Kick-starting industrial transformation in sub-Saharan Africa

13

Tilman Altenburg and Elvis Melia

13.1 Introduction

Sub-Saharan Africa is experiencing a very promising period of sustained economic growth. Since the late 1990s the economy has grown considerably faster than the population, and per capita income consequently has increased. The region has increasingly been integrated into world trade, and foreign direct investment tripled between 2002 and 2012. In general terms, sub-Saharan Africa's economic future looks much brighter than it did in the 1980s and 1990s, when the region was associated with backwardness and failed economic policies, including policies that led to de-industrialization. Many recent international economic reports portray sub-Saharan Africa as a region of growth and investment opportunities (McKinsey Global Institute, 2010 and 2012; Robertson et al., 2012). The *Economist* now regularly celebrates Africa as "the world's fastest growing continent", "the hottest frontier" and the "hopeful continent".

There are doubts, however, about whether the current boom will translate into sustainable and inclusive socio-economic development. Two characteristics of the boom are alarming.

First, thus far growth has not had the desired effects on employment, income and human development: it has not translated into sufficient jobs, and most employment expansion has occurred in the informal economy, usually at very low levels of productivity. Low labour absorption rates especially affect the young new entrants to the labour market. While the share of income poor (below the US$1.25/day threshold) in the overall population of sub-Saharan Africa decreased from 59.4 per cent in 1993 to 49.2 per cent in 2008, the absolute number of

income poor actually increased from 330 to 399 million due to population growth.[1] According to World Bank data, economic growth has had less of a poverty-reducing effect than in the rest of the world, a difference that can be attributed to resource dependence and high inequality (the Gini coefficient is around 0.45 on average) (World Bank, 2013).

Second, there is little indication of structural change towards productivity-driven economies. Growth has mainly been driven by the exploitation and export of natural resources. Between 2000 and 2011 petroleum and mineral resources accounted for more than two-thirds of exports, and agriculture for an additional 10 per cent (ibid.). The revenues from commodity exports stimulated domestic consumption, creating spillover effects into wholesale and retail activities as well as real estate markets, but little progress has been made in terms of manufacturing and production-oriented services. Manufacturing is decreasing as a percentage of GDP and of exports. The region is basically earning revenues from commodity exports and spending them on manufactures, with the trade deficit increasing. This dependence on commodities also has made the region's economies more volatile.

Many observers point to the need to diversify the economies of the region towards higher-productivity activities in manufacturing, modern agriculture and services (Dinh et al., 2012; ILO, 2011; Page, 2013; UNECA and AU, 2011; UNIDO and UNCTAD, 2011). The challenges of latecomer development – in terms of existing productivity gaps, small markets, low levels of economic sophistication and diversification and lack of capital – are such that it is hard to imagine how they could ever be met without a coordinating developmental state.

Against this background, this chapter explores the role of industrial policy in sub-Saharan Africa. It does so in four steps. In section 13.2 we briefly analyse the region's recent economic performance, highlighting the opportunities resulting from the current commodity-driven boom as well as the disconnect between growth and productive transformation. We show why structural change is required to make growth sustainable and inclusive, and we argue that such change is unlikely to occur without proactive and targeted industrial policy. Section 13.3 then specifies challenges that any industrial policy for the region would need to address. It draws attention to the heterogeneity of the region, bringing out some of the differences within it and stressing the need for country-specific industrial policies. It also shows, however, that the region's countries share a number of structural characteristics that set them apart from wealthier and technologically more advanced economies. Due to these characteristics, industrial policies for the

[1] http://povertydata.worldbank.org/poverty/region/SSA

region need to be fundamentally different from those typically applied in more mature industrial economies. Section 13.4 addresses the issue of government failure. While it is nowadays widely recognized that market failure in principle justifies proactive policies to promote structural change, questions of how and to what extent governments should intervene in factor allocation are a matter of intense debate. Governments also tend to fail, and their interventions may actually allocate scarce resources in ways that are even worse than those of the imperfect markets that they tried to correct. This criticism of industrial policy is particularly strong when it comes to sub-Saharan Africa. Overall, the region scores very low on indicators of government effectiveness, and its track record of earlier industrial policies has been poor (Bates, 1981; Lall, 2004). The last section draws practical policy conclusions. It describes which economic opportunities seem particularly worth exploring in the region and what national stakeholders can do to develop a realistic and shared strategy for industrial transformation.

13.2 High growth, slow structural change: The need for industrial policy in sub-Saharan Africa

After stagnating throughout the 1975–95 period, sub-Saharan Africa more recently has experienced continuing growth. Since the turn of the millennium, African economies have averaged GDP growth rates of 5.6 per cent per annum (AfDB, 2012).[2] Oil-rich countries such as Angola and Equatorial Guinea have pulled ahead, but other economies, in hitherto resource-scarce regions such as East Africa, have also grown at unprecedented rates, making Africa's growth a continent-wide phenomenon.

The turnaround in the late 1990s can be explained partly by political factors and improved economic governance. After an initial upsurge in armed conflicts following the end of the Cold War, the number of conflicts decreased towards the turn of the millennium as external finance dried up and militia wars were met with better international peacekeeping efforts (Goldstein, 2011). In parallel, economic policies improved throughout the region. Since the 1990s most sub-Saharan African countries managed monetary, fiscal and trade policies more successfully and avoided the macroeconomic instabilities of the past (Fosu, 2013).

[2] All data for this chapter stem from the usual "authoritative" sources. But a note of caution is in order: Jerven's (2013) *Poor numbers* demonstrates the magnitude of flaws inherent in contemporary SSA statistics, which makes it difficult to draw meaningful conclusions on the region's growth trajectories.

The main reason for the region's economic boom, however, has arguably been the increasing international demand for resources, which led to a sustained upward trend of prices. In 2002 mineral prices surged, and in 2006 prices for agricultural commodities also rose sharply (Morris, Kaplinsky and Kaplan, 2012). This benefited sub-Saharan Africa, which is particularly well endowed with oil and mineral resources and has the world's largest reserves of underexploited agricultural land. Export revenues soared from US$100 billion in 2000 to $420 billion in 2011 (World Bank, 2013), while foreign direct investment (FDI) tripled from $15 billion in 2002 to $46 billion in 2012.[3]

Most, but not all, FDI inflows targeted extractive industries. Investments also increased in real estate, construction works and improved transportation, electricity, telecommunication and water infrastructure (ibid.). Furthermore, export revenues and capital inflows spurred income growth and domestic consumption. Consumer spending accounts for more than 60 per cent of Africa's GDP (ibid., p. 5), which in turn has attracted international investment in the retail sector, especially in countries with growing urban middle classes, such as Nigeria, Kenya and Ghana.

