



Conference

# Africa's employment perspectives towards 2040

17 and 18 February 2020, Bonn



## Conference

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17 and 18 February 2020

at German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), Tulpenfeld 6, 53113 Bonn

### Co-organising institutions:

- African Center for Economic Transformation (ACET)
- Africa Growth Initiative, the Brookings Institution
- Center for Development Research (ZEF)
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
- German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)
- International Food Policy Research Institute (IFPRI)
- Overseas Development Institute (ODI)
- UN Economic Commission for Africa (UNECA)

### ... and research networks:

- Global Research Consortium for Economic Structural Transformation (GRECEST)
- Malabo-Montpellier Panel
- Poverty Reduction, Equity and Growth Network (PEGNet)
- T20 Africa Standing Group

### Conference theme

There is an enormous knowledge gap with respect to potentially viable development pathways for Sub-Saharan Africa. From an economic perspective, only a very small fraction of the workforce is employed productively and in decent conditions. The workforce is growing rapidly, with most new entrants moving into self-employment or precarious forms of wage employment. At the same time, it is doubtful whether the pathways that European and Asian countries used in the past to achieve broad-based productive transformations offer much guidance for today's policymakers in Africa. As trade relations within global value chains are now mostly well-established among trading partners with considerable economies of scale and network externalities it is difficult for African newcomers to break into these relationships. Moreover, automation is likely to erode the opportunities stemming from traditional labor cost advantages, and globalized platform economies tend to reward economies of scale, and thus global players in advanced economies. On the other hand, some big game changers *may* create new opportunities for Sub-Saharan Africa. These include transaction cost-reducing digital technologies; Africa's rapid urbanization; increasing global demand for high-value agricultural products; decarbonization and the replacement of fossil resources with biomaterials; China becoming a high-income country that sheds labor-intensive light industries; and increased trade integration within Africa, among others.

We do not yet know how these trends will affect Sub-Saharan Africa as a region and what the ripple effects will be in the various countries. Will industrialization still play the role it historically had in processes of catching-up, or will Africa's development be led by agriculture and agro-processing or by services? Should, and can, East Asia's successful export-orientation be emulated, or will domestic, or Pan-African, markets be at the center of African diversification? Which economic activities are the most promising in terms of competitive advantages and inclusive growth? African stakeholders have agreed on the Agenda 2063. It spells out aspirations and defines some investment priorities; yet it is not specific when it comes to charting viable economic pathways towards employment-intensive growth derived from, and aligned with, the changing global conditions.

Our attempt to identify medium-term opportunities for Sub-Saharan countries takes these changing global conditions as a starting point. This requires market forecasts as well as impact analyses wherever the changes are already materializing. Predictions are further complicated by the fact that the game changers are interrelated in many ways: digital capabilities will impact on agricultural production as well as on urbanization and the quantity and quality of jobs created there; the scale of job relocation from China depends on advances in automation; opportunities stemming from global food demand interact with the need to adapt agricultural systems to climate change, and so on. Specialist conferences so far have mainly explored particular drivers of change in isolation. The unique contribution of this conference is to bring together researchers and other experts working on a variety of topics that are all relevant for structural transformation and labor markets in Africa and to explore interlinkages, thereby contributing to an overall picture of Sub-Saharan Africa's medium-term economic perspectives. The conference shall thereby also feed into current debates how to reform the Africa-Europe partnership ahead of the AU-EU summit that is going to take place in the second half of this year during the German EU Presidency.

The two-day conference will combine keynote speeches offering overarching perspectives with expert sessions that zoom into specific game changing trends. Following the eight expert sessions, two panel discussions will be held: the first aims to integrate findings from the expert sessions and attempts to identify some overall lessons for Africa's structural transformation ahead. The second addresses implications for governance. The key assumption here is that different pathways of economic development correspond with specific governance patterns; hence, if economic transformation changes direction, so do mechanisms of accountability, participation etc. as well as requirements on public policymaking. Following these panels, representatives of the Economic Commission for Africa, BMZ and DEVCO will highlight key take-aways for international cooperation, especially what implications emerge for the AU-EU partnership.

