

**A Flash in the Pan
or
A New African Dawn?**

Challenges and Prospects for African Industrialization



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❧ Just five years ago, media interest in Africa's economic prospects soared, with news of a decade of sustained high growth in several Sub-Saharan countries.

❧ Among these countries, five were particularly prominent:

Ethiopia, Ghana, Mozambique, Tanzania, Zambia.

The causes for optimism lay in the fact that:

- ❧ The growth was broad-based, across all sectors of the economy
- ❧ Industrial output had approximately doubled in a decade
- ❧ The fast growing firms came were of widely different kinds: domestic start-ups, long established large companies, new FDI projects.

And yet ...

The Worm in the Bud



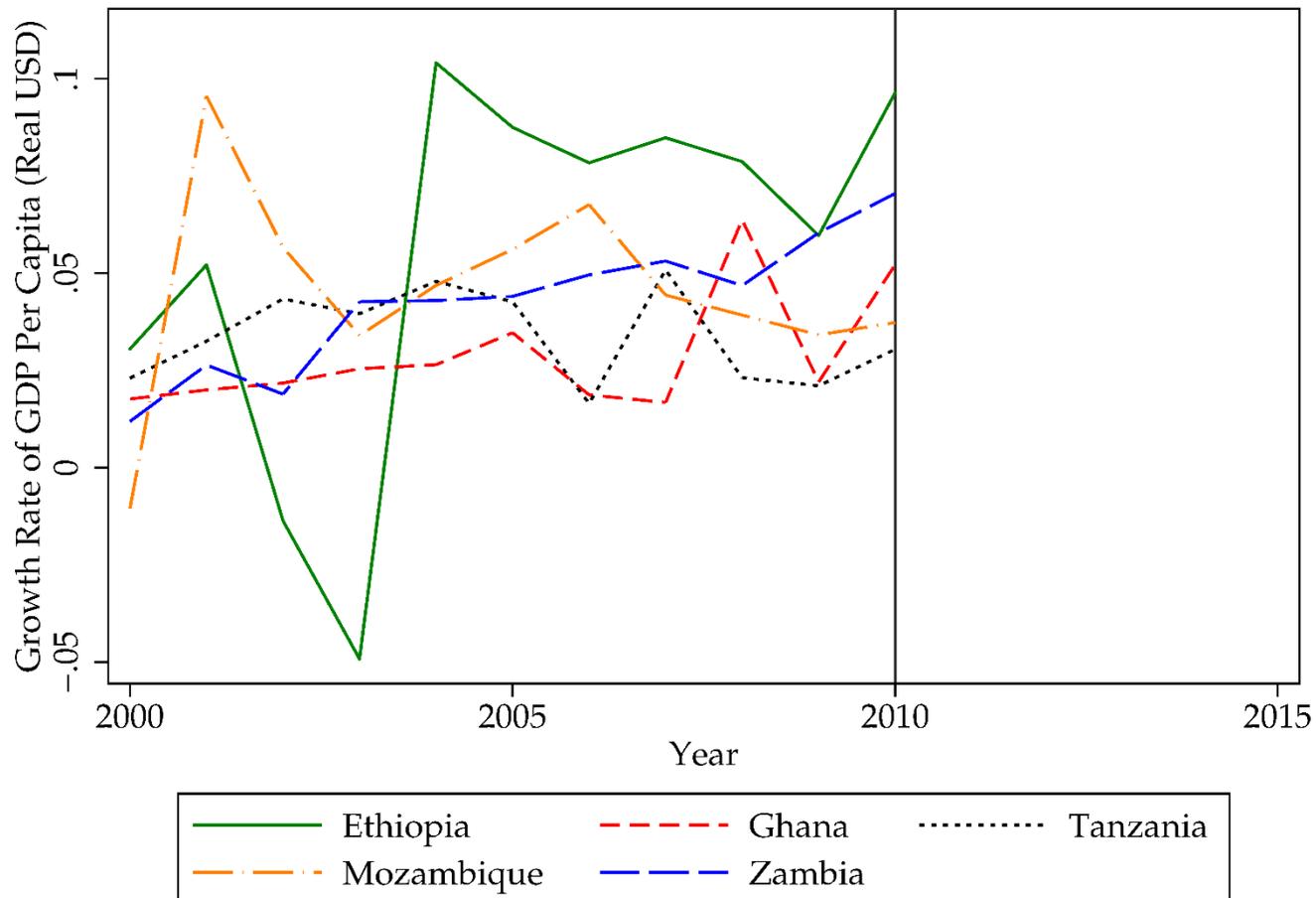
A sobering economic fact:

- ✧ Research on countries experiencing fast growth periods indicates a strong tendency for growth rates to fall in the next period ('Regression to the Mean')
- ✧ Was Africa's Decade of Growth just a Flash in the Pan?

