



Why an integrated approach to structural economic transformation is needed for inclusive and sustainable industrialization and poverty eradication in a Multiple Crises African Context

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Presentation structure



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3. Challenges of structural transformation in Africa
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Introduction

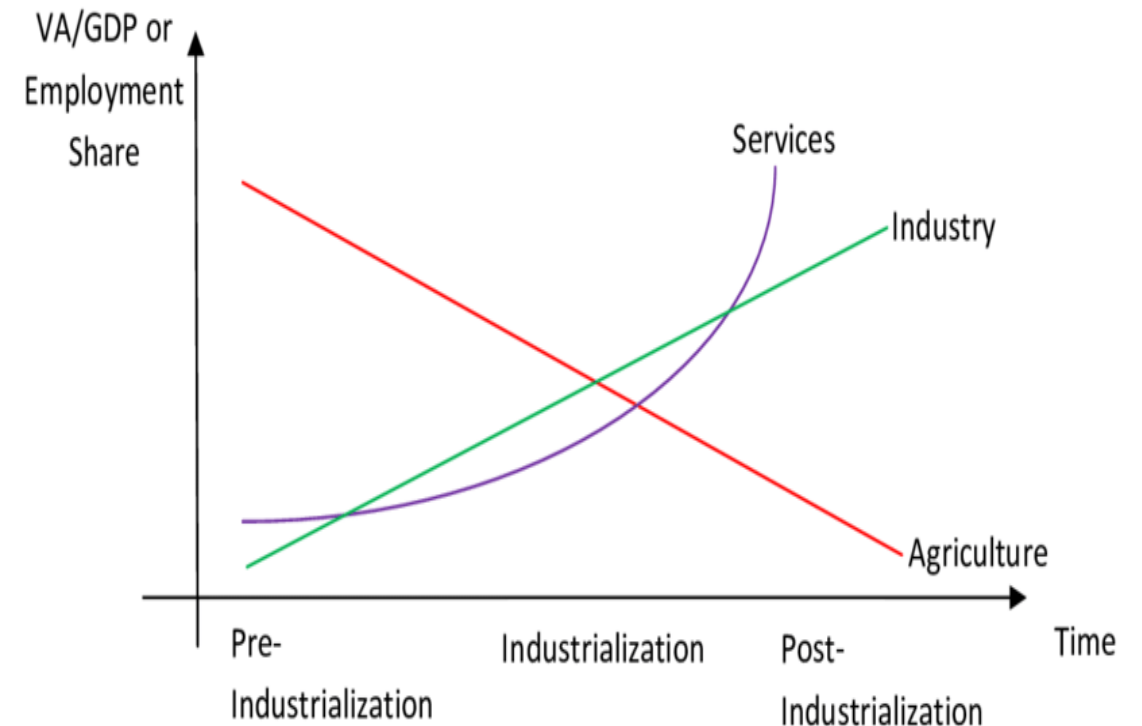


- The current pattern of growth in the context of multiple and intersecting shocks and crises will not be a sufficient and sustainable path to prosperity in Africa.
 - COVID-19 has plunged at least 40 million additional Africans into extreme poverty
 - Without a concerted “SDG push”, at least 492 million people will be left in extreme poverty in Sub-Saharan Africa in 2030
- Structural economic transformation is needed to mitigate the adverse effects of these crises and promote sustainable and inclusive growth in Africa.

What is structural economic transformation and how does it unfold?

- Structural transformation refers to the shift of economic activity from traditional sectors (such as low productivity agriculture and natural resource extraction) to more modern and productive sectors (such as mechanized agriculture, manufacturing, and services)
- Structural economic transformation has a theoretical basis from the work of several authors. (Lewis, 1954, Hirschmann, 1958, Kuznets, 1966).
- The ultimate goal of structural transformation is to create a more dynamic and competitive economy that can sustain high levels of growth and provide widespread benefits for populations, including better employment opportunities, higher wages, and improved well-being (see for example, UNDP, African Development Bank, ECA, UNCTAD and World Bank)
- However, this process can also be disruptive, and it requires careful management.

Schematic of Structural Transformation Process



Source : https://www.researchgate.net/figure/The-Structural-Transformation_fig1_24112167

Challenges of structural transformation in Africa



1. Weak infrastructure
2. Limited human capital
3. Dependence on primary commodities
4. Limited access to finance
5. Weak governance and institutional capacity
6. Limited regional integration
7. Lack of social safety nets and inadequate social protection
8. Climate change and environmental degradation

Structural transformation to drive industrialisation for poverty eradication



- Structural transformation enables countries to transition from a low-productivity and narrow-based economy to a more diversified one that is more resilient to external shocks
- Through inclusive and sustainable approaches, industrialization can pave the way for a more just structural transformation
 - Inclusion and sustainability pursued alongside growth and job creation
 - Diversification can promote inclusive and sustainable industrialization, generating opportunities for growth and job creation in new and emerging sectors
- By encouraging economic diversification, increasing productivity, promoting sustainable industrialization, and fostering inclusive growth, structural transformation can help to promote inclusive growth and support the achievement of the SDGs

Structural transformation to drive industrialisation for poverty eradication



- Country examples for good practice:
 - Ethiopia – significant strides in recent years with a resolute focus on industrial development e.g., industrial parks, transport, infrastructure
 - Mauritius – heavy investment in education and training programs for its labor force, has supported its economic growth
 - Rwanda – upskilling labor force and attracting foreign investment to develop its manufacturing and service sectors; eco-tourism and green growth promoting agriculture
 - Ghana – a strong manufacturing sector, particularly in textiles and food processing, and foreign investment to these industries incl. renewable energy and eco-tourism.

Integrated policy approaches for structural transformation in Africa



Investment in infrastructure

- Critical infrastructure e.g., roads, ports etc.
- Technology

Design and implementation of industrial policy

- Gov'ts to encourage industrialisation and diversification
- Tax incentives, subsidies, targeted trade protectionism
- Support global green transitions for growth and employment
- Innovation

Education and training programs

Agriculture and natural resources

- Mechanisation
- Research and development
- Agro-processing
- Development minerals incl. textiles

Regulated financial markets

- Expand access to credit
- Promote capital market development
- Innovative finance

Regional Integration

- Eliminate trade barriers
- Harmonise standards and regulations

Social protection

- Safety net programs
- Social transfers
- Re-training programs for workers

International cooperation and partnerships

- Technology transfer
- Expanding fiscal space
- Capacity building
- Policy coordination

Conclusion and recommendations

- Inclusive and sustainable industrialization and poverty eradication require a vital component: **Structural Transformation**
- Effectively implemented, Structural Economic Transformation can fuel economic growth, generate employment opportunities, and reduce poverty and inequality
- However, Structural transformation can also produce negative social and economic outcomes
- Integrated, systemic and partnership policy approaches is needed for structural transformation in Africa
- To promote inclusive growth and reduce poverty and inequality, it's necessary to
 - promote investment in human capital,
 - support small and medium-sized enterprises, and
 - encourage sustainable industrialization
 - promoting socio-economic inclusion through social protection measures and levelling the playing field

I Thank you