The conference will have two concrete outcomes. First, follow-up activities with the German government, particularly the Ministry for Economic Cooperation and Development (BMZ), to feed insights from the conference into the German cooperation portfolio with Sub-Saharan Africa. Employment creation is a key priority of German cooperation with the region, specifically in the framework of the Marshall Plan with Africa and the Compact with Africa, and it will most likely also feature prominently at the AU-EU summit. Second, an academic publication including a selection of original papers. We are currently exploring options with high-ranking journals and University Press publishers.

The organisers are very grateful to Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH for financial support of the project. Support was provided by Sector Projects "Employment Promotion in Development Cooperation" and "Economic Policy and Private Sector Development" as well as the Sino-German Center for Sustainable Development, all on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ).

## Overall programme

### Day 1

- 8:30** Registration
- 9:00 – 9:10** Welcoming remarks  
*Imme Scholz, Acting Director, DIE*
- 9:10 – 9:25** Supporting Africa's inclusive transformation: What Germany contributes  
*Stefan Oswald, Director General for Marshall Plan with Africa; Displacement; Migration, Federal Ministry for Economic Cooperation and Development, BMZ*
- 9:25 – 9:45** Introduction: Global trends affecting Sub-Saharan Africa's structural transformation and labour markets  
*Tilman Altenburg, DIE*
- 9:45 – 10:30** **African visions for an inclusive structural transformation**  
*Vera Songwe, Under Secretary-General and Executive Secretary of the Economic Commission for Africa*

### 10:30 – 12:00 Parallel sessions:

<p><b>Session 1</b></p> <p><b>Will China's structural change boost Africa's light manufacturing exports?</b></p> <p><u>Setting the scene:</u> Stephen Gelb (ODI): Chinese light manufacturing industry strategies to confront rising wages: Results from a survey</p> <ul style="list-style-type: none"> <li>• Tilman Altenburg (DIE): Automation trends and relocation from China</li> <li>• Lindsay Whitfield (Roskilde University): Are African countries ready to attract Chinese garment FDI?</li> </ul> <p><i>Chair: Raymond Gilpin, UNDP, Chief Economist Regional Bureau for Africa</i></p>	<p><b>Session 2</b></p> <p><b>Sustainable energy as a driver of structural change and employment?</b></p> <p><u>Setting the scene:</u> Timothy Goodson, Energy Analyst, World Energy Outlook, International Energy Agency (IEA): Access to modern energy in Sub-Saharan Africa: Opportunities and challenges</p> <ul style="list-style-type: none"> <li>• Elena Ocenic, IRENA: Renewables-based electrification and direct job creation</li> <li>• Severin Foit, Forschungszentrum Jülich: Power-to-X - An opportunity for Africa?</li> <li>• Mike Enskat, GIZ: Lessons from energy projects in Africa</li> </ul> <p><i>Chair: Ulrike Lehr, GWS</i></p>
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- 12:00 – 13:00** Lunch
- 13:00 – 13:45** **Development engines in sub-Saharan Africa: past, present and future**  
*Stefan Dercon, Oxford University, Director of the Centre for the Study of African Economies, former Chief Economist of the Department of International Development (DFID)*

**Day 1 (cont.)**

**13:45 – 15:15 Parallel sessions:**

<p><b>Session 3</b>  <b>Food systems: Feeding a growing and changing population</b></p> <ul style="list-style-type: none"> <li>• <u>Setting the scene:</u> Thomas Reardon, Michigan State University (MSU): Rapid transformation of African agrifood systems and employment implications</li> <li>• Saweda Liverpool-Tasie: MSU: Employment implications of Nigeria's food system transformation: Evidence from the maize-poultry value chain</li> <li>• John Asafu-Adjaye, African Center for Economic Transformation (ACET): Opportunities for climate-smart agriculture</li> <li>• Stefan Schmitz, Executive Director, Global Crop Diversity Trust: Promoting structural transformation and achieving food security: Lessons from development policy</li> </ul> <p><i>Chair: Michael Brüntrup, DIE</i></p>	<p><b>Session 4</b>  <b>Services in the digital era – a source of new or a destroyer of old employment?</b></p> <p><u>Setting the scene:</u> Bitange Ndemo, University of Nairobi: Lessons from 'Digital Kenya'</p> <ul style="list-style-type: none"> <li>• Karishma Banga, ODI: Digitalisation and the future of manufacturing in Africa</li> <li>• Elvis Melia, DIE Associate: Can online work become a major source of employment?</li> </ul> <p><i>Chair: Dirk teVelde, ODI</i></p>
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15:15 – 15:45 *Coffee break*