Africa's economic expansion is thus largely built on extractive industries and increased public and private expenditure, associated with revenues from extractive industries, for real estate, construction and consumer goods. Otherwise, there has been very little structural change. Agriculture's share in GDP is still higher than in any other region, although services are now the largest contributor. Both are characterized by very low productivity. Thus, the main structural change of the last decades has been a shift of labour force from low-productivity agriculture to low-productivity non-tradable services. Mining, oil and gas industries are highly productive, accounting for 75.9 per cent of regional exports (World Bank, 2013), but they employ less than 1 per cent of the region's workforce (McKinsey Global Institute, 2012). Manufacturing value added as a percentage of GDP declined from 15 per cent in 1990 to 10 per cent in 2008 (UNIDO and UNCTAD, 2011). Sub-Saharan Africa's shares of global manufacturing output and exports are dismally low and have stagnated over the period 1990–2005 (Page, 2012; UNIDO, 2009).[4] While East Asia's manufacturing sector has greatly benefited from globalization, sub-Saharan Africa has experienced *negative,* or *productivity-reducing* structural change over the past two decades in the sense that productive sectors shrank as a share of GDP, and excess

[3] http://www.economist.com/debate/overview/249

[4] Both figures for sub-Saharan African manufacturing (exports and output) have stagnated and even slightly declined. Excluding South Africa, they are less than 0.5 per cent of the world's share.

labour has moved from higher to lower productivity sectors and to informality (McMillan and Rodrik, 2011).

The region's lack of manufacturing industry is not just a reflection of low per capita GDP. Page (2012) compared the economic structure of contemporary African countries with that of seven successful Asian economies at the point in time when they had GDP per capita levels similar to those currently recorded in Africa. He shows that even at that early stage, the Asian countries' manufacturing sectors were twice as large in terms of labour and value added.

Is this a problem? We think it is. Historically, for a number of reasons growth has been associated with structural changes in the direction of manufacturing. Manufacturing tends to be more productive than other sectors. In Africa labour productivity in manufacturing is on average more than twice that in agriculture (McMillan and Rodrik, 2011; Page, 2012). At the same time, manufacturing tends to be labour intensive, especially at early stages of industrial development, and can therefore absorb part of the surplus of workers who flock to the cities in search of work. Dinh et al. (2012) estimate that close to 80 per cent of the sub-Saharan African workforce is employed in low-productivity, low-income jobs, either in small-scale agriculture or the informal economy. Thus, there is a great need for productive urban employment. Manufacturing is also associated with greater product sophistication, which has been found to cause higher per capita GDP growth (Hausmann, Hwang and Rodrik, 2007; UNIDO, 2009). Lastly, manufacturing is associated with diversification, which cushions price volatility. Sub-Saharan African exports tend to be highly concentrated in a narrow range of products and are thus particularly vulnerable to external shocks.[5]

Altogether, sub-Saharan Africa's growth process is socially exclusive. The main driver of growth, the oil and mining industry, employs extremely few people and has hardly any productive forward and backward linkages. Moreover, incomes earned from extractive industries are typically regressive.[6] Manufacturing and modern services, which could potentially integrate a larger part of the workforce in productive jobs, have not yet benefited from increased consumption. The largest part of the workforce is still stuck in smallholder agriculture and petty trading, where productivity is very low. As a result, the pace at which poverty is

[5] A recent report illustrates this vividly: "The value of African exports fell by 31 per cent in 2009 and grew by 25 per cent in 2010 – but in volume terms, these figures equate to only 11 per cent and 9 per cent of exports in these two years. In other words, price accounts for almost two-thirds of the growth or contraction in the value of trade" (UNECA and AU, 2011, p. 42).

[6] Revenue management in the region is often weak, leaving room for illicit enrichment of those who are politically connected. Also, oil and mining companies demand few highly skilled workers who receive high wages. Secondary effects tend to increase inequality further: real estate price booms make landowners more wealthy, and rising land and food prices are particularly harmful for the poor.

reduced in sub-Saharan Africa is markedly slower than in all other developing regions (AfDB, 2012).

All this suggests that sub-Saharan African countries need to push for structural transformation. The region faces the challenge of kick-starting productivity-driven and labour-absorbing economic development. Historical evidence suggests that this is impossible without targeted and well-coordinated policy support (see, for example, Chang, 2003). Too many market failures work against such a deep transformation. Price signals help entrepreneurs identify where they can exploit comparative advantages, but they are highly imperfect when it comes to finding future production possibilities in economies where substantial learning-by-doing is involved. Individuals who invest in a particular activity today cannot anticipate how knowledge spillovers may lead to diversification and new technological opportunities at a later stage of maturity of the given industry. Even if they could, they would not make all the investments needed for structural change, because they would not be able to appropriate all the gains of those activities. Furthermore, building up new industries in a pre-industrial society requires investments in infrastructure and related upstream and downstream activities of different sorts. Unless these investments are undertaken simultaneously, the industry cannot thrive. Hence, considerable coordination and government guarantees may be needed to get the new industry started (Altenburg, 2011).

13.2.1 Specific industrial policy challenges for the region

Sub-Saharan Africa is a heterogeneous region. The prospects for industrial development greatly differ according to many factors, including whether countries are resource-rich, large or small, coastal or landlocked, how developed their neighbours are and how they are governed. At the same time, the region's economies show a number of commonalities, which they share with a few other low-income countries but that set them apart from more advanced countries, including most developing economies of Latin America and Asia. These commonalities include a high share of agriculture and commodities and a low share of manufacturing in GDP; self-employment of a large portion of the workforce; widespread informality of economic relations; weak linkages between some modern economic sectors and the traditional small-scale economy; and particularly low productivity and incomes. These conditions call for a very specific bundle of industrial policies.

At the same time, industrial policies need to account for differences within the region. This short overview chapter cannot do justice to the diversity of country conditions and their implications for structural transformation. All it can do is

highlight key challenges for major country groupings with similar starting conditions. Collier and O'Connell (2007) suggest a useful typology for this purpose. They distinguish three types of countries with very different opportunities for growth: coastal and resource scarce; landlocked and resource scarce; and resource rich. In this last category endowments trump location, because for resource-rich countries, both the coastal advantages for manufacturing are erased (by Dutch disease effects) and the transportation hindrances of being landlocked become negligible. This section starts with the commonalities and works out what they imply for industrial policies. Then, it addresses some of the specific industrial policy challenges for the three country groupings.

