

AURC 2018 Concept note

ACCELERATING INDUSTRIALISATION IN AFRICA: IMPLICATIONS FOR JOB CREATION AND POVERTY ALLEVIATION

The advent of political independence provided most countries in sub-Saharan Africa (SSA) with the opportunity to develop and implement national plans, policies, and programmes that would enable them to catalyse rapid industrialisation and create enough jobs for their rising populations. To-date, attempts to address these aspirations have yielded disappointing results in most African countries. The need to enable industrialisation while reducing unemployment remain ongoing and very resilient twin challenges. Even in countries such as Ghana, Ivory Coast, Tanzania, Kenya, and Botswana that have managed to realise relatively reasonable levels of economic growth, the industrial base has largely remained under-developed and their national levels of unemployment have remained high. In essence the *Africa rising* narrative that tends to accompany most analyses of economic growth spurts experienced in some of the countries on the continent and the optimism that it raises masks the magnitude of the industrialisation and job creation deficits that the continent still faces. Indeed, there is an urgent need to generate knowledge that sufficiently explains the main drivers and roots of the *Africa rising* narrative as well as the evident lingering weaknesses in this domain that are not yet sufficiently researched or understood on the continent and beyond.

With the exception of textiles and clothing, export manufactures are notably absent in most African countries (except South Africa to some extent). Several scholars argue that this is mainly due to the fact that in Africa, the acceleration of economic growth witnessed as from the year 2001 until the global recession of 2008/9 was mainly based on higher primary commodity prices with limited diversification into manufacturing and services industries (see Mkandawire, 2005; Nzau, 2010; Baah-Boateng, 2016; Rodrik, 2016; Stuart, 2017). The available evidence also suggests that population growth and urbanisation in Africa are disconnected from industrial development, resulting in lost opportunities for job creation and improved human well-being. In resource-rich African countries, natural resource exports and related spending, largely on non-tradable services, appear to be driving economic growth and thus generating "*consumption communities*" as opposed to productive communities (see ECA, 2017). This state of affairs is clearly exemplified by the continent's economic performance in 2016 when growth continued to deteriorate mainly due to a primary commodity prices slump, with the major commodity exporters i.e. Nigeria and Angola most adversely affected (see Africa Economic Outlook, 2017). This suggests that to maintain progress in economic development on the continent, employment-intensive and higher-productivity sectors outside the extractive industry need to be developed. In this regard, a manufacturing and services industry base (including processing of agricultural commodities as part of value-addition processes) is a plausible route to economic diversification. To achieve this, an established and innovative set of robust strategies and policies to incentivise, promote and mobilise private and public financing for the development of manufacturing industries is highly critical.

In recent decades, there has already been a variety of national, regional and international policies seeking and purporting to stimulate economic development in Africa through industrialisation. The focus on industrialisation derives from the demonstrated socio-economic benefits of manufactures and services dominated economies in Western Europe, North America, the high performing Asian (HPEA) economies and of late, China. The socio-economic structural transformations that result from industrialisation carry the benefits of greater and skilled labour employment opportunities and in the process increased income. This contributes to the reduction of poverty at the individual, regional and national levels. In addition, where competition is high in the manufactures and services sector, entrepreneurs that thrive constantly innovate their products and production processes creating both producer and supplier rents. These and other dynamics give rise to higher incomes and better standards of living in today's industrialised economies. In efforts seeking to increase the overall global incomes and standards of living, Africa remains the weakest link. This has been related to the continent's overdependence on natural resources, declining agricultural production, underdeveloped infrastructure, inadequate human capacity, unfavourable terms of trade among others. Under the current global dispensation, it is arguable that, without industrialisation, Africa cannot be on a sustainable path of economic development and poverty alleviation. Thus, the impetus is on African economies to industrialise and catch up with the rest of the world.

A number of initiatives are underway to accelerate the depth and breadth of industrialisation in Africa. Most notable in this area is Agenda 2063 - The Africa We Want, the continent's 50-year grand development policy. The agenda repeatedly articulates the need and importance of regional linkages as a suitable seed to Africa's aspirations to integrate and industrialise. Africa's regional economic communities (RECs) have all designed industrial policies aimed at growing their economies. However, the implementation of existing industrial action plans in African countries and regions is yet to fully materialise and instead a de-industrialisation trend can be observed over the last few decades. Overhanging these developments are the tentacles of the fourth industrial revolution. The Fourth Industrial Revolution (Industry 4.0) can be described as a range of new technologies that are fusing the physical, digital and biological worlds, and impacting all disciplines, economies and industries. At the heart of the Industry 4.0 idea is intelligent manufacturing, i.e., applying the tools of information technology to production.

