Chapter 8

The Elusive Quest for Inclusive Growth in Sub-Saharan Africa: Regional Challenges and Policy Options

Bruno Losch

1. Introduction

Sub-Saharan Africa (SSA) exemplifies the issue of the quality of growth. While the sub-continent has been under the spotlight for several years for its strong recovery and dramatic growth rates, persistent poverty - in spite of real progress - and growing social and political risks highlight the fragility and the uncompleted nature of the growth process. SSA is a case of economic growth without structural transformation, productivity advances and effective human development.

The paper recapitulates first the reasons for new narratives about sub-Saharan Africa; it is a reminder that the fragility of current narratives is due to poor analytical perspective and limited evidence. It then reviews the main characteristics of the diverse African trajectories and their common challenges related to an incipient economic transition and a strong on-going demographic transition. The remarkable boom of the labor force currently underway questions the absorption capacity of the sub-Saharan countries' economies within the highly competitive context of globalization and under the constraints of climate change and resource depletion. The paper finally addresses possible options for an inclusive and sustainable process of change and reaffirms the importance of investing in development strategies.

2. Changing narratives and blind spots about growth in SSA

From the "hopeless continent" to a "rising Africa"?

In 2011 and 2013, within a period of fourteen months, *The Economist* published two special issues devoted to Africa, under the titles, "Africa Rising" and "Aspiring Africa," thereby apologizing for having run "The

Hopeless Continent" as a headline a decade earlier.[1] Without ignoring the difficulties still to be overcome and differences between countries, this optimistic view was based on the sustained growth rate of the region following the long recession of the 1980s and 1990s. Over the last ten years, average per capita income grew by 30 %, as the region resisted the global crisis. Six of the ten fastest growing economies in the world during the 2000s were in SSA (Angola, Chad, Ethiopia, Mozambique, Niger, Rwanda), all above a 7% annual growth rate – meaning a doubling of the GDP within 10 years. This expansion is expected to continue for the next decade.

While this performance is, in part due to the price of raw materials, this was not the only factor, as some countries did also progress rapidly without the benefit of resource extraction. This economic growth has been accompanied by some improvement in other indicators of human development (such as secondary education, life expectancy) and the liberalization of political life marked by regular elections in many countries. Other drivers of change are a strong urban growth, a booming young population, a rising middle class, and the rapid adoption of mobile telephony, accompanied in some countries by a revolution of credit. These are all the ingredients of a "*new Eldorado for investors*": after admiring the growth of Asian dragons and tigers, and Latin American jaguars, an enthusiastic literature has been brimming with "*Lions on the Move*" and an "*Emerging Africa*" where "*Poverty is Falling... Much Faster Than* [we] *Think*." [2]

However, sub-Saharan Africa's realities also display otherwise mixed pictures: while many conflicts came to an end during the last decade (Liberia, Sierra Leone) or more recently (Côte d'Ivoire), the fragility of the Sahel has been highlighted by the war in Mali. Other "smoldering" conflicts continue or have been developing in Guinea-Bissau, Nigeria, CAR, the Horn of Africa and Kenya, DRC. Several countries face political stalemates that paralyze progress in implementing changes (Madagascar, Zimbabwe), while others are "vitrificated" by "big men": presidential monarchies (Burkina, Cameroon, Chad, Congo, Uganda) or even hereditary presidencies (Equatorial Guinea, Togo, Gabon). Even in rapidly growing countries, the widening inequality leads to economic,

1. Respectively, December 3, 2011, March 2, 2013, and May 13, 2000.

2. Respectively in *Le Monde*, January 1, 2013, and titles of books published by the McKinsey Global Institute (2010), Radelet (2010), and Sala-i-Martin and Pinkovskiy (2010).

social and political tensions: in 2013, 39 of the 49 SSA countries are situated in the last 50 places in the UNDP's Human Development Index (UNDP 2013), and only four SSA countries are among the 80 countries "where it is better to be born" – apart from South Africa (which came 53rd), they were in the last places.[3] This situation is reflected in the distress experienced by African youth, plagued by unemployment, underemployment, and despondency (Solignac-Lecomte 2013).

A debate obfuscated by the GDP ideology

The overall discussion on African growth, rising middle classes and "emergence" is based on the GDP paradigm that says little about the real wealth and health of an economy and its sustainability in the long run (Fioramonti 2014). GDP growth does not mean structural transformation and welfare improvement for the majority of the population, i.e. a virtuous process of economic and social change.

In SSA, among the main issues contributing to the mystification of the debate is the tragedy of African statistics (Devarajan 2013). The collapse of statistical systems (national accounts, sectorial data and even population censuses), their many biases (e.g. spatially blind information), and the importance of the informal economy, which largely escapes reporting, leads to poor and misleading numbers (Jerven 2013), incorrect knowledge bases and high risks of inappropriate policies targeting inadequate objectives.