**15:45 – 17:15 Parallel sessions:**

<p><b>Session 5</b>  <b>New opportunities in the bio-economy</b></p> <p><u>Setting the scene:</u> Joachim von Braun, Director, The Center for Development Research, ZEF</p> <ul style="list-style-type: none"> <li>• Julius Ecuru, Head, BioInnovate Africa Program, Nairobi: A bio-economy strategy for East Africa</li> <li>• Linda Davis, Giraffe Bioenergy, Kenya: Producing food and fuel to secure livelihoods: Cassava-based bio-economies in Kenya</li> <li>• Wolfram Schmidt, BAM Federal Institute for Materials Research and Testing: Building African cities with local renewable materials?</li> </ul> <p><i>Chair: Jan Börner, Center for Development Research, ZEF</i></p>	<p><b>Session 6</b>  <b>Urbanisation and middle-class consumption as drivers of local production and employment?</b></p> <p><u>Setting the scene:</u> Abebe Shimeles, Director and Manager of the Development Research Division, African Development Bank</p> <ul style="list-style-type: none"> <li>• Babette Never, DIE: What Africa's emerging middle classes consume and how this translates into entrepreneurial opportunities</li> <li>• David Tschirley, Michigan State University: Rapid urbanization in Africa: Challenges and opportunities for farmers and local agroenterprises</li> <li>• Reena Das Nair, University of Johannesburg: The spread of retail chains in Africa and how it affects local supply chains</li> <li>• Arthur Minsat, OECD Development Centre: Changing demand patterns (with a focus on intermediary cities)</li> </ul> <p><i>Chair: Daniele Malerba, DIE</i></p>
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**Day 1 (cont.)**

**17:15 – 18:15 Industries without smokestacks: Is a successful inclusive economic transformation possible without industrialization?**

*John Page, The Brookings Institution*

**18:30 – 19:00 Invited extra session**

***The WBG's approach to supporting jobs transformations in Africa***

*Michal Rutkowski (World Bank Global Director for Social Protection, Labor and Jobs)*

**19.30 Speakers' dinner**

**Day 2**

**9:00 – 9:45 Are premature de-industrialisation and accelerated technological advancements threatening structural transformation in Africa?**

*Carlos Lopes, High Representative of the Commission of the African Union and former Executive Secretary of the Economic Commission for Africa*

**9:45 – 11:15 Parallel sessions:**

<p><b>Session 7</b> <b>The future of oil and mining</b></p> <p><u>Setting the scene:</u> Ogbonnaya Onu, Minister of Science and Technology, Nigeria: Nigeria's efforts to diversify away from the oil industry</p> <ul style="list-style-type: none"> <li>• Jan C. Bongaerts, TU Bergakademie Freiberg: Mining 4.0: How will it affect employment and the competitiveness of mining in SSA?</li> <li>• Masuma Farooki, MinHutte: Adding value to the African mining industry</li> <li>• David Kaplan, University of Cape Town: The potential for beneficiation and technological spillovers</li> <li>• David Manley, Natural Resources Governance Institute: Stranded Nations? The climate policy implications for fossil fuel-rich developing countries</li> </ul> <p><i>Chair: Sam Hickey, University of Manchester</i></p>	<p><b>Session 8</b> <b>Regional integration: Boosting structural transformation and employment?</b></p> <p><u>Setting the scene:</u> Albert M. Muchanga, AU Trade commissioner: Regional integration: Boosting structural transformation and employment?</p> <ul style="list-style-type: none"> <li>• Matthias Busse, University of Bochum: Regional Integration and Structural Transformation in Southern Africa</li> <li>• Ed Brown, Director of Policy Advisory Services, African Centre for Economic Transformation: Regional public goods - A pragmatic approach to regional integration</li> <li>• Landry Signé, The Brookings Institution: Keys to success to the African Continental Free Trade Area implementation</li> </ul> <p><i>Chair: Clara Brandi, DIE</i></p>
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**11:15 - 11:45 Coffee break**

**11:45 – 12:15 Lessons from successful transformations in Asia**

*Justin Yifu Lin, Director, Institute of New Structural Economics, Peking University and former World Bank Chief Economist (via video)*