To advance the discussion on industrialising Africa, the Human Sciences Research Council (HSRC), through its Africa Institute of South Africa (AISA) invites policy makers, researchers, business leaders, entrepreneurs and academics to the 2018 Africa Union Renaissance Conference (AURC) which will be held under the theme; *"Accelerating industrialisation in Africa: implications for job creation and poverty alleviation."*

The 2018 AURC interrogates key factors that impinge on Africa's industrialisation aspirations with particular focus on; the global and local policy and institutional regime, hard infrastructure, local and regional economic linkages, human capital development, national systems of innovation and the role of natural resources endowment in the milieu.

The conference is organised in partnership with the South African Department of Science and Technology (DST) and Department of International Relations and Cooperation (DIRCO).

Conference Objectives:

The objectives of this conference are to establish how the continent can successfully industrialise given the current global economic context, regional and national challenges. The conference discussions are set to proceed under three broad objectives;

- Deliberate on how the continent can enhance its comparative advantage of natural resources endowment to a competitive advantage by developing local industrial upstream and downstream linkages (Hirschman linkages) to create employment and reduce poverty. The effectiveness of the African Mining Vision in this process will also be established
- Examine the impact of legislative implementation of industrial policy by the RECs along with strategies of monitoring and evaluation of the current industrial frame works that exist such as the Program for Infrastructure Development in Africa (PIDA) designed to promote rail and road infrastructure critical for industrialisation.
- Examine the nature and impact of the global economy on continental industrialisation with a focus on local (national and sub-national), regional (RECs i.e. ECOWAS, EAC, and SADC), international partners such as TICAD and FOCAC, and funding institutions such as World Bank, International Monetary Fund and BRICS. Global legislative requirements regarding international trade such as agricultural subsidies will also be examined, along with the role of the financial markets.

Conference Sub-themes:

Sub-theme 1: From a comparative to a competitive advantage: Industrialisation and the extractive industry (mining, oil and gas)

The Africa Mining Vision (AMV) adopted by the African Union in February 2009, seeks to prevent further enclave exploitation of the continent's natural resources. The aim is to make the most of industrial (manufacturing and services) linkages in the natural resources sector by employing both simple and complex capital and human resources to produce finished products for sale at a value higher than the raw material. The associated upstream and downstream manufacturing and services linkages are important sources of innovation that can propel the vision of a knowledge driven extractive sector in Africa that in turn could catalyse broad and diverse positive spillover effects in other sectors of the economy. This section will draw on lessons and experiences of national and regional industrial policies and their impact on promoting growth, sustainable job creation and industrial development. Key issues that will be addressed under this sub-theme will include among others;

- Implementation of the AMV policy under the given domestic, regional and international trade regime.
- Current regional (RECs) and African value chains in the natural resource sector.
- The nature of national backward and forward linkages in the primary commodities sector in Africa
- Private Sector profit interests versus mineral industrialisation

What are the challenges and how can they be mitigated? What are the success stories and how can these be enhanced or replicated in other sectors of the economy and across the continent to facilitate regional growth, job creation and poverty reduction?

Sub-theme 2: Agricultural modernisation

Agricultural modernisation is essential in addressing the current food insecurity on the continent as it comprises a transition from subsistence agriculture to industrialised agriculture. Over the last four decades agriculture production and value added on the continent has declined steadily. Consequently, Africa imports \$25 billion worth of staple foods each year to ensure food security on the continent. There has also been a decline in expenditure allocation to agriculture production from 4.5% of total expenditure in 2001 to 2.5% in 2012. This is despite a 2003 pledge to increase this expenditure to 10% as articulated in the Maputo declaration. The need to transform African agriculture, create jobs, achieve food security and in the process enhance economic growth has been reaffirmed by the African Union. Further, the adoption of the Comprehensive Africa Agriculture Development Programme (CAADP) and the 2010 AU Executive Council endorsement of the African Agribusiness and Agro-Industries Development Initiative (3ADI) aims at creating highly productive and profitable agricultural value chains. Areas of concern in this theme includes among others;

- Promoting the modernisation of agricultural production, (e.g. irrigation, post-harvest storage and processing, ICT innovations) as an attractive economic development and growth strategy, especially for the youth.
- Addressing land reform and redistribution for agricultural production in African countries. Lessons from local and international best practices
- Linking smallholder farmers to local, regional and global markets, innovation and agro-processing initiatives.
- Addressing gender inequalities in the agriculture sector
- Addressing lack of finance for Africa's diverse agriculture sector.

