



# **AN ANALYSIS OF EXISTING INDUSTRIAL POLICIES AND STATE IMPLEMENTATION IN SIX (6) AFRICAN COUNTRIES:**

**A SYNTHESIS REPORT**



Support and  
Cooperation



Democracy  
and Pluralism



Knowledge and  
Life-Long Education

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# PREFACE

Social justice and sustainable development in Africa are not possible without economic transformation. FES believes that the creation of decent jobs in the context of an industrialized, green economy is a key foundation for the fight against poverty and the creation of equitable societies. At the same time, efforts of African countries to industrialize, at least as far as the rhetoric is concerned, have been on going for decades already. Success has been quite limited. It seems clear that much more attention needs to be paid to the political economy of these efforts.

In 2016 the FES Africa Department focused its operations to enhance coordination and impact across the region. As a result of this exercise, the working line of Economic Transformation was established with the Ghana office coordinating activities of this project. The other participating country offices include Nigeria, Uganda, South Africa, Ethiopia and Madagascar. As a result of this, it became necessary to undertake country studies to take stock of the progress in these countries with regard to economic transformation which eventually ended up with a synthesis report on the studies.

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The synthesis report: “An Analysis of Existing Industrial Policies and state of implementation” is divided into four (4) main parts. Part one (1) presents the introduction to the report. Part two (2) discusses the experiences from the country studies, the actors and coalitions promoting and constraining economic transformation are extensively analysed. Further, this part of the publication also takes a look at strengthening political mechanisms at play in promoting economic transformation across national boundaries. In part three (3), the author presents insights from the perspectives of policy makers, industrialists, organised labour and civil society on the political economy of industrialization and economic transformation in Africa. Finally, part four (4) details useful guiding questions for political economy analyses of economic transformation and industrial policy formulation and implementation.

This publication would not have been possible without the preparation of the country studies that were supervised by our colleagues in their respective country offices on this project. We are very grateful to Prof. Omoaregba O. Aregbeyen (Nigeria), Amin Abdella (Ethiopia), Dr. George Domfe (Ghana), Olivier Donat Andriamahefaparany (Madagascar), Ramathan Ggoobi, Bernard Musekese Wabukala and Joseph Ntayi (Uganda), Asanda Fotoyi, Siphosethu Tetani and Christopher Wood (South Africa) for preparing the various country studies that were very instrumental to the preparation of this publication. Furthermore, we want to thank Dr. Esther Oduraa Ofei-Aboagye for synthesizing the six (6) country studies into this work.

It is our hope that, this publication will be useful for policy makers, politicians, trade unionists, civil society activists and other stakeholders in our quest in transforming the economies of Africa.

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# INTRODUCTION

## Background

The Friedrich-Ebert-Stiftung (FES) has worked with African countries over the years to promote economic transformation in ways that would result in growth characterised by employment, incomes and decent work. Industrialization provides considerable potential for this agenda on the continent, even though the history of African countries' efforts in this area is chequered. Several African countries in the immediate post-independence era embarked on industrialization; however, their failures and the technical advice from the international development community, particularly the Bretton Woods institutions stalled sustained efforts. Deliberate policy action and intervention by the State is only recently making a come-back. But the influence and interests of national and internal stakeholders have also impacted on effective implementation.

Lessons for industrial development have often been drawn from outside the continent, largely from the South East Asian experience, China, Brazil and the older western models. However, there is some value in learning from the

experiences that countries on the continent share including their common international and national political economy issues as well as historical and cultural factors. Therefore, the opportunity to draw on the lessons from six (6) partner African countries had to be taken advantage of. These countries are Ghana, Nigeria, Uganda, South Africa, Madagascar and Ethiopia.

The purpose of the study is to shed some light on the mechanisms at play in promoting economic transformation especially through industrial policy making and implementation. The study identifies the institutions, actors and entities that influence the economic transformation agenda. It considers the different interests and how these facilitate or block economic transformation, as well as possible impediments to growth. The study is interested in the movers or drivers of the process as well as the spoilers and interventions required to strengthen or diminish their influence and effects, as may be required. It distils the common elements, the imperatives for change as well as issues of interest that emerge from the individual country experiences. It makes proposals for expediting progress on economic transformation through industrialization.

## **Rationale for the Synthesis**

The need to diversify African economies and particularly to expand the manufacturing sector has engaged African governments since independence. Post-colonial efforts at export promotion and import-substitution were replaced by laissez-faire approaches to economic policy encouraged by the Washington Consensus. Yet, after these and more than two decades of structural adjustment and economic reform, the expected transformation has not taken place. Agriculture and natural resource extraction (minerals, oil and gas and timber) still dominate African economies, as they did half a century ago.

In recent times, several African countries have experienced growth of their economies and some reduction in poverty. However, income and social

inequalities persist and unemployment remains dangerously high. The growth has come about as a result of commodity price improvements in primary products and strengthened economic ties with China.

To address this phenomenon of jobless growth and create significant employment, there is an increased incentive for African countries to have active industrial policies which focus clearly on selected key areas and prioritize decent work. In particular, there is the view that African countries with their agriculture-based economies and their status as late-comers to industrialization should focus on processed and unprocessed primary-based exports particularly agro- food value chains. Certain key conditions must be in place including the availability of energy, acknowledgement of climate change issues, reduction of waste and improved waste management systems, amongst these.

The importance of the socio-politico-economic context for implementing policy successfully needs to be taken into account, by acknowledging the players, political interests and power relations. The debates that have engaged development thinkers, including whether democracy can actually foster development, need to be taken into account. Because there are instances of authoritarian, developmental states making considerable economic progress; and democratic, multi-party systems experiencing persisting unemployment, social cleavages, illegal and wanton exploitation of state resources, patronage and inequality.

Democratically elected governments often come into power with extensive promises of development to the people. Yet powerful, vested interests continue to influence the allocation of existing resources and could impede reforms that could result in resource redistribution that would benefit wider sections of the citizenry. The motivation of citizens to be patriotic and contribute to the larger, public good may thereby be impaired. In the quest to understand these contextual issues, a political economy analysis of African countries is helpful.

This report therefore distils insights from the six (6) country case-studies which have taken stock of their industrial policies, the extent of implementation and the issues emerging. Based on the country studies, a synthesis report seeks to

- Identify the factors (policies, mechanisms, vested interests) which have prevented economic transformation in African societies
- Identify the actors and coalitions that promote economic transformation (movers) and how they can be strengthened
- Identify the spoilers of economic transformation and recommend ways to deal with these actors
- Identify the political mechanisms at play and how to strengthen the ones that promote economic transformation across national boundaries
- Make conclusions and recommendations based on the country case studies.

From the methods and observations of the country reports, this synthesis also attempts to distil a framework of analysis and assessment of country efforts.

## **International Context**

Wade (2015) defines industrial policy as targeted efforts to change the production structure of an economy in order to accelerate economic development. He contextualizes industrial policy in a transformation process as an “inner wheel” [activity] which depend on and is informed by the outer wheels of macroeconomic conditions, underlying political settlements and the limits to growth imposed by natural, environmental and other factors. The macro-economic conditions to be considered include exchange rates, where the comparative advantage is, trade and capital flows determining growth and structure of production and trade.

The literature suggests that industrial policy formulation and implementation is enjoying a resurgence after the international financial crises of the late 2000s and the need to find opportunities to achieve growth, jobs and development through industrialization (Yong, 2014; Wade, 2015). Such industrialization

would require proactive government promotion of structural change. This would include searching for new business models, markets and channelling resources into promising and socially desirable activities (Altenburg, 2011).

Up until the end of the last decade, proponents of the Washington Consensus had not actively support state intervention by way of industrial policies. The perceived role of the government was to protect free markets and fix the occasional market failures – the free market being perceived as the optimal resource allocation mechanism. However, it does not appear that the Washington Consensus’ prescriptions provided the required successes in technological upgrading, economic growth and poverty reduction.

Reliance on the markets did not always initiate new investments, provide complementary assets or achieve linkages, spill over and appropriate positive externalities for African countries. Markets had limits and failed. Therefore, other mechanisms to bring about structural changes to the economy were required.

More recently, some international support for industrial policy to bring about transformation has emerged from the Organization for Economic Cooperation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), the International Labour Organization (ILO) and the United Nations Industrial Development Organization (UNIDO). Largely through publications, ideas linking industrial policy to development, growth and jobs – particularly inclusive and sustainable development – have been developed. UNIDO has regularly convened a Conference of African Ministers of Industry (CAMI) to deliberate on industrial policies.

The post-2015 Sustainable Development Goals (SDGs) and Agenda 2030 recognised the importance of industrialization for socio-economic transformation. SDG9 is on “resilient infrastructure, inclusive and sustainable industrialization and innovation”. Towards this goal and in line with the Africa Agenda 2063, an “Action Plan for the Accelerated Industrial Development

of Africa (AIDA)” has been formulated to mobilize resources towards Africa’s industrial performance. It calls for the promotion of sectoral and productivity plans as well as regional and commodity value chains to support the implementation of industrial policies at all levels.

## **Conceptual Considerations for Economic Transformation and Political Economy Analysis**

In order to understand the economic transformation-related experiences of the participating countries better, the political, socio-economic and institutional influences as well as the actors and their roles, interests, motivations and relationships had to be analysed. A political economy approach (PEA) was adopted because it enables a closer look at the interests at play and how these shape national priorities and allocation of resources.

PEA allows for mapping various actors, their relationships, the distribution of power and their incentives for change. PEA accommodates the effects of the motivations on the actions of different actors and explores the nature of the change that occurred. Therefore, institutional choice, power analysis and political settlements methods facilitated the discussion of the experiences for the following reasons.

Power analysis explores the different forms and sources of power there are within the national and international environment and how these have been used. It examines how the distribution of power aggravates or alleviates the issue to be resolved and the room for change. It considers the rules of the game (such as the legal framework, informal arrangements, extent of institutionalization and availability of checks and balances). Power analysis helps to identify the potential for change.

Institutions leading in economic transformation are established within guidelines and parameters. Within them, power is utilized, relationships are

exercised and decisions are reached. Within this framework, questions can be asked about those actors in the inner circles, outer circles, challengers, coalitions, the excluded and the included and ambiguous or swing groups.

Institutional choice analysis helps to disaggregate the issues on which collective action is required. The expectations of the different parties and their roles in delivery of components of economic transformation within agreed rules and processes are examined. Their incentives to act are taken account of so that these can be redirected to desired ends, if need be.

Power relations also exist between the different institutional state and non-state stakeholders. The latter include the private sector, civil society actors and development partners. Inter- and intra-sectoral relations provide explanations for the status and progress on economic transformation. Within the state sector, the different capacities, interests and motivations of administrative, technocratic as well as political actors must be taken into account.

Political settlements analysis helps to explain how decisions were arrived at as various actors reached understanding, organized and exercised power. Wade (2015) describes political settlements in relation to industrial policy as “institutional balances between the state, business and labour, as well as between rival parties or groups contending for the control of the state. This could include the extent to which labour movements limit the power of business and the extent to which the state ties industrial policy assistance to performance conditions” (Page 69). Political settlements affect wages, income distribution as well as the state’s ability to raise broad-based taxes and to use the revenues for financing public goods.

## **Organization of the Report**

In line with the objectives of the synthesis report, it is organized as follows. An introductory chapter sets out the rationale, conceptual framework and the considerations underlying the report. The second chapter contains the

main report and presents the findings from the six (6) country reports under five (5) main areas, namely:

- The factors that have prevented economic transformation in African societies, including policies, mechanisms and vested interests;
- The actors and coalitions that have promoted economic transformation and how these could be strengthened;
- The spoilers of economic transformation and how to deal with these actors;
- The political mechanisms at play and how to strengthen those with potential, particularly for strengthening economic transformation across national boundaries; and
- Conclusions and recommendations arising from the country case experiences.

The last section of Chapter Two discusses the learning from the exercise itself for conducting political economy analysis (PEA) and the definitions, analytical frameworks and methods adopted by the case study reports.

Since the exercise is intended to serve as a guide to aid political and development actors to promote economic transformation, the third chapter presents practitioners' perspectives on what would facilitate the desired change from an International Workshop organized under the auspices of FES between 19th and 21st September, 2017. The fourth chapter distils some guiding questions for conducting PEA, distilling issues and assessing country efforts in economic transformation and industrial policy.

The appendices contain the terms of reference for the country studies as well as the synthesis report. It concludes with a review of some literature on lessons from promoting industrialization from international experiences.



## Synthesizing the Inputs from the Country Case Studies

The country case studies were required to provide information in twelve (12) main areas (presented in Appendix 1). These questions were clustered to provide information for the synthesis report (as required in Appendix 2) as follows.

- **To identify the factors (policies, mechanisms, vested interests etc.) which have prevented economic transformation in African societies based on the country baseline studies**

This section drew on the accounts of the country studies of earlier attempts to implement industrial policies especially with regard to manufacturing and lessons learned from the failures. It also distilled observations from ongoing efforts. Policy contents, formulation and implementation processes were provided (the responses to questions 2, 7 and 8 by the country studies were the main sources of information here).

- **To identify the actors and coalitions that promote economic transformation (movers) and how they can be strengthened**

Actors and coalitions that had had appreciable effects on economic transformation and had potential for strengthening were identified from the country study responses on the ministries, government agencies, parliament and other actors involved in industrial policy formulation and implementation.. The other actors included manufacturing and industry-related associations, trades unions, academic and research entities, think tanks and development partners (answers to questions 4, 5 and 6 were drawn on for this section).

- **To identify the spoilers of economic transformation and recommend ways to deal with these actors**

Following the identification of actors and coalitions in the previous

section, the key influencers were outlined. This section also considered the shortfalls as compared to successes in industrial development and economic transformation and the responsible factors and parties. Based on a stakeholder analysis, the spoilers or constraining actors on the industrialization agenda were identified. (Question 10 as answered by the country case studies provided insights into the spoilers).

- **To identify the political mechanisms at play and how to strengthen the ones promoting economic transformation across national boundaries**

Political mechanisms were defined to include the overall economic strategy including national development plans and processes for developing them. Other issues were the economic policies, the place of industrial policy within these arrangements; and particularly, if the manufacturing sector was considered a priority. Economic and industrial policies as political mechanisms, their contents, implementation processes and achievements provided interesting perspectives. Other political mechanisms including the instruments that had been deployed or considered; and governance systems as they impacted on economic development and industrialization were reviewed. The role of international trade and international commitments by way of regional and international agreements was considered (To these ends, questions 1, 3, 9, 10 and 11 answered by the country studies provided requisite information).

- **To make conclusions and recommendations based on the country baseline studies**

This section harmonised the conclusions of the country studies on the factors that had positively or negatively influenced economic development and industrialization; and how these could be optimized or addressed. The recommendations from the final question of the country studies were categorized into twelve (12) main action areas.

# **Current Overall (Economic) Development Strategy and Linkages to Overall National Plans and Industrial Policies**

## **Ethiopia**

Since 2010, the overall development agenda of Ethiopia has been geared at poverty reduction and achieving broad-based accelerated and sustained economic growth. The Ministry of Finance and Economic Development (MoFED) developed the various programmes to this end till a National Planning Commission was established in 2013.

The first Growth and Transformation Plan (GTP) was prepared in 2010 to give the industrial sector a lead in the transformation of the economy away from the dominance of agriculture. The GTP makes industrial development a political priority, envisioning a modern and productive agricultural sector, enhanced technology that would sustain economic development, secure social justice, increase per capita incomes and attain middle income country standards. The GTP 1 focused on strengthening micro and small scale manufacturing enterprises to provide the basis for larger and medium scale enterprises, create large job opportunities, contribute to urban development and support agricultural development. GTP 1 prioritized the traditional food, agro-processing, textile and leather sectors but also indicated cement, chemical, pharmaceutical and metals and metal engineering.