**Day 2 (cont.)**

12:30 – 13:30 Lunch

**13:30 – 15:15 Panel: Linking the sessions: What will Africa's economic future look like?**

*Joachim von Braun (ZEF), Brahima Coulibaly (Brookings), Stefan Dercon (Oxford University), Abebe Shimeles (AfDB), Vera Songwe (UNECA)*

*Chair: Tilman Altenburg (DIE)*

15:15 – 15:45 Break

**15:45 – 17:15 Panel: Governing inclusive economic transformation in Africa. What institutional and behavioral changes are needed?**

*Introduction: Specific challenges for job creation in Low-Income Countries (Dino Merotto, World Bank)*

*David Booth (ODI), Pallavi Roy (SOAS-University of London), Kunal Sen (UNU-WIDER), Landry Signé (The Brookings Institution), Lindsay Whitfield (Roskilde University)*

*Chair: Julia Leininger (DIE)*

**17:15 – 17.45 Key take-aways for Africa and development partners**

*Carlos Lopes, High Representative of the Commission of the African Union*

*Stefan Oswald, BMZ, Director General for 'Marshall Plan with Africa; Displacement; Migration'*

*Francesco Luciani, Head of Unit DEVCO.B.3 "Migration, Employment", Directorate General for International Cooperation and Development, European Commission*

*Moderated by Christine Hackenesch (DIE)*

## Session descriptions

### Session 1 Will China's structural change boost Africa's light manufacturing exports?

China's factory level wages have multiplied over the last two decades. As a result, labor-intensive light manufactures for export, one of the main drivers of China's unprecedented growth, are losing competitiveness. According to Chinese government estimates, 85 million such jobs are under threat of automation and/or might eventually be relocated to lower cost countries. For instance, Ethiopia has already received Chinese investments in garment and shoe manufacturing, thereby creating about 30,000 new jobs. At the same time, factory automation is making huge progress. Electronics assembly is already largely automated, and the same may happen in garment and shoe assembly. Furthermore, Chinese firms are already cutting their wage bills by automating certain manufacturing operations at home. Whether African countries can attract investments in light manufacturing also depends on its wage levels – which in most African countries are high, compared to e.g. Bangladesh – and the overall cost of doing business.

**Questions:** To what extent and when can we expect cost-competitive automation technologies to be available and to crowd out human labor in the main light industry assembly operations (garments, shoes, electronics, toys)? Will manufacturing firms in China and other Asian countries (partly) automate at home or prefer to relocate? How long will it take before automation takes over, and will investments in export processing zones in Africa still pay off? Which African countries are potentially competitive? To what extent can African destinations compete with low cost destinations in Asia? How do the trade policies of importing countries affect the choice of locations?

### Session 2 Sustainable energy as a driver of structural change and employment?

Access to electricity is one of the preconditions and key drivers for growth and broader development in Sub-Saharan Africa. Driven by population growth, rising value added and urbanization, demand is projected to double or triple until 2030. Supply is hardly able to follow due to high investment costs, fragmented markets and governance issues. At the same time, the urge to reduce greenhouse gas calls for a shift to renewable energy. Africa's abundance of sustainable energy sources (hydro, wind, solar, geothermal, bio) and rapidly decreasing costs of the respective technologies create new opportunities for centralized as well as decentralized electricity supply. Especially the latter may be very employment-intensive and have a variety of positive spillover effects for rural development. Furthermore, abundant solar, hydro and wind resources provide opportunities to convert electricity into hydrogen, methane, synthetic fuels or chemicals, thereby making it storable and exportable and/or usable for a range of economic purposes. Where renewable energy is abundant and cheap, many energy-intensive industries could be co-located. International lead firms could, for example, decarbonise their supply chains by producing next to African solar or wind parks. .

**Questions:** What are future scenarios for Sub-Saharan Africa's electricity demand and supply? Which are the most likely sources of electricity, both for central supply of urban areas (where it depends on regional integration, see session 8) and in decentralized ways for rural areas (where it interacts with food systems and bio-economy trends, see sessions 1+3)? What is the potential of Power-to-X technologies in Sub-Saharan Africa, both in terms of exports and co-location of industries? Would such energy-intensive industry clusters necessarily be capital-intensive enclaves or could they trigger employment-generating local investments? How rapidly will decentralized electric grids based on renewable energy expand? What do we know about the direct and indirect effects of electricity generation on structural transformation and employment creation in urban and especially rural areas (for low, medium and high skill workers) and how do they differ from each other?