Additionally, GDP statistics fail to report the depletion of energy, minerals, forests, soil fertility (etc.), which are critical components of sustainability. This perspective requires specific attention to the case of SSA due to the importance of extractive resources and agriculture as well as their contribution to GDP. The World Bank adjusted net savings statistics show that African countries have been depleting their wealth over the last twenty years in an unsustainable way, with resource-rich countries being the main contributors to this negative trend (World Bank 2011; AfDB et al. 2013; Aglietta in this volume).

3. Many national trajectories but common challenges

The challenges for Africa are very specific because its structural

3. The "where-to-be-born" index is prepared by the Economist Intelligence Unit. In 2013, Angola, Kenya, and Nigeria are respectively ranked 77th, 79th and 80th.

transformation has been lagging in comparison to other regions of the world. The process of structural transformation refers to the change in the sectorial and spatial distribution of economic activities illustrated by the evolutionary pathway followed by European economies (and countries of European settlement) and replicated in several other parts of the world.

Based on statistical evidence (Johnston and Kilby 1975; Timmer 2009), a stylized summary of this process and its main determinants shows the gradual transition from an agriculture-based economy to one based on industry and then on services, in conjunction with a shift from rural to urban areas. This was made possible by the energy shift to fossil fuels that started at the end of the 18th century. The shift was indeed the cause of profound technological changes and impressive productivity gains, which led to wealth accumulation and then the transfer of labor and capital from one sector to another. This process was accompanied by an increase in income and demand and its diversification. It benefited from the demographic transition[4] at the origin of an improved ratio between the working and non-working population, i.e. less dependent and more economically active people. In this process of change, agriculture played an initial role and was the first driver of accumulation. Productivity gains have been accompanied by a massive exit of workers from agriculture, their migration to the cities, to other regions or to other countries.

The evolutionary vision, which was formalized after the Second World War (Rist 2003), is the source of mainstream thinking on development. It is based on the idea of a step-by-step catching up (Rostow 1960) with the most advanced countries in terms of technical, economic and social progress (generally and prosaically reduced to per-capita GDP); and it is reinforced by the similarities observed in the trajectories of some Latin American and Asian countries.

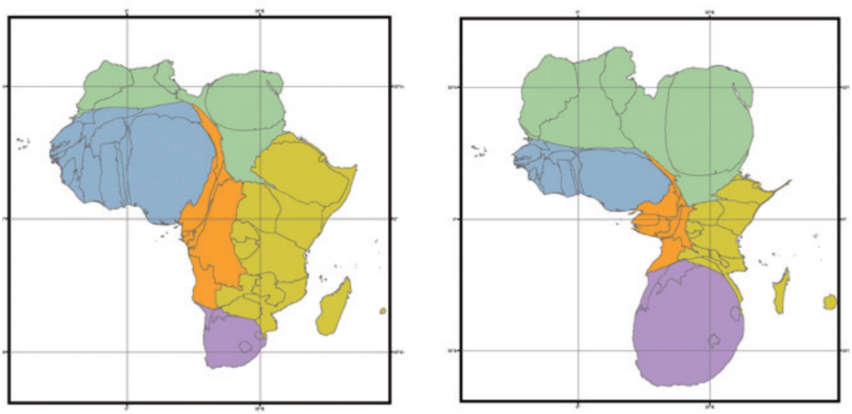
An incipient economic transition

Compared to this reference pathway, sub-Saharan Africa has experienced rapid changes characterized by huge process towards urbanization and a rapid economic growth in the last decade; but it

4. The demographic transition is the result of improvements in health and lifestyles, facilitated by mass education, which lead to the reduction in mortality and birth rates.

remains, with South Asia, the poorest region in the world. The "African lions" of McKinsey (2010) are deprived of 35% of their GDP when North Africa is subtracted. Moreover, SSA only represents 45% of the total wealth of the continent when South Africa (20% of the overall GDP) is withdrawn. However, together, it comprises 75% of its population (see Map 1).

Map 1. African countries weighted by population (2010) and GDPs (2009)



Source: Losch 2013b and Cirad Cartography Unit, based on World Population Prospects 2010 and World Development Indicators
Note: In this cartogram, sizes in km2 are replaced by population and GDP values; colors correspond to UN regional groupings for Africa.

Current GDP per capita is very low: in 2010, 27 of the 49 countries in SSA were in the low-income countries group according to the World Bank (<$1,025/person/year), including 13 countries with per capita income under $500. Thirteen others were in the lower middle-income group (between $1,025 and $4,035), seven were in the upper middle income group (between $4,035 and $12,475); and the oil-booming Equatorial Guinea, with only 700,000 inhabitants, has been propelled into the high-income countries group (with $20,700/person/year, equivalent to South Korea or Portugal).

Nevertheless, when looking at the major economic aggregates, SSA structurally changed little over the last fifty years and remains permanently marked by the weight of its primary sector and the exploitation of its natural resources (Magrin 2013). Agriculture, mining and energy account for over 50% of GDP for 17 countries, between 40 and 50% for nine countries and between 30 and 40% for nine others. The manufacturing sector is extremely limited: only 18 countries have an industrial added value exceeding 10% of GDP and seven countries reach the threshold of 15%. These results show a deep structural inertia, where only services and construction, driven by urban growth, have developed. SSA is a region of urbanization without industrialization, a very specific situation in the economic history of the world.