We highlight *five characteristics that are widely shared among the economies of sub-Saharan Africa* (with the exception of the Republic of South Africa). All of them pose specific requirements for industrial policy (Altenburg, 2011).

First, the region's economies are still at very early stages of the structural transformation from agrarian to industrial societies. Agriculture still accounts for 32 per cent of GDP and 65 per cent of employment.[7] Furthermore, many of today's urban residents have an agricultural background, having migrated relatively recently. To engage in manufacturing requires new sets of entrepreneurial, technical and managerial skills as well as specific attitudes – passion for business, readiness to take risks, achievement spirit, curiosity, persistence – that are quite different from those in traditional agriculture, especially when the aim is to create competitive enterprises that are part of modern production networks. Such skills and attitudes can be acquired in different ways. While a good education system lays the groundwork, additional sources of knowledge are also important; these can be formal (business schools, vocational training) or informal (knowledge transfer within business families). In largely agrarian societies these pools of knowledge have to be built step by step. Moreover, traditional norms may discourage entrepreneurial behaviour. In some sub-Saharan African societies, for example, social obligations to share accumulated wealth with family and kin are strong (Grimm et al., 2013), which may undermine the profit-maximizing behaviour that drives capital accumulation in firms. Similarly, business transactions may be complicated by tensions between contractual law and informal norms of reciprocity. Especially in the least developed countries of the region, governments therefore have a role in establishing basic institutions for market economies and nurturing the skills and attitudes of a newly emerging "entrepreneurial class". Some sub-Saharan African countries have systematically tried to link up with

[7] http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:21935583~pagePK:146736~piPK:146830~theSitePK:258644,00.html

entrepreneurs in the diaspora, who have accumulated skills through their exposure to diversified business communities (Plaza and Ratha, 2011).

Second, the economies of the region are latecomers to the globalizing economy. While they are still at early stages of industrial development, they already face competition from international enterprises. The latter have often accumulated know-how and capital over long periods of time, established good relationships with suppliers, customers and other business partners, created pools of skilled labour and built a brand reputation. Newcomers from lagging world regions, therefore, do not compete on equal terms. They lack comparable network externalities and typically suffer from diseconomies of scale. Although some African countries offer competitive wage cost, they can hardly compensate for the cluster synergies that some Asian export countries have been able to build up over the last decades. Thus, the latecomer situation creates a vicious circle: "Firms located in Africa face costs that will be above those of Asian competitors, but because costs are currently higher individual firms have no incentive to relocate" (Collier and Venables, 2007, p. 1). To break out of this circle, governments need to adopt a much more supportive role – e.g. providing tax incentives for exporters or investing in labour productivity – than one would expect in economies that compete on fairly equal terms.

Third, sub-Saharan African economies are deeply fragmented. The productivity gap between the majority of the workforce that is engaged in traditional farming and rural or urban microenterprises and the typically small modern mining or industrial sectors is very large and even widening (OECD, 2009). Economic theory suggests that, without market distortions, competition reallocates labour and capital from less efficient firms and activities to more productive ones. This mechanism obviously does not work well in sub-Saharan Africa. Despite the recent economic boom, only 28 per cent of Africa's labour force has stable wage-paying jobs (McKinsey Global Institute, 2012). Apart from labour markets, enterprise structures are also segmented in such a way that there are few productive linkages and knowledge spillovers between high- and low-productivity firms. This is especially true for FDI, which, according to the United Nations Commission on Trade and Development (UNCTAD), has a tendency in Africa "to reinforce enclave-type development", contributing very little to economic diversification through backward and forward linkages in the region (UNCTAD, 2013). Strengthening interfirm linkages across sub-sectors of the business community and exploiting modern investments as vehicles for technology diffusion should therefore be a key aspect of industrial policy in the region. Options range from incentives for joint ventures, to supplier development programmes and franchising arrangements, to financial incentives for technology transfers.

Fourth, sub-Saharan African economies have to cope with particularly high rates of poverty and underemployment. Therefore, industrial policy in this region needs to pay particular attention to distributive employment and poverty effects. The history of economic development shows the importance of competition and "creative destruction" (Schumpeter, 1942) as drivers of innovation. Competition ensures that more productive ways of doing business replace less efficient ones. In rich societies policy-makers widely agree (in theory at least) that industrial policy should prepare the ground for newly emerging activities rather than shielding the losers from structural change. In poor countries, in contrast, industrial policy must pay particular attention to the social costs of such creative destruction. This is particularly important in labour-intensive activities that provide the livelihoods for many uneducated poor (such as traditional farm employment, retailing or cottage industries), for whom employment alternatives are scarce and difficult to access. This does not mean that reforms should be avoided. Competitive pressure is important to increase productivity, but it needs to increase at a slow pace that allows even poor households to learn and adapt their livelihood strategies, and it should be accompanied by a range of focused support measures.

Fifth, due to a combination of low incomes and small populations, sub-Saharan African economies are mostly very small: 38 of the region's countries have fewer than 20 million inhabitants each, and so far only three (Nigeria, the Democratic Republic of the Congo and Ethiopia) exceed 50 million. Most countries belong to the "bottom billion" countries, where per capita income, even measured at purchasing power parity (PPP) prices, is less than US$2,000 per year (UNIDO, 2009). Small markets often result in suboptimal scales of production and thus high unit costs. Firms may export to overcome these restrictions; but this is difficult in the region, as the cost of trading across borders tends to be very high, due to both trade restrictions and poor infrastructure. Even within countries, inefficient transport systems increase the cost of trading, which further adds to the segmentation of markets and diseconomies of scale.

As noted, there are also major differences between sub-Saharan African countries. We adopt Collier and O'Connell's (2007) categorization to outline key policy challenges that are specific to each of their three groups of countries.