### Session 3 Food systems: Feeding a growing and changing population

One of the most certain developments for the next few decades is that Sub-Saharan Africa will demand more food. Most of the future global population increase will happen in this region, adding 750 million between 2020 and 2040. Assuming that economic growth and urbanization proceed as projected and hoped for, per capita consumption will increase and further boost demand, and food quality and the composition of food baskets will change substantially, with an increasing share of post-agricultural value addition. At the same time, Sub-Saharan Africa is the world region with the largest untapped potential for increasing the production of food, particularly through intensification and in some countries also land expansion. Food systems, which



include agro-processing and services, can therefore be expected to become a main driver of growth and employment towards 2040. At present, agriculture employs roughly 50% of the African work force, with even higher percentages in the poorest countries.

**Questions:** To what extent will increasing demand for food in Africa be served by domestic producers rather than through imports? What do current trends tell us about the relative importance of certain market segments, such as food and non-food (see session on bio-economy), basic staples and high-value crops, fresh and processed produce? Can diversification of food systems into processing and services become a major driver of structural transformation and productivity growth? How will entry-barriers for small-scale production be affected, and will we see major concentration of land assets and crowding out of employment through labour-saving intensification? What are the prospects for inclusive intensification? To what extent will limited freshwater availability, forest and soil degradation as well as varying weather patterns resulting from climate change constrain the growth of agriculture and food systems?

#### **Session 4 Services in the digital era – a source of new or a destroyer of old employment?**

Digitization has started to revolutionize all parts of national economies, thereby redefining the future of work. With the advancement of platform economies, direct machine-to-machine interactions ('Industry 4.0') and artificial intelligence, the digital revolution is expected to further accelerate and deepen its impact on labor. For Sub-Saharan Africa, this may have positive as well as negative effects. Reduced transaction costs may boost IT-enabled services in remote regions across the world; trading platforms may allow remote firms do sell online at low transaction costs, but economies of scale may benefit the largest global players and thereby crowd African companies out. Blockchain technologies may strengthen African firms by making global value chains more transparent and by securing land and other transactions. However, digitalization may also create entry barriers for African firms and raw materials or intermediate products traditionally procured from Africa.

**Questions:** Which digital technologies and business models will benefit African production and employment, and which ones will do harm? What is the potential of outsourcing online work for employment and upgrading in Sub-Saharan Africa? Will the platform economy further enhance economic concentration and erode labor standards, or will it open up new upgrading opportunities through market access (or both)? Will direct machine-to-machine interactions become a reality in Sub-Saharan Africa in the near future, and if not, would this further increase the productivity gap vis-à-vis advanced countries? Which African countries are likely to be affected in positive or negative terms? Can governments steer these technologies and processes, or should they leave it to markets and the private sector to deal with them?

#### **Session 5 New opportunities in the bio-economy**

As a response to global warming and other, e.g. plastics-related, environmental problems, much higher investments will be channeled into sustainable uses of renewable biological resources to produce energy and industrial goods. Currently biomass based energy covers more than 60% of primary energy in many African countries, but this energy in form of wood and charcoal has large environmental and health externalities and is a burden especially on women and children. An innovative African bioeconomy needs to address these issues and may explore opportunities for leap frogging into new live science based bio-products. The raw material base includes shifts in land use to produce wood, bamboo, ethanol plants, algae etc. as well as the exploitation of millions of tons of biological waste and residual materials. Bioenergy has gained a firm place in the energy mix (see energy session). Likewise, the increasingly critical views on plastics produced from fossil fuels increases demand for substitutes based on biomaterials. Cotton may become more attractive vis-à-vis synthetic fibres. Africa's urbanization will boost demand for building materials, yet given the need for decarbonization we expect increased use of materials such as wood, straw and clay which have a lower carbon footprint than concrete, steel and aluminum. The transition from a fossil fuel-based to a bio-based economy may be a huge generator of rural jobs, but it also has its challenges. Bio-based energy and industrial uses can compete with food production; new technologies are needed, e.g. to use biomass efficiently; bio-based materials often constitute carbon sinks, hence tradeoffs need to be considered between the various utilizations of bio-based raw materials and its production; and markets demand higher standards e.g. to demonstrate net-positive environmental effects, which in turn raises entry barriers particularly for smallholders.