The GTP II (which is an extension of GTP 1) and tries build on lessons from GTP I and incorporate the Sustainable Development Goals (SDGs) Agenda. It is a five-year industrial programme covering 2015/16 to 2019/20. It emphasizes broad-based and equitable economic growth; increase of productive capacity and efficiency through rapidly improving quality, productivity and competitiveness of agriculture and manufacturing industries; and transformation of the domestic private sector to make them a viable force. Its

strategic directions include light manufacturing industries, labour intensive, globally competitive and environmentally-friendly; creating opportunities to enable high tech industries to contribute to industrial development; and conducting studies to identify future potential growth industries. Specifically industrial development is aimed at bringing about significant growth and leading the economy by way of job creation, technology learning and structural shifts in exports.

## **Ghana**

Ghana has been guided by the Ghana Shared Growth and Development Agenda (GSGDA II 2014-2017) over the last three years. The Agenda seeks to correct economic imbalances and lay the foundations for economic transformation. GSGDA II follows two decades of national plan frameworks namely, the Vision 2020 prepared in 1996; which was succeeded by the Ghana Poverty Reduction Strategy (GPRS 1) which was in the fashion of the poverty reduction strategy papers recommended by the IMF. GPRS I was followed by the Growth and Poverty Reduction Strategy (GPRS II) which run from 2006 to 2009.

The first Ghana Shared Growth and Development Agenda (GSGDA I) which followed these was implemented between 2009 and 2013 sought to consolidate the macro-economic gains that had been made and address the inequalities that were deepening. The growth that had taken place over the past decade had been fostered by improvements in telecommunications and commodity prices.

There was effective performance of the economy between 2002 and 2011, resulting in the attainment of middle income status. This influenced the context in which the GSGDA I was formulated. It was also within this period that the Ghana Industrial Policy was formulated; with consultations on a comprehensive framework starting from 2006 and culminating in the launch in 2010. The policy was intended to enhance growth, diversify the economy

and improve manufacturing competitiveness and was aligned to a Trade Policy to foster accelerated industrial development.

While it has been implemented in a difficult economic context (with the Ghanaian economy experiencing a downturn from 2012), some aspects of the industrial sector have done quite well such as the construction, mining and quarrying sub-sectors. The commercial production of oil contributed significantly to the growth of the economy, achieving 14.9% in 2011.

GSGDA II (2014 to 2017) sought to restore macro-economic stability and set the pace for transforming and restructuring the economy. Since 2014, it has prioritized acceleration of investments in key priority areas in partnership with the private sector; sustainably exploit Ghana's natural resource endowments; and make strategic investments in human capital, infrastructure, human settlements, technology and innovation to promote industrialization and manufacturing.

Performance on GSGDAII has not met its targets given the general economic conditions and fiscal vulnerabilities. Ghana's current circumstances are not job-enhancing and employment particularly for young people is urgent. Agriculture continues to be very important as a leading contributor to GDP and employs 40% of the labour force. Since 2015, Ghana has taken a three-year extended credit facility arrangement with IMF. The conditions of the bail-out have had adverse consequences for the current industrialization efforts.

Regarding the implementation of the Industrial Policy, the achievements as presented in the 2015 budget are rather meagre. However, they include training vulnerable men and women in food processing; improving the manufacture of various processing equipment and spare parts; and assisting manufacturing companies to gain approval for exports in the West African sub-region. Another important success related to reforming systems particularly, the introduction of a web-based programme for cargo clearance.

The introduction in 2017 of a “One District, one factory” initiative to upscale industrialization is a programme that will be private sector-driven.

## **Madagascar**

In 2015 a National Development Plan (NDP) with a vision of Madagascar as a modern and prosperous nation promoting inclusive growth and sustainable development was developed. The high lights of the plan are economic growth, price stability, decreasing unemployment and job creation and income distribution. Axis 3 of the Plan makes provision for inclusive and territorially anchored development with four (4) specific objectives which seek to foster promoting high potentiality sectors; provide decent and sustainable, intensive jobs; reinforce support infrastructure; optimize organization and spatial structuring of the economy; and developing the private and relay sectors.

The strategic sectors are tourism, agriculture, fishery, extractive industries, buildings and public works as well as the transport infrastructure. Though manufacturing is not explicitly included or stated, it is assumed to be merged with the private sector. The private sector refers to all businesses operating within all the different economic sectors. An industrial policy was validated in 2014.

The NDP does recognise the importance of the industrial sector to development acknowledging it as a driving force for the economy. It concedes [the implications of] a poorly developed industrial structure for local processing, value addition and exportation. The private sector has indicated the need for a reinforced industrial base through increased competitiveness of production factors including know-how transfer in order to achieve a contribution to value addition. However, the General Policy of State dedicated to private sector development (issue no 20) does not take the challenges to industrial development highlighted by the NDP into account.

## Nigeria

The Nigeria Economic Recovery and Growth Plan (2017 to 2020) issued by the Federal Republic in February, 2017, is the current economic development framework. It is intended to provide a road map of strategic policy actions and enablers for sustainable growth and development over the four year period. It was preceded by a Strategic Implementation Plan that accompanied the 2016 Budget which was intended to be a short-term action to tackle corruption, improve security and re-build the economy.

The Plan has a vision of inclusive growth, diversification, future-orientation and youth capability. The principles include focus on tackling constraints to growth; leveraging the power of the private sector; promoting national cohesion and social inclusion; allowing markets to function and upholding core values.

It has three (3) strategic objectives, namely, restoring growth; investing in our people (which is broken into three – social inclusion, job creation and youth empowerment and improved human capital); and building a globally competitive economy. The Plan targets a growth rate of 7% by 2020 driven by strong non-oil sector growth anchored on agriculture and food security, energy, transportation and industrialization. Investment in the Nigerian people would involve improved access to health care and education; social inclusion and job creation. The bid for a competitive economy seeks to accelerate key infrastructure and improve the ease of doing business in Nigeria.

The plan was developed through a participatory process involving the National Assembly, Federal Ministries, Departments and Agencies, private sector, civil society and international development partners. It was formulated with focused implementation at the core of the delivery strategy.

The philosophy that underlay the plan was to position government as a force for eliminating bottlenecks that impede innovation and market-based

solutions. Other viewpoints included the need to leverage science, technology and innovation and building a knowledge-based economy.

Earlier, Nigeria's Vision 20:2020 had been out-dooed in December, 2009 and themed "Economic Transformation Blue Print". It was a long-term plan for stimulating Nigeria's economic growth and achieving sustained and rapid socio-economic development. The vision was to be implemented in three medium term plans, from 2010 to 2013; 2014 to 2017; and 2018 to 2020. It contained the principles of the earlier National Economic Empowerment and Development Strategy (NEEDS) and the Seven Point Agenda that run between 2007 and 2011. In its development, consultations were conducted across the six geopolitical zones and with twelve (12) special interest groups.

An average growth rate of 13.8% had been envisaged, driven by the agricultural and industrial sectors over the medium term while transiting to a service-based economy, envisaged from 2018. To this end, the vision had two objectives: optimizing human and natural resources to achieve rapid economic growth and translating that growth into equitable social development for all citizens. Four dimensions were provided for: social, economic, institutional (including a functional and stable democracy which recognizes the rights of citizens) and environmental dimensions.

The Vision 2020 sought to provide a holistic transformation of the Nigerian state to a key position as a global economic power and a catalytic hub for development in Africa. It aimed at achieving a large, diversified, sustainable and competitive economy that effectively harnessed the talents and energies of its people and exploited its natural endowments responsibly to guarantee a high standard of living and quality of life for all its citizens.

In order to optimize the sources of economic growth, the Vision proposed integrating sectoral planning and adopting a cluster-based approach to industrialization. It proposed the "hub-and-spoke" industrialization approach to leverage the economies of scale and scope and to generate a critical mass



of economic activity to catalyse development.

The plan sought to address the key challenges to sustainable development of Nigeria which it identified as weak infrastructure, corruption, macro-economic instability, security of lives and property, overdependence on oil revenues and poor governance.

Against this backdrop, two instruments were developed in 2014: the Nigeria Industrial Revolution Plan (NIRP) and the National Enterprise Development Programme (NEDEP). The NIRP was to build Nigeria's competitive advantage, broaden the scope of industry and accelerate expansion of the manufacturing sector. The objectives were to make Nigeria the preferred manufacturing hub in West Africa; and the preferred source for supplying low and medium-technology consumer and industrial goods domestically and regionally.

It had a focus on labour intensive, low and medium technology manufacturing; and building up core base industries that are essential for other more advanced industries. It sought to use the large Nigerian market demand to deepen industrial capacity of local firms, as a first step, before going regional and global; and strategically using key manufacturing sectors as technology drivers of the economy.

The NEDEP was to create one million jobs annually by strengthening the existing MSMEs in the country, and making them employers of labour; and creating new and sustainable enterprises in the country. It was expected to create 3.5 direct million jobs in 3 years; and Increase contribution to GDP to 54%; and increase MSME export by 100%; reduce the formal-informal sector gap by 50%; and increase youth participation in enterprise.

NEDEP aimed at strengthening the institutional framework through a revised national Policy on MSME; the implementation of a robust delivery and monitoring structure; increasing access to affordable finance; increasing access to markets; developing business development skills; developing

technical skills; promoting youth inclusion; and reducing high operating costs. However, neither the NIRP nor the NEDEP have been Implemented fully yet.

In spite of these provisions, the progress made in the manufacturing sector has been poor and disappointing over the years. Its contribution to GDP has not shown significant and sustained growth. It is still off the target 25% contained in the Vision 20:20:20.

To facilitate effective competition as well as the enforcement and promotion of intellectual property rights, the proposed Nigerian Trade and Competition Commission and Intellectual Prosperity Right Enforcement Commission had to be established.

## **South Africa**

The South African government has indicated in all its major policy documents to growing its industrial capacity. The National Industrial Policy Framework (NPIF) approved in 2007 seeks to facilitate diversification beyond relying on traditional commodities and non-tradeable services; promote broad-based, labour absorbing industrialization; long-term intensification of the industrialization process; and movement towards a knowledge economy.

Its core objectives include more value-adding, labour intensive and environmentally sustainable growth; shifting the focus of economic activity towards historically disadvantaged people and regions; and contributing to the comprehensive industrial development in Africa through infrastructure development, increased productive capacity and greater regional integration.

The Industrial Policy Action Plan (IPAP) accompanies this with interventions and support to priority industries within manufacturing and value-adding services.

The 2016/17-2018/19 IPAP focuses on three sectors: the traditional areas of operation including clothing, textiles, agro-processing and automobiles; second sector gas-based industrialization, primary minerals and green industries. The third area, ship-building associated industries, aerospace, defence and electro-technical industries.

Currently South Africa is committed to a Presidential Nine Point Plan. Most of the products that have been identified as focal areas in the 2016/17-2018/19 IPAP such as clothing and textiles and electrical machinery and apparatus are amongst the least exported, presently. There is a proven long-term positive relationship between industrial and trade policy. In the short-term, the state must maintain focus on dedicating resources to the key sectors of the economy to grow production and exports and absorb as much labour as possible.

## **Uganda**

The Ugandan Constitution of 1995, amended in 2005 regards industrial policy as being among the functions and services for which Government is responsible.

Uganda is currently in the second plan of six (6) five year National Development Plans aimed that the Uganda Vision 2040. A chapter (10) is dedicated to industrialization. The plan adopts a private sector led model with government providing a facilitating environment. Therefore, public-private partnership is a critical strategy. It seeks a movement from consumption expenditure to capital investment especially in public infrastructure to facilitate production.

The Plan provides for developing industries that utilize local potential; attracting industries that can be relocated from fast emerging economies and offshoring industries; and establishing economic life-line industries (rather than strategic).

Currently, Uganda is implementing a National Industrial Policy (NIP) formulated in 2008 and accompanied by a National Industrial Sector Strategic Plan. It is formulated around agro processing – food, sugar, dairy products, leather and leather products, textiles and value addition in niche exports.

The Uganda Vision 2040 sets a 30 year vision of 50% of total exports as against the 4.2% in 2013. The sector which is dominated by SMEs currently engaged in basic consumer goods, processed food and beverages and tobacco; non-metallic minerals and metallic fabrication; wood products; chemicals and chemical products; leather and footwear; textiles and apparel; sawmilling, printing and publishing. Heavy investments are in textiles, steel mills, tanneries, bottling, brewing and cement production and largely dominated by foreign companies. Indications are that the government considers manufacturing to be important to diversify production in and add value to the existing resource base.

# EXPERIENCES FROM COUNTRY STUDIES

## **FACTORS WHICH HAVE PREVENTED ECONOMIC TRANSFORMATION IN AFRICAN SOCIETIES**

### **Introduction**

Since independence, Africans have recognised the need to diversify their economies from reliance on a few export crops and products. This has influenced their industrialization efforts through various approaches including import substitution, reliance on the market and now recognition of the need for the government to intervene in partnership with other players,. However in spite of these efforts, the structure of African economies has not changed substantially for a number of reasons. The factors include the inability of the state to lead effectively, failure of the market including the smallness of the domestic markets or lack of access to large markets.

Other impediments comprise reliance on imported inputs, poor infrastructural and technical support. Export industries have not had the required technical and managerial capacity and quality standards. The failures of governance and macro-economic challenges have reduced sustained, long-term action on economic transformation. Technical advice from the Bretton Woods Institutions quite often did not result in sustained, desired effects in the long-

term. At various points, some of the case study countries adopted socialist approaches with centralized planning, nationalized industries and the state in a key role as entrepreneur (Ghana, Ethiopia and Madagascar) which did not achieve the transformation of the economy or promote manufacturing. In spite of the different methods and time-frames, four (4) stages/approaches to industrialization could be roughly identified in the case study countries: prior to 1960 and independence, processing of available raw materials through mainly private, commercial activities; followed by import substitution strategies; then export-oriented programmes within a reform/adjustment strategy; and finally, the intent to promote private sector-led initiatives including foreign private sector, with government providing an enabling environment.

The fascination with import substitution has persisted in various forms. In spite of the attractiveness of the approach (then and now), it would appear that historically, it did not provide the traction and the capacity-development that African countries required, except to some extent, in South Africa. Therefore, proposals for this approach should be carefully considered to take these requirements (for capacity development and others) into account.

The following section provides a historical account of efforts and approaches at industrial development in the country cases to distil the constraining factors to economic transformation. It also considers for each country, the constraints to the implementation of the current economic and industrial policy provisions.

A summary of the constraints arising from policies, mechanisms and interests clustered into eight (8) categories has been presented below.

