

UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION

UNIDO

UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT

UNCTAD



SPECIAL ISSUE

**ECONOMIC
DEVELOPMENT IN**

AFRICA

**REPORT 2011 FOSTERING INDUSTRIAL
DEVELOPMENT IN AFRICA IN THE
NEW GLOBAL ENVIRONMENT**

EMBARGO

The contents of this Report must not be
quoted or summarized in the print,
broadcast or electronic media before
11 July 2011, 17:00 hours GMT



UNITED NATIONS

UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION

UNIDO

UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT

UNCTAD

SPECIAL ISSUE

**ECONOMIC
DEVELOPMENT IN**

AFRICA

**REPORT 2011 FOSTERING INDUSTRIAL
DEVELOPMENT IN AFRICA IN THE
NEW GLOBAL ENVIRONMENT**



UNITED NATIONS
New York and Geneva, 2011

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Material in this publication may be freely quoted or reprinted, but acknowledgement is requested, together with a reference to the document number. A copy of the publication containing the quotation or reprint should be sent to the UNCTAD secretariat.

UNCTAD/ALDC/AFRICA/2011

UNITED NATIONS PUBLICATION

Sales No. E.11.II.D.14

ISBN 978-92-1-112825-3

ISSN 1990-5114

Copyright © United Nations, 2011

All rights reserved.

ACKNOWLEDGEMENTS

The Economic Development in Africa Report 2011 is the product of joint work between UNCTAD and UNIDO. It was prepared by a research team consisting of Norbert Lebale (team leader), Patrick Osakwe (UNCTAD), Bineswaree Bolaky (UNCTAD), Milasoa Chérel-Robson (UNCTAD) and Philipp Neuerburg (UNIDO).

The work was completed under the overall supervision of Charles Gore, Head, Research and Policy Analysis Branch (UNCTAD); Ludovico Alcorta, Director, Development Policy and Strategic Research Branch, Regional Strategy and Field Operations Division (UNIDO); and Jo Elizabeth Butler, Deputy-Director and Officer-in-Charge, Division for Africa, Least Developed Countries and Special Programmes (ALDC). The report benefited from the comments of the following, who participated in a peer review discussion of a draft of the report: Olusanya Ajakaiye, Director of Research, African Economic Research Consortium, Nairobi, Kenya; Helmut Asche, University of Leipzig, Germany; Michele di Maio, Department of Economic Studies, University of Naples, Italy; Erika Kraemer-Mbula, Institute for Economic Research and Innovation (IERI), Pretoria, South Africa; Zeljka Kozul-Wright (UNCTAD); Detlef Kotte (UNCTAD); and Alfredo Saad Filho (UNCTAD).

Statistical assistance was provided by Agnès Collardeau-Angleys (UNCTAD), and Gorazd Rezonja (UNIDO). Heather Wicks and Stephanie West provided secretarial support. The cover was prepared by Sophie Combette based on a design by Hadrien Gliozzo. Lucy Deleze-Black and Michael Gibson edited the text.

The overall layout, graphics and desktop publishing were done by Madasamyraja Rajalingam.

CONTENTS

Explanatory notes.....	vii
Abbreviations.....	viii
CHAPTER 1: INTRODUCTION	1
CHAPTER 2: PROMOTING INDUSTRIAL DEVELOPMENT IN AFRICA: STAGES, PERFORMANCE AND LESSONS LEARNED	9
A. Stages of industrial development in Africa	10
B. The performance and characteristics of African manufacturing.....	14
C. Lessons learned.....	26
CHAPTER 3: TOWARDS A NEW INDUSTRIAL POLICY IN AFRICA: INDUSTRIAL DIAGNOSIS AND STRATEGY DESIGN	33
A. Introduction.....	34
B. The question of strategic choice and selectivity in facilitating structural change	36
C. A framework for industrial strategy design.....	39
D. Applying the framework: a typology of African countries' industrial performance	43
E. Applying the framework: linking countries with different strategic choices ...	54
F. Steps in the industrial strategy design process.....	56
CHAPTER 4: TOWARDS A NEW INDUSTRIAL POLICY IN AFRICA: THE WHY AND THE HOW OF POLICY-MAKING.....	59
A. The rationale for industrial policy.....	60
B. Key principles of new industrial policy.....	64
C. The areas and instruments of new industrial policy.....	67
D. Institutional and governance issues.....	71
E. The importance of complementary policies.....	71
F. Financing industrial development: Where will the resources for industrialization come from?.....	74
G. The role of regional integration	79
CHAPTER 5: TOWARDS A NEW INDUSTRIAL POLICY IN AFRICA: TAKING ACCOUNT OF THE NEW GLOBAL ENVIRONMENT	85
A. International trade rules	86

