Vienna Programme of Action (VPoA) for Landlocked Developing Countries for the Decade 2014-2024

Africa Region Midterm review

Francis Ikome,
Chief Regional Integration, Regional Integration/Trade Division (RITD)

19 March 2019
Marrakesh, Morocco

Vienna Programme of Action for LLDCs, midterm Review Meeting. Priority Area Six, Structural Transformation
Outline of Presentation

Introduction:

- LLDCs growth and economic structures: some recent facts
- Africa’s LLDCs’ growth economic structures: recent facts
- Efforts at Structural Transformation by African LLDCs
- Key Enablers of Structural Transformation: building productive capacity is key
- Recommendations and way forward by way of conclusion
INTRODUCTION

- ST = process of creating new areas of activities + shifting resources from low value-added and low productivity to higher value-added and high productivity activities

- It takes place both within and across sectors; productivity improvement is key to ST

- The decade that preceded the adoption of the VPoA was one of jobless growth, arising in part from low productivity and low value added in majority LLDCs.

- The VPoA promised to make the decade of 2014 – 2024, one of job creating growth, including through accelerated economic transformation

- VPoA has succeeded in increasing the visibility and recognition of the specific challenges of LLDCs, including those related to structural transformation

- However, a lot more still needs to be done to achieve the VPoA goals, as well as SDGs in LLDCs. The pursuit of Structural transformation is key in this regard.
LLDCs growth and economic structures: some recent facts

• In 2017 LLDCs, as a group, accounted for up to 7% of the world’s population, but only attracted a meagre 1.6% of global FDI inflows, and less than 1% of global exports and output.

• Real GDP growth for the LLDCs (based on 2010 constant USD) continued to decline to 2.76 per cent in 2016, adjudged to be the lowest level since 1998.

• LLDCs exports remain concentrated in very limited number of products/their trade structures have remained very undiversified over time, in comparison with the global average (UN, CN, 2018).

• According to UNCTAD, 27 out of the 32 LLDCs are dependent on primary commodities, which account for at least 50% of their exports.

• The top three export items in 19 LLDCs are primary commodities, in a further two LLDCs, one of the top export items is a primary commodity (UNCTAD/ALDC/2015/2).
Africa’s LLDCs’ growth economic structures: recent facts

• LLDCs combined impact on world manufacturing is negligible.

• Measured by their share of world manufacturing value added/world manufacturing trade, LLDCs accounted for only 0.39 % and 0.31 % respectively.

• LLDCs are yet to improve on their capacity to produce and export manufactured goods (UN, CN, 2018).

• Despite progress by some LLDCs in some economic sectors, LLDCs, including those in Africa, have continued to be marginalized in global trade and investments.

• LLDCs’ continued heavy dependence on the export of primary commodities is a major explanation to their posting of jobless growth in the last few decades.

• Other related factors include: weak institutional and human resources capacities to formulate and implement policies, and overdependence on few primary exports.
Africa’s LLDCs’ growth & economic structures: recent facts

- For Africa, there seems to be a direct link between the ‘poor state of export diversification and the weak nature of employment creation’

- Like in the rest of the continent, many African LLDCs have seen a decline in the share of manufacturing in GDP and in employment.

- But the services sector has been the strongest driver of growth, rising from 45 per cent of value added in 2000 to 50 per cent in 2016.

- Both manufacturing and agriculture have declined from 13 per cent and 28 per cent to 10 per cent to 26 per cent, respectively over the same period.

- This demonstrates the LLDCs’ limited capacity to produce and export manufactured goods.

- The dependence of the LLDCs on primary commodities make them vulnerable to the instabilities in commodity prices.
- Greater efforts are required to promote value-addition, diversification and industrialization.
Efforts at Structural Transformation by African LLDCs

A) National level efforts

- Several LLDCs have at the national level, adopted micro and macroeconomic policies/strategies to address their structural economic weaknesses.

- Some African LLDCs have succeeded in creating conducive and competitive macroeconomic environments.

- For example, Botswana has embarked on an economic diversification drive. Rwanda has adopted an industrialization policy that includes the establishment of industrial parks and Special Economic Zones.

- These policies and strategies have the potential to positively impact on the countries’ productive capacities and to transform them structurally.

- Given their landlockness and smallness, these national reforms need to be linked to reforms at the regional and continental levels.
Regional & Continental level efforts

At continental level the Accelerated Industrial Development Plan for Africa (AIDA) and its Action plan offer a great framework to guide Africa’s industrialization.

The RECs, have also developed their own industrialization strategies.

A number of priority development pathways associated with specific regional and global value chains have been identified: Agro-processing; Minerals beneficiation; Pharmaceutical industries value chains; Capital goods manufacturing; Forestry products; Service Cluster.

As part of the continentally and regionally facilitated programmes, a number of LLDCs have identified some value chains in which they are and could participate in.

Within the context of the COMESA-EAC-SADC Tripartite, the value chains identified include the agro-sector encompassing maize; cassava; fish; hides, shoes and leather, as well as sugar.
Key Enablers of Structural Transformation the need to be leveraged or developed:

• Building a critical mass of viable and competitive productive capacity,

• Adopting and deploying policies and strategies for accelerated industrialization,

• Developing strategies for increased agricultural productivity,

• Promotion of the services sector,

• Enhancing the role of the private sector

• Investing in Research and Development, including in the area of science and technology.
Recommendations and way forward by way of conclusion

• Developing productive capacities and structural transformation are critically important for robust, sustained and inclusive growth and development, and should be pursued simultaneously with trade facilitation, transport and trade logistics.

• Development partnerships are also critical in structural adjustment efforts and strategies.

• Leveraging regional and continental industrialization and transformative initiatives such as IADA, AfCFTA and TFA is key.

• LLDCs need to scale up the use of smart technology and skills development in the various sectors, thereby increasing productivity, global competitiveness and foreign earnings.

• LLDCs should push for intensification in industrialization through linkages with other regional and global value chains to create a win-win situation.

• E-commerce provides an opportunity for the LLDCs to participate in the value chains, it is therefore important for these countries to take advantage of the e-commerce opportunities.
THANK YOU!