*Table 1: Summary of constraints to transformation arising from policies, mechanisms and interests*

<b>Policy formulation and implementation issues</b>	
Ineffective coordination of national development strategy/ inadequacy of the coordination framework for policy directions leading to policy conflicts	Uganda, Nigeria
Communication of policy issues	Uganda
Different priorities of political and governance actors	Uganda
Duplication of policy initiatives issued from different offices/ duplication of directives	Uganda
Lack of coherence in policy formulation/ policy incoherence/ conflicts amongst major policies including fiscal, monetary, forex, trade, investment, technology and labour market policies	Uganda, Madagascar, Nigeria
Inconsistencies in regulation/ poor regulatory framework	Uganda, Nigeria
Lack of enforcement of intellectual property rights	Nigeria
Overlaps, misalignments and proliferation of initiatives/ multiple policy processes and approaches on the same issue	Uganda, Nigeria
Gaps in policy/ non-indication/articulation of manufacturing in national plan	Madagascar
Lack of periodic revision/review of policies/ update of legislation and regulations/ absence of competition policy to facilitate the growth of domestic firms	Ethiopia, Nigeria
Flaws in policy reforms/incomplete policy reform	Nigeria
Unclear processes of structural and/or institutional transformation	Madagascar
Adoption of top-down instead of bottom-up approaches	Nigeria
Excessive reliance/focus on one sector (e.g. oil and gas)	Nigeria
Non-trickle down of support for small businesses and black empowerment	South Africa
Non-integration of EPZs into the local economy	Madagascar

<b>Mechanisms, targeting and coverage of industrial policy</b>	
Policy focus on limited number of sector-specific interventions/lack of comprehensive planning and sector isolation/Excessive focus on single commodity	Uganda, Ethiopia, Nigeria
Lack of inspiring/bold/sector wide, visionary approach	Uganda
Need for stronger sector/ industry prioritization	Madagascar
Inadequate attention to small and medium enterprises	South Africa
Policy and accompanying frameworks too broad for some sectors/not sufficiently responsive to particular industrial undertakings	Ghana
Policy formulation in a vacuum/on insufficient basis/ absence of key, underlying theoretical framework	Ethiopia
Plan too ambitious	Ethiopia
Lack of in-depth feasibility assessment	Ethiopia
[Unquestioned] Adoption of other country practices/ inadequate replicability	Ethiopia
Inadequate appreciation of long-term gestation period required for industrial projects versus quick return ventures	Ethiopia, Madagascar
Poor sequencing	Nigeria
Missed opportunities particularly relating to climate and green issues	Madagascar
Development of supporting legislation and regulations	Madagascar
Inadequate investment promotion	Ghana



Capacity and industry support issues	
Poor policy formulation capacity	Nigeria
Weak institutional capacity/ weak institutional support	Uganda
Poor management	Uganda
Behavioural and technical competence/ experienced human resources/ lack of adequate technical human resources	Uganda, Ethiopia, Ghana
Poor remuneration, poor attitudes and laziness of key staff	Uganda
Poor coordination and planning	Uganda
Adequate financing/ access to affordable credit/ lack of access to credit	Uganda, Ethiopia, Ghana, Nigeria
Infrastructure bottlenecks/ infrastructural deficits/ energy crises/ Shortfalls in the provision of the requisite infrastructure	Uganda, Ghana
Energy crises and power issues	South Africa, Uganda, Ghana
Inadequate/absence of enabling resources e.g. serviced industrial parks	Uganda
Inadequate skills including entrepreneurship and managerial skills/capacity of actors/ state of industrial sector	Uganda, Ethiopia
Availability of raw materials/ unreliable, raw material sources/ adequacy of input supply/ dependence on external inputs/ insufficient raw materials/ lack of suppliers	Uganda, Ethiopia, Madagascar,
Low internal technological development resulting in dependence on foreign machines	Nigeria
High production costs	Madagascar
Low quality standards/ production of sub-standard goods	Madagascar, Nigeria
Poor performance and inefficiency of state enterprises	Madagascar
Weakness of the coordinating Ministry (limited resources, low budgetary allocations, inadequate office premises, reduced numbers and capacities of key staff) vis a vis Ministry of Finance	Madagascar

<b>Market-related issues</b>	
Size of domestic market/ limited domestic markets/ size of the economy	Uganda, Madagascar, South Africa
Mega- projects ill-suited to the domestic market	Madagascar
Misguided faith in the “market”	Uganda
Competition from low cost producer countries/ competition/ Low competitiveness of domestic industries vis a vis imports	Uganda, Madagascar, Ethiopia, South Africa, Nigeria

<b>Governance issues</b>	
Failure of the state	Ghana, Nigeria
Political interference	Uganda
Corruption/ inflation of contract prices/ pervasive, system-wide corruption	Ghana, Nigeria
Political expediency hampering commitment to harsh policy decisions/ long-term development planning	Ghana
Rent-seeking/political patronage	Ghana
Poor inter-sectoral/agency communication	Uganda
Insufficient financial resources for plan implementation/ inadequate foreign exchange to finance technology transfer	Ethiopia, Nigeria
Mismanagement and misappropriation of state enterprises	Madagascar
Long term for transformational change versus desire for quick/results pre-occupation of politicians	Madagascar
Weakness of the coordinating Ministry of Industry	Madagascar
Potentially, lukewarm support of the industrial policy and legislation/ conflicting interests of elite classes who differ in ideological orientation	Madagascar, Nigeria

Intense competition for resources between industrial development and social sector funding/ competing resource needs for social investments	Madagascar, South Africa
Curtailed plan implementation after change in government/ changes in government philosophy/ changing levels of interest of successive Ghanaian governments/ frequent policy shifts/ incomplete implementation of policies and abandonment by successive governments	Ghana, Nigeria
Frequent changes in leadership of key institutions	Ghana
Ethnic and political tensions/ divisions leading to instability; militancy and terrorism	Nigeria, South Africa

### **Coordination, collaboration and stakeholder roles and participation**

Lack of inter-sectoral linkages/ poor coordination of ministerial activities/ interagency and jurisdictional disputes/ multiplicity of agencies involved in implementation leading to conflicts of interest and confusion	Ethiopia, Madagascar, Nigeria
Government's confusion about the real role of the private sector	Ethiopia
Insufficient coordination between sector institutions	Ethiopia
Weak industry-agriculture linkages/ low inter-industry linkages	Ethiopia, Nigeria
Non-realization of research, science and technology linkages/ linkages to innovation programmes	Ghana
Institutional fragmentation at the implementation level	Ghana

<b>Macroeconomic issues</b>	
Macro-economic decline/ Poor macroeconomic environment with persistently high deficits, declining government revenues and escalating costs, high internal and external debt accumulation and high levels of deficits in balance of payment	Ghana, Nigeria
Need for establishment of correlation between tax, customs incentives and productive capacity of industry	Madagascar
Lack of debt sustainability and fiscal management	Ghana
Adequate capital spending and reduction in financing costs	Ghana
High exchange rates and currency volatility	Nigeria
Introduction of new taxes/ withholding taxes on rent, management and technical services	Ghana
Public debt payment affecting capital spending in industrial sector	Ghana
Very high interest rates, increasing tax rates/ multiple taxation	Ghana, Nigeria
Declining and unstable patterns in capacity utilization rates	Nigeria
Counterfeiting and smuggling	Nigeria

<b>“External” factors</b>	
Falls in commodity prices (dependence on export of primary raw materials)/ end of the commodity boom	Ghana, South Africa
Influx of goods from Asian Countries/ growth in China’s exports	Nigeria, South Africa
Oil price shocks	South Africa
Shortfalls in expected foreign direct investment	South Africa
Recession from late 2000s global financial crises	South Africa

## Country Experiences

In the Uganda experience, immediate post- independence efforts focused on lessening dependence on a few export crops. Four types of industrial activity were considered: agro-processing of local crops such as cotton, coffee and tea; industries costly to transport relative to their value such as beer; assembly industries; and production of perishables such as bread. However, these strategies failed generate employment or integrate agriculture and the industrial sectors. The key factors were identified as state failure; market failure; and a small domestic market.

Some Ugandan stakeholders considered the implementation of the National Development Strategy, uncoordinated, poorly communicated, not widely understood and not successfully implemented. There have been implementation gaps, different priorities and duplications, including recently issued strategic guidelines and directives from the Office of the President. The inconsistencies have affected the interpretation of the national development agenda between the government, private sector and DPs.

The Ugandan case study identifies corruption attributed in part to poor remuneration, poor attitudes and laziness. Other factors are poor management, and the lack of competence – both behavioural and technical (lacking the desired skills, knowledge and attitudes and behaviours for successful execution). Apart from the lack of coherence in policy formulation, implementation was also not consistent.

Inconsistencies manifested in regulation, poor coordination and planning evidenced by in overlaps, misalignments and proliferation of initiatives and activities. The challenges of adequate financing, political interference and poor communication were also cited. In relation to communication, it appeared to be part of a larger governance problem where several agencies did not have communication plans regarding policies in their sectors.

Challenges to manufacturing included weak institutional support; weak or limited access to affordable credit; infrastructure bottlenecks, particularly unreliable and costly infrastructure relating to energy for production, transport and communication. Manufacturing could have been facilitated by more, easily accessible serviced industrial parks. Transformation through manufacturing was plagued by inadequate skills including entrepreneurship and managerial skills, unreliable, raw material sources and competition from low cost producer countries.

About 30% of the NIP is thought to have been achieved but none of the targets have been met and it is suggested that the NIP has had no tangible impact. There also appears to be no evidence that the implementing agencies are sufficiently equipped for effective policy implementation. It has been suggested that because of weak institutional capacity, Ugandan governments have focused on a limited number of sector-specific interventions instead of a large visionary industrial policy. There have also been suggestions that the non-implementation of the NDP is largely due to the government's faith in the "market" as demonstrated by the underfunding of the industry and agricultural sectors.

Ethiopia on the other hand saw the emergence of larger and medium scale manufacturing industries from the 1920s. The imperial regime which was in place till the mid-1970s oversaw the first industrial development strategy under which three (3) five year development plans were implemented. Under the first 5-year plan, manufacturing focused on agro-processing with a view to import substitution. Given the raw material base, priority was given to textile and food processing, meat and livestock for export, sugar refining, oil and timber processing. Industrial value added and average growth of 10% per annum were achieved. Existing manufacturing industries were expanded and new consumer goods produced. For instance, building materials production was identified.

The second five years saw an attempt to intensify and diversify production

into chemicals and metals. Value addition in the leather industry was also pursued. Though growth was achieved in the manufacture of light consumer goods, the targeted growth in industrial exports was not realized. The third phase was intended to intensify activities. This time, an effort to consult with private sector stakeholders was consciously made. The period was dominated by private ownership, especially foreign. Consumer goods led, with limited capital and intermediate goods production.

The Derge Regime that followed into the mid-1980s adopted a socialist approach. The period witnessed nationalization of large enterprises and medium scale manufacturing industries and set capital limits for private investors. The regime also sought to establish new manufacturing industries. The share of value added of industry rose for the decade between 1975/76 and 1984/85 but then declined afterwards. Industry's increased share of value added was also due to the failure of crop production and drought in the mid-1980s. Between 1991 and 2002, there was no explicitly prepared industrial policy. Industrial development was embodied in the overarching Agriculture Development Led-Industrialization. The period witnessed the implementation of structural adjustment (SAP) and government did not intervene much in the industry sector. Private sector-led development was expected to happen, as government privatised public enterprises and sought to deregulate the economy.

From 2002, an Industrial Development Strategy was implemented, with more conscious state attention and adopting four key priorities: free market principles; the private sector as the growth engine; export-led industrialization and promotion of labour-intensive industries. The focus was on the industries with comparative advantage and where linkages could be fostered. The state's role was two-fold: creating a conducive environment for industrial development and providing direct support and guidance to the strategic sectors. 2002 to 2005 witnessed the post-structural adjust period of poverty-reduction strategy papers and debt relief through HIPC facility. Therefore, government's direct attention reduced over the period.

The follow-up programme from 2005/06 to 2009/10, the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) provided some focus on strengthening small scale manufacturing and strengthening infrastructure to this end. A focus on all-inclusive implementation and strengthened human resource development were also articulated.

In recognition of the need to sustain economic growth, a clear political stance was adopted to let industrial development play a leading role under the Growth Transformation Plan (GTP) of 2010. It built on the lessons of the PASDEP, the vision of middle income status and reducing vulnerability to external shocks.

In relation to current economic and industrial policy implementation, Ethiopian experiences suggest that policies have often been designed in a vacuum without due regard to financing capacity, adequacy of input supply and the state and capacity of the industrial sector. Economic and industrial policies have suffered lack of periodic revision (not taking into account the dynamism of the sector), lack of comprehensive planning and sector isolation, and lack of inter-sectoral linkages.

Policy appropriateness has been an issue with policies falling short because they are not based on existing implementation capacity. The seeming confusion of the real role of the private sector in the development of the country – so that the State sees itself as a developmental state taking over spaces that the private sector could effectively operate. The changing national and international circumstances warranted revision of policies and investment schemes to accommodate new realities but this was not evident. The considerable aspects of the existing legal and regulatory framework including the commercial code, civil code, investment laws and tax laws need to be updated. There is insufficient coordination between the sector training institutions; their staffing and ability to impact on trends and happenings in the industrial sector.



Ethiopian experiences with implementing the Growth and Transformation Programme (GTP I) suggest that targets were not met for various reasons. The plan was too ambitious and did not have an in-depth feasibility backing it up. Some other-country industrialization experiences had been adopted without adequate consideration of their replicability; industry-agriculture linkages were loose; the availability of raw materials; sufficient financial resources and experienced human resources; the long-term gestation period required for industrial projects versus quick return ventures such as real estates; the low competitiveness of domestic industries vis a vis imports; inadequate foreign exchange to finance technology transfer.

Implementation of GTP II has just started. Strategies are geared towards building the capacities of public sector support institutions to better assist the private sector including assessing appropriate technologies, organizing information, adopting and transferring technologies and improving their research and extension capacities and equipping them with requisite infrastructure. Other priorities include continuing industrial forums and developing appropriate policies and legal frameworks as shall be required. Implementation of the Kaizen philosophy will be undertaken at three levels on export-oriented and import substituting companies. Establishing industrial parks and clusters will be undertaken by the government, private sector or through joint arrangements.

Other strategies target productivity, quality and technological capacity. Interventions also seek to change attitudes of workers to increase international competitiveness and apply benchmarking tools. The linkages between industry and educational institutions and expanding the manufacturing sector into new investment areas such as bio-technology, petrochemicals, electricity and electronics and information communication technologies is provided for. Support to the metal and engineering industry is intended to be strategic to support the entire industrialization drive.

However, a preliminary assessment by the study indicates that stakeholders

miss a robust theoretical framework which would provide guiding principles and justify the policy design (and its economic, industrial and other dimensions). The framework would confirm that the appropriateness of the interventions.

The First Republic of Madagascar (1960 to 1972) encouraged import substitution approaches. Industry development support was through tax incentives for investment and the creation of two (2) financial institutions; and the establishment of a state institution to promote foreign investment in the industry sector.

Large national industries were created including an oil refinery. However, it did not result in the emergence of an industrial structure because of dependence on external inputs, competition, fraudulent practice, limited domestic markets and high production costs.

Between 1975 and 1991 when the second republic was in place, a socialist approach was adopted promoting public ownership of means of production and centralized, rigid planning. The state was therefore directly involved in economic production and industrial development. A large investment programme launched in 1978 and implemented over the next three years used agriculture as the basis and industry to drive economic development supported by external loans. Fertilizers, farming equipment, textiles and leather goods were produced for sale on the domestic market and fed into the import substitution agenda. The Malagasy Innovation Institute was established to promote technology innovation. The investment programme, described as “unbridled” and a total failure. The mega- projects were ill-suited to the domestic market; the state enterprises mismanaged and misappropriated; and performance and efficiency, lacking.

From 1989, the main economic development strategy to attract foreign direct investments, bring in new capital and technology, encourage exports and create jobs for young people was the creation of Export Processing

Zones (EPZs). Construction work, service provision (including film, video, data processing, product certification) and new areas of endeavour including farming and fisheries, poultry farming and processing, sericulture, farming of marine products and horticulture were identified.