B. Rising industrial powers from the South	92
C. Climate change.....	95
D. Global value chains	98
E. Summary	101

CHAPTER 6: FOSTERING INDUSTRIAL DEVELOPMENT IN AFRICA: MAIN FINDINGS AND RECOMMENDATIONS 103

A. Main findings.....	105
B. Policy recommendations	106
C. Conclusion.....	110

NOTES 112

REFERENCES..... 115

BOXES

1. Floriculture in Ethiopia: An African success story.....	63
2. The West African Common Industrial Policy.....	80

TABLES

1. Contribution of industry to GDP 1970-2008.....	15
2. African manufacturing by sectors and technological classification 2000-2009.....	19
3. Structure of African manufacturing exports: top 10 export products by technology category	20
4. Manufacturing performance of African countries	27
5. Industrial structure of selected African countries 2009	49
6. Cost of infrastructure services in Africa	73

FIGURES

1. Structural transformation of Africa's economy vis-à-vis other developing regions.....	16
2. Structural transformation of Africa's exports vis-à-vis other developing regions.....	16
3. Importance of low technology manufacturing exports and trade balance....	21
4. A strategic approach to industrial policy making in Africa	35

5. Framework for the comparative assessment of the relative attractiveness and strategic feasibility of manufacturing activities for African countries	41
6. Illustration of the relative attractiveness and feasibility of unused potentials in various manufacturing industries	43
7. Typology of African countries based on industrial performance	45
8. An overview of African countries' industrialization level and growth performance	46
9. African countries' industrial performance	47
10. GDP per capita in Africa and the BRIC countries	83

EXPLANATORY NOTES

The \$ sign refers to the United States dollar.

Sub-Saharan Africa: Except where otherwise stated, this includes South Africa.

North Africa: In this publication, Sudan is classified as part of sub-Saharan Africa, not North Africa.

ABBREVIATIONS

AFC	African Finance Corporation
AfDB	African Development Bank
AID	Africa Industrialization Day
AIDA	accelerated industrial development of Africa
BRIC	Brazil, Russian Federation, India and China
CAMI	Conference of African Ministers of Industry
CCS	carbon capture and storage
CDM	Clean Development Mechanism
DAC	Development Assistance Committee
DBSA	Development Bank of Southern Africa
DESA	Department of Economic and Social Affairs
EBA	Everything But Arms
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
EPA	economic partnership agreement
EPZ	export processing zone
EU	European Union
FDI	foreign direct investment
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GHG	greenhouse gases
GSP	Generalized System of Preferences
GVCs	global value chains
HIPC	heavily indebted poor countries
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
IPR	intellectual property protection regime
ISI	import substitution industrialization
LDCs	least developed countries
LT	low technology
MDG	Millennium Development Goals
MFN	most favoured nation
MHT	medium and high technology
MVA	manufacturing value added
NAMA	non-agricultural market access
NCPC	national cleaner production centers

NEPAD	New Partnership for Africa's Development
NIC	newly industrialized country
NIPF	national industrial policy framework
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
POSCO	Pohang Iron and Steel Company
PRSP	poverty reduction strategy papers
RB	Resource-based
SAP	structural adjustment programme
SCM	subsidies and countervailing measures
SEZ	special economic zone
SME	small and medium-sized enterprise
TRIMs	Trade-related Investment Measures
TRIPs	Trade-related Aspects of Intellectual Property Rights
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
WACIP	West African Common Industrial Policy
WTO	World Trade Organization