**Questions:** What would be the key elements of a bioeconomy strategy for Subsaharan Africa? What will be Africa specific bio-economy characteristics and opportunities? What role for circular bioeconomy including bio-

waste reduction? To what extent can we expect Africa's urban infrastructure to be built using local bio-materials? How will climate mitigation with bio-based compensation through soil and forest management have chances in the bioeconomy of Africa and how may that affect African agriculture and forestry? What types of value added products and commodities will be in demand, and what will this imply in terms of competition with food production and food security?

### **Session 6      Urbanization and middle-class consumption as drivers of local production and employment?**

Africa is the least urbanized, yet fastest urbanizing world region. Historically, urbanization has accelerated productivity growth. Agglomeration usually stimulates knowledge diffusion and leads to higher income through specialization and economies of scale. Moreover, lifestyles typically diversify, and with them demand for goods and services as well as business models (e.g. supermarketisation of retail). This may trigger a new generation of African firms tapping into new opportunities related to manufacturing of consumer goods, transport, retail, leisure, architectural and many other services. Currently, however, it is not clear to what extent urbanization in SSA actually accelerates growth and whether demand growth and diversification will actually incentivize domestic entrepreneurship or rather be served by outsiders. Urbanization can also be expected to enhance rural-urban linkages through domestic agricultural supply chains, land investments, remittances and knowledge transfers, thereby accelerating changes in rural areas (see also links to food and bio-economy sessions).

**Questions:** Will urbanization in Africa have similar effects as it had in other regions, or will we see sprawling low-income housing areas with limited positive agglomeration effects? To what extent do we already see / can we expect urbanization and differentiation of lifestyles to create new market opportunities in manufacturing and services? Which tradable and non-tradable goods and services are most likely to receive a boost? To what extent will opportunities be seized by indigenous entrepreneurs, by foreign investors – or be served through imports (see also link to regional integration session)? To what extent will this affect the informal/formal divide and firm size structure? What do we know about the effects of African urbanization on structural change and employment in their rural hinterlands, and how do these effects differ between rural towns and capital cities?

### **Session 7      The future of oil and mining**

Oil, gas and minerals are Africa's leading export products. Yet, these industries are mostly very capital-intensive and creates few forward and backward linkages with the domestic economy, with the effect that only about 1% of the workforce is occupied in mining – and even among those, the largest part of the employment is precarious outside the formal mining industry. With recent trends to automated "mining 4.0", employment effects may further be reduced. Also, demand for oil and minerals is changing. With regard to coal, oil and gas, global consumption will have to go down to prevent global warming. To reach climate targets, between 70-90% of known coal reserves and between 1/3 and 2/3 of oil and gas reserves will have to remain unexploited, depending on whether carbon capture and storage will be available. At the same time, new opportunities for resource rents are arising as digitalization and changes in the energy sector are boosting demand for lithium, nickel, cobalt, rare earths and other minerals. As oil and minerals are unequally distributed across Sub-Saharan Africa, changing demand trends will create winners and losers on the region.

**Questions:** What do these developments mean for Sub-Saharan Africa? What will happen to Nigeria, Angola, Republic of the Congo and other countries that are highly dependent on exports of fossil fuels? Will they be able to invest remaining rents into structural change and diversification? Is it possible to increase the mining industries' economic and technological spillovers (e.g. beneficiation) – and if so, in which activities and how? Which countries are likely to benefit/ loose from changes in the global market for oil and minerals?

### **Session 8      Regional integration: Boosting structural transformation and employment?**

After decades of only modest advancement of intra-African trade liberalization, the African Continental Free Trade Agreement (AfCFTA) became operational in July 2019. In parallel, unprecedented investments in international road and rail infrastructure are reducing the physical cost of trading. Both events are expected to boost intra-African trade, with positive effects on the exploitation of economies of scale, gains from specialization, balancing seasonal shortages in the provision of food and the integration of transnational energy markets, among other economic stimuli. Moreover, AfCFTA may stabilize national economic policies by locking them into formal agreements. According to the International Monetary Fund, trade among members could be lifted

by some 15-25 percent in the medium run if continental tariffs were removed as scheduled. In a dynamic perspective, trade liberalization could foster regional production networks, which could eventually serve as a stepping stone into global markets. Yet, regional integration entails the risk of producing losers alongside with winners and could therefore face a number of governance issues, such as political resistance from vested interests, nationalism, or elite capture.