(a) Landlocked and resource-scarce countries

Sub-Saharan Africa is unique for its many landlocked countries. Their main problem is logistic dependence on coastal neighbours. Freight service costs are high, and transportation time can be unpredictable due largely to rent-seeking

and deficiencies in the transit infrastructure of coastal neighbours. This puts landlocked countries in a particularly difficult position for structural transformation. Also, any type of instability in coastal neighbours is detrimental for landlocked economies. The options for landlocked economies to circumvent their geographical impediments are very limited. What they can do is to dovetail with the economies of faster growing coastal neighbours by promoting regional integration, investing in regional infrastructure and streamlining administrative procedures for cross-border trade. Furthermore, they can engage in exporting goods and services that are easier to get to markets. These include e-services, such as business process outsourcing or other "trade in tasks" (Page, 2012), financial services for the region (which Rwanda, for example, is building up) or high-value horticultural goods that are airlifted. Collier (2008) suggests following the Philippines' model of vocational education specifically geared toward richer countries' labour demands while simultaneously making remittances and relocations or diaspora business investments back home easier. All of these strategies require the creation of specialized supporting institutions.

(b) Coastal and resource-scarce countries

The standard literature depicts this as the most promising category, but sub-Saharan Africa's performance has been weaker here than that of the coastal and resource-scarce countries of other developing regions. Apart from Mauritius, no sub-Saharan African economy has managed to climb the industrialization ladder in the way that newly industrialized countries of East Asia have done (Collier, 2008). What can governments of coastal and resource-scarce countries do to encourage entry into labour-intensive manufacturing? Product concentration and spatial agglomeration are perhaps the most important aspects for kick-starting such entry. This can be achieved via special economic zones such as export processing zones near a seaport city, with a concentration of good infrastructure and business-friendly regulations. However, to date, labour costs in the region are still relatively high when compared with those of some Asian competitors, and the many small countries in sub-Saharan Africa (those with low population density) are at an added disadvantage (Farole, 2011). But, as labour costs in China are set to rise, the Chinese government itself has begun to engage with African governments in setting up special economic zones in Africa as a form of "mutual benefit" development aid (Bräutigam and Xiaoyang, 2011). Such cooperation is cause for optimism.

(c) Resource-rich countries

Many sub-Saharan African countries are well endowed with oil, gas and minerals as well as arable land. But, according to the "resource curse" literature, such endowments are not necessarily a blessing (Sala-i-Martin and Subramanian, 2003). Collier and Goderis (2007) find that due to three factors, resource-rich economies have grown much more slowly than would be expected in view of their potential to invest huge amounts in public goods such as infrastructure or education. First, Dutch disease effects lead to exchange rate appreciation, making all other sectors, including manufacturing, less competitive. Carefully crafted combinations of fiscal, monetary and trade policies are needed to counteract Dutch disease effects (Asche and Wachter, 2013). Second, price volatility makes resource-rich countries especially prone to macroeconomic instability, which makes it difficult for private sectors to plan ahead and tempting for the state to overextend itself during boom times. Third, and most important, the availability of resource rents provides adverse incentives to governments and tends to undermine good governance. As a result, poverty has been declining at a slower pace in the region's resource-rich countries than in resource-poor countries – despite faster growth (World Bank, 2013).

Given the number of newly resource-rich countries in sub-Saharan Africa, it is paramount, from an industrial policy perspective for the region, to find ways to bring about structural transformation in spite of these challenges. Ideally, this is done through a combination of two measures – a dual track approach. First, government leaders of (newly) resource-rich sub-Saharan African countries who see themselves as developmentally oriented need to take the necessary *defensive* measures to protect their economies from the resource curse. This can be done by carefully educating oneself on the curse's pitfalls, its recognizable symptoms, and the counteractive measures to be taken. For this, the Extractive Industries Transparency Initiative can be a helpful tool. Second, opportunities do exist for *offensively* exploiting forward and backward linkages to and from extractive industries that can provide the starting point for industrial diversification. Here, too, guidelines aided by robust research are coming on stream. A team of scholars engaged in the Making the Most of the Commodity Price Boom project (MMCP), indeed goes so far as to suggest that opportunities for resource-rich countries to diversify are so abundant (especially regarding backward linkages) that the notion of a resource "curse" should be reviewed (Morris, Kaplinsky and Kaplan, 2012). The authors provide ample empirical evidence from eight such economies in the region for the argument that it *can* be done, and they provide a roadmap for *how* it can be done.

It should be noted that new oil and mineral deposits are currently being explored throughout the region. Given the rapid pace of oil and mineral discoveries in recent years, the number of countries classified as resource-rich is

increasing. According to new estimates, only four or five countries in the region will not be involved in mineral exploitation by the year 2020 (World Bank, 2013). This will create opportunities for landlocked countries with few other options, but it also can undermine coastal countries' efforts to build export-oriented manufacturing industries on the basis of labour cost advantages.

Summing up, the challenges for industrial development in sub-Saharan Africa are unique, and the choice of industrial policies must reflect this. In advanced industrialized economies markets are typically regarded as fairly well-functioning institutions for resource allocation, and market failures are widely regarded as exceptions, which justify temporary corrective interventions. Our brief description of the challenges of African latecomer societies has shown that the standard assumptions of neoclassical theory – such as perfect competition, constant returns to scale, full rationality of decision-making and tradability of knowledge – are highly unrealistic (see also Cimoli et al., 2006). If sub-Saharan Africa's pre-industrial societies wish to progress towards market-driven industrialization, deep institutional transformations are needed. Thus, the need is for a developmental state that orients a national transformation project, organizes a social contract, nurtures an entrepreneurial class where it does not exist, supports primary capital accumulation and transforms traditional institutions – from social norms and values, property rights regimes and contract enforcement mechanisms to new education and financial intermediation systems – in ways that fit the purposes of industrial development. In a nutshell, industrial policy in the region must be much more encompassing than it is in advanced industrialized countries.

13.3 Governance capacities for successful industrial policy

Productive transformation in sub-Saharan Africa calls for a very active leadership role for the State, both in identifying the general pathway and implementing specific policies. But overcoming market failures through government action is difficult. Governments may make wrong choices due to incomplete information (Pack and Saggi, 2006); even if they were to obtain the necessary information, it is not certain that industrial policies would be designed solely in the public interest and implemented diligently. This problem is especially pertinent in poor countries, where governments are much weaker and institutions tend to be less effective than in rich countries.

In general, political leaders have two sets of motives: their personal political survival and material well-being (i.e. their narrow interests) and the country's

prosperity (i.e. their broad goals). In pursuit of both their narrow and broad motives, leaders are guided by institutions. Institutions are "formal constraints (e.g. rules, laws, constitutions), informal constraints (e.g. norms of behaviour, conventions, self-imposed codes of conduct), and their enforcement characteristics" (North, 1994, p. 360). In developing countries, where the enforcement characteristics of formal constraints are particularly weak, it is essential that informal constraints "accommodate" (Helmke and Levitsky, 2006, p. 14) in ways that help align the elites' narrow interests with their broad goals for the country.

