

## **Report of the multi-stakeholder consultation**

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UNDP and African civil society networks**

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## **Structural Transformation in the African Context: Reflections on Priorities for the Post-2015 Development Agenda**

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# STRUCTURAL TRANSFORMATION IN THE AFRICAN CONTEXT: REFLECTIONS ON PRIORITIES FOR THE POST-2015 DEVELOPMENT AGENDA<sup>1</sup>.



*African thinkers, parliamentarians and civil society organisations who gathered in Midrand, South Africa, hosted by the Pan African Parliament, articulated what is emerging as a growing consensus in various fora<sup>1</sup> taking place on the continent: ‘the building blocks of development’ have to be front and centre in the post-2015 discussions; and the imperative to underpin a developmental/structural transformation has to inform the approach taken to governance (developmental governance), financing and the global developmental partnerships, as well as the socio-economic development goals and targets.*

*The Millennium Development Goals (MDG) agenda helped to focus the world’s attention on the importance of explicitly concentrating on and channelling resources to poverty reduction and various dimensions of social development. In Africa, this was against the backdrop of structural adjustment and ‘development as usual’ policies which had not only failed to deliver human development outcomes, but also resulted in reversals in a number of countries.*

*In spite of gains on the various MDGs, in the context of a post-2015 development framework, it’s clear that there needs to be a focus on a developmental transformation that encompasses the structural transformation of Africa’s political economy, coupled with developmental governance and a focus on the social, economic, environmental and spatial dimensions of sustainability and equitable development- in order to attain sustainable human development on the continent over the medium term, as well as poverty reduction in the context of current systemic vulnerability.*

1. The priority that is being assigned to structural transformation has to be understood within the context of Africa’s historical position in the global division of labour, largely as an exporter of raw materials and natural resources. Its economy and social structures are rooted in the production and exports of low value, diminishing returns goods. This role ties Africa’s fortunes to the volatility of the primary commodities’ market and the political whims of aid providers. The low value addition explains the paradox of: high Gross Domestic Product (GDP) growth, alongside poor human development; expanding volumes of natural resource exports that goes side by side with Africa’s diminishing value share in global trade; and explains the inability to finance social development and the lack of diversity and capacity in its economic and social institutions.
2. Africa’s desire for an agenda which addresses transformation is also derived from its recent experience with Structural Adjustment Programmes and the MDGs. Although the latter helped to bring needed attention to absolute poverty, it did little to address Africa’s dependence. Indeed, implemented within the framework of the Poverty Reduction Strategies of the International Financial Institutions, the MDGs may have inadvertently contributed to entrenching Africa’s

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<sup>1</sup> This meeting took place in Midrand, South Africa on 24<sup>th</sup>- 27<sup>th</sup> February, 2013 and was jointly organised by the Pan African Parliament, the United Nations Millennium Campaign, UNDP, ACORD, Tax Justice Network-Africa, Third World Network-Africa and Christian Aid. There was expert participation from UNECA, the African Union and African Futures.

dependence on primary commodity exports and low-value added and low productivity agriculture, resulting in the expansion of Africa's dependency on aid, food and even policy over the period. Africa's inability to finance its development from its own resource also contributed to weakening its voice in the international political arena.