This African exception is explained by the historical conditions of the integration of the continent into the global economy (Grataloup 2007), with a late and restrictive colonial rule resulting in young and small states. When they were only entering their twenties, and before they had the opportunity to consolidate their institutions or to implement modernization policies, these new countries were simultaneously projected into the international competition of globalization and submitted to the sharp constraints of structural adjustment.

In comparison, several Asian countries, which had the same level of relative wealth fifty years ago but another historical background, grew steadily and rapidly, despite pessimistic perspectives.[5] Their growth process was characterized by a sharp decrease of agriculture and the development of manufacturing (see Figure 1). Over the same period, African growth was much lower, and especially marked by its volatility (see Table 1), which raises the question of the sustainability of the recent growth trend (Devarajan and Fengler 2013), characterized by the position of raw materials, construction and services, and the relative weakness of investment (Ali and Dadush 2010).

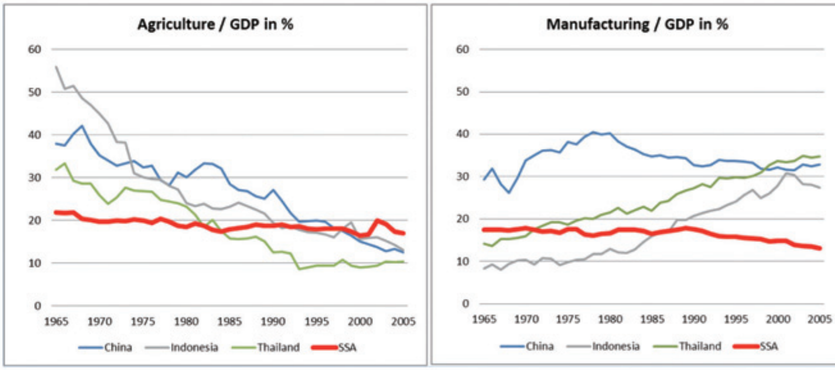
Table 1. Regional dynamics of GDP per capita growth (1960-2007)

	% per year	variation coef.
North Africa & Middle East	2,06	1,68
Sub-Saharan Africa	0,72	3,10
Latin America & Caribean	1,73	1,38
East Asia & Pacific	5,44	0,76
South Asia	2,72	0,99

Source: Arbache and Page 2007

5. See Myrdal's "Asian Drama" (1968)

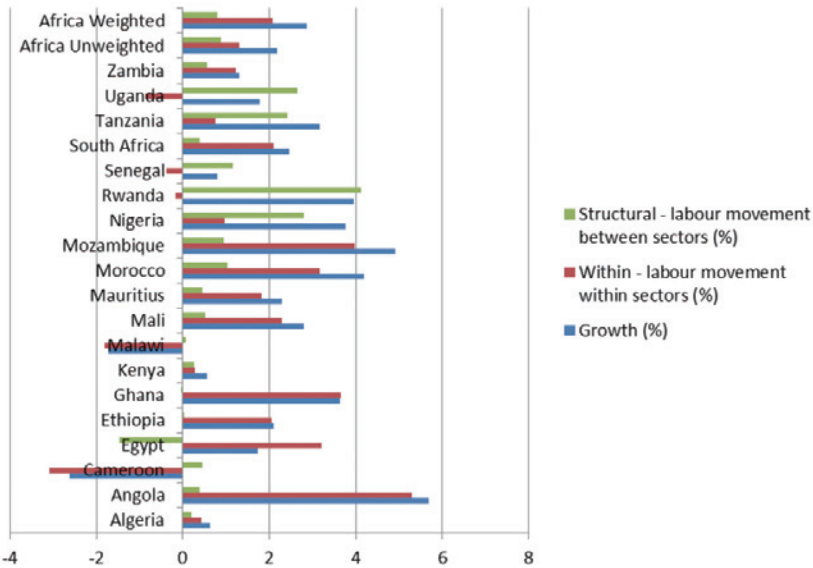
Figure 1. Evolution of GDP structure: SSA versus East and South-East Asia (1965-2005)



Source: Losch et al. 2012 based on World Development Indicators

However, if the prices of mineral resources or agricultural products have played a clear part in the recent trend, they do not tell the whole story. Among the 49 SSA states many differences exist (highlighted above), which relate to resource endowment, access (landlocked countries), colonial legacies, post-independence history, institutions and governance. If many oil-exporters à-la-Equatorial Guinea are heavily dependent on international markets and little diversified, some countries, especially in East Africa (Ethiopia, Uganda, Rwanda), are progressing rapidly without benefiting from extractive resources. Processes of structural change are even more uneven. Reliable data are missing but, when looking at reallocation of labor within or between sectors (McMillan et al. 2013), a couple of countries show a progressive shift due to the development of more diversified exports with higher value and technological contents (Uganda, Tanzania, Rwanda, but also Senegal or Nigeria - see Figure 2).