Reviewing the Situation



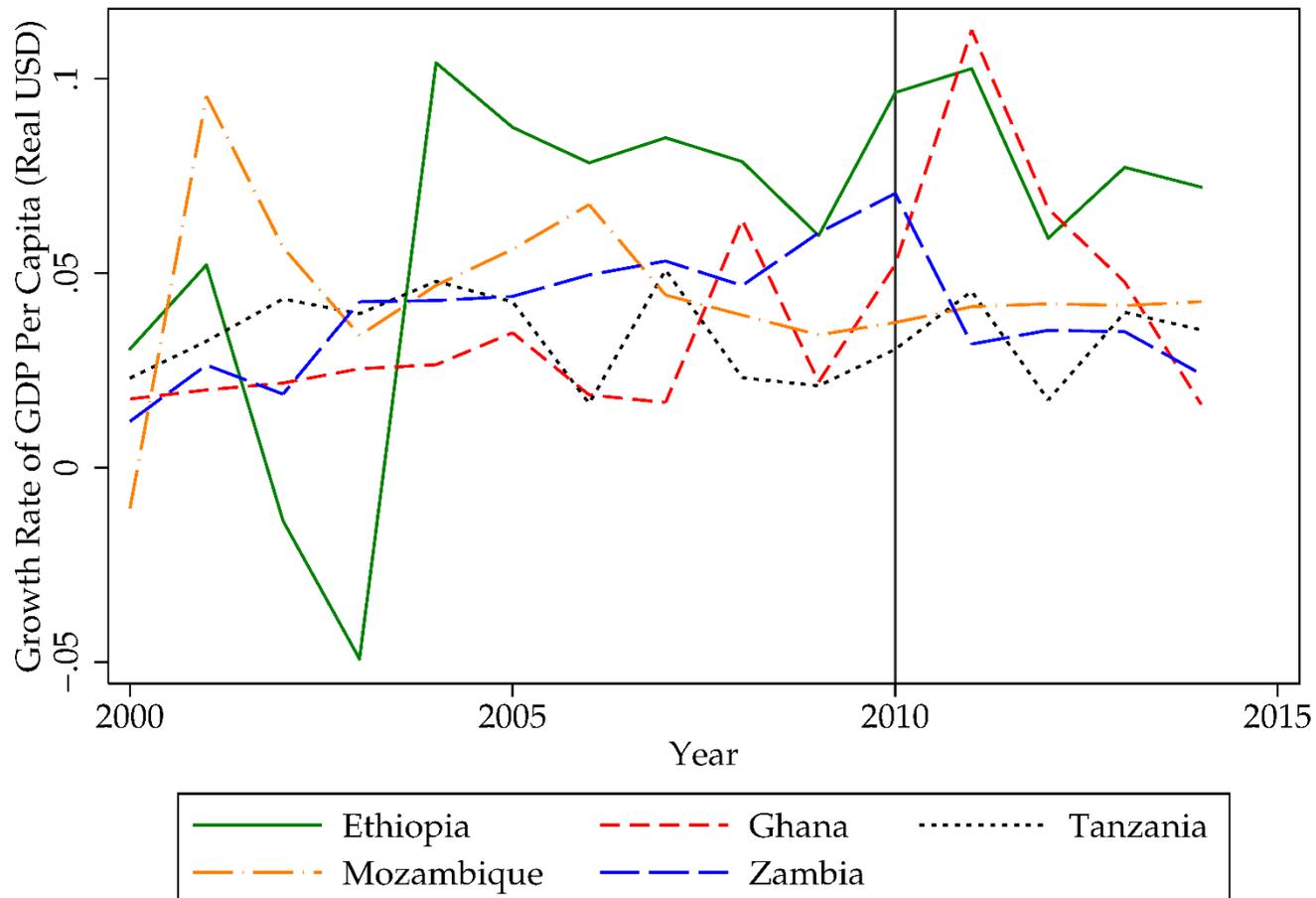
Annual Growth Rates in GDP per capita (2000-2010)



Reviewing the Situation



Annual Growth Rates in GDP per capita (2000-2014)



Digging Deeper



- ❧ Ethiopia - Sustained targeted commitment by Government, with a growing menu of big initiatives, on infrastructure, power and Industrial Parks
- ❧ Ghana - Macro management causing concern following a post-election doubling of public sector salaries

Digging Deeper



- ❧ Mozambique – Issues relating to limited capacity at top levels of Government and Civil Service
- ❧ Tanzania – A Delicate (?) Climate in Government/Business relations (Assisting vs. Monitoring)
- ❧ Zambia – Continuing disappointments on building local content into extractive sector FDI.

A Window of Opportunity



☞ China in Africa

☞ Two Popular Fallacies:

- the state-run fallacy
- the scale fallacy

☞ Evidence from Zambia ('Enterprise Map of Zambia')

☞ But now we are at a new crossroads: the offshoring of Clothing, Textiles and Leather

Orders of Magnitude



- ❧ All views on the potential for Sub-Saharan Africa are speculative
- ❧ The only helpful use of numbers is to provide a 'reality check'

African Wage Rates in Manufacturing
US\$/Year (2000-2010 avg.)

Zambia	2744
Ghana	2138
Tanzania	2017
Ethiopia	1078
Mozambique	166

China: Employment in Clothing,
Textiles and Leather, in provinces
with a wage rate above

\$2744 (Zambia): 1.38 million

\$1078 (Ethiopia): 3.76 million

- ❧ Lessons: Ethiopia (and Mozambique) are best-placed to benefit. If 20% of the 3.76 million 'high wage region' jobs go overseas, and Ethiopia captures one tenth of these, this constitutes 188,000 jobs.
- ❧ Compare this figure with total manufacturing employment in Ethiopia today: 114,000 jobs.
- ❧ This motivates Ethiopia's huge push in its new 'Industrial Parks' programme.

Managing the Process



❧ The key barriers:

Power, Land, Logistics (inc. Customs)

❧ The key agencies

- the Investment Agency
- the Local Content Unit

Meeting the Challenge



Ethiopia:

- ↻ towards a world-class Investment Agency
- ↻ reforming Customs
- ↻ Hydroelectric Scheme

Tanzania:

- ↻ Developing the Local Content Agenda
- ↻ Best practice at the TIC

The Message



- ❧ 'Reversion to the Mean' is a statistical regularity, not a law of economics
- ❧ Never has public policy been more critical for African growth
- ❧ Over the next decade, SOME countries MAY defy the pessimists
- ❧ And this will provide a model for a continent