**Questions:** How do panelists assess the future of regional integration on the continent against the varying political interests involved, both in its regional economic commissions and the pan-African dimension? Will trade integration also boost FDI, indigenous entrepreneurship and technological capabilities? How will it affect the various potential drivers of economic and employment growth, e.g. will it have the potential to reverse the regions' current deindustrialization trend? Will economies of scale and specialization produce employment gains across all member states or can we expect job losses in less competitive countries?

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### **Panel discussion 1      Linking the sessions: What will Africa's economic future look like?**

The various panels have discussed economic trends that may fundamentally affect Sub-Saharan Africa's opportunities for structural transformation and employment creation. Such looks into the future necessarily involve a lot of uncertainty, yet they do shed some light on how fast and how disruptive the various change processes may be and how each of them depends on context factors, not least the parallel changes in the other domains discussed at this conference. The conference is therefore not to end without trying to bring the specific trends together and discuss overarching issues.

**Questions:** Will SSA industrialize in a traditional way, or will it need a new model of modernization/development? Which of the big game changers are most likely to provide opportunities for structural transformation and employment? If prospects for industrialization are weak, can agriculture/agroprocessing and services provide the knowledge accumulation and spillovers that have historically been associated with manufacturing? Will SSA's future mainly depend on how successfully it integrates globally, or will the main dynamism stem from an inward-orientated development spurred by urbanization and regional integration? What, then, should be priorities for industrial and labor market policy?

### **Panel discussion 2      Implications for governance\***

Economic structures are typically associated with specific institutional arrangements. Whether the main sources of wealth are created by large numbers of farmers and industrial entrepreneurs or whether they accrue in the form of resource rents that can quite easily be captured by a small elite makes a big difference in terms of income distribution, voice and accountability, and the quality of democratic institutions in general. In the same vein, economic activities that are subject to international competition are less likely to suffer from elite capture than local industries with quasi-monopolistic characteristics. Whether Sub-Saharan countries' economic opportunities lie in small-scale farming or large estates, in import-substituting or exporting industries, in services or in mining, thus has bearing for its institutional development. Conversely, the quality of institutions, e.g. to what extent public resources are invested in education, health and other productive assets and how efficiently they are operated largely determines to what extent opportunities are grasped and shaped in the best interests of the respective society.

**Questions:** What do the findings on structural change and employment opportunities imply for the quality of governance? The 'resource curse' literature has explored the link between oil & mining and governance; yet, what insights do we have on the interlinkages between other activities (e.g. IT-enabled services, ethanol industries, garment exports) and the quality of public institutions? How important are differences between "good governance" and "growth governance" in this regard? Does regime type (democracy versus autocracy) make a difference?

\* Please note that DIE intends to organize a follow-up conference to explore these interlinkages between economic drivers and governance pattern more systematically. This panel is meant to derive hypothesis for the follow-up conference.

Bonn, 3<sup>rd</sup> December, 2019

Your directions to the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), Tulpenfeld 6, D - 53113 Bonn

From Bonn Central Station (*Hauptbahnhof*):

Take the U-Bahn U 16/ U 63 or U 66 to "Heussallee/Museumsmeile". Take the exit Heussallee. Turn right after 50 m onto the footpath towards the office complex 'Tulpenfeld'. Follow the signs across Tulpenfeld to the building of DIE at Tulpenfeld 6.

