

# **Short Contribution to Panel Discussions on Africa's Industrialisation**

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# Issues and Questions Arising

- Industrialisation is a critical part of Africa's Structural Transformation (ST) Agenda
- The **L2C** project has generated a rich set of empirical studies at the firm level in case study countries of Asia and Africa
- Main Questions asked in L2C: How to raise firms' **competitiveness**: through: "Learning to Export" and Learning by Exporting" and through "Agglomeration effects of Industrial Clustering". Policy recommendations are not controversial.
- "challenges and opportunities" in Africa's industrialisation - **beyond** micro-level question over "raising firms' competitiveness":
  - **What sorts of industrialisation** (i.e. the nature) are necessary and feasible: e.g. shallow vs deeper industrialisation in relation to triple "**sustainability**" questions in three dimensions, i.e. **ecological**, **social** and **financial** sustainability in Africa's ST processes
  - **What sorts of broader policy** and **institutional environments** are required
- reality on grounds in the debate over **pessimism** vs **optimism** in Africa's industrialisation: ST started happening- but still **fragmented** and **isolated success- shallow** and **fragile**
- Requiring a coherent **strategic framework** at macro and regional levels

# Structural Transformation as development processes of creating articulated economies

- Structural Transformation (ST) as purposeful, concerted *societal* efforts towards creating a **well-articulated** economic structure, where economic activities are closely linked to each other in a dynamic, **coordinated** manner. (N.B. to overcome coordination failure see Murphu et al.(1989))
- Diversification into higher productive activities with large positive **externalities** and dense dynamic **spill-overs spatially** and **overtime**
- ST should entail creating inclusive growth **ex-ante**: inclusive growth through which opportunities are created, and benefits are widely shared ex-ante → Achieving **twin objectives** of economic and social transformation
- Creation of articulated economies through regional Integration (RI) to overcome small market sizes and economies – **global demand** is not expanding: with “**secular stagnation**” in ACs and **slow down** in EMs
- Forward-looking position to take advantage of **demographic dividends** as important productive assets **and** expanding purchasing power/ aggregate demand
- Focus on enhancing markets in the region by ↑ in **Africa’s effective demand** on the basis of growing per-capita income and consumption