Figure 2. Structural change in SSA:
Focus on labor movement in 19 countries (2000-2005)



Source: based on McMillan et al. (2013)

Nevertheless, these slight changes in the labor force structure of SSA do not modify, in absolute terms, the remaining importance of agriculture in the economically active population. With the exception of South Africa, where employment in agriculture is marginal, for reasons related to the very specific history of the country, agriculture still occupies 50-60% of the labor force in the vast majority of SSA. This rate rises to 75% and higher in some countries (Sahel, East Africa). The broad definition of agricultural employment,[6] however, does not signify exclusive occupation in agriculture: multiple activities are a characteristic of rural households (Losch et al. 2012). Other sectors of employment are mainly services (trade and transport first and, marginally, government, banking), construction and public works boosted by urban growth, and handicrafts. Employment in manufacturing remains extremely low - a few hundred thousand jobs in most countries (and often less).

6. According to the FAO, the economically active population in agriculture corresponds to the number of all employed and unemployed persons engaged in or seeking work in agriculture, hunting, fishing or forestry.

A cross-sectional feature of this employment structure is the importance of what is commonly called the informal economy or sometimes the popular economy. There is no standardized definition and the notion of the informal is disputed, but the informal economy is generally defined in the negative, that is, by saying what it is not (Charmes 2011). The informal economy is businesses that are not declared or registered with the tax authorities, do not apply accounting rules or economic and social labor standards (such as regulations related to hiring, firing, minimum wage and working conditions).

This informal sector corresponds with the bulk of sub-Saharan African economies because it includes agriculture, comprised almost exclusively of family farming,[7] and also because urban employment happens mainly through self-employment activities or small businesses (Beaujeu et al. 2011). Thus the informal economy supposedly employs 75 to 95% of the sub-continent's workers (Jütting and Laiglesia 2009), with the exception of South Africa, where the rate would be only 50%. The specificity of this informal economy is its great flexibility, which gives it a strong resilience against hazards, a situation that is balanced by high risks, low to very low levels of remuneration and underemployment (low number of hours worked per worker). These features explain the very low quality of African growth: the high rates of the 2000s do not translate into inclusive forms of employment.

An on-going and delayed demographic transition

These low-transforming African economies are facing a unique demographic reality characterized by unprecedented growth and the lasting importance of their rural population. SSA is the last region of the world to be engaged in the process of demographic transition and the process is far from complete: the population growth has been strong over the past four decades (more than 2.5 % per year) and it has lasted longer than originally projected due to continued high fertility rates in many countries, leading the United Nations to revise their latest projections upward in 2012[8] : in 2050, SSA's population should reach a total of slightly above 2 billion people, with the population continuing to grow until after

7. There is a limited business/corporate sector, mainly for agricultural exports (agro-industrial plantations, large mechanised farms). It represents little in terms of jobs and even less in relative terms: in countries where such agricultural businesses are best established (in East and Southern Africa in particular), the numbers rarely exceed 100,000 jobs compared to the millions of family farms.

8. By nearly 10% for the medium fertility variant.

2100. SSA will overtake China and have two and a half times more people than Europe (a reversal of the relative weights of Europe and Africa in less than a century).

This population growth will also be accompanied by a change in the age structure of the population, with strong growth of the labor force - and therefore of the demand for jobs - and a gradual change in the activity ratio (active/inactive people). With one inactive for every active person in the 1980s and 1990s, this ratio was close to one, reaching a "record" in world history. It was a major economic disadvantage for Africa, which was hit at the same time by the impact of structural adjustment policies, and it led to a significant increase in poverty (see Figure 5). Over the same period of time, China had two active for every one inactive person (and has a 2.5 ratio today), which is a radical difference in terms of productive capacity and possible increase in individual wealth and living standards (see Figure 3).

The progressive improvement of the activity ratio in SSA will be a major advantage in terms of growth and the region will progressively reap its "demographic dividend."[9] However, the convergence with the rest of the world in terms of fertility reduction is lagging (Guengant and May 2013) and the ratio of two active for one inactive person should only be reached after 2050.[10] Most importantly, this improvement in the activity structure of the population will only play its leverage role if it is combined with adequate public policies and a favorable economic and institutional environment (productive investment, capacity building, innovation and productivity enhancement). If not, the demographic bonus (many workers) could turn into a "penalty" (many jobless), and result in major social and political tensions.

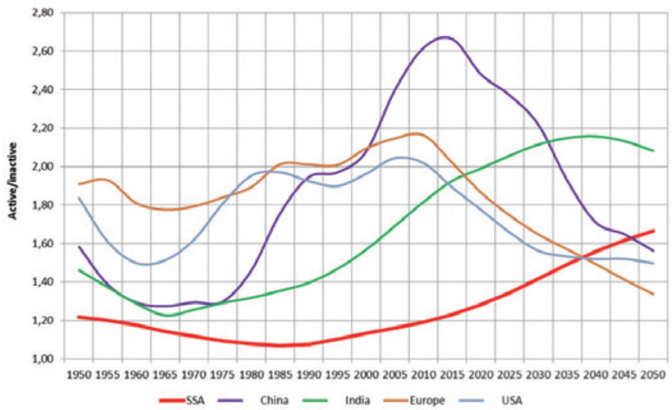
The other feature characterizing African demographic changes is the spatial distribution of the population. The gradual shift of the global population to the cities is a major phenomenon in world history, with the tipping point reached at the end of the 2000s. SSA did not escape this process with the urban population increasing tenfold since independence. But the subcontinent is still mainly rural, with around

9. The demographic dividend constitutes a unique moment in the dynamic of a population. After this window of opportunity (also named the "demographic bonus") the ageing of the population leads to a progressive decrease of the activity ratio – a process broadly at play in China and Europe.