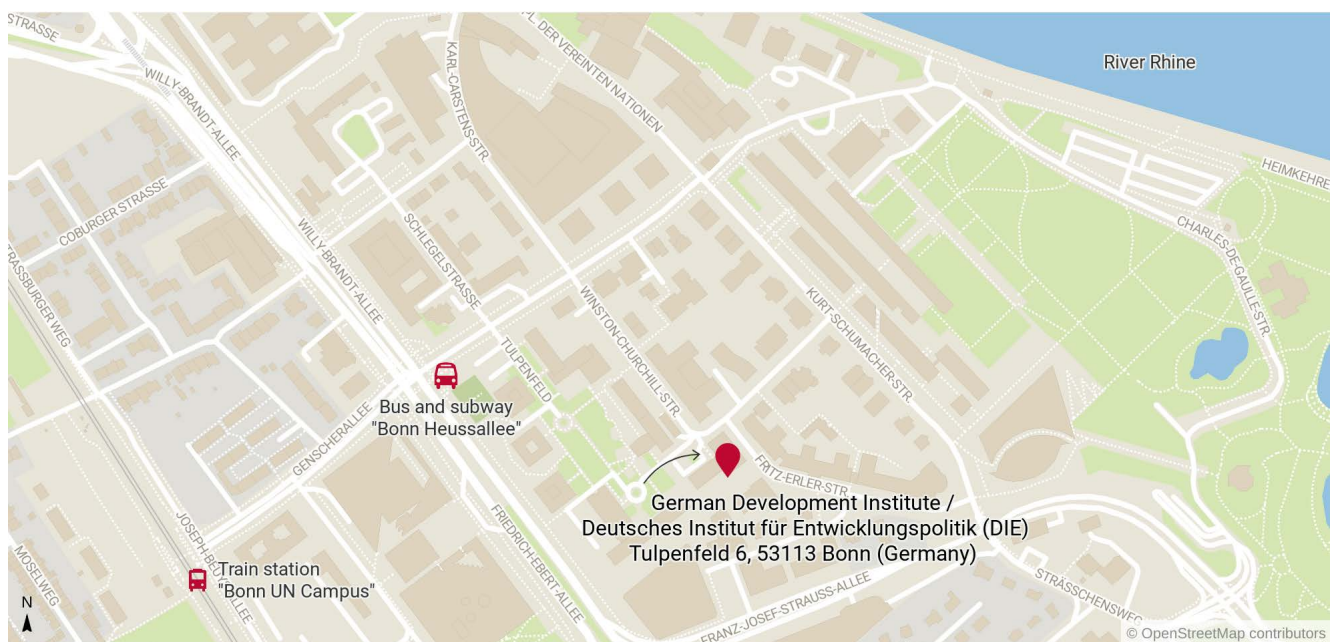
The buses No. 610 and 611 run from the train station Bonn *Hauptbahnhof* to the bus stop "Heussallee/Museumsmeile". Turn onto the footpath towards the office complex 'Tulpenfeld'. Follow the signs across Tulpenfeld to the building of DIE at Tulpenfeld 6.

Your directions to the Deutsche Welle, Kurt-Schumacher-Str. 3, 53113 Bonn

From airport Cologne/Bonn: Bus No. 670 to Bonn Central Station (30 min.)

From Bonn Central Station (*Hauptbahnhof*): The buses No. 610 and 611 run from the train station Bonn *Hauptbahnhof* to the bus stop "Deutsche Welle" or take the U-Bahn U16 / U63 or U66 to "Heussallee/Museumsmeile". Take the exit "Heussallee", go straight ahead, and turn right at the second street into the "Kurt-Schumacher-Str."

Advice for car drivers: Please use the parking ground for visitors, vehicular access Charles-de-Gaulle-Straße.



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Deutsches Institut für  
Entwicklungspolitik

German Development  
Institute

Tulpenfeld 6  
53113 Bonn

**Dr. Tilman Altenburg**

Email [tilman.altenburg@die-gdi.de](mailto:tilman.altenburg@die-gdi.de)

Telephone + 49 (0) 228 - 94 92 7 - 182

Fax + 49 (0) 228 - 94 92 7 - 130

[die@die-gdi.de](mailto:die@die-gdi.de) | [www.die-gdi.de](http://www.die-gdi.de) | [www.facebook.com/DIE.Bonn](https://www.facebook.com/DIE.Bonn)

For organizational questions:

**Anette Köhler-Rahm**

Email [anette.koehler-rahm@die-gdi.de](mailto:anette.koehler-rahm@die-gdi.de)

Telephone + 49 (0) 228 - 94 92 7 - 243

Fax + 49 (0) 228 - 94 92 7 - 130

[die@die-gdi.de](mailto:die@die-gdi.de) | [www.die-gdi.de](http://www.die-gdi.de) | [www.facebook.com/DIE.Bonn](https://www.facebook.com/DIE.Bonn)