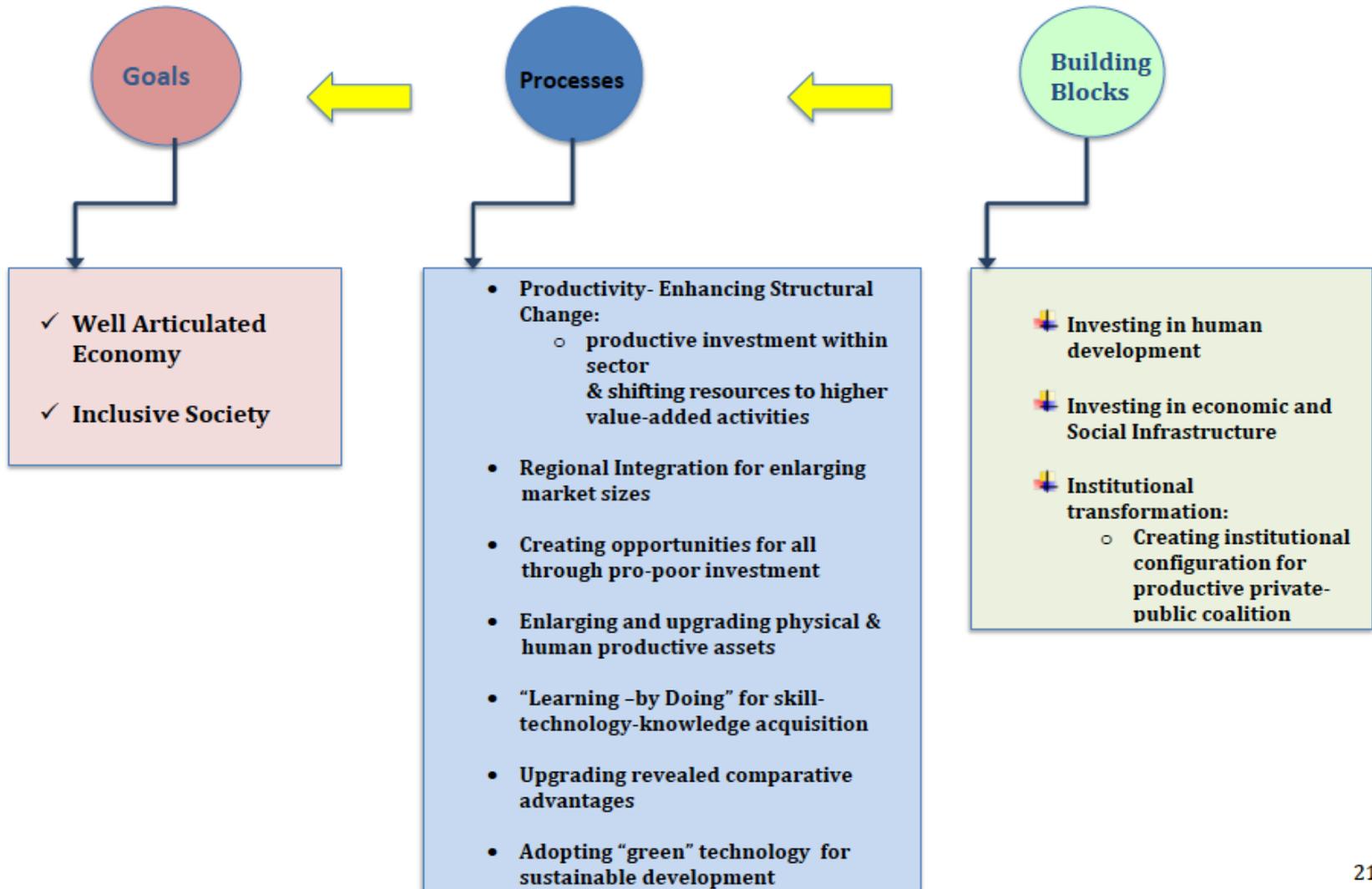
# Industrialisation as part of Africa's Structural Transformation Agenda

- Comparative advantages and competitiveness should not be built on impoverished wage labour or their under-consumption in long-run
- ST should entail active “ **learning-by-doing**” at production units as well as **societal** level, shifting Africa's **revealed comparative advantages** dynamically in integration into the global economy
- ST involves exploiting region-wide **dynamic** economies of scale and agglomeration effects for enhancing positive externalities through **cross-border production clustering**, **dense production/supply networks** and **consumption spill-overs** in **coordinated efforts**
- Creating cumulative causation effects of RI by attracting both vertical and horizontal FDI for large integrated markets – ‘**market seeking**’ FDI
- Attract FDI for **technology** and **knowledge acquisition** to enhance skill base, knowledge assets, productive human capital –(in place of resource seeking or foot loose FDI on exploitation of cheap labour)
  - **Strategic** participation in **GVCs** with constant **upgrading** and **linkage development**