10. SSA is the only region in the world where the labor force will continue to significantly increase after this date.

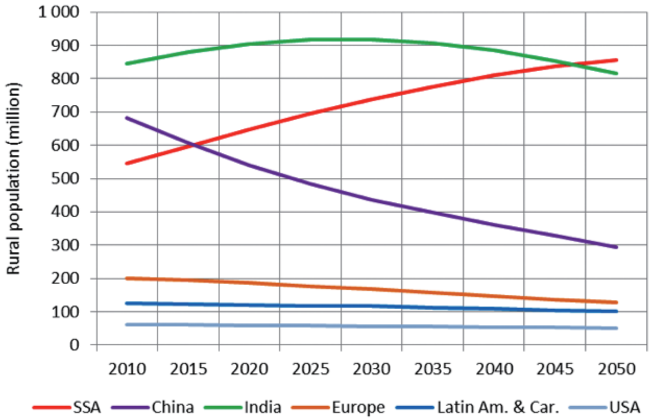
65% in 2010, and it will remain rural until the mid-2030s due to a slowing down in the pace of urbanization – a consequence of limited labor opportunities and low paid informal jobs. Above all, SSA is the only region of the world, along with South Asia, where rural population will continue to grow – a consequence of today's spatial distribution and strong birth rates – and it is the only one where this growth will continue after 2050 (Figure. 4). With 300 million additional rural people by that date, the sub-African rural population will increase by 57%.

Figure 3. Activity ratio by major countries and regions (1950 – 2050)



Source: Losch 2013a, based on World Population Prospects, 2010 Revision

Figure 4. Expected rural population by major countries and regions (2010 – 2050)

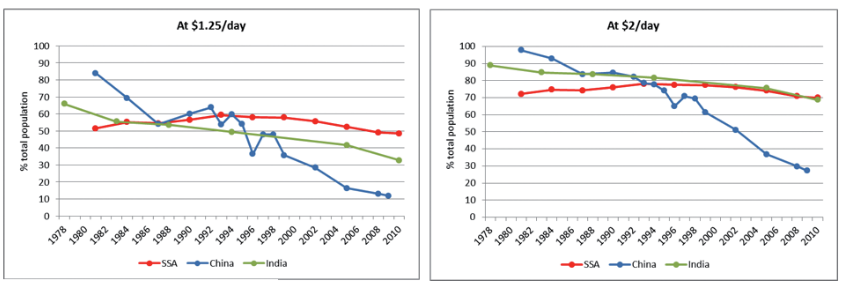


Source: Losch 2013a, based on World Urbanization Prospects, 2011 Revision

The "African Equation"

With a fourfold increase of the population over the last fifty years, the economies of the sub-continent were able to absorb a huge demographic push. However, because of the recession of the 1990s and of an insufficient and volatile economic growth process over the long run, living standards have been stagnating and massive persistent poverty remains: on average most people (70%) remain below the threshold of $2 PPP per person per day, and 50% of the population are under the $1.25 poverty line – a major difference with China and also with India where progress has been significant – notably in terms of extreme poverty reduction (Figure 5).

Figure 5. Poverty headcount ratio (in $ PPP)



Source: World Development Indicators

The burning issue here is the continuing population growth and the massive change in scale: while SSA's population increased by 560 million people between 1970 and 2010, it will increase by 1.1 billion over the same time period between 2010 and 2050 (and possibly more). This means a dramatic "job challenge" for Africa (Bhorat and Naidoo 2013), which can be more accurately described when considering the yearly cohort of new workers entering the labor market.[11] For a medium-sized country such as Senegal, almost 300,000 young people reach working age every year, or 5 million over 15 years (two and a half times the population of a city like Dakar today). Seen at the level of the whole of SSA, this means a yearly cohort of around 17 million, which will increase and add up to 330 million by 2025 (i.e. nearly the current population of the United States).

11. The annual cohort of workers entering the labor market, or reaching the age of finding an income-generating activity, is 1/10 of the 15-24 year age group. This is a flow instead of a change in the total number of workers, which takes into account people moving from the 15-64 age group to the supposedly inactive 65+ group (a disputable criteria in countries without a formal labor market and generalized pension system – the case of SSA).

These are not projections: on a 15-year time period, these new workers have already been born. Based on the existing distribution of population and trends in migration to cities, two-thirds of these new workers are likely to be in rural areas (Losch 2012).

These magnitudes in numbers allow an articulation of the African equation: with their undiversified economic structure, where the weight of primary and especially agricultural activities is dominant, and where the weakness of industrialization does not offer mass employment alternatives, how will SSA economies absorb their booming labor force? What are the possible and realistic absorption sectors?