Compared with East Asian success stories, harmonizing formal and informal institutions has proved to be more difficult in sub-Saharan Africa. The combination of fragmented societies and weak States left most independence leaders in a difficult position. The inherited colonial state structures, with their half-heartedly transplanted legal-rational institutions, were ill suited for sustaining a monopoly of violence. To counteract factional divisions, most African leaders set out to strengthen their positions by amending their independence constitutions to centralize power in the presidency, and by simultaneously building up informal loyalty networks, cascading down from the presidential level to each district and public agency. Thus, hybrid political systems evolved, with outwardly legal-rational institutions that were thoroughly hollowed out by informal patronage systems. These hybrid systems, which would come to be known as neopatrimonialism (e.g. van de Walle, 2001), initially provided some stability, allowing many leaders to align their personal with their national goals. Thus, the first decade of African independence, from the early 1960s into the mid-1970s, was marked by active industrialization strategies, and, as the period coincided with global growth, this initially yielded economic successes.

But patronage systems are not effective in allocating resources. Rewarding clients conflicts with the principles of strategic industrial policies, which require the withdrawal of subsidies from inefficient firms. With the economic downturn in the 1970s, resources available to African leaders diminished, and governments became more dependent on donors and subject to the austerity prescriptions of structural adjustment programmes. Political conditionality, however, did not have the intended effect on public expenditure. Informalization intensified, arguably to keep the various elite factions from fragmenting and plunging countries into civil wars (Reno, 1999). As ruling coalitions became ever more unstable, more resources were needed to nurture the patronage system. This thwarted issue-based policies such as industrial development programmes.

This period of instability made economic progress impossible for most sub-Saharan African countries. Between 1975 and 1995 many economies of the region stagnated or even contracted. The private sector remained miniscule and dependent on the State, and hostilities increased between ethnic communities, as

the only perceived way a community could prosper was for its representatives to have access to the State – the main gate to resources (Cooper, 2002). Apart from tight State–business collusions that made effective industrial policy interventions virtually impossible (Handley, 2008), neopatrimonial power structures also drastically widened income inequalities. Hence, while the structural adjustment era brought about a more stable and predictable macroeconomic environment, it did not lead to the desired outcomes of lean, efficient States and freely thriving markets. The region still scores poorly in the World Bank's governance indicators or Transparency International's Corruption Perception Index (with some notable exceptions, including Botswana and Mauritius).

Beginning with the wave of democratization in the early 1990s, a new mainstream "good governance" approach emerged, trying to constrain neopatrimonialism and build a "Weberian state" with a clear-cut separation of the public and private spheres. Proponents implicitly assumed that checks and balances in the political sphere and accountability and meritocracy in the bureaucracy would also improve economic performance. Empirical evidence, however, casts doubt on this assumption.

A more heterodox reading of historic institutional evolution in early Western industrializing countries (North, Wallis and Weingast, 2009) and emerging Asia (e.g. Khan, 2007)[8] reveals quite different trajectories. At the heart of successful economic development were not necessarily democratic checks and balances or the rule-of-law for all citizens, but prolonged periods of political stability. Avoiding factional outbreaks of violence, by whatever means, allowed for the institutionalization of violence-monopoly organs. Such stability facilitated the process of economic growth, which in turn– sequentially – led to political liberalization. Khan (1996) suggests that economic development can be achieved while wide-scale corruption, elite impunity, and nepotism have not been rooted out and that it becomes easier to improve governance as countries get richer. What is more, attempts to "transplant" political systems from rich countries – i.e. the institutions of political competition and strict accountability of rulers – may even be counterproductive if they promise citizens a level of legal justice that cannot be implemented and curtail the elites' informal means of keeping the peace among factions that could plunge a country into civil war.

Thus, different pathways may lead to economic development. Governments in sub-Saharan Africa are currently testing various pathways and sequences of institutional reform. Ghana and Kenya, with their progressive institutions, openness to civil society and media scrutiny, are among the countries pursuing the "good governance" route. Ethiopia's and Rwanda's leaders, meanwhile, seem to prioritize

[8] For sub-Saharan Africa's own post-colonial trajectory in this regard, see Mkandawire (2001).

economic transformation over political transformation, thus emulating the reform sequence of some Asian countries. Altenburg (2013) shows how industrial policy performance varies across a number of African countries despite shared characteristics of neopatrimonialism. Ultimately, each country, more or less democratic, more horizontally or vertically interventionist, has to find the specific policy mix that dovetails with its institutional landscape. Still, democratic institutions and civil liberties are desirable values in and of themselves; and stricter formal institutions can better constrain (and ideally pre-empt) predatory governments.

13.4 The way forward

Despite the difficulties and challenges encountered, some sub-Saharan African countries were able to make substantial progress. This suggests that with the right policies in place these countries can harness new opportunities to diversify their economies, increase productivity and create more decent jobs. We have identified five promising opportunities, although there may be more.

13.4.1 Taking advantage of booming domestic demand

Two decades of sustained economic growth in sub-Saharan Africa have increased real incomes by an average of 2.3 per cent per capita annually in recent years (World Bank, 2013). The "consuming classes" (defined as households with annual incomes of US$5,000 or above, measured at PPP) are expanding on an unprecedented scale. For the whole of Africa, the number of such households increased from 31 million to 90 million in barely over a decade (McKinsey Global Institute, 2012). Higher consumer spending has triggered investments in retail activities, housing and other activities – but hardly any investment in manufacturing. A large part of simple consumer goods and inputs for the construction sector are imported. Retail chains have started to replace traditional markets, thereby raising entry barriers (in terms of quality and economies of scale) in the supply chain and replacing local supplies with imports.

To reap the benefits of increased domestic consumption, the competitiveness of local suppliers needs to be strengthened. During earlier phases of import-substituting industrialization, this was mainly pursued via import restrictions, which often ended up increasing bribery and illegal imports rather than developing competitive domestic industries. Governments should therefore employ trade

policies very carefully[9] and focus more on supply-side measures to encourage local entrepreneurship. Collaborative partnerships between large companies (mining and construction companies, hotels, retail chains) and government agencies to strengthen local suppliers and service providers have often proven to be effective. A bit of "nudging", e.g. by linking production licenses for large companies or government procurement to training and support measures, may sometimes be needed.