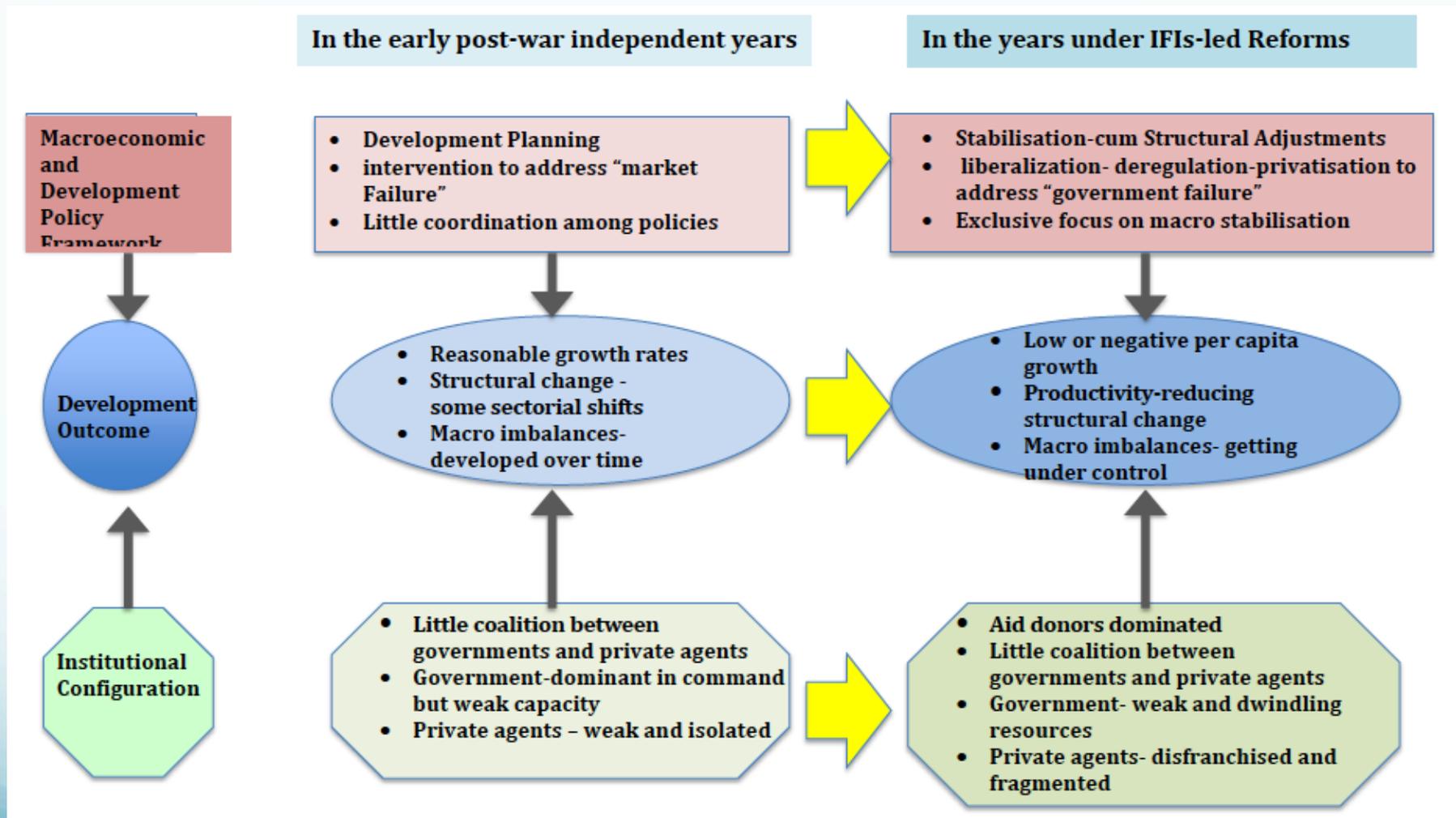
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- Active and strategic participation in technology-driven globalisation, and leap-frogging to clean **green** and **mobile** technology with smaller sunk costs- not simply emulating the industrialisation paths of the past
- Industrialisation should proceed alongside **agrarian transformation** with linkage developments, increased non-farm employment and food security
- Spatial spread/diversification with new clean technology- to prevent negative externalities (for example, congestion, asset price escalation, pollution, crimes etc.from developing in over crowded cities).
- **Building Blocks** of fundamentals
  - Investing in human resources for **capability** development
  - Investing in **economic** and **social Infrastructures**
  - **Institutional transformation:**
    - Creating **institutional configuration** for productive **private-public coalition**
    - Domestic stakeholders - **SMEs** and **small holders** as main drivers/ developing agents with their capability development

# Fig.1. Structural Transformation as Development Processes in the 21<sup>st</sup> Century



# Fig. 2. Historical Evolution: Policy Framework, Institutional Configuration and Outcome



# Fig.3 Macroeconomic Framework embedded in Development Strategy for Structural Transformation