Policy instruments included reduced rate and tax exemptions and free availability and transfer of foreign currency. A facility to promote public-private partnership and mobilize investments was introduced. However, efforts at diversifying industries have not yet achieved their objective. The “Textiles and Clothing” industry still dominates and the country still considers the potential for reaching textile markets in North America and Scandinavia as well as regional markets.

The EPZ approach was able to stimulate jobs and investments in Madagascar. However, the larger industrialization drive and stimulation and dissemination of technical and managerial capacity as well as facilitation of other industry branches and economic activity sectors have not been achieved. The EPZ has not been integrated into the local economy. The local sector is hampered by insufficient raw materials, quality standards issues and lack of suppliers.

In relation to current economic and industrial policy implementation, policy incoherence was identified in Madagascar. The NDP provides for agriculture, tourism and extractive industry as strategic sectors but does not indicate manufacturing. Also, the focus on agriculture and extractive industries does not necessarily imply transition from an agricultural economy to an industrial economy.

The policy provisions do not consciously outline the processes of structural and institutional conversion or transformation, which is a long-term undertaking. The time frame for achieving change is often at odds with the short-time frames and quick results’ expectations of politicians. The justification for green and climate issues in the NDP as developing natural capital and strengthening resilience to disaster risks misses an opportunity to exploit what is on offer.

Put the way it is, industrial development does not adequately provide for and identify linkages with wide-ranging opportunities in bio-related fields, renewable energy.

Implementation of the Industrial Policy of Madagascar has not been ongoing long enough to be assessed. The companion law to operationalize and sustain the initiative is now being developed. However, reflection indicates that further direction will be required on sector and industry prioritization. Critical instruments in the policy such as the Growth Identification and Facilitation Framework have been omitted in the law. The correlation between the tax and customs incentives and improvements in the productive capacity of industry needs to be established.

The weakness of the Ministry of Industry and Private Sector Development by way of limited resources, low budgetary allocations, inadequate office premises, reduced numbers and capacities of key staff; the overweening power of the Ministry of Finance and Budget vis a vis the Ministry of Industry; and its lukewarm support of the policy and the law are all potential challenges to the successful implementation of the policy. Finally, in the Madagascan/Malagasy case as in several others on the continent, there is intense competition for resources between industrial development and social sector funding; as well as poor coordination of ministerial activities. These have implications for successful transformation.

In Ghana, an import substitution agenda was adopted in the immediate post-independence period, with active participation by the state, as socialist principles were also pursued in the process of transformation. Industrialization was key, as a whole chapter of the seven-year development plan (embarked upon in 1963) was devoted to it. However, a change in government curtailed plan implementation, as successive leaders adopted neo-liberal economic strategies.

Structural adjustment and economic reform following the Bretton Woods

prescriptions embarked upon in the late 1960s and again from the mid-1980s for over a decade, brought about privatization of state enterprises and liberalization. The failure of the state, macro-economic decline, corruption, infrastructural deficits, lack of access to credit and post-reform challenges (including high interest rates) impacted on industrial development.

In relation to recent economic and industrial policy implementation, Ghana entered the three-year Extended Credit Facility (ECF) with the IMF in 2015 to restore debt sustainability through sustained fiscal consolidation and support growth with adequate capital spending and reduction in financing costs (including reducing gross public debt as proportion to GDP). This clearly points to a shortcoming in economic policy.

Over the period, the introduction of new taxes to reduce fiscal deficits affected manufacturing sector activities. The pressure of public debt payment had an effect on capital spending and potentially, the industrial sector. Increases in withholding taxes on rent on commercial properties as well as on management and technical services fees had implications for industrial sector operations.

Shortfalls affecting industrial policy include the energy crises the country suffered. Other commitments that could have affected industry positively were not realised. These include research, science and technology; and strengthening institutions that deliver these services and linkages to innovation programmes with international centres of excellence.

Factors affected the Ghanaian economy which impacted on policy implementation which could have arisen from certain actions and inactions of political actors but whose execution lay outside their control. The conditions of the 2015 IMF Bailout and inadequate external funding support arising from the declaration of middle income status. Other “external” factors included the falls in commodity prices, given the dependence of the nation on export of primary raw materials.

The issue of political expediency arises where officials cannot commit to “harsh” or difficult policy decisions or commit to long-term development planning because of the fear of losing elections. Policy implementation was also hampered by corruption where state officials and politicians were often alleged to have inflated prices of contracts.

Other factors including rent-seeking and exercise of political patronage, lack of adequate technical human resources, lack of training of industry players and infrastructural deficits hampered implementation, particularly the continuing power outages and the cost of energy. There has often been so much political rhetoric accompanying policy implementation.

Very high interest rates (the second highest in Africa) and increasing tax rates as well as introduction of new ones made it difficult to implement the industrialization policy. In spite of its coverage, the policy and accompanying frameworks were either too broad for some sectors or not sufficiently responsive to the specific needs of particular industrial undertakings.

In spite of the inter-ministerial coordination arrangements, there was still fragmentation at the implementation level within the industrial sector. The process was also hampered by inadequate investment promotion affected by the changes in leadership of the Ghana Investment Promotion Council with successive governments.

The changing levels of interest of successive Ghanaian governments in industrialization and how it should be pursued has not resulted in sustained attention. Shortfalls in the provision of the requisite infrastructure have also affected the pace of economic transformation.

The Nigerian pre-independence orientation was to provide an enabling environment for private commercial activities, largely colonial. Post-independence Nigeria adopted active government involvement with soft controls to attain a modern economy through rapid industrialization. In the

early 70s to the mid-80s, there was a shift to a paternal state of “controlling the commanding heights of the economy”. A Structural Adjustment Programme (SAP) was embarked upon between 1986 and 1999 to address problems of fiscal and external imbalances and adopt a restrictive monetary policy. From 2000, the Nigeria economy adopted the free market capitalism, economic liberalism approach.

In Nigeria, import substitution led to the establishment of petrochemical, iron and steel, textiles, agro-processing and cottage industries as well as automobile and cement industries. However, only the cement industry was able to demonstrate some appreciable benefits from IS by way of meeting local demand and generating enough for export.

Agricultural output dominated most economies and their industrialization efforts. However, in Nigeria, oil and gas activity gained prominence from the early 1970s till the mid- 2000s. After this, the services sector came to the fore. In industrial production, manufacturing dominated between 1960 and 1969. However, from the 1980s, solid minerals and manufacturing did not perform well. Manufacturing had been able to meet the target of 25% contribution to GDP as provided for in the Vision 2020. This was linked to the declining and unstable patterns in capacity utilization rates.

The Nigerian case study provides a framework for assessing economic and industrial policy failure: namely (a) failure to achieve stated objectives (b) inability to attain the ultimate goal of improving economic wellbeing sustainably; and (c) failure to institute and sustain durable solutions.

From the author’s perspective, the entire policy process failed: from the identification and articulation of the problem; specification of objectives and targets; design of strategies and policy instruments; implementation; evaluation; and feedback.

These failures were ascribed to poor policy formulation capacity; inadequate

financial resources and poor sequencing. Other challenges include frequent policy shifts and adoption of top-down instead of bottom-up approaches. There were concerns about multiple policy processes and approaches on the same issue and interagency and jurisdictional disputes as well as pervasive, system-wide corruption; and weak political will. Policy-making did not adequately deal with the following:

- The structure of production, given the dominance of non-durable consumer goods and therefore, poor performance of manufacturing
- Overvaluation of the currency making imports of capital and producer goods more attractive
- Higher tariffs entrenching consumer goods
- The need to import raw materials and intermediate products
- Maintenance of import substitution for non-essential industries
- Government policy discriminating against small and informal sector operators
- Poor conceptualization of and interference in state owned enterprises
- Concentration of industrial activities in cities and in few states – four industrial urban conurbations

Governments were committed to the 2014 NIRP and developed policies and programmes aligned with it. But these setbacks as well as the unnecessary influx of sub-standard goods from Asian Countries; and the absence of competition policy to facilitate the growth of domestic firms, particularly, the SMEs; and lack of enforcement of intellectual property rights hampered its realization.

The Nigerian case study also draws attention to the non-economic, multi-dimensional and inter-related causes of policy failure. The challenge was not with the content of economic policy alone but with contextual issues including political instability, militancy and terrorism. The poor macroeconomic environment with persistently high deficits, declining government revenues and escalating costs, high internal and external debt accumulation and high levels of deficits in balance of payment.



There was a huge backlog of uncompleted projects, factory closures in the manufacturing sector and an acute shortage of fuel supply and intermittent power supply. There was an overweening focus on oil and gas business and less on agri-business, manufacturing, minerals and mining, entertainment and information technology. There were conflicts amongst major policies including fiscal, monetary, forex, trade, investment, technology and labour market policies.

In Nigeria, policy implementation was hampered by the nature of operations and management practices as well as contextual and tangential policy issues. Industry players suffered multiple taxation and lack of access to credit. The internal low technological development created dependence on foreign machines.

This combined with inadequate raw materials and exacerbated by inadequately skilled human resources and the lack of basic infrastructure had various, negative results including the production of sub-standard goods. A poor regulatory framework could not prevent this. Missed opportunities such as low inter-industry linkages, counterfeiting and smuggling also hampered policy implementation.

However, the major drawback in policy implementation was the inadequacy of the coordination framework for policy directions leading to policy conflicts. Some of the weaknesses manifested in conflicts over fiscal and monetary policies. While FMOF could grant fiscal reliefs to some manufacturing firms, the CBN listed items associated with these firms as not being qualified for foreign exchange.

The multiplicity of agencies involved in implementation led to conflicts of interest and confusion. There was also incomplete implementation of policies and abandonment by successive governments. The conflicting interests of elite classes who differ in ideological orientation and could manipulate policy instruments and processes to their advantage, was also a factor.

Several African countries have embarked on policy reforms over the six decades of independence on the continent. However, from the Nigerian experience, the flaws in policy reforms over the years have been identified as corruption, lack of continuity in policy implementation, inappropriate fiscal and macro-economic policies, ethnic and political divisions leading to instability. These factors appear to be germane to the other country studies.

In South Africa, industrial development has historically been linked to minerals extraction and the political circumstances of the country. The nineteenth (19th) century mining revolution, consumer shortages during the two World Wars and the expansion of domestic demand of the white middle class encouraged the development of industrial capacity. The development of the energy and chemical sectors (required to exploit the mineral wealth) and with the establishment of the Industrial Development Corporation (IDC) in 1940 helped to optimize the linkages. The IDC, which was to promote industrial financing, was expanded in 1950s to provide other interventions such as low-interest loans, subsidies and payment holidays.

The apartheid-related isolation of South Africa from the industrialized world fostered local industries that catered to domestic needs. When the country returned to democratic rule in 1994, these proved uncompetitive. The manufacturing sector declined when international tariff rules (General Agreement on Tariffs and Trade) applied. It had also become evident that import substitution was unsustainable.

Manufacturing's contribution to both GDP and employment has declined over the two decades that have followed. The influencing factors have included the size of the economy, oil price shocks and declines in commodity prices. There was also the need to diversify and pay more attention to small and medium enterprises. Apart from these and the international tariff rules, competition particularly from Asia has taken its toll. Some industries have restructured and grown significantly with state support. However, they have not contributed much to creating employment and offsetting job losses.

The South African economy being more strongly integrated into the global economy than the others was more affected by the 2009 global recession. Other challenges included the competing resource needs for social investments (in health, education, water and sanitation, electricity, housing and transport) in the immediate post-apartheid period.

Again, there was the need to increase the participation of various ethnic and marginalized groups in the economy and restructure the incentive system often at considerable cost to the state. Some corrective initiatives included affirmative action through the Broad-Based Black Economic Empowerment Scheme (provided for in the 2006 Accelerated and Shared Growth Initiative for South Africa) and support to small businesses and cooperatives.

In South Africa as in the other countries, the Washington Consensus approach of low fiscal debt, coupled with shortfalls in the expected foreign direct investment all took their toll on the manufacturing sector. The stimulus from growth in the mining sector was not enough to offset the down turn in the manufacturing sector.

With internationalization, firms gained access to cheaper sources, procuring from China and other countries. Therefore, various factors constrained economic turnaround in the post-apartheid era. These included the recession that hit manufacturing from the global financial crises in late 2000s, the end of the commodity boom, currency volatility as well as short-falls in electricity, political tension and growth in China's exports. Also, the support provided for small businesses and black empowerment did not trickle down the desired outcomes.

# ACTORS AND COALITIONS THAT PROMOTE ECONOMIC TRANSFORMATION

## Introduction

Economic transformation must be envisioned, planned, operationalised and facilitated by actors and entities working together to be achieved. A stakeholder mapping identifies common participating bodies across the country studies including sector ministries, government agencies, parliaments as well as other players including manufacturing associations, trade unions, other civil society and academic and research institutions. However, the multiplicity of actors does not guarantee effectiveness. Who is working with whom, in what ways and how effectively; how broadly various interest groups are engaged in the processes of industrial development and economic transformation will have implications for success.

A stakeholder analysis such as the approach adopted in the Madagascar study provided an in-depth assessment of the influence and interest of the various players and their potential to move the process forward. It allowed for a discussion of their motivations and intentions as well as the inputs into political settlements and therefore, what was required to move the process forward.

In consideration of interests and extent of influence of the players, stakeholders were identified in the Ghanaian case as persons or organizations with an interest or a stake in the outcome of a policy decision. These were classified into international; public; national political; commercial/private; nongovernmental organization (NGO)/civil society; labour; and users/ consumers.

The analysis suggested that public agencies with funding from the state had a high interest in and the regulating power for the industrialization

agenda. International actors including development partners were defined as powerful but not interested in Ghana's industrialization. The private sector was classified as having a high interest but low influencing power. Citizens were identified as being highly interested but powerless.

The Ghanaian case identified the drivers of economic transformation as consisting of both individuals (such as politicians, trade unionists, government officials) and enabling or facilitating institutions. It also proposed that intangible drivers of the industrial agenda had to be acknowledged including events and circumstances surrounding factors of production.

## **Ministries and Government Agencies**

Ministries and government agencies have the primary responsibility for policy formulation and implementation, respectively. Ministries responsible for industrial development have been established in all the case study countries, and perform functions of inter-sectoral coordination and implementation of industrial policies. However, there are other influential actors.

Commonly, Ministries of Finance and Budget are powerful influencers as are the Central Banks, Planning Commissions and Statistical Services. Ministries of Finance had to be on board and supportive of industrial development and manufacturing for initiatives to be effectively carried out. The overwhelming influence of a Ministry of Finance vis à vis a weak Ministry of Industry could stall agreed programmes and policies. Other actors who moved the process or had the potential to do so were located in Offices of the Executive (offices in the President or the Prime Minister's office), Councils of Ministers and Councils of Elders amongst others.

Sector ministries include those with responsibility for lands, agriculture, water resources, employment and labour issues and education amongst others. In some countries, there are a whole plethora of public institutions dealing with different aspects of industrial development including quality assurance,

export promotion, incentives and capacity building amongst others.

In view of the above, effective inter-ministerial coordination is required. Regular communication and collaboration had to be consciously and efficiently undertaken. The dilemma is whether to have an independent supra-body (bringing all the entities together); locate it in the Head of State's office for oversight; or to empower the Ministry responsible for industrial development to ensure.

The sub-national level of government should be an important player in economic transformation through industrial development and policy implementation. The role of local governments was only briefly discussed in the South Africa and Nigerian studies, and mentioned as players in the Ghanaian study. Local authorities have some responsibility to provide an enabling environment for industries located in their jurisdictions and activities must be harmonised with the local economic development efforts of the municipal government if opportunities were to be optimised.