Lessons from past transitions are especially instructive but they also help to point out differences: the "moment in time" matters and replication is not an option because economic, institutional, and geopolitical environments have changed.[12] For sub-Saharan Africa, the challenge is to succeed in its structural transformation in the new international regime of a liberalized global economy. SSA also has to manage new constraints related to struggles over resources and the impact of climate change, as the region will be one of the most impacted. It will have to manage these challenges without benefiting from the same economic policy options that other countries before them did – a consequence of new international regulations.[13]

4. Policy options for a sustainable and inclusive growth process

The question of the sectors of absorption of the new African workforce is therefore a real challenge for public policy, which must invest in public goods, facilitate and support private initiatives and promote the development of economic activities. This employment challenge is recognized by the international community, as evidenced by the recent publication of numerous reference documents, such as the World Bank's

12. For instance, the importance of European hegemony (colonization, imperialism) for European transitions, including mass migration of European settlers, or import-substitution policies in Latin America based on protectionism, or state-lead development in Asia.

13. Chang (2002) emphasizes the difference in status between countries according to their hegemonic or subordinate position. In particular, he recalls how the richest countries now wish to prevent others from applying the policies they had themselves implemented (especially those of protection and subsidies) and which they sometimes continue even today.

World Development Report (WDR) 2013 focusing on employment (World Bank 2012) or the *African Economic Outlook 2012* (AfdB et al. 2012).[14] The challenge is clearly to identify the most strategic policy options capable of transforming this workforce potential, and the possible demographic dividend,[15] into a veritable engine of growth and development (i.e. an engine of economic and social inclusion).

Reengaging in development strategy design

In order to meet the challenge of employment and inclusiveness, the imperative is to reinvest in development strategies, which articulate long-term visions and sectorial approaches based on a realistic analysis of the structural situation of every national economy, regional grouping and their international environment. Regional institutions and some African governments (like Ethiopia, Rwanda, Kenya) are increasingly reengaging in such a perspective, given that it had been obscured by the limitations of structural adjustment and market-only policies.

The need to address structural change and to implement transformative policies through willing developmental states is becoming a "credo" and "structural transformation" a buzzword. The African Union Commission engaged in the drafting of the *Africa Vision 2063* with a transformative agenda as a guideline; the 2012 World Economic Forum for Africa focused on *Shaping Africa's Transformation*; the African Development Bank's new 10-year strategy puts Africa's transformation at the center; the Economic Commission for Africa (ECA) titled its 2011 Economic Report on Africa, *Governing Development in Africa: The Role of the State in Economic Transformation* (UNECA 2011); and the African Center for Economic Transformation (ACET), an Accra-based think tank, is now publishing an *African Transformation Report* and has proposed an *African Transformation Index* (ACET 2014).

The common objective is undoubtedly to support and strengthen the process of change towards more diversified economies, with higher added value and qualified jobs – a prerequisite for improved living standards. It is clear however that this diversification is a gamble in an

14. See also the ILO report on employment trends for youth (ILO 2012), the report of the Africa Commission on the potential of African youth (Africa Commission 2009), the work of the FAO on the employment of rural youth (van der Geest 2010) and the special report on African youth employment (Filmer and Fox 2014).

15. It represents a limited window of opportunity because the dividend is only "distributed" over a few decades, until the ageing population reverses the active / inactive ratio.

increasingly integrated global economy. Globalization offers many new opportunities in terms of access to new markets. It also facilitates access to knowledge and technical progress, which the richest countries today did not have when they engaged in their transition. But globalization also means constraints, because of rising asymmetries in productivity and competitiveness.[16] Local firms must compete with foreign companies - especially those from large emerging countries like China - on a "stormy open field" (Birdsall 2006) characterized by the instability of the world economic environment; and the challenges are rising, not only in international markets but also in domestic markets through imports.

There is however a dead angle in this discussion on competition: if the existing asymmetries affect only the overall economic situation of a country, they also impact the local dimension of structural change, since international competition weakens local links between agriculture, industry and urbanization, which have contributed greatly to economic transitions in the past (UNRISD 2010). Easier access to imports has notably modified urbanization patterns because cities (especially large cities) often resort to imports rather than make use of local economic resources. There is therefore a spatial dimension in structural transformation and an issue of reconnecting places and urban and rural areas. Most of the efforts of policy makers are to identify the best possible sectors for diversification and the ones with a potential for competition, but a realistic assessment is most often missing about the priorities with regard to the job challenge. In order to define an adequate time sequence, public policies have to be based on regional and sectorial distributions of activities and people.

Sectorial priorities

The large majority of African economies is still defined by the weight of the primary sector (agriculture and mining), the population is still predominantly rural, and its activity structure is characterized by the overwhelming importance of the informal economy both in agriculture and the large range of urban activities (household enterprise sector). And yet, the debate is raging, with extremely contrasting points of view between proponents of industrialization and the strengthening of urban dynamics on the one hand, and proponents of "agriculture first" on the

16. In the case of SSA, the difference in average productivity with other developing countries is 1 to 5, and 1 to 100 with OECD countries (UNCTAD 2006).

other hand. This debate is also blurred by aid agencies, which sometimes adopt contradictory positions, such as the World Bank, which developed a detailed argument on the central role of agriculture in development in its WDR 2008 (World Bank 2007), and then focused on the prominent role of the process of agglomeration and economic density brought about by urbanization in its WDR 2009 (World Bank 2008).