3. The call for economic transformation in Africa derives from the need to put an end to the perverse process which transfers Africa's wealth elsewhere, thereby perpetuating misery and endangering the very survival of the continent's population. Only an Africa with transformative socio-economic development will avoid the unattainable imitative development path and promote sustainable development in a resource constrained world.
4. The first task of structural transformation in the African context is the transformation of the system of "production" from one dominated by primary extraction and low value-added agriculture and services, to one in which high value is added through the application of technology, innovation, beneficiation, better linkages between sectors in the wider economy and a fairer share of natural resource rents. Africa's transformation fortunes rest heavily on how natural resources – the extractive sectors in particular – and agriculture are managed and transformed. The Africa Mining Vision and the Comprehensive Common Agricultural Programme adopted by the African Union (AU) provide road maps in this direction. But transforming these sectors requires technology, innovation and a healthy and educated workforce living in freedom. Economic transformation is therefore inextricably linked to the social conditions of society.
5. Successful transformation will over time result in the reduction of the share of relatively dominant sectors of today (agriculture and raw minerals/fossil fuels) in the economy, relative to manufacturing and value added services. The ultimate measure of successful economic transformation is a mixed (small, medium and large enterprises) and balanced, economy. Such an economy will put money, wealth and capability in many hands, thus contributing to further progress and the financing of public goods through enhanced taxation and consumption of goods and services.
6. The ultimate success of social transformation is that a transformed economy is creating and financing a better life for all people (men and women, children and elderly, physically abled or disabled), ensuring universal access to essential services, providing additional social protection for the poorest and weakest in society and ensuring an equitable, peaceful and harmonious society.
7. In technical terms, four essential and interrelated processes define structural transformation in the economy: a declining share of agriculture in GDP and employment; a rural-to-urban migration underpinned by rural and urban development; the rise of a modern industrial and service economy; and a demographic transition from high rates of births and deaths (common in underdeveloped and rural areas) to low rates of births and deaths (associated with better health standards in developed and urban areas). Economic and structural transformation is also associated with rising agricultural productivity, an integrated economy and rising per capita growth rates. (Timmer 2008, UNECA presentation). It will require, among others, the full and effective implementation of the African Common Market, the African infrastructure strategy and other regional integration agreements, to achieve transformation as described above. *Therefore, in relation to the post-2015 development agenda, it will be important for Africa that a Goal of "structural transformation" be established which can be measured and tracked by the indicators outlined above.* Issues such as the intra-regional portion of Africa's trade and progress in infrastructure development are important measures of development "enablers".
8. Economic and structural transformation is also associated with economic growth which is both inclusive and sustainable. Economic growth is inclusive if its benefits are fairly distributed in

vertical terms (between the poorest and richest households, wages and profits); in horizontal terms (between geographic regions) and in terms of demography (age composition of society and other societal identities such as gender, religion, and other socially excluded groups). Economic growth is sustainable if it is equitable in terms of impacts as described above, and if it uses natural resources, including energy, fisheries, water, forests, soils and biodiversity resources sensitively, and if growth does not suggest insatiable and wasteful consumption. *To this effect, a goal related to economic growth must be qualified, and tracked, by its distributive impacts as outlined above.*

9. Structural transformation also pre-supposes a transformed relationship between state and citizens. Except for the brief period in many African countries following de-colonisation, the experience of political governance has been largely negative, fraught with corruption and nepotism, human rights violations, military or one-party dictatorships and poor stewardship of the economy. The African political elite have largely been more accountable to external powers – political and big business – through aid dependency, commodity export dependency, and outright political and military interventions. The period of structural adjustment programmes, spanning two-three decades - exacerbated this growing distance between people and governments, by diminishing the role of the state in the direct provisioning of essential public services to the poor, by trimming the state down and weakening its capability to serve the people including peace, security and democratic accountability and by deepening inequalities that contribute to tearing the society apart. *Therefore in relation to the post-2015 development agenda, the capacity to generate adequate own resources to finance Africa's development must assume the importance of a Goal in itself. This will enable Africa to track changes in its revenue and financing portfolios, to reduce dependency, ensure the channelling of resources to economic and social need and reduce illicit outflows, and by these measures, increase the legitimacy of the state in the eyes of its people.*
10. A post-2015 agenda must be based on new relationships of accountability between people and state, rooted in a focus on participatory democracy, service delivery, human rights, the accountable use of public resources, social protection of the weak and poor, gender equality and better economic governance. The pathways for these challenges have already been defined in Charters, resolutions and programmes agreed to by African Heads of State and Government, in the context of the African Union. These include: the *African Charter on Human and People's Rights*; the *Protocol to the African Charter on Human and People's Rights on the Rights of Women in Africa*; the *African Charter on Elections and Democracy*; the *New Partnership for Africa's Development (NEPAD)*; and, the *African Peer Review Mechanism (APRM)*, among others. A successful post -2015 agenda must be consistent with the principles and programmes contained in them, and require their full implementation. *In this context, Africa must include in its monitoring framework for a post-2015 development agenda, indicators of implementation of common programmes, agreements and Charters that African governments have voluntarily agreed to. This is an important accountability framework for regional integration and political accountability at the cross-boundary level.*
11. The relationship between the African state and the international community must equally undergo transformed change, one that is rooted in the principles of equality of nations and peoples; mutual collaboration for mutual interest and respect for the ability and right of Africans to lead their own change. But for this to happen, Africans must understand that they need to put their own house in order: rely less on aid, use their own resources properly, ensure a fairer share of natural resource rents, and rely more on mobilising, retaining domestic resources, including effective taxation and the plugging of illicit financial outflows. *To this effect, Africa must include, in its post-2015 monitoring framework, indicators to track progress towards natural resource beneficiation; natural resource rent sharing; tax systems, structures and share of tax revenues to GDP, indicators of capital flight and other such measures. These are important building blocks for Africa's voice in global partnerships.*