The South African experience observed that even though economic activity occurs in geographic localities, industrial policy is coordinated at the national level and is not necessarily tied to local economic development. However, the municipalities and provinces have a key role in supporting industrial development such as providing utilities and services to firms and residents, infrastructural development and other incentives. The implications of decentralization and federal control of processes was discussed in relation to the Nigeria case study. The specific country experiences are as follows.

In Ghana, key state actors with responsibility for the implementation of economic policy are the Ministry of Finance (MOF) and Bank of Ghana. MOF also collaborates with the National Development Planning Commission (NDPC) to develop and ensure prudent management of available resources. The Bank of Ghana works with the Ghana Statistical Service and other agencies to ensure economic growth and price stability.

The Ministry of Trade and Industry is responsible for coordinating industrial development and collaborating with relevant state agencies in ensuring effective policy implementation. The Country Report identifies ten (10) other collaborating Ministries including Finance, Communications, Lands and Natural Resources, Energy, Education, Employment and Labour Relations, Water Resources and Justice.

The country report identifies seventeen other public (17) agencies including the local authorities. The indicated institutions are responsible for such functions as policy implementation; monitoring, quality assurance and other supervision; technology development (such as GRATIS), equipment and logistics and other industry support; and others in marketing, licensing and regulation. They include the National Board for Small Scale Industries (NBSSI) and agencies responsible for Standards and Quality Assurance, Export Promotion, Free Zones, Trade Fair, Export Development and Investment, Heavy Equipment, Rural Enterprises, Divestiture Implementation, Internal Revenue, Environmental Protection, Food and Drugs, Registrar-General's Department and the Ghana National Procurement Authority.

In the Nigerian context, the federal government provides overall direction and leadership. The National Economic Council (NEC) advises the president regarding economic affairs and coordination of economic planning efforts of the various states. The Federal Ministry of Finance (FMOF), Ministry of National Planning and Budget; other interdepartmental and inter-agency bodies including the Joint Planning Board and the Conference of Ministers and Commissioners for National and Economic Planning are key influencers of and actors in the economic management process.

The Nigeria Economic Recovery and Growth Plan (2017 to 2020) is being coordinated by the Ministry of Budget and National Planning. To this end, its capability for monitoring and evaluation is being built. Coordination mechanisms are intended to ensure that the goals of both Federal and State governments are synchronized.

Fiscal policy is formulated by the FMOF. A Tariff Technical Review Committee with members from the Office of the Secretary to the Government of the Federation; Federal Ministries of Finance, Trade and Industry, Agriculture; Raw Materials Development Council; Nigerian Customs, the Central Bank and the Manufacturers Association is in place. The Central Bank of Nigeria (CBN) implements monetary and credit policies. Industrial policy rests with the Federal Ministry of Trade and Industry. But tax, labour market and technology policies are overseen by other Ministries.

The South African department of trade industry (dti) has responsibility for implementing the NIPF. The Department for Economic Development (EDD) is a new Ministry responsible for coordinating the “New Growth Path” which addresses the constraints of absorbing large numbers of people into the economy and oversees decent work. The Industrial Development Corporation formed in the 1940s still provides industrial financing and operates as part of the Department of Economic Development (EDD).

Other key state entities that work under the ambit of the Department include the Competition Commission and Tribunal, the International Trade Administration Commission (ITAC) and the Small Enterprise Finance Agency (SEFA). ITAC supports the implementation of a revised Trade Policy and Strategy Framework (TPSF).

Other stakeholder institutions are the South African Bureau of Standards, National Accreditation System and the Council of Scientific and Industrial Research. The Department of Science and Technology (DST) is also a stakeholder and is responsible for boosting socio-economic growth through research and innovation and is also promoting scientific tourism. Other departments include the Economic Investment and Employment Cluster.

In Uganda, the Ministry of Trade, Industry and Cooperatives (MTIC) leads policy implementation and provides guidance and supervision to other players. Under the National Industrial Policy (NIP), execution of projects is



by the Ministry of Finance, Planning and Economic Development (MoFPED), the Uganda Development Corporation, the Uganda Bureau of Standards and the Industrial Research Institute. The development of industrial parks is the responsibility of the Uganda Investment Authority.

The Ethiopian government has the responsibility for creating the most appropriate legal and economic environment for transformation in that country. Beyond its key role in resource mobilization and allocation, Ministry of Finance and Economic Development was formerly responsible for preparing and implementing national development plans. However, this function passed on to the National Planning Commission when it was established in 2014 with responsibilities for coordination of long-term national planning and Vision 2025 (of which industrialization is a critical component).

The Ministry of Industry (MOI) is the top government body for providing institutional support and incentives for industrial development. Its functions include formulating appropriate policies, strategies and action plans to accelerate industrial development; implement these as approved; and promote the expansion of industry and investment. The Ministry is also expected to foster capacity through eliciting best practice and technology transfer and to this end, establish technological and research institutions.

There is a Council of Ministers which makes inputs into policy documents before their finalization and oversees implementation, including industrialization. In sum, government actions required for promoting industrial development and ensured by executive structures include coordination of inter-ministerial activities and with development partners, the private sector, NGOs, CBOs and CSOs in line with the plan; and to provide the forum for participation of the industrial community; as well as monitor and evaluate output targets and programmes.

The Ethiopian experience also offered a particular facility that may have lessons for the rest of the continent. The Metal and Engineering Corporation

(MeTEC) established in 2010 as a military industrial complex in line with the South Korea and Sweden was expected to provide a certain capacity. However, the outcomes have not been clear or encouraging.

The Ministry of Economy and Planning in Madagascar leads economic policy formulation to achieve inclusive, fair and sustainable development. It is jointly responsible with the Ministry of Finance and Budget for policy implementation. The Ministry of Commerce and Consumption manages the balance between GDP growth rate, unemployment, inflation and trade balances. The Ministry of Industry and Private Sector Development working in collaboration with the private sector (the Industry Syndicate) led the processes of the industrial policy.

Sectoral departments and ministries with implications for the various activities such as energy, education, scientific research, public works and land management amongst others are involved as required. In Madagascar, there was a Council of Economic Advisors to the President who also acted as resource persons to the technical ministries and served as a technical and political interface. The Economic Development Board was also a technical body that had the responsibility for fostering an enabling environment for national and international businesses in line with the industrial policy.

Industrial development could benefit further from the coordination role the Prime Minister's Office played, even though it was as an integral part of the general policy of the State. In the College of Economic Advisors that provided technical support to both the Presidency and the sector Ministries as required, there was also the potential for promoting the agenda of industrial development for transformation, while pursuing private sector development and improvement of the business environment. However, without a direct mention of industry, it could easily be forgotten as part of their mandates.

## The Legislature

The Legislature would have a critical role to play in ensuring the appropriate laws for the conduct of economic policy and exercising oversight on the allocation of resources. As an arm of government, an effectively functioning Legislature would protect public resources and ensure effective representation of constituents in decision-making and bringing their concerns to national attention.

All the case study countries have legislatures, Parliaments and Houses of Representatives. South Africa, Ethiopia, Madagascar and Nigeria have bi-cameral legislature arrangements where at the federal level, Representatives take care of interpreting the federal constitution and overseeing national priorities. The extent to which this has implications for decentralization and initiative and innovation by the lower chambers did not come out in the study and may be an area for further research.

Ghana and Uganda have one chamber, each. Their levels of involvement and effectiveness in economic transformation through industrial policy implementation varied. However, in all instances, the participation of the Legislature in industrial development and economic transformation could be strengthened vis à vis the influence of the executive – especially their oversight and accountability functions.

In Ghana as in the others, Parliament has the responsibility of passing bills and scrutinizing statutory instruments. Therefore, it assesses and evaluates legislative instruments to push the industrial sector and approves the requisite budgetary allocations. It authorises the waiver and exemption or variation of taxes and approves related international treaties, loans and external trade issues. As part of the general oversight responsibility, Parliament undertakes supervision of disbursement of funds and monitors the country's foreign exchange receipts, payments and transfers; and ensures the auditing of

public accounts. The country report suggests that Parliament has been largely effective in these constitutionally mandated oversight responsibilities. However, there is perception that the majority in Parliament is often unjustifiably influenced by the Executive (and therefore compromised in their objective assessments).

The legislature in Nigeria consists of the National Assembly (Senate) and the House of Representatives. In both houses, the legislature has functions of representation, expression of popular opinion, law-making, oversight of the executive and control of expenditure to ensure that the government is held accountable. These are critical since economic growth and development is a product of the content of the legislation as well as the process. The desired processes of legislating, overseeing and representing should ensure accountability, transparency, certainty, competitiveness, continuous improvement, efficiency and evidence-based decision-making. However in Nigeria, the legislature has not been as effective as expected. Their effectiveness has been constrained by political partisanship and corruption. Efforts at reform within the legislature and the increasing influence of public opinion and civil society have the potential to enhance the contributions of the legislature.

In the South African case, the Legislature is involved in industrial development through representing the people on public matters and ensuring adequate resources for their conduct through the passage and approval of budgets. Their functions include passing legislation, overseeing government action, facilitating public involvement, ensuring cooperative government and international participation. The Parliamentary Portfolio Committee on Trade and Industry assesses the performance of the Department of Trade and Industry (dti) and produces a Budgetary Review and Recommendation Report.

The Ethiopian House of Representatives like other legislatures on the continent, has the mandate to initiate bills (apart from financial bills) as well as approve and adopt laws. Legislators also review and endorse general

policies and strategies including industrial policy. Through committees and parliamentary groups, Representatives scrutinize issues of public interest including things pertaining to economic and industrial policy. The House may organize public hearings through its committees to bring together such stakeholders as professional associations, civil society, higher education and research institutions, chambers of commerce, other interest groups and individuals. However, it was not clear how effectively the Legislature did this.

The Ugandan Parliament is given a role in the “Implementation and Monitoring of the National Industrial Policy (NIP)” Section of the NIP. However, it would appear that it has not been actively involved.

The Madagascar Legislature has two chambers, the National Assembly and the Senate. Therefore, the enactment of the Industrial Development Law and other related legal instruments lies in the purview of the legislature. However, the absence of adequate technical support for research hampers Legislators’ assessment of public policy issues. This weakness hampers parliament’s effectiveness vis à vis the other arms of government, particularly the executive. However, the Committee system has the potential to facilitate generation and cross-fertilization of ideas, information sharing and decision-making. The committees are also able to access expertise from other parties and receive inputs from lobby groups.

## **Other Actors**

Even though the government is expected to lead the process of policy formulation, facilitate and oversee implementation and provide an enabling environment, in the spirit of good governance and for resource effectiveness, it is expected to collaborate with the private sector and other non-state actors with an interest in the area.

The country case experiences suggest that over the past decade, the culture of consultation and engagement between government and non-state actors has

gained traction. This may be in line with international good practice relating to participation and engagement with stakeholders and enhancement of accountability.

However, it would appear that the initiation of relationships between state and non-state actors has been largely supply-led (that is from the government side). While there is evidence of some pro-activity on the demand side (manufacturers, industry players and other consumers of services), there has to be conscious coalition-building and alliances forged with other players such as unions and the media to amplify their voices for change.

Other actors involved in industrial policy with the potential to move the transformation process forward identified in the country cases included manufacturing and product associations, academic and research institutions, think tanks and other civil society entities. In one instance, the participation of journalists/ the media was indicated. However, it is not uncommon to find that trade unions, CSOs, think tanks and other parties that would provide social capital and help to involve citizens in policy implementation, monitoring and review would not be extensively engaged.

## **Membership Associations and Chambers**

Membership organizations generally represent the interests of operators, negotiate with other parties including the government on their behalf, address welfare issues and undertake advocacy. They include the manufacturers' associations, chambers of commerce and industry amongst others. While there were indications that these entities had been involved in policy formulation and consulted on policy issues, some concerns were expressed that the level of engagement was not adequate and the demand side could be enhanced.

In the Ghana case, some key actors identified included the Association of Ghana Industries, Chamber of Commerce and Industry, the Association of

Small Scale Industries and the Ghana Union of Traders Associations. The Suame Magazine Industrial Development Organization – a group of artisans in the automotive industry with the potential for innovative, indigenous production capacity as well as to constitute a powerful force for social change – was also recognised as a key player in Ghanaian industrial development. Efforts have been made over the years to build their capacities to optimize this potential.

Nigerian players included the Manufacturers Association of Nigeria, Chambers of Commerce and Industry and other organized private sector groupings who are consulted in policy processes. However, it was observed that the level of engagement was not sufficient. However, it was also admitted that there was inadequate capacity and quality on the part of the membership associations to engage sufficiently.

In Madagascar, the Industry Syndicate, an association of employers and industry leaders had actively participated in the development of the industrial policy, legislation and contributed ideas. The Syndicate of Manufacturers, an association with advocacy, influencing and policy input roles was also identified as a private sector actor that could facilitate the process of change in Madagascar. The Syndicate also has responsibilities for negotiation with other actors and is a proponent of the Industrial Policy.

The Madagascar report presented GEM as a grouping of enterprises, associations and syndicates representing distributors and wholesalers and importers who could go either way – supporting industrial development because it provided them the products at reasonable cost or being ambivalent or indifferent, if the product was not available locally or competitively.

The National Economic Development and Labour Council had been established in South Africa as a platform for social dialogue with the Chambers of Public Finance and Monetary Policy, Trade and Industry, Labour Market, Development. This mechanism facilitated consensus-building on economic

and social dimensions of trade as well as industrial, mining, agricultural and services policies

In Ethiopia, the private sector had been represented in policy formulation and implementation by the chambers of commerce and the sectoral associations. The Ethiopian Public Private Consultative Forum (EPPCF) helps to create a conducive investment climate, find solutions to business regulation constraints and foster strong partnerships and mutual trust cooperation with government.

## **Academic and Research Institutions and Training Institutions**

Research and academic institutions are expected to contribute to policy formulation and review through relevant research, strategy development, best practice identification, monitoring and evaluative studies as well as providing requisite training for industry players. The country case studies indicated their involvement as follows.

In Ghana, some research organizations such as the Centre for Scientific and Industrial Research (CSIR) and the Institute for Social, Statistical and Economic Research (ISSER) of the University of Ghana were indicated as known parties in industrial development.

In Nigeria, individual academics as well as institutions were noted to have supported the preparation of development plans. Their contribution had helped to align the National Development Plan with industrial development aspirations. Efforts to mainstream industrial development were critical to achieving sustained and effective programmes. With the Madagascar experience, academics from the University of Antananarivo had participated in reflections for the industrial policy formulation along with international experts.



Industry-specific engineering departments have been organized under the different universities in Ethiopia. There had also been the pro-active establishment of various industrial development institutes for textiles, leather and food processing, amongst others, under the supervision of the Ministry of Industry. Their responsibility was to facilitate development and transfer of technologies to support the rapid development and competitiveness of industries. These Institutes prepare and disseminate project profiles to expand investment, conduct feasibility studies, follow-up project implementation, conduct practical training on technical matters, management, amongst others. However, their contribution to updates of regulation and related issues has not been effectively felt.

## **Professional Bodies and Think Tanks**

Professional bodies and think tanks were considered important contributors to the content of policy, key in ensuring quality standards and effective performance in policy and programme implementation. In Ghana, one such institution was the Ghana Institute of Engineers.

The Madagascar report identified a think-tank of Economists (CREM) which had organized reflection events to consider the challenges of economic development. CREM contributed to the process as a laboratory of ideas, publications and linkages between the worlds of research and politics.