What are the major arguments? As far as the "industrialists" are concerned, only manufacturing can meet the scale of the challenges facing Africa: agricultural productivity is too low and the expected progress too slow to allow for a rapid escape from poverty; the solution for the future of the rural poor lies in the cities.[17] The major arguments refer to the change in the international economic environment that would offer new opportunities for industrialization: an improved business climate in many countries, the gradual increase in manufacturing costs in Asia due to higher wages (especially in China), and the prospects offered by task-based production rather than the manufacture of end products (UNIDO 2008). This new type of industrialization, or light manufacturing (Dinh et al. 2012), is a consequence of the development of outsourcing and intra-firm trade that characterizes globalization. It is more accessible to late developers to the extent that it requires less capital and technical and managerial skills, and remains doable in a more fragile economic and institutional environment (AfDB et al. 2014). This approach could also develop in the service sector, based on the potential offered by new information and communication technologies, where outsourcing is developing quickly.

There are undeniable areas of diversification and opportunities for SSA: its growing workforce and the increased costs of production experienced by its main competitors in the developing world will gradually strengthen its competitiveness; and it is not unrealistic, in absolute terms, to imagine a future Africa being the "factory of the world", that could take the place of China. Using this comparative advantage approach, ACET (2013) has already identified priority sectors: agroprocessing, the garment industry and component assembly. But it is important to take into account the necessary timeframe for an effective industrial development with regard to the current structural situation, lessons from the past, and the massive demand for jobs. There has not been significant industrialization in SSA over the last fifty years despite

17. Several writings by Paul Collier illustrate this vision (Collier 2008, 2009).

formidable urbanization.[18] Examples of industrial free trade zones have produced mixed results and, most importantly, they have only helped create, depending on the country, tens of thousands of jobs whereas hundreds of thousands of jobs or millions are required annually. It means that the possible new comparative cost advantages, which will arise very progressively, are insufficient.[19] Heavy investments are needed in infrastructure, training and support for businesses; and even with such investments, it will be impossible to create millions of industrial jobs each year in the near future to meet the demand for jobs.[20] These reminders show the importance of prioritizing support for existing activities, which are mostly those of the informal urban and rural sectors. This does not mean ignoring the necessary process of industrialization: governments must improve the business climate in order to facilitate private investment, but they must also deal with the overwhelming number of household enterprises.

Regarding the informal urban sector, there is a certain shift in the view of policy makers, with greater consideration of the potential for modernization (Fox and Sekkel Gaal 2008, Beaujeu et al. 2011). If there is an informal (sponge-like) buffer-type sector characterized by very low productivity,[21] there is also an informal sector with a great potential for modernization based on significant production factors and strong innovation dynamics (Ranis and Stewart 1999). This sector, which is a major provider of urban employment, should be supported.

This discussion of the rural informal sector side, which includes the majority of the active population in most African countries, brings us to the second side of the debate on the sectorial priorities for action, ideas championed by the "pro-agriculture" group. The first argument is about the "basic arithmetic" of large numbers (Headey, Bezemer and Hazell 2010) – even with another decade of growth as good as or even better

18. Yet this urban growth offered all the economic benefits of density touted by the WDR 2009 (World Bank 2009).

19. Competitiveness cannot be reduced solely to costs; it includes product quality and production capacity (the volume of supply).

20. In the case of China, the "township and villages enterprises" policy, which was the backbone of rural industrialisation, is an interesting yardstick. Between the 1960s, when the policy was initiated, and the 1990s a maximum of 135 million jobs were created (Vendryes 2012).

21. This buffer sector absorbs surplus labor, especially related to rural depopulation. It represents many "odd jobs" and incomes can sometimes be lower than in rural areas.

than the past one, structural transformation and the change in employment structure will be slow (Fox et al. 2013); and absolute number of workers in agriculture will not shrink but grow and continue to challenge the rural economy.

The driving force of agriculture, its intersectoral effects, its role in rural poverty reduction and rural diversification are basics of the literature on economic development (Johnston and Mellor 1961, Johnston and Kilby 1975), and on African development in particular (Delgado et al. 1998, Diao et al. 2007). Improving agricultural performance was a major factor in explaining the rapid progress achieved in East and South East Asia (World Bank 2007). Several recent studies have confirmed the comparative potential of agricultural growth with respect to urban development: Dorosh and Thurlow (2012) have shown, on the basis of growth models applied to Ethiopia and Uganda, that even if cities are still the unquestionable source of growth and structural change in the long term, it is actually agricultural activities that are likely to have the fastest impact on poverty reduction.