13.4.2 Exploiting regional integration

Most national markets in sub-Saharan Africa are very small, due to a combination of low average income, small populations and poor infrastructure. This is a major competitive disadvantage for manufacturing industries in particular. Regional integration can mitigate this disadvantage, particularly as neighbouring countries have similar demand conditions that are not as challenging for local producers as exporting to OECD countries. In fact, the few industrial products that sub-Saharan African countries export go mainly to other countries within the region. Producing for regional markets allows for scaling up supply capacity and improving marketing and logistics in a relatively familiar environment. Thus, it can be a stepping stone to extra-regional sales at a later stage.

While regional trade has recently picked up, it is held back by three factors: poor transport infrastructure; the high administrative costs of trading across borders; and regional inequality, because countries with less competitive industries often perceive more risks than benefits from integrating with more advance neighbours (Asche and Wachter, 2013).

The policy implications are straightforward. First, cross-border infrastructure projects are crucially important. Second, other trading costs related to, inter alia, cumbersome clearance processes, import duties, legal or illegal facilitation payments and warehousing costs can be reduced by, for instance, abolishing duties and streamlining customs procedures as well as holding customs and transport authorities and service providers accountable (Arvis, Raballand and Marteau, 2007). The third part is trickier. The challenge here is to coordinate industrial policies at the regional level to ensure that all participating countries gain, including the least competitive ones. This calls for special incentives rather than mandatory requirements for investors to set up factories in specific locations (Asche and Wachter, 2013).

[9] Even when import restrictions are not in the spirit of the WTO, the fact that small countries play a marginal role in global trade means that the non-compliance of sub-Saharan countries with WTO commitments almost never leads to legal enforcement (Bown and Hoekman, 2008).

13.4.3 Forward and backward linkages from commodity sectors

Agriculture and mining account for a large part of regional GDP, and these activities benefit from high world market prices and inflows of investments. Therefore, it seems reasonable to pursue an industrialization strategy based on forward and backward linkages from these activities. Especially linkages from agriculture – including agro-processing as well as input supplies and spillovers from increased agricultural productivity into rural non-farm employment – can potentially reach many rural poor. Adelman (1984) dubbed this approach "agricultural demand-led industrialization", a concept that has been taken up by several governments in the region (see also Yumkella et al., 2011). Linkages from oil and mineral resources have so far remained weak. For example, Krause and Kaufmann (2011) found a number of backward linkages between a major aluminium smelter (MOZAL) in Mozambique and local SMEs, but these were limited in scope despite comprehensive support from donor agencies. Recent research by Morris, Kaplinsky and Kaplan (2012) offers a more optimistic picture, arguing that Dutch disease effects do not necessarily undermine forward and backward linkages and providing examples of linkage creation where countries invested in specialized capabilities.

13.4.4 Integrating into global value chains

Exporting light manufactures to the rest of the world, in most cases made by order for large Western corporations, has been the starting point for industrial development in many Asian and some North African (Tunisia, Morocco) countries. From there, some countries, including the Republic of Korea, Singapore, Malaysia and, more recently, Bangladesh, managed to upgrade and diversify their production base gradually (e.g. Amsden, 1989). India has shown that upgrading in global value chains also works in tradable services (Athreye, 2010). In all these cases low-cost advantages were decisive in the beginning, but the successful exporters seized opportunities to increase productivity in such a way that salaries could be raised significantly without sacrificing competitiveness.

Sub-Saharan African countries attract substantial investment in labour-intensive exports. First, this is due to low labour costs in some countries. Ethiopian wages are only one-quarter of China's and half of Vietnam's (Dinh et al., 2012). Second, sub-Saharan Africa is privileged by duty-free and quota-free access for light manufactures to the United States under the Africa Growth and Opportunity Act and to the EU under the Cotonou Agreement. So far, however,

very little investment has been attracted to the region. As successful garment exporters, Mauritius and Lesotho are two exceptions. The reasons for the overall disappointing performance are manifold, including low labour productivity compared with Asian competitors (remember that competitiveness requires low *unit* labour costs, not low salaries per se), higher transport costs and investment climate issues.

For coastal countries, establishing privately managed duty-free export processing zones for light manufactures is an option. It may shield investors from infrastructure bottlenecks and red tape in the host economy. The current steep rise of labour costs in China favours the relocation of such industries, but sub-Saharan African countries will have to compete with low labour cost countries in Asia, such as Cambodia and Bangladesh. Therefore, increasing productivity remains crucial. In some cases the local availability of raw material is an asset – e.g. Ethiopia's shoe exporters benefit from low labour costs *plus* good-quality hides (Altenburg, 2010). Besides light manufactures, trade in services may offer attractive opportunities even for landlocked countries (UNIDO, 2009). Some of these, such as call centres and data entry, have the benefit of low entry barriers in terms of skills and capital. From there, countries can pursue strategies to upgrade into higher-value services.

13.4.5 Marketing natural and cultural resources abroad

Sub-Saharan Africa has a lot to offer that is unique and attractive to people all over the world. Wildlife tourism already attracts millions of visitors each year to East Africa, Namibia and Botswana. Mauritius, Seychelles and Cabo Verde are also preferred tourist destinations. Tourist arrivals in sub-Saharan Africa recently grew faster than the global average, at 5.0 per cent versus 3.8 per cent (World Bank, 2013), but the region's potential is still largely unexploited. Beyond tourism, cultural industries offer a range of business opportunities in the spheres of music, dance, literature, film, crafts and design. To the extent that these industries build upon the region's unique resources and cultural heritage, they are partly shielded from international price competition. In Nigeria, a local film industry has emerged, catering mainly to the African market. Also, international movies are increasingly filmed in Africa. Handmade crafts that build on local traditions, African designs incorporated into textiles and furniture, and ethnic food targeting African diasporas all have a market in OECD countries (Biggs et al., 1996).

How big these opportunities are, and what specific combination of opportunities is most promising, of course varies greatly among countries. Thus,

governments and their partners in business and civil society face the challenge of identifying the right objectives and designing the appropriate policies to achieve them. How can this be done?

There is no simple formula, no scientific procedure. Some authors have suggested tools to assess how countries are currently positioned in the global economy, what competitive specialization they should strive for, and what reform steps are needed for that purpose. Some of these tools are useful, but – due to their generic character – also have serious limitations. Therefore, we suggest a pragmatic combination of several elements.