## **Development Partners**

Development partners (DPs) have been important for their technical and financial assistance in all case study countries, even though not all the reports commented on their roles. African governments have required international organizations to support with industrial policy advice and technical cooperation to enable Africa countries implement industrial strategies and forge stronger regional and inter-regional cooperation (Ethiopian Country Report, 2016).

In the Ghana case, foreign missions and development partners were just recognized as drivers who could promote economic transformation. The critical development partners of Ethiopia in this area were identified as key United Nations Agencies, (UNIDO and UNDP), the World Bank and bilateral partners such as the Chinese, South Korean and the German Governments. Similarly, the assistance of UNIDO, the World Bank and other parties were indicated in the other countries.

The Madagascar experience emphasized that donors and DPs would be expected to assist in development processes with financial and technical support relations. Their other enabling activities would include promoting foreign direct investments (FDI) and recognition of the role of the private sector. Since DPs would be interested in the ability of Madagascar to repay debts, participate the global economy as well provide a secure source of raw materials and intermediate products for their economies, these could be selling points in the effort to get them to promote industrial development in the country.

Development partner assistance must be in line with the principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, which requires a strong demand side. For that to be effective, DPs will support the industrial policy process in developing countries with institutional capacity for public policy rather than specific policy content or outcomes. DP support must facilitate the development of evidence-based, participatory and effective industrial policy processes championed by public and private stakeholders that will deliver significant impacts for inclusive and sustainable industrial development (Yong, *ibid*).

## Media

Only the Madagascar experience demonstrated the change economic journalists could make by ensuring the issue was on the agenda for national discussion. It would be useful to see what roles the media had played in promoting industrial development.

## Public-Private Platforms

Existing multi-actor platforms that would bring public and private sector actors together has worked in other country experiences for promoting industrial development (Wade, 2015). In these studies, the South African experience indicated appreciable integrated, intra-government support for industrialization in collaboration with the private sector. For instance, there was the Presidential Work Group of five (5) joint task teams on education and skills; infrastructure; the regulatory environment; labour relations; and the environment and inclusive growth.

In Ethiopia, the Ethiopian Public Private Consultative Forum (EPPCF) had helped to create a conducive investment climate, find solutions to business regulation constraints and foster strong partnerships and mutual trust cooperation with government.

## Organized Labour

Organized labour has critical mobilizing capacity and should be an interested stakeholder in industrial development as a source of employment, quality goods and improvements in standards of living. Therefore, unions were a potential ally in the quest for economic transformation. However, accounts of the involvement of organized labour appeared to be rather tenuous and needed to be strengthened.

In the Ghana case, organized labour was mentioned as a stakeholder, however, only the Ghana Trades Union Congress (TUC) was indicated (though there are others).

The Nigerian account demonstrated that over the past decade and a half, labour unions had worked together and with the private sector and other CSOs on campaigns against smuggling. Unions had engaged government on solutions to the economic crises. The study indicated that labour unions recognised the constraints to industrialization including policy inconsistency, lack of synergy, infrastructural issues, high interest rates and unfavourable tariff regimes amongst others. Labour unions also considered the weak involvement of critical stakeholders and poor policy implementation as impediments to industrial development that need to be addressed.

Organized labour or the unions in Madagascar had been involved in policy formulation processes but mainly by way of awareness raising on structural transformation through industrial development. More union involvement and advocacy of the industrial policy was required.

The Ugandan case study indicated that trade unions, CSOs, think tanks and other parties that would provide social capital and help to involve citizens in the implementation of the NIP had not been extensively engaged. It was observed that it was not uncommon for key players in policy implementation to be forgotten except for the Ministry of Finance! Therefore, critical opportunities for contributing to public debate had not been optimized.

Trade unions and CSOs should be targeted for promoting industrial development for economic transformation. The potential local industrial development and manufacturing have for job creation, safety and quality production, improvement of living standards and creating multiplier effects in the economy must be exploited to this end.

## How can Actors and Coalitions be strengthened?

Some proposals for strengthening the different actors were made as follows:

- Strengthen the Ministries responsible for industrial development with the appropriate location, resources and mandates
- Demonstrate political will by allocating clear budget lines to research and development to support industrial development
- Strengthen presidential and parliamentary oversight and tracking of performance
- Mainstream industrial development and manufacturing in national development planning with responsibility commitments identified for different sectors
- Strengthen inter-ministerial and inter-agency coordination including regular progress reviews, target-setting for the different agencies, performance contracting and implementation of communication strategies
- Provide technical and research support for various entities involved in oversight of industrial development including Parliament, Office of the Head of State (President, Cabinet Office, Prime Minister etc.)
- Strengthen capacities of membership associations to undertake independent studies and monitoring for evidence-based advocacy
- Strengthen capacities of membership associations for networking, information-management and knowledge-sharing and negotiation
- Build international linkages and platforms between membership associations and counterparts in sister countries
- Strengthen linkages between media, think-tanks, research institutions and membership associations
- Encourage the development of platforms for knowledge-sharing and innovative thinking
- Resource academic and research institutions to conduct relevant studies into innovations and best practices including lessons from the South Korea and Sweden experiences of the potential contribution of a military industrial complex to industrial development and economic transformation

(learning from the Metal and Engineering Corporation (MeTEC) initiative of Ethiopia)

- Foster interest of and independent research commissioned by organized labour/unions in sustainable industrial development, particularly manufacturing – decent work standards, green economy and emerging technologies
- Examine the potential for links between national industrial development and local economic development planning
- Promote institutional arrangements to facilitate multi-stakeholder and inter-governmental cooperation between provinces, municipalities, national government departments and agencies, businesses and communities
- Provide clear roles in national industrial development and economic transformation for local authorities
- Undertake assessment studies to
  - i. Establish the implications of different legislative arrangements for oversight of industrial development (does having a bi-cameral parliament have a different effect from a uni-cameral one etc.)
  - ii. Assess the effects of various capacity-building initiatives such as in the SMIDO (Ghana Case) and
  - iii. Effectiveness of engagement mechanisms and public-private platforms
- Enable the innovative capacities of facilitating institutions and strengthen linkages between them (the National Board for Small Scale Industries – NBSSI; the Business Advisory Centres – BACs; Rural Enterprises Projects and the Council for Scientific and Industrial Research - CSIR).
- Provide a facility (market fairs, platforms with industry, research innovation and development events etc.) to show case their innovations and product
- Encourage specialization by the media in reporting on and show-casing industrial development

# ACTORS AND COALITIONS THAT CONSTRAIN ECONOMIC TRANSFORMATION

## The Spoilers of Economic Transformation

The different country reports provided varied perspectives on spoilers or constraints to economic transformation. They could involve actors and coalitions who actively opposed innovative industrial policy development and implementation as well as the indifferent players. In this respect, economic transformation could be constrained, overtly or indirectly. In the latter case, where support for industrial development initiatives was neglected or not optimized, the “offending” actors could be considered spoilers.

The Ghanaian researchers argued that drivers could be potential spoilers if they did not perform as required. These included individuals as well as institutions. The individuals could be politicians, trade unionists and government officials. Spoilers could also be institutional such as those responsible for supporting the technical, economic, research and environmental dimensions of the industrialization agenda.

In the Madagascan analysis of stakeholders, key players who have a strong interest in the industrial policy as well as the power to ensure its successful implementation would be drivers. These could be the Ministry of Economy and Planning and the Economic Development Board. Other parties with key interests in industrialization but without the requisite power were described as subjects. These included the Ministry for Industrial Development, the Syndicate of Industrialists, other private sector actors, employers’ organizations and donors.

Other actors are described as the context-setters who have the power but not sufficient interest. For instance, the Ministry of Finance and Budget was

a powerful influence on the context. Other context-influencers are the Prime Minister's office and powerful private-sector importers, who would lose with a thriving domestic production. Their strong financial position of the latter and international links enabled them to promote their agenda and made them potential spoilers. Finally, parties with links to industry but lacked the power as well as the interest belonged to what was categorized as "the crowd". Surprisingly, the Madagascar study located trade union members were located here.

The Ugandan country report noted that in the implementation process, some key players had been more or less left out even though they have been provided for in the Policy. This neglect or omission by lead implementers or those who had the power constrained or "spoilt" the processes of economic transformation. The "left out" parties included Parliament, Office of the Prime Minister, the Ministry of Internal Affairs, Uganda Law Reform Commission and the Uganda Investment Authority. Also, weakening of the role of Parliament discussed in the preceding section could work against effective economic transformation.

From the governance perspective, the Ugandan case study revealed that the political culture and relationships with the citizenry could constrain the effective execution of the best intended industrial development policy. Even where mechanisms were deployed to objectively identify the best [firms], entrepreneurs and investors still spent time seeking political favours rather than on improvements, expansion and cost-reduction strategies.

On the other hand, the posture and orientation of the elite - both political and bureaucratic – could make a difference as the Ugandan case study demonstrates. Therefore, while they could be drivers, they also had the potential to be spoilers.

It was important that those in power should want the policy to succeed and be required to develop the requisite political and enabling institutions. However,



the study suggested that effective political will and strong institutions were both absent.

The Ugandan commentary argued that the notion that economic transformation should make sense for the self-interest of politicians (as voters would reward governments for programmes that affected their standards of living positively) appeared to apply only in high and middle income countries. In developing countries, improved standards of living would free the voters of political clientelism; and this would make it difficult for incumbents to retain power.

Other challenges to transformation arise from weak collective decision-making which then results in policy incoherence. Policy sources were several and could be contradictory. For instance, activities emanated from Presidential directives, cabinet directives, manifestoes, national development plans, sector plans and public demand. In such instances, priority tended to be given to presidential directives and non-costing of these and other political commitments also hampered implementation.

Public servants could be disinterested in or cynical about the pursuit of the public good or national interest. This would be because they perceived politicians as being only interested in implementation of manifestos and development in their electoral areas.

In the Madagascar story, attention is drawn to the role that corruption and bad governance play. These include opaque discretionary and arbitrary practices in industrialization. Inefficiencies are insulated and not addressed. There is under-resourcing of industrial development and the allocation of the limited resources without transparent guidelines could result in resource misuse.

Therefore, a weak state where administrative guidelines and regulations are not available or not followed hampers the delivery of a good industrial

policy. Finally the issue of time differences for delivery on expectations arises. Industrial policy implementation is a lengthy and dynamic process that requires the participation and good will of all stakeholders around a common objective. Politicians often do not have that long-term perspective because of their exigencies and interests.

In Ghana, political patronage and rent-seeking arising from the weakness of institutions and the commercialization of politics were also impediments to progress. This resulted in some appointments made based on political considerations; and contracts awarded to political allies and elites. Corruption in procurement and related practices also affected performance. The foreign sources that supported the country's efforts in the past (in grants and facilities on low-interest basis) declined with the declaration of middle-income status. Global economic developments have had some influence on national economic performance particularly through the dwindling import-export cover. Still other concerns related to inadequate capable human resources and lack of reliable data on Ghana's industrial sector particularly SMEs to facilitate monitoring and planning.

The Nigerian case pointed to the role leadership and governance issues had played in delaying economic transformation, particularly relating to corruption, rigging of elections, manipulation of census figures, violence and regionalism. These in turn had fostered insecurity, social dislocation, poverty and political instability.

National integration had been elusive. In spite of measures to tackle corruption such as the establishment of anti-corruption agencies like the EFCC and the Independent Corruption and other Practices Commission) the situation had not been effectively addressed. There is a lack of national consensus or repulsion against perpetrators.

Leadership quality was considered low and public sector reforms to staffing, procurement and enforcement of regulations had not had the

desired effects. The country's institutions were weak in that they could not perform the governance-related functions. These functions including framing development problems, defining policy commitments, choosing the appropriate instruments, ensuring implementation and enforcement and translating ideas into policy and change.

Traditional and informal institutions that should have regulated public behaviour through application of the values, beliefs and norms had failed in this regard. The interface between the government, academics/technocrats and non-governmental actors had to some extent, influenced policy-making processes but this had not been achieved in a mutual or reinforcing manner.

Public policies were designed to or resulted in protecting the class interests of those who control the State. There was lack of coordination amongst the players which resulted in institutional conflict and the absence of proper synergies among Ministries, Departments and Agencies (MDAs).

In view of the forgoing, the spoilers from the Nigerian case study were identified as the elite class/elite interests, mainly political leaders and bureaucrats who through state capture and corruption of public processes hampered transformation. There was lack of political will for change, inconsistent policy making to feed systemic corruption, policy coordination problems and improper and ill-motivated implementation of policies.

### **A quotation from the Nigerian case study is instructive:**

“The policy making cycle often commenced with the academics and technocrats (most often of foreign extraction) making predictions and prescriptions to both the government and non-government actors based on their knowledge, experience and ideological leanings. These predictions and prescriptions shape the interactions between the government and non-government actors and thereby the final policy choice (s) and implementation. A very striking observation

is that government is not composed of platonic guardians acting benevolently in seeking public interest.

Rather, the Nigerian State has become more of a leviathan-bureaucratic-factional (or class) one- a predator state that seeks profits and rents from governmental activities and preys on its citizens for the economic benefit of autocracy, policy elite and/or bureaucracy; engages in maximization and builds a large public sector and numerous state-owned enterprises; and acting in principal-agent manner and redistributing income or wealth from one faction or class to another. Little wonder the citizenry and public opinion do not essentially matter in policy making process even under the current democratic dispensation. Rather public policies have often been designed to promote and protect the class interest of those who control the Nigerian State”.

“The extreme poverty and illiteracy which pervade the society have emasculated and disempowered the majority of the people and made them inconsequential observers in the policy making process” (Country Report, Pages 18 and 19; 2017)

The other country experiences suggest that implementing and leading public agencies could be disempowered by their low capacities. However, these low capacities could be interpreted as arising from the lack of the requisite political will to invest in the requisite institutions and individuals.

For instance, in Ghana, it was established that in spite of the [good] content of relevant policies, there was slow implementation or they failed to achieve the desired progress given the low performance of the manufacturing and agricultural sectors of the economy. This was due to lack of funds and other constraints as corruption, high costs of credit, huge infrastructural gaps, high taxes, difficulty in accessing credit and unreliable supply of energy.

The Ethiopian case study points to the low implementation capacity of the MOI. It also cites low investment coordination resulting in low competitiveness and resource misallocation. The use of obsolete machinery, pollution, waste and failure to meet environmental standards also hamper delivery. Finally, low capacities for feasibility studies and the inability to keep track of the trends contribute to ineffective results from incentives. The incentives are not updated and their realization is hampered by capacity problems at the Ethiopian Revenue and Customs Authority.

## **Recommendations to Address the Effects of Spoilers**

Therefore, to achieve the desired political and enabling institutions, the onus was on civil society to help to eradicate the acceptance of rent-seeking cultures and political patronage.

The failure of the state in Nigeria (and in several other places on the continent) signifies that the main drivers of economic transformation could be narrowed down to leadership and governance. This is especially relevant when key issues like corruption, lack of national integration, the misuse of national financial resources and public reforms need to be tackled. Strengthening the country's institutional frameworks and the interface between the government and its partners (academics, technocrats and NGOs) would reinforce policy-processes and ensure the design of appropriate and workable public policies that are in the interests of the citizenry.