The real strategic challenge today is to identify the right development model for agriculture in Africa. Because of a generally weak performance in the past (Benoit-Cattin and Dorin 2012), there is very significant room for improvement. However, new investments by new players promoting large-scale farming[22] have reopened the old "small vs. large scale" debate about the relative merits of different sizes and types of farms (Losch and Fréguin Gresh-2013). This risky discussion, which could result in adopting inappropriate modernization pathways, tends to obscure a central issue: the need to increase production, while creating employment in agriculture, as well as in upstream and downstream activities, by strengthening value chains and improving the incomes of farmers - which are the levers of rural demand and economic diversification (Losch et al. 2012).

In this context, and in order to secure the maximum impact, the primary target of public policy in this area should be the broad masses of farmers and family farms. They offer a great potential for the integration of

22. These new investments were triggered by the fear of shortages of agricultural products, revived since the crisis of agricultural prices in 2008-2009, and by the new needs for biofuel. They are favored by the (debatable) reputation for available land on the continent and the willingness of many governments to attract foreign capital (Cotula et al. 2009).

young people (Brooks et al. 2013), provided that attention is paid to improving working conditions in order to make farming more attractive (Proctor and Lucchesi 2012; Sumberg et al. 2012). Agricultural development in other parts of the world demonstrated the true development capacity of family farms when they received the necessary support (Bélières et al. 2014). A recent comparison between African, Brazilian and Thai agriculture, whose successes are undisputed despite very different contexts, has shown that African producers are competitive at the farm-gate level, and would be competitive on international markets if recurring obstacles in supply and marketing were removed (World Bank 2009).

Territorial priorities

Beyond sectorial discussions, there is a need to take into account the spatial realities of the continent. African rural areas have profoundly changed in recent decades due to demographic growth and increasing densification of population. They have also changed as a result of urban development itself that occurred not only through growth in numbers but also in terms of spatial dimensions: new urban areas have emerged as a result of the progressive development of rural towns, and this on-going process is dramatically reshaping the territorial structure of many regions of the subcontinent.

The Africapolis work (Denis and Moriconi-Ebrard 2012) highlights a large emerging megapolis in the Gulf of Guinea, rooted in Nigeria (the most populous country), and developing many offshoots along the West African coast and the Sudanese region, as well as demographic hotspots like the Nairobi – Kampala corridor, the northern part of the Great Lakes region, the Ethiopian highlands and, of course, the South African conurbation. In these regions, the vast majority of the rural population is located within 50 km of a city of at least 50,000 inhabitants.

It is obvious that in this type of new configuration, where transportation infrastructure facilitate mobility and access to markets, the springs of economic dynamism and diversification opportunities are incommensurate when compared to more remote areas. This "new emerging *rurality*" (Losch, Magrin and Imbernon 2013) is completely invisible in the official statistical systems. However, beyond these analytical difficulties, another reality is emerging: poverty often persists, including in these highly populated and connected rural areas

(Losch et al. 2012). This raises the question of the quality of urbanization (i.e., the type of services and infrastructure provided by the city, the urban assets, without which urbanization cannot really play its driving and catalyst role for economic development) and rural diversification.

The weakness of urban assets in secondary cities appears as a common feature of African urbanization. The urban framework is most often asymmetrical and features one big city – generally the capital city – provided with significant amounts of equipment and services on one side, and the many lagging regional cities and local towns, missing basic infrastructure, on the other side. Recent works on the relationship between type of urbanization, poverty and inequality have highlighted the importance of intermediate urbanization and the economic functions it provides (Christiaensen and Todo 2009; Christiaensen, de Weerdt and Todo 2013). In Africa, this "missing middle" is a major obstacle for an inclusive growth process: it accelerates concentration and spatial exclusion, and contributes to the growing costs of metropolization (Paulais 2012). This situation provides strong arguments for strengthening the development of intermediate cities and this territorial priority could contribute to the overall process of structural transformation.

Breaking the rural-urban divide and decompartementalizing public policies

One of the major problems of development policies today is their highly segmented conception. Sectorial policies as well as urban policies and rural policies are siloed and this stove-piping results in a major obstacle to a spatially inclusive growth model. Beyond the need to develop regional integration leveraged by major infrastructure, which in the long term will also help to open up economic areas and to enhance domestic and continental trade, it is a proactive approach to territorial development that will produce the initiatives and innovations needed to boost economic and social development.

As reminded by Rodrik (2013), in the new phase of the world economy, East Asian style growth rates will be difficult to sustain by Asian countries themselves and to attain by other developing countries, and growth will depend first "on what happens at home". In sub-Saharan Africa, a proactive approach to territorial development means consolidating urban-rural linkages, and providing the network of medium-sized cities with the urban assets needed to foster local dynamics and to facilitate their connection to metropolitan areas. Agriculture will have to play its role, taking advantage of the potential of the African domestic market and of external opportunities, since growth in agricultural incomes will reinforce rural demand that drives economic diversification at the regional level.

Therefore, public policies for structural transformation should combine territorial development tools and support for promising economic sectors, the construction of infrastructure, policy dialogue between actors at the local level, and the reinforcement of human capital. This integrated approach rooted in renewed development strategies should be a major attribute for consolidating the quality of growth.

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