Sub-theme 3: Infrastructure development as an input and outcome of industrialisation

Africa's infrastructure deficit is well documented. Limited and unreliable hard infrastructure is an impediment to industrialisation. The Programme for Infrastructure Development in Africa (PIDA) for instance seeks to promote regional economic integration and industrialisation by building mutually beneficial infrastructure and strengthening the ability of countries to trade and establish regional value chains for increased competitiveness. The 51 PIDA Priority Action Plan (PAP) programmes and projects are spread across the four sectors of *Energy, Transport, Information and Communication Technology*

(ICT) and Trans-boundary Water in Africa. Addressing these deficits has the potential to facilitate an efficient and competitive production and distribution of manufacturing services outputs, locally, regionally and internationally. Discussions under this sub-theme will consider the following, among others;

- Financing Infrastructure Development as a Driver for Local and Regional Economic Development and Integration
- SADC Regional Infrastructure Development Strategy Implementation – Experiences, challenges and opportunities for industrialization
- Regional Development Corridors – National and Regional Road, Rail, Water & Energy Corridors: A case study of the COMESA Region. What have we learnt so far?
- Role of Renewable Energy Technologies in African Industrialization: Opportunities and Constraints

Sub-theme 4: The development of human capital for industrialisation

The importance of an appropriate and adequate stock of human capital for economic development is demonstrated first in the developed nations and second in the high performing East Asia economies. The development of Africa's human capital has been identified as a key aspect to achieve global competitiveness and industrialisation. Areas of discussion under this sub-theme include among others,

- Systemic development of human capital for industrialising Africa
- Industrial skills and education mismatch – University or technical education.
- Knowledge production: funding, operations, training and private sector alignment in research centers and universities
- Public sector capacity development needs for industrialisation in Africa.
- The Asian tigers experience with human capital-led development. Opportunities and Challenges

Expected Outcomes

It is anticipated that the AURC 2018 conference will lead to the following outcomes

- Enhanced knowledge of the challenges and successes of the AMV implementation, issues for redress and how to forge forward to achieve the aims and objectives of the AMV.
- Improved understanding of how the continent can develop local industrial upstream and downstream linkages in its natural resources sector to enhance its competitive advantage, create employment and poverty reduction
- Identification of avenues through which agriculture can be modernised, gender inequality and barriers to finance addressed, land reform challenges confronted and how small holder farmers could be linked to local, regional and global markets and agro-processing initiatives.
- A deeper understanding of how Africa's infrastructure deficit can be addressed, including sustainable funding models, ex-ante and ex-post externalities.
- Identification of workable approaches to making all dimensions of human capacity development in Africa relevant to its industrialisation aspirations

- Global institutional barriers to Africa's industrialisation

Output

A number of outputs are anticipated to emerge from this conference. These include

- An immediate Outcome Statement to be submitted to continental, regional and national representatives at the close of summit.
- Publication of conference proceedings
- Policy briefs on highlighted/relevant issues for redress by African governments, private sector, academia and public sector institutions in South Africa and other African countries
- Peer reviewed journal articles

Format

The conference will commence with an opening session consisting of welcome and keynote speeches. This will then be followed by four breakaway thematic sessions on the first day (23 May 2018) and two breakaway sessions on the second day (24 May 2018). Each breakaway session will entail five presentations, to be followed by intense discussions. Chatham House rules will prevail at the conference to enable open, frank, honest and robust discussions. An Outcome Statement that consolidates key findings of the conference will be presented to continental, regional and national representatives at the closing session of the conference on the 24 May 2018. The third day (25 May 2018) will be the Africa Day Expo that celebrates the splendour and culture of the continent. Conference delegates will be transported from the conference venue to the venue for the Africa Day Celebrations and back on time for their departure flights.

Date and Venue

23 – 25 May 2017. Pretoria, Gauteng