One planning tool has been suggested by Lin and Monga (2010) in their Growth Identification and Facilitation Framework. Their main suggestion is to "identify the list of tradable goods and services that have been produced for about 20 years in dynamically growing countries with similar endowment structures and a per capita income that is about 100 percent higher than their own". The assumption is that the comparator countries' competitiveness may deteriorate due to increasing wage costs, which would then open up opportunities to attract relocating industries. While this is a good starting point, other determinants need to be incorporated into the analysis, such as economies of scale, transportation costs and proximity to important markets. Benchmarking such determinants against relevant competitors also helps to define promising avenues for competitive specialization.

Another, more pragmatic way of identifying promising pathways is to observe what innovative entrepreneurs are doing, assist them in expanding their business, and encourage more entrepreneurs to pursue the same or related types of business. Ethiopia's cut flower industry emerged along these lines (Altenburg, 2010). Overall, entrepreneurial experimentation and learning should be encouraged. It is mostly entrepreneurs, not bureaucrats, who identify viable business opportunities. Governments have an important role in enhancing the ability to take advantage of them, pressing for social inclusion and technological upgrading. This will work only if industrial policy is organized as an evidence-based learning process with feedback loops and deep involvement of firms at all level.

13.5 Conclusions

Sub-Saharan Africa has been on a high-growth track since the late 1990s, propelled mainly by booming international commodity markets. Analysts and media reports have largely shifted from the "Africa pessimism" of previous decades to predicting a promising high-growth future. However, doubts remain about the

sustainability of the current development path. First, little has been achieved so far in terms of economic diversification and productivity growth. Second, growth has been economically and socially quite exclusive, with very limited positive effects on poverty alleviation and job creation in the modern parts of the economies. In order to become economically sustainable and socially inclusive, sub-Saharan Africa needs a structural change of its economies towards productivity-driven activities outside the commodity sectors.

To manage this, proactive and targeted industrial policies are essential. These policies need to be substantially different from standard industrial policy packages in more advanced economies, where markets function reasonably well in allocating resources productively. Sub-Saharan Africa is still largely agrarian; the bulk of non-farm employment is generated in micro-enterprises; inter-firm specialization and collaboration are still weak; economic transactions are strongly influenced by informal institutions that are not necessarily well aligned with the prevailing governance principles of market economies; and social norms and values in some countries are not conducive to the development of entrepreneurship. To overcome these constraints and nurture competitive industries, a particularly active role for the State is needed – one that goes beyond the facilitating role that it usually plays in economically more advanced market economies. The challenge is to *kick-start industrial transformation* in pre-industrial societies. At the same time, industrial policy needs to safeguard the poor whose livelihoods would be jeopardized by unfettered competition. The policy mix and the sequence of reforms need to be carefully tailored to country conditions. Also, within-region differences in terms of resource endowments, geography and level of development need to be considered.

While the State thus faces an enormous transformational task, policy-makers and bureaucrats act under an incentive structure that is often highly unfavourable for industrial development. In the political realm, stability often relies on clientelism rather than decision-making based on evidence and merits; in the economy, rent-seeking is often more rewarding than productive investments, and Dutch disease effects further undermine the latter.

Still, there are options for economic diversification – from efficient import substitution, to agricultural processing, export of light manufactures and trade in tasks, to tourism. To exploit them effectively, sub-Saharan African countries need to define realistic and shared "transformation projects" and reform democratic institutions in tandem with the implementation of industrial policy.

References

Adelman, I. 1984. "Beyond export-led growth", in *World Development*, Vol. 12, No. 9, pp. 937–949.

AfDB (African Development Bank Group). 2012. *Annual Development Effectiveness Review 2012. Growing African economies inclusively* (Tunis).

Altenburg, T. 2010. *Industrial policy in Ethiopia*, Discussion Paper No. 2 (Bonn, Deutsches Institut für Entwicklungspolitik).

—. 2011. *Industrial policy in developing countries: Overview and lessons from seven country studies,* Discussion Paper No. 4 (Bonn, Deutsches Institut für Entwicklungspolitik).

—. 2013. "Can industrial policy work under neopatrimonial rule?", in A. Szirmai, W. Naudé and L. Alcorta (eds): *Pathways to industrialization in the twenty-first century* (Oxford, Oxford University Press).

Amsden, A.H. 1989. *Asia's next giant: South Korea and late industrialization* (Oxford, Oxford University Press).

Arvis, J.-F.; Raballand, G.; Marteau, J.-F. 2007. *The cost of being landlocked: Logistics costs and supply chain reliability*, World Bank Policy Research Working Paper 4258 (Washington, DC, World Bank).

Asche, H.; Wachter, A.L. 2013. *Perspectives of employment and manufacturing industry in resource-rich African countries*, paper presented at the attention of Former Federal President Prof. Horst Köhler, High-level Panel of Eminent Persons on the Post-2015 Development Agenda, Bonn, Windhoek, January.

Athreye, S. 2010. *Economic adversity and entrepreneurship-led growth: Lessons from the Indian software sector*, Working Paper, United Nations University Maastricht Economic and Social Research Institute on Innovation and Technology (Maastricht, UNU MERIT).

Bates, R. 1981. *Markets and politics in tropical Africa* (Berkeley, CA, University of California Press).

Biggs, T. et al. 1996. *Africa can compete!*, World Bank Discussion Papers 300 (Washington, DC, World Bank).

Bown, C.P.; Hoekman, J.-F. 2008. "Developing countries and enforcement of trade agreements: Why dispute settlement is not enough", in *Journal of World Trade*, Vol. 42, No. 1, pp. 177–203.

Bräutigam, D.; Xiaoyang, T. 2011. "African Shenzhen: China's special economic zones in Africa", in *Journal of Modern African Studies,* Vol. 49, No. 1, pp. 27–54.

Chang, H.J. 2003. "Kicking away the ladder: Infant industry promotion in historical perspective", in *Oxford Development Studies,* Vol. 31, No. 1, pp. 21–32.

Cimoli, M. et al. 2006. *Institutions and policies shaping industrial development: An introductory note*, paper prepared for the Task Force on "Industrial Policies and Development" within the Initiative for Policy Dialogue, Columbia University, New York.

Collier, P. 2008. *Growth strategies for Africa*, Working Paper No. 9 (Washington, DC, Commission on Growth and Development, World Bank).

