportation, telecommunications and power, as well as assisting African countries to become more competitive in the global marketplace. Promoting private sector development through PPP would, however, need to address issues of how to help domestic firms to enter international markets and value chains; how to ensure acceptable employment and sufficient employment opportunities for young people, and even how to encourage greater tax compliance (tax holiday versus tax justice), while promoting growth of investment and infrastructural development.