## **STRENGTHENING POLITICAL MECHANISMS AT PLAY TO PROMOTE ECONOMIC TRANSFORMATION ACROSS NATIONAL BOUNDARIES**

The preceding sections on drivers/movers and constrainers/spoilers alluded to the effects of political will and motivations on the choices made and the implications for economic transformation. The choice of instruments of economic and industrial policy is arguably influenced by the political ideology and mechanisms at play. The choice of controls, content of education and communication, insulation of industries or openness, guarantees and incentives, the support of networks and approaches to coalition-building as well as the effects that environmental mechanisms (the influences), cognitive mechanisms (efforts to change perceptions) and relational mechanisms (fostering connectedness) must be carefully considered in country strategies to promote economic transformation.

Other influences include what the countries subscribe to on a regional and continental level. The Regional Economic Communities on the African continent including the East African Community (EAC), Southern Africa Development Community (SADC) and the Economic Community of West African States (ECOWAS) have industrial policies as essential pillars of the economic integration strategies with UNIDO assistance (Yong, 2014). How national industrial policies are linked to and located within regional and international policy documents will determine the direction and pace of economic transformation. These two factors also influence the quality and the effects of international trade on economic transformation on the African continent.

Given the size of the markets of the six (6) case studies and other countries on the African continent, it is important to encourage collaboration to derive economies of scale and spill-over of capacities, knowledge and effects.

In Ghana, industrialization has been driven largely by the ideals of neo-liberalism. However, political partisanship, tensions about continuity and an inordinate focus on winning political power have hampered progress towards socio-economic transformation.

Mechanisms that need strengthening include both fiscal and monetary targeting interventions. Inflation targeting for monetary policy has been effective in controlling price increases but not much had been achieved by way of growth, because of high policy rates. The private sector has had to compete with the government for limited loanable funds (with a treasury bill rate of 22%) and this has had implications for manufacturing.

Some priorities are sustaining economic recovery (from recent economic downturns) and the strenuous efforts at fiscal consolidation. While the gap between public expenditure and revenue must be reduced, there is the need to invest in industrialization and job creation.

Some of the factors which have facilitated progress include the comprehensiveness of the industrial policy; strong collaboration, good working relations; and the inter-ministerial coordination that facilitated policy development and implementation.

The prevailing political environment has increasingly encouraged consultation and inter-ministerial collaboration. This has resulted in better alignment between the industrial and trade policies and a more conducive environment for promoting accelerated industrial development. The implementation of the Industrial Sector Support Programme (ISSP) Action Plan envisages the adoption of a trade and tariff strategy and the creation of four Industrial

Programmes (Tema, Takoradi Cities, Savannah Zone and ICT in Cape Coast) as well as an Industrial Development Fund to supported selected manufactural firms facilitated progress.

Reflections on the Nigerian situation suggest that in spite of the different ideological directions and paradigms that had been followed over almost six decades of independence, no agenda had been successfully completed or fully implemented. In spite of enormous financial resources from oil over time, the effects on development were not tangible.

Critical governance failures include non-accountable governments whose leaders are pre-occupied with tenure and security. The results have been unstable polities, over-centralized action and forced uniformity (without accommodating differences). [Political leaders] suffer from an “infallibility syndrome” and are impatience and intolerance of alternative policy views. Very often, the ideological and theoretical bases of actions are weak and inappropriate with scant attention to the ultimate needs and goals of the economy. The foreign debt burdens result in imposition by the lenders.

Some of the mechanisms that need strengthening relate to management issues: lack of timely delivery rising either from inordinate delays or undue haste; abhorrence of systems; and inappropriate staff (put as square pegs in round holes). Approaches are not holistic and multi-disciplinary approaches are not sufficiently adopted. There is inadequate data to support monitoring and planning. The results include escapism; policy instability; ethnic divisiveness and distrust.

In Nigeria, a range of incentive packages and fiscal measures were introduced including tax holidays, tariff protection, investment guarantees, effective protection, export incentives, export processing zones (EPZs), access to land, establishment of industrial core projects, support of research institutions, trade policies (including preferential duty on exports and imports), tax policies



including capital allowance schemes, free dividends and credit policies (including retention of foreign exchange earnings) have been adopted. These measures must be supported, monitored and assessed for their impacts on local industry and manufacturing.

There is much to learn from Nigeria's successes. For instance, the country's improved domestic capacity in cement production is partly attributed to the Dangote Initiative and the establishment of steel rolling mills through specially packaged mechanisms. These products have gone across national boundaries (such as to Ghana and Ethiopia). The country has also enjoyed advancements including increasing progression from crafts work to value added goods and from import substitution to local sourcing of industrial raw materials.

In South Africa, the policy instruments were generated through evidence-based, stakeholder generated mapping. These included targeted sector strategies; industrial financing; integrated trade policy to boost exports, create employment and promote foreign direct investments (FDI). A trade negotiating strategy and tariff reform (to lower the costs of upstream enterprises and provide inputs for the downstream industries).

Other instruments were the provision of skills and education for industrialization and leveraging public expenditure. Competition policy and regulation, industrial upgrading to upgrade capabilities, implement the manufacturing excellence programme and the technical infrastructure for sound Standards Quality Assurance Innovation and Technology were deployed.

The provision of spatial and industrial infrastructure primarily through Industrial Development Zones and Special Economic Zones and finance and services to SMEs were also identified. Other priorities include leveraging empowerment for growth and equity and building the regional and African Industrial and Trade Framework.

In all of these, the key words are coordination, capacity-building and organization. Beyond these, there are sectoral issues and policy actions to be addressed: such as (a) processes for clustering and the selection of industries to cluster; (b) special economic zones policies and which industries qualify for which kinds of incentives; and (c) provincial and municipal planning involving targeting sectoral strengths for the region.

The South African case provides an experience to be studied further and learnt from. The Motor Industry Development Programme (MIDA) is considered as one of the most successful post-apartheid industrial policy intervention. Some of the gains included the range of spill-over benefits as there were substantial linkages downstream from the platinum industry. Better geographic distribution of growth was achieved, given that manufacturing hubs were formed. One important factor was the scale of the project. It was strategically thought through, well executed with massive incentives. It raises the critical question as to whether scale is a driver or pre-condition for success.

However, the process demonstrated that focused large-scale interventions could make supporting policies work better. For instance, the MIDP programme assisted the Industrial Development Zones (IDZs) and assisted the beneficiary projects to access AGOA, TDCA and other forms of support including research and development, capital investment and improve labour relations. It became a lead Intervention that had the capacity to attract investment where it would otherwise not have existed. The potential to mobilize investment beyond incentives could also be considered.

Another lesson learnt from the experience was that sectoral targeting is an essential component of industrial policy. Interventions must be tailored to sectors that offer opportunities to maximise impact. But this approach has its challenges including the danger of neglecting some strategic sectors and political pressure on governments to make particular choices. Also, a different strategy may have to be developed for promoting smaller-scale strategic interventions as required.

A country's involvement in regional/international trade relationships could be beneficial but such agreements needed to be carefully considered for their implications and factored into national policy choices. Cross-boundary efforts to promote economic transformation also provided lessons that could feed into national planning. A country's choice of policy instruments such as tariffs could be affected by its membership of sub-regional economic bodies.

As indicated in the South African experience, access to AGOA, TDCA and other programmes had facilitated industrial development. South Africa has an explicit agenda for international industrial development for the continent. Strategy 12 of the IPAP titled "Regional African Industrial and Trade Framework" intends to seek regional and continental opportunities for resource exploitation and infrastructure development and exploitation of regional value chains (in mining, agro-processing, pharmaceuticals, chemicals).

South Africa also belongs to and is influenced by the Southern Africa Development Community (SADC) Free Trade Area; and the continent-wide Tripartite Free Trade Area and Non-Tariff Technical Barriers. South Africa is also a beneficiary of AGOA and the EU Trade and Development Cooperation Agreement to access expanded export opportunities and investment flows. Ghana's status as a beneficiary of preferential access to the US Market under AGOA arrangements is also considered by the case study as a success factor.

Membership of the East African Community and the common external tariff affects Uganda's tariff regime. Other influences are the country's membership of COMESA (which has signed AGOA) and the Economic Partnership Agreement (EPA) with the European Union.

Other commitments such as the Africa Agenda 2063's "Action Plan for the Accelerated Industrial Development of Africa (AIDA)" require active participation by the nation states in order to succeed. The Plan which has been formulated to mobilize resources towards Africa's industrial performance calls

for the promotion of sectoral and productivity plans as well as regional and commodity value chains to support the implementation of industrial policies at all levels.

Nigeria's and Ghana's involvement in regional/international trade relations include ECOWAS protocols and the adoption of fiscal policy measures in line with the Common External Tariffs (CET).

The Ethiopian case brought out the WTO Framework for industrial policy – especially Article XI 2's provision for least developed countries (LDCs). These include special and differential treatment and longer transition periods to such agreements as the Trade Related Intellectual Properties (TRIPs). The analysis suggested that LDCs may not be unduly constrained by WTO rules but rather may lack the capacity to benefit from the various exceptions and waivers, thus being limited in the ability to optimize the policy space.

African governments have also required international organizations to support with industrial policy advice and technical cooperation to enable Africa countries implement industrial strategies and forge stronger regional and inter-regional cooperation (Ethiopian Country Report, 2016).

In Ethiopia, the participation of foreign firms in some sectors appears to have contributed to their better performance. For instance, the entry of new firms into the beer and leather sectors had enhanced their export potential. These new firms included foreign companies and investors. Lower wages and cheaper raw materials had been some of the attractions. Foreign investors and activities of these firms had contributed to increasing urbanization which in turn fostered the construction industry. This had fuelled demand for and expanded local cement production, attracting two large foreign firms; making savings of foreign exchange.

Therefore, it was important to pursue economic transformation at the inter-country level in order to maximise opportunities, derive economies of scale,

facilitate knowledge spill-over and transfer, share risks, expand their markets and strengthen delivery.

Some of the lessons learned therefore for promoting economic transformation across national boundaries include

- Leadership and strong political will to consider both the short-term requirements and long-term aspirations of the nations and continents
- Taking advantage of globalization and the availability of cheaper machinery, technical resources and know-how
- Strengthening cross border negotiations to expand markets
- Wide sub-regional and continental discussion on industrial development as a driver of economic transformation
- Strategizing and peer review of commitments to African Regional and Sub-Regional Frameworks and commitments to industrial development in the African Agenda 2063
- Update of knowledge of both political and technical leadership on emerging international trends and prospects for inclusion in African efforts (including particularly green economy issues and opportunities offered by emerging fields such as bio-technology) at continental and sub-regional levels

# CONCLUSIONS TO THE COUNTRY STUDY ANALYSES

## Recommendations of the Country Studies

The findings presented by the six (6) country studies suggest that African countries recognise the need to employ industrial development to transform their economies, provide employment and attain decent standards of living for their citizens. They have developed policies and strategic frameworks to these ends. Their performances demonstrate mixed results, some successes and lessons. The country studies propose directions for corrective action.

As indicated in the country studies, African governments have to deal with high levels of poverty and inequality, environmental boundaries, increasing global economic interdependence, often dysfunctional political systems and under-resourced administrations and weak and incipient institutions through which they are expected to deliver socially responsive industrial policies. The country studies also demonstrated concerns that they may be constrained by World Trade rules and international obligations as well as foreign competition for their markets.

But African countries must develop and implement industrial policies that would result in inclusive and sustainable industrialization and economic transformation. To these ends, the country cases made recommendations to galvanize the processes of economic transformation. These have been summarised and clustered under twelve (12) inter-related areas as Recommended Actions from Country Case Studies below.

*Table 2: Recommended Actions from Country Case Studies*

Areas	
1.	Review, update and finalize outstanding legislations and instruments
2.	Review industrialization policy to incorporate approaches with demonstrated success
3.	Reform the governance environment
4.	Promote strong leadership and demonstrate sustain political will
5.	Create the enabling environment
6.	Facilitate knowledge-sharing and technical support amongst industries
7.	Progressively close infrastructure gaps by prioritizing industry needs especially for electricity and roads
8.	Advocate and mobilize increased investment in agriculture as a basis for industrial development
9.	Promote policy implementation as a dynamic, participatory learning process in line with country priorities and contexts
10.	Sustain dynamism through policy preparation and implementation
11.	Redefine the developmental role of the state to strengthen partnership with private and civil society sectors
12.	Continue and widen systematic human capital creation

Detailed Categories		
Areas of Focus		Proposed Aspects
1.	Review, update and finalize outstanding legislations and instruments	<ul style="list-style-type: none"> <li>• Review the content as well as the process of implementation of the industrial policy to feed into an industrialization strategy to develop manufacturing sector</li> <li>• Continuous review and revision of industrial development policies and strategies to reflect the dynamic national and international environment</li> <li>• Monitor implementation of the industrial development plan: regular, multi-pronged, multi-method, multi-stakeholder approaches from a learning orientation</li> <li>• Provide structured regime of incentives for manufacturing industries</li> </ul>
2.	Review industrialization policy to incorporate approaches with demonstrated success	<ul style="list-style-type: none"> <li>• Promote cluster models (where geographic concentrations of interconnected companies and institutions in a particular field are together)</li> <li>• Conscious and considered adaptation of lessons from other countries to the peculiar country context (not to be adopted wholesale)</li> <li>• Adjust policies to emerging circumstances</li> <li>• Replicate framework for cement production in Nigeria and Ethiopia</li> <li>• Align working and related policies for better coherence</li> <li>• Aligning economic policies (trade facilitation, competition, small business development, investment promotion, higher education,</li> </ul>



		<ul style="list-style-type: none"> <li>• infrastructure development, macro- economic policy)</li> <li>• Prioritize sectoral interventions and objectives: and ensuring balance through targeting strategically.</li> <li>• Differentiate and sharpen the objectives to identify interventions to remove blockages and facilitate growth; highlight those that are intended to transform participants for inclusivity</li> </ul>
3.	Reform the governance environment	<ul style="list-style-type: none"> <li>• Foster policy coherence so that there is disciplined, consistent policy direction and reduces the spaces for political interference</li> <li>• Generally strengthen coordination and communication focusing on the sharing information on the actions of various institutional support systems; encouraging inter-agency learning</li> <li>• Prioritise effective public administration by building a technical and bureaucratic elite with requisite and genuine competencies in industrial development</li> <li>• Strengthen relationships between coordinating sector Ministry (Ministry of Industry) and industry actors and the Ministries responsible for Finance and Budget by gaining an appreciation of the interests of the different parties in promoting industrial development;</li> <li>• Identify technical and financial champions from these key Ministries for the process and strengthen alliances with and between them</li> </ul>

		<ul style="list-style-type: none"> <li>• Provide mentoring and advice to senior officers and administrators involved in the implementation of the industrial policy</li> <li>• Strengthen and recondition Ministries responsible for Industry to be able to coordinate and require action from economy, industry and commerce entities; and to mobilize capacities and interests to facilitate direction of investments and economic diversification</li> <li>• Deepen democracy to reduce partisanship and high tensions around elections.</li> <li>• Strengthen civic education institutions for citizens</li> <li>• Insulate public institutions from political interference, nepotism and tribalism</li> <li>• Strengthen intergovernmental coordination and capability</li> </ul>
4.	Promote strong leadership and demonstrate sustain political will	<ul style="list-style-type: none"> <li>• Clarify national vision of development</li> <li>• Promote development-oriented discourse between the state and non-state partners to foster collaboration and understanding of the vision</li> <li>• Develop/review of National Development Plan to give prominence to industrialization and entrepreneurship as major elements in transformation as shall be required/ mainstreaming industrialization into national development strategies</li> <li>• Aggressive resource mobilization and allocation for industrial development</li> </ul>