12. These realities suggest that a post-2015 agenda must represent a paradigm shift: a shift from a culture of dependence on external resources and leadership, to one of greater reliance on domestic resources and capable institutions; a shift on the understanding of governance from one dominated by narrow ideas of “good governance” that suggests a lean and non-activist state making room for the market, to one that understands the intricate links between governing the economy (for structural transformation), governing the social and political system (for human development and individual freedoms) and governing the natural environment (for sustainability). The task, as defined by the African Union, is to build “democratic developmental states”. Transparency and accountability are key for development and vibrant states.
13. These shifts will not be possible without an enabling global development architecture that is supportive of economic transformation and democratic governance in Africa. This global development architecture must be responsive to national and regional conditions and priorities. Given Africa’s deep integration into the global economy, transformation will be hampered without a stable, resilient and sustainable global financial system conducive to productive investment and having safeguards against perverse resource transfers from poor to rich nations. Hence, the imperative to rein in speculative capital, illicit capital flows and tackle tax havens and secrecy jurisdictions which haemorrhage Africa’s resources. *Africa has a strong interest in effective global partnership arrangements that are aimed at ensuring global financial stability, a predictable and conducive global trading environment and transparency in international financial transactions, including the role of tax havens. The high-level Commission of Eminent Persons on illicit financial Flows from Africa (the Thabo Mbeki Commission) established by the African Union should channel specific recommendations to the international community and the post-2015 secretariat on these matters.*
14. New global realities such as: the financial, food, energy and environmental crisis; the prolonged recession and deepening austerity in matured industrial economies on which Africa depends for trade and finance; the spread of terrorism and foreign military interventions across the Sahelian belt of Africa; population and urbanisation dynamics in the face of growing inequalities, all impose serious threat to Africa’s development. These threats however, can also be opportunities for Africa to shape new forms of partnerships based on greater transparency, equality and accountability founded on mutual/common interests. The resurgence of middle income countries and even Africa’s own economic expansion (narrow as it may be), offer an entirely different environment and policy space, from the 1980’s and 1990s. There is scope for a more pro-active African voice in shaping global partnerships and institutions. *The post-2015 development era should be more creative in how it measures and accounts for partnerships. Among others, it should track changes in voice and participation in key global institutions among countries and regions.*
15. Finally, we note that none of the above is possible without leaders of integrity, vision, public-service orientation, self-belief and a stubborn focus on structural transformation in the context of democratic governance. This is perhaps Africa’s biggest challenge. For that reason, a post-2015 development agenda will serve Africa well if it provides the incentive to promote and effectively monitor both democratic as well as developmental governance.

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<sup>1</sup> See UNECA, AU, ADB, UNDP joint analysis on *The African Common Position on the post-2015 Development agenda. Structural Transformation was also the main theme of the Monrovia meeting of member of the High Level Panel of Eminent persons, Feb 2013*