—; Goderis, B. 2007. *Resolving a conundrum: Commodity prices and growth* (Oxford, Centre for the Study of African Economies, Oxford University).
—; O'Connell, S.A 2007. "Opportunities and choices", in B.J. Ndulu, S.A. O'Connell, R.H. Bates, P. Collier and C. Soludo (eds): *The political economy of economic growth in Africa 1960–2000*, Vol. 1 (Cambridge, Cambridge University Press).
—; Venables, A.J. 2007. *Rethinking trade preferences to help diversify African exports*, CEPR Policy Insight 2 (Oxford, Centre for Economic Policy Research.
Cooper, F. 2002. *Africa since 1940: The past of the present – New approaches to African history* (Cambridge, Cambridge University Press).
Dinh, H.T. et al. 2012. *Light manufacturing in Africa: Targeted policies to enhance private investment and create jobs* (Washington, DC, World Bank).
Farole, T. 2011. *Special economic zones in Africa comparing performance and learning from global experience* (Washington DC, World Bank).
Fosu, A.K. 2013. "African economic growth: Productivity, policy syndromes and the importance of institutions", in *Journal of African Economies*, Vol. 22, No. 4, pp. 523-551.
Goldstein, J.S. 2011. *Winning the war on war: The decline of armed conflict worldwide* (London, Plume).
Grimm, M. et al. 2013. "Kinship ties and entrepreneurship in Western Africa", in *Journal of Small Business & Entrepreneurship*, Vol. 26, No. 2, pp. 125–150.
Handley, A. 2008. *Business and the state in Africa: Economic policy-making in the neo-liberal era* (Cambridge, Cambridge University Press).
Hausmann, R.; Hwang, J.; Rodrik, D. 2007. "What you export matters", in *Journal of Economic Growth*, Vol. 12, No. 1, pp. 1–25.
Helmke, G.; Levitsky, S. 2006. "Introduction", in G. Helmke and S. Levitsky (eds): *Informal institutions & democracy: Lessons from Latin America* (Baltimore, John Hopkins University Press).
ILO (International Labour Office). 2011. *Growth, employment and decent work in the least developed countries*, Report of the ILO for the Fourth UN Conference on the Least Developed Countries, May (Geneva).
Jerven, M. 2013. *Poor numbers: How we are misled by African development statistics and what to do about it* (Ithaca, NY, Cornell University Press).
Khan, M. 1996. "The efficiency implications of corruption", in *Journal of International Development*, Vol. 8, No. 5, pp. 683–696.
—. 2007. *Governance, economic growth and development since the 1960s*, Working Paper No. 54 (New York, United Nations Department of Economic and Social Affairs).
Krause, M.; Kaufmann, F. 2011. *Industrial policy in Mozambique*, Discussion Paper 10/2011 (Bonn, Deutsches Institut für Entwicklungspolitik).
Lall, S. 2004. "Selective industrial and trade policies in developing countries: Theoretical and empirical issues", in C. Soludo, O. Ogbu and H.-J. Chang (eds): *The politics of trade and industrial policy in Africa: Forced consensus?* (Trenton, NJ and Asmara, Eritrea, Africa World Press).

Lin, J.; Monga, C. 2010. *Growth identification and facilitation: The role of the state in the dynamics of structural change*, Policy Research Working Paper 5313 (Washington, DC, World Bank).

McKinsey Global Institute. 2010. *Lions on the move: The progress and potential of African economies* (New York, McKinsey & Company).

—. 2012. *Africa at work: Job creation and inclusive growth* (New York, McKinsey & Company).

McMillan, M.; Rodrik, D. 2011. *Globalization, structural change, and productivity growth*, Working Paper No. 17143 (Cambridge, MA, National Bureau of Economic Research).

Mkandawire, T. 2001. "Thinking about developmental states in Africa", in *Cambridge Journal of Economic,* Vol. 25, pp. 289–313.

Morris, M.; Kaplinsky, R.; Kaplan, D. 2012. *One thing leads to another – commodities, linkages and industrial development: A conceptual overview*, MMCP Discussion Paper No.12 (Revised) (Capetown, Making Most of the Commodities Programme).

North, D.C. 1994. "Economic performance through time", in *American Economic Review,* Vol. 84, No. 3, pp. 359–368.

—; Wallis, J.J.; Weingast, B.R. 2009. *Violence and social orders: A conceptual framework for interpreting recorded human history* (Cambridge, Cambridge University Press).

OECD (Organisation for Economic Co-operation and Development). 2009. *Is informal normal? Towards more and better jobs in developing countries* (Paris).

Pack, H.; Saggi, K. 2006. *The case for industrial policy: A critical survey*, Policy research Working Paper 3839 (Washington, DC, World Bank).

Page, J. 2012. "Can Africa industrialize?", in *Journal of African Economies*, Vol. 21, Suppl. 2, pp. 86–124.

—. 2013. "Should Africa industrialize?", in A. Szirmai, W. Naudé and L. Alcorta (eds): *Pathways to industrialization in the twenty-first century* (Oxford, Oxford University Press).

Plaza, S.; Ratha, D. (eds). 2011. *Diaspora for development in Africa* (Washington, DC, World Bank).

Reno, W. 1999. *Warlord politics and African states*, (Boulder, CO, Lynne Rienner Publishers).

Robertson, C. et al. 2012. *The fastest billion: The story behind Africa's economic revolution* (London, Renaissance Capital).

Sala-i-Martin, X.; Subramanian, A .2003. *Addressing the natural resources curse: An illustration from Nigeria*, NBER Working Paper No. 9804 (Cambridge, MA, National Bureau of Economic Research).

Schumpeter, J.A. 2003 [1942]. *Capitalism, socialism and democracy* (London, George Allen & Unwin).

UNCTAD (United Nations Commission on Trade and Development). 2013. *Strengthening linkages between domestic and foreign direct investment in Africa*, Note by the UNCTAD Secretariat, 17 Apr. (Geneva).

UNECA (United Nations Economic Commission for Africa); AU (African Union). 2011. *Economic Report on Africa 2011. Governing development in Africa – the role of the state in economic transformation* (Addis Ababa).
UNIDO (United Nations Industrial Development Organization). 2009. *Industrial Development Report 2009. Breaking in and moving up: New industrial challenges for the bottom billion and the middle-income countries* (Vienna).
—; UNCTAD (United Nations Conference on Trade and Development). 2011. *Economic Development in Africa 2011. Fostering industrial development in Africa in the new global environment* (New York and Geneva).
Van de Walle, N. 2001. *African economies and the politics of permanent crisis, 1979–1999* (Cambridge, Cambridge University Press).
World Bank. 2013. *Africa's pulse*, Vol. 7, Apr. (Washington, DC).
Yumkella, K. et al. 2011. *Agribusiness for Africa's prosperity* (Vienna, UNIDO).