		<ul style="list-style-type: none"> <li>• Demonstrate political will and commitment to good governance</li> <li>• Reverse state capture and rent-seeking behaviour</li> <li>• Develop a long-term home grown development programme/plan</li> <li>• Strengthen internal resource mobilization to generate revenues the nation can control without conditionalities</li> </ul>
5.	Create the enabling environment	<ul style="list-style-type: none"> <li>• Regular update and differentiation of incentive schemes for different industries; going beyond the usual “blanket” incentive schemes</li> <li>• Paying attention to affordable long-term finance, by addressing high interest rates and providing viable, non-partisan facilities</li> <li>• Reforming tax regimes so that indigenous industrialists have some advantages over importers</li> <li>• Providing relevant and coordinated information to potential investors</li> <li>• Strengthen the Ministry of Industry and Private Sector Development by providing adequate resourcing, location and other capacities</li> <li>• Government: create a stable macro-economic framework/ environment</li> <li>• Conscious planned economy</li> <li>• Medium-term development planning</li> <li>• Create and maintain competent and motivated bureaucracy</li> <li>• Ensure effective control of smuggling, counterfeiting and faking local goods</li> </ul>

6.	Facilitate knowledge-sharing and technical support amongst industries	<ul style="list-style-type: none"> <li>• Investment in and establishment of industrial parks</li> <li>• Harness technology, innovation, productivity and linkages including commercialization of outcomes of industrial research</li> <li>• Building appropriate inter-enterprise linkages and capability to optimize and take advantage of policy implementation</li> <li>• Strengthening the leverage and participation of private sector associations and employers' associations</li> <li>• Private sector to develop capacity and raise quality of members and leadership to engage issues of policy concern</li> <li>• Facilitate accumulation of technological capability to improve competitiveness for export production</li> </ul>
7.	Progressively close infrastructure gaps by prioritizing industry needs especially for electricity and roads	<ul style="list-style-type: none"> <li>• Address infrastructure gaps particularly electricity supply</li> <li>• Scale up investments in infrastructure development for feeder roads, water for production using public-private partnership approaches</li> </ul>
8.	Advocate and mobilize increased investment in agriculture as a basis for industrial development	<ul style="list-style-type: none"> <li>• Increased investment in agricultural production and agro-processing to optimize benefits of comparative advantage and produce niches (such as organic products)</li> </ul>

9.	Promote policy implementation as a dynamic, participatory learning process in line with country priorities and contexts	<ul style="list-style-type: none"> <li>• Wide-awareness raising of key players to subscribe to idea of industry as the driving force of the economy</li> <li>• Establishment of platforms to facilitate learning and sharing between unions, media and other CS stakeholders</li> <li>• Foster healthy alliances from both the political as well as the technical worlds around this agenda</li> <li>• Encourage broad alliances to promote industrial development including industrialists, economists, trade unionists, journalists and think-tanks</li> <li>• Boost firm capabilities and export performance</li> <li>• Skills development</li> <li>• Facilitate innovation</li> <li>• Promote industrial clusters and competition among firms</li> </ul>
10.	Sustain dynamism through policy preparation and implementation	<ul style="list-style-type: none"> <li>• Compose boards of various implementing agencies to include parliamentarians, representatives from business (large and small), agriculture, trades unions and other parts of civil society</li> <li>• Establish effective functioning of public-private partnership platforms or public-private partnership dialogues</li> </ul>

11.	Redefine the developmental role of the state to strengthen partnership with private and civil society sectors	<ul style="list-style-type: none"> <li>• Initiate a national discussion on economic development and the linkages between short-term policy action and long-term industrial development and economic transformation;</li> <li>• Deliberate state investment in potential areas that markets fail to attract; discouragement of selection of projects on political basis</li> <li>• Strengthen developmental compact with social partners:</li> <li>• All stakeholders must be in agreement to have a transformative and effective agenda and adhere to the roles and requirements assigned to them to achieve that agenda</li> <li>• Promote public private interfaces</li> <li>• Sustain and deepen collaborations between unions, private sector and CSOs in policy campaigns and advocacy</li> <li>• Stronger involvement of unions in policy formulation and review as well as implementation</li> </ul>
12.	Continue and widen systematic human capital creation	<ul style="list-style-type: none"> <li>• Invest in science, technology and vocational skilling</li> <li>• Re-define the delivery systems and project/ establish the required technical capacity</li> <li>• Improve project implementation management capacity</li> <li>• Enhancement of the technology capability in both public and private sectors and at all levels of education</li> <li>• Invest in Technical Education and strengthen efforts to create and sustain technical universities.</li> </ul>

	<ul style="list-style-type: none"><li>• Industrial associations should engage with educational institutions to develop programme tailored to meet the country's industrial needs</li><li>• Engage in strategic and pragmatic state investment in people, science and technology.</li></ul>
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## **Distilling the Underlying Political-Economic Factors: Commentary on Study Responses and Contributions to Political Economy Analyses**

The wide-ranging country-case recommendations reflected the tested solutions which economists and industrialists in developing countries and their development partners are familiar with, as the international literature in Appendix III suggests. Clearly, there are technocratic challenges that must be addressed.

However, the issues underlying the choices that had resulted in the lack of process did not emerge sufficiently. The studies had to be complemented with discussions about the role that political and economic positions and relationships had played in influencing the motivations and actions of different actors and coalitions. The positions of various groupings and competitors and how this had influenced the formulation and implementation of industrial policies had to be unpacked further. Which parties had access to which resources, information and decision-making opportunities did not feature strongly in the analysis.

In the country studies, there was acknowledgement that the requisite political will had been lacking. Recommendations were made to strengthen relationships between coordinating ministries, the Ministries of Finance, industrial interest groups and other stakeholders. There were proposals for better appreciation of the interests of the different parties in promoting industrial development.

However, beyond the listing of political factors that could have played a role, the nuances and the underlying factors holding African countries back needed to be clarified further.

A review of the answers to the Country Case Studies (reproduced in Appendix One) demonstrated that there were differing interpretations of key concepts such as stakeholders, policy instruments, drivers and spoilers. The scope and depth of answers and analyses varied and there did not appear to be sufficient theoretical and conceptual groundings. The basis of some policy decisions and actions by key stake-holding groups were not adequately interrogated for their impacts. Specific observations are presented below.

All the country studies provided considerable information on their current overall (economic) development strategies. National industrial policies were extensively described. Past efforts at implementing industrial policies and manufacturing and their performance were outlined in some detail. However, the answers emphasized the technical and administrative aspects but were not as informative on the political aspects. The “lack of political will” was given as a key, constraining factor but why this was the case; and the interests, the consensus reached, who were involved and influence behind the political choices were not extensively elaborated.

Instruments for economic and industrial policy implementation were described to some extent by four (4) of the country studies. However, why these particular instruments were chosen was not explained. The processes and considerations for choosing these particular means were not unpacked. Stake-holding institutions such as government ministries, departments and agencies were well described. However, the relationships between the different actors, their relative strengths and influences did not emerge strongly enough to describe how settlements were reached and the power differentials between. The Ugandan case provided a modest discussion of institutional roles.



The role of Parliament in shaping economic and industrial policy was also described. However, the strengths and weaknesses of the Legislatures in these functions were not discussed in depth. Their roles in terms of financial allocations, factors that influenced commitments, approved loans and partnerships and other requirements were not interrogated. Whether the type of Parliament (uni-cameral, bi-cameral, other) made a difference did not emerge from the study reports. Similarly, the role, influence, motivations and settlements involving manufacturing associations, trade unions, academic bodies and other stakeholders were not drawn out, beyond a description of who was involved.

While efforts were made to describe the shortfalls in the formulation and implementation of national economic policies as well as the industrial policies in the participating countries, the reasons for the shortfalls did not come out strongly. Why things happened the way they did not emerge sufficiently to provide a basis for political economy analysis.

The successes in economic policy with regards to their contents and implementation performance were quite well described. Similarly, the experiences with industrial policies were also quite detailed. However, how political interests and incentives influenced the choices and processes were not detailed. The particular champions who supported which aspects and why, were also not made evident.

Linkages between the factors responsible for the shortfalls and successes and the drivers and spoilers of the industrialization agenda were not strong. Stakeholder analyses were differently interpreted and conducted to different degrees. The concept of drivers and spoilers were different understood by the different researchers. Some identified spoilers as challenges, some as entities and institutions and others conditions and sectors. How these intersected and the effects of their actions did not emerge strongly enough to explain the arising situation and therefore, possibilities for addressing the issues.

The studies could not analyse the systems of governance and governance factors that positively or negatively influenced economic development, transformation and industrialization as extensively as was required to allow an analysis of the distribution, contestation and relationships between the associated groups and individuals. Some cases like the South African and Ugandan studies were relatively silent on this aspect.

Finally, to address the failures of economic and industrial policy formulation and implementation, technical, rational recommendations were made, drawing from the experiences of Western nations, the Asian Tigers and strategies endorsed by bodies like UNCTAD. However, the murkier, complex aspects of politics, institutional relationships, social and cultural factors were largely absent. There were some allusions to the need differential incentive schemes; the need for policies that target equitable spread of economic growth; more equitable and inclusive workplaces and a broader ownership of productive assets in South African case study. The Madagascar report provided recommendations related to strengthening leverage and participation of membership associations, strengthening the resources and capacities of coordinating ministries. Other recommendations that could have some potential for addressing political economy issues were strengthening the linkages between the champions of the process as well as the establishment and effective functioning of public-private partnership dialogues.

## Conclusions

Generally, the studies described but did not analyse or unpack the political economy issues sufficiently. The underlying reasons and did not answer why the policies had failed. However, the studies made other contributions to knowledge on industrial policy and economic transformation in Africa. Some of these are proposed below.

African countries have common contextual experiences that could be important for power analysis. This includes the histories of state-driven

development and regulation of private business. Socialist approaches with Ghana's first republic, Madagascar's second republic and Ethiopia's Derge Regime fostered centralized planning, prioritization of cooperatives and the nationalized approaches to large enterprises development.

More recent commonalities include economic growth without transformation that have arisen from macro-economic stability, increased private sector investment, stable political environments and increased earnings from primary commodities. The resulting inequalities, jobless and non-inclusive growth are situations that economic transformation is required to deal with.

The effects of historical, pre-independence efforts at industrialization and economic transformation can be learnt from the South African and Ethiopia experiences. For these countries, industrialization and economic transformation did not start with independence; they did not necessarily have to catch up from a neglected colonial past. Learning about how this historical past influenced Ethiopia's achievements over six decades - shifting from an agriculturally-dominated to one in which services is almost half of the national economy would be useful.

In the South African case, the experience of industrial development shaped by rich mining resources bringing in their wake, development of energy and infrastructural resources as well as a sophisticated home market emerging from apartheid would also identify trends, interests, influences and settlements that would enhance understanding of economic transformation.

Five (5) of the study countries (Ghana, Nigeria, Uganda, Ethiopia and Madagascar) adopted strategies of import substitution with a heavy involvement of the state. In spite of the attractiveness of the import substitution approach (then and now), it would appear that historically it did not provide the traction and the capacity-development that African countries required, except to some extent, in South Africa. The political economy analyses would explain why.

Uganda, Ethiopia, Ghana, Nigeria went through Structural Adjustment and Economic Recovery Programmes in the late 1980s and 1990s and embarked on the poverty reduction strategy approaches to economic development, subscribing to the market-driven approach. In spite of their different circumstances and aspirations, African countries adopt common positions towards the private sector, identify “strategic industries and sectors” such as telecommunications, mining, energy and banking and place them under the control of the state. These need to be analysed further for the processes and motivations that led to the particular policy decisions.

In spite of their different political and economic circumstances, the country cases demonstrated some common dilemmas relating to key stakeholder groups and interests. For instance, to foster the required inter-ministerial and inter-agency coordination required to achieve economic transformation, were new, coordinating structures required? Could pre-existing institutions be used, but with innovative mechanisms and more resources provided for coordination? How should countries promote industries that the East Asian countries had a competitive advantage in, such as textiles?

Should industrialization be explicitly mentioned and mainstreamed into all major policy documents or should it be subsumed under private sector development? How should participatory and consultative approaches be used in developing and implementing industrial policy?

Beyond generic support for industry groups, provisions were found for particular interest groups, demonstrating policy choices that would address peculiar circumstances or ensure the participation of these sections of the population. Some approaches demonstrated principle such as prioritizing decent work and labour intensive approaches. For instance, the Madagascar model specified job creation for young people in the EPZ initiative. The Ethiopian experience promoted labour-intensive industries. The country consciously adopted the Kaizen approach to enhance attitudinal change and benchmarking. South Africa had emphasized support for black

empowerment, small businesses and labour-absorbing industrialization.

Generally, functions and responsibilities for industrialization at different levels of governance did not emerge strongly, though local authorities would be well-placed to facilitate decentralized implementation of national industrial policy and economic transformation based on the different geographical endowments. Some mention was made of local authorities, however. The South African paper considered provincial and municipal planning processes that would target sector strengths for the specific regions. The Nigeria study indicated that the implications of industrialization and economic transformation for local economic development had to be taken into account. Though the Ghana paper recognised local authorities in the list of government implementing agencies, their roles and the implications of their involvement were not discussed.

The nexus between the roles, interests and influence of organized labour, producers and manufacturers' associations and other membership CSOs and the politics and economics of the study countries was not sufficiently explored even though some of this had been extensively documented. Further exploration of their roles as drivers and active players in the South African, Ghanaian, Nigerian and Ugandan political economies would have enriched the analysis.

On the positive side, the papers collectively contributed to defining industrial policy and policy-making. The Nigerian report provided an extensive literature review of industrial policy, economic development and industrial development in economic transformation. Industrial policy formulation and implementation was described as continuous processes of learning by doing as a country discovers what works with the global and national environments (South African report); and policies to overcome market obstacles (Ugandan report). The basis for industrial policy as technological innovation, industrial modernization and continuous diversification (Nigerian report); and modernization as an aggregate of changes in multidimensional

transformation: political, social, economic and administrative (Madagascar) also provided inputs for further discussion.

The Ethiopian report provided a framework for evaluating the performance and implementation of industrial policies and strategies including value addition, trends in numbers of enterprises, employment generated, export receipts and import dependence for raw materials; and an indication of policy implementation instruments to manage market failures and facilitate technology acquisition and adoption. Approaches to governance analysis and stakeholder mapping such as provided in the Madagascar case study were informative.

In conclusion, political economy analysis (PEA) is conducted to understand the incentives, relationships, distribution and contestation of power between different groups and individuals associated with economic transformation and with responsibilities for implementing industrial policies. PEA must be able to explain the orientation of a government towards the private sector beyond the rhetoric. Political party manifestos and government functionaries and national policy documents may describe the private sector as “the engine” or “driver” of economic growth though this may not be matched by actual actions or investment of public resources.

The relationship between the private sector and the bureaucracy would determine whether the latter facilitates or hampers private sector development. The extent of involvement of private sector organizations in policy formulation and implementation would be influenced by the networks that operate in the economy including those in State Enterprises, or protected “strategic enterprises”. Therefore, these relationships in and with the public service and politically affiliated organizations must be examined in order to intervene effectively.

The findings and proposals of the country studies did not fully provide these insights, given the limitations of secondary data and literature review.

Therefore, the discussion on the political economy of industrialization and economic transformation in Africa had to be complemented by insights from policy-makers, industrialists, organized labour leaders, civil society activists and advocates. The International Validation Meeting held from the 19th to 21st September, 2017 in Accra Ghana under the auspices of the Friedrich-Ebert-Stiftung provided an opportunity for discussions to re-examine the issues