

OUTCOME STATEMENT

ACET breakaway session

Building Forward Better: The Role of Economic Transformation

Background

ACET hosted a parallel session at the AUDA/NEPAD Bridge Think Tank Summit held in Addis Ababa from the 10-12 January 2023. The theme was "Building forward better, the role of economic transformation". Ms Mavis Owusu Gyamfi, the Executive Vice President of ACET welcomed delegates to the session, after which a presentation was made on the theme using excerpts from the African Transformation Index Report 2023. The ATI tracks the transformation trajectory of 30 African countries representing 86.5% of the continent's GDP using data from 2000 to 2022. The ATI is underpinned by ACET's definition of economic transformation which is Growth with DEPTH.

Objective

The main objective of ACET's parallel session was to share with delegates findings of our recently launched Africa Transformation Index Report 2023, and its recommendations on how African economies could build forward better from the recent array of crises we face as a continent. Despite registering consistently high levels of growth there has been no corresponding improvements in development outcomes on the continent. Africa still accounts for the highest levels of poverty and disease, and the lowest levels of literacy, food security and basic development. This disjoint between growth and development has brought to the fore the reality that economic growth although necessary may not be a sufficient condition for sustainable development. A new and strategic approach towards inclusive growth and sustainable development is therefore required in our quest to recover from the multiple crises we face.

Key output:

The highlights of the presentation were as follows:

- It is not enough for Africa to grow, this is because economic growth in Africa is not resilient to shocks, is driven by primary commodities, does not create enough decent jobs and consequently has little to no impact on household income and ultimately human wellbeing.
- The fragility of our growth and structural fundamentals is such that shocks transform our daily challenges into existential crisis. The devastating impacts of the global financial crisis in 2007, end of the commodity supercycle in 2014/2015, the COVID-19 pandemic and the Russian Ukraine war have caused growth and transformation reversals depleting all the gains achieved over the years in sustainable development. High levels of debt have transitioned into debt distress situations, widening fiscal deficits and increased poverty.

- Across the 30 countries covered by the ATI, economic transformation has retrogressed over the past two decades driven by a decline in diversification and export competitiveness. Our production and exports have become less diversified and less competitive over the past two decades. Productivity of labour and technology have seen some improvements over the period, but the pathways have been uneven. Although implementation of the MDGs and SDGs resulted in enhancements in health, education, and other basic human development needs, progress over the past two decades was eroded significantly by the impact of the COVID-19 pandemic and other shocks. However, country level differences exist.
- Three countries stood out as the most transformed among the countries covered by the index, while other countries performed above the pack in each of the five sub-indices. Tunisia, South Africa, and Morocco stood out as top transformers. Tunisia led the pack in diversification of production and exports; Eswatini stood out in export competitiveness; Mauritius in productivity of labour; Morocco in technology upgrade and Mauritius in human wellbeing. The least transformed economies were Mozambique, Niger and Burundi.

Key Outcomes

- To enhance economic resilience to shocks and mitigate growth and transformation reversals, African economies need to transform by growing with DEPTH - diversify our production and exports away from primary commodities, become more competitive with our exports, enhance productivity of labor, upgrade technology and improve human wellbeing.
- To build forward better, we need to explore options to diversify our production and exports, two key factors that can strengthen economic resilience in Africa to shocks. In this regard, the continent needs to go back to agriculture, explore opportunities in agroprocessing and light manufacturing e.g. pharmaceuticals and textiles etc, as well as industries without smock stacks such as tourism, ICT, logistics, horticulture for which Africa is well endowed.
- Skills development must be given the attention it deserves especially our TVET system of education, not only to enhance labour productivity but also link it to our industrial policy plans, growth strategies and other development agenda to ensure relevance and applicability.
- Africa needs to take advantage of the opportunities the 4IR presents for industry and job creation.
- On the policy front, Africa needs a System-thinking approach towards addressing our development challenges by ensuring that our diverse development strategies (e.g. growth, trade, industrial policy, human capital development) are properly synchronized and speak to each other. In this regard, African countries need an a-political medium-to-long term development agenda that does not change with our electoral cycles, to stop us from moving in circles instead of moving forward.