

Structural Transformation in Africa and Beyond

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Parallel Session 2: Falling behind and catching up in southeast Europe (Vienna Institute for Economic Studies- WIIW)

It has long been theoretically argued that infrastructures and agglomeration economies may well foster growth. If that is empirically verified, policies of infrastructure development and emphasis on metropolis in urban schemes should be stressed.

Parallel session 2 was focusing on such estimation, in South East Europe. Mario Holzner, presented his paper that shows - tackling classical issues of endogeneity on such question - that the new construction of a highway causes a 20% increase in employment in its vicinity.

Roman Römisch, similarly showed that agglomeration actually triggers economies of scale, though such phenomenon explains 30% of variation of economic activity.

From the lively and fertile discussion following the presentations, led by Professor Randall Filer, it emerged that improving indicators and estimation strategies could lead to adjust these results. That opens the way to further studies on such fascinating and potentially rich of policy recommendations topic.

Quote of the Day

"In many places, people live on little more than a dollar a day. So the United States will join with our allies to eliminate such extreme poverty in the next two decades ..."

President Obama, State of Union Address, 2013, quoted by Steve O'Connell (plenary 1)



The Role of Structural Transformation in Development

The first plenary session of GDN's 15th annual conference introduced extensively the core topic that will be leading the sessions of the three days: the key roles of structural transformation (ST) in development. Setting the debate, Ernest Aryeetey reminded that, despite high growth rate in Africa during the past 25 years, ST had remained very low.

We even witnessed "negative diversification", movement from under-performing agricultural sector to less productive services sector. Stephen O'Connell pushed also in this direction, insisting for instance on the productivity gap between agricultural and non-agricultural sectors. The evolution of economic context in developing countries over that period deeply changed, and new needs of ST have consequently emerged. If organization of the economy improved broadly, followed – though more heterogeneously – by industrialization, formalization of the economy still has to be achieved, pointed Ravi Kanbur.

Beyond the economic scope, Helen Milner focused on democratic transformations that call for new strategies: the number of democracies in sub-Saharan Africa has exploded – as well as participation, competition, and, consequently, accountability and legitimacy of leaders. Focus has now to be pointed towards responsibility of executives, through increased roles and independence of Parliaments and Justice.

Stephen O'Connell finally introduced the core of the conference: suggesting solutions to move forward keeping in mind, as Ravi Kanbur highlighted, that "ST of the past may not be the ST of the future". The gap may be reduced by labor mobility, which would be determined by external factors, including rule of law – he stated. The diverse, documented – even engaged – questions that followed the presentation showed the burning importance of the topic of ST, and announces debated and fruitful discussions during the rest of the Conference.

Plenary 2:

Social and Economic Transformation. Virtuous or Vicious Circle?

Structural transformation relies deeply on social and economic transformation - the second plenary session focused on such pre-requisite. Macro economic conditions may have evolved towards better environment in several development countries (be it opening to trade, investing massively in human capital, etc.), this has hardly proved sufficient – as Santiago Levy illustrated with Mexico example. The dimensions of economic transformations are multiple. Agriculture is one key on which Alexandros Sarris insisted. Industry is a also major one, and John Page suggested various ideas to be developed – like encouraging clusters, echoing Célestin Monga's keynote – towards industry diversification in Africa. We cannot afford to leave social structure apart from development. On this field, gender topics are essential, as explained by Elaine Zuckerman. Incentives – especially in tax policies – will be key towards achieving this transformation, supporting high productivity along with providing assistance to low income workers. More broadly, both qualitative and quantitative efforts have to be made towards all these directions by development agencies.



Célestin Monga
(The World Bank)
at the Conference



Parallel session 3

Africa has grown rapidly but will it last?

Will growth make African countries internationally competitive and resilient? Will growth expand formal employment to bring about shared prosperity? The African Center for Economic Transformation (ACET) proposed an answer to these questions in its African Transformation Report launched in April.

ACET views economic transformation as economic growth plus structural transformation. The aim of this report is to focus economic policy on transformation, to provide analyses in order to build sound transformation strategies and to provide a tool to measure transformation: the African Transformation Index (ATI).

The ACET proposes to look at the DEPTH Indicator, based on five components reflecting economic transformation: Diversification, Export competitiveness, Productivity increases, Technical upgrading and Human well-being. The audience shared interests and concerns regarding data measurement and methodology. However, everyone acknowledge that it constitutes a first step towards economic transformation that fosters job creation and shared prosperity.

Parallel session 4: Building Capacity for Natural Resource Management and Structural Transformation in Africa

Africa is endowed with a rich and various set of Natural Resources. She has still to find the best way to leverage these assets and avoid the Natural Resource Curse. Panelists and Discussant, though walking on different paths, commonly identified three main aspects.

Based on the motto that “no one size fits them all”, they emphasized the necessity of incorporating national specific aspects in Natural Resources Management' policies. They have to be holistic, going beyond sectors and scale without forgetting the particular context of the country.

Post-conflict times might sadly be the nest of short-term strategies focusing on extraction as a source of revenue and employment. Beyond this aspect, as-symetry of information between governments and other agents is the second issue to be tackled. While negotiating contracts of exploitation, governments often tend to underestimate the power they have. Because they don't have access to proper data, they lack arguments and fail to maintain their Sovereign Rights. Once contracts are signed and exploitation starts, governments struggle with the monitoring of the activities. Finally if policy designs are usually well managed, policy implementation still lies behind. Transparent and accountable governance would help tackle this problem and might as well lead to more precise policies going beyond the usually used taxation approach. In this framework, Building Capacity is the solution to enforce countries as to understand better their particular interests and challenges, reduce the as-symetry of information and focus on the real interest of Africa by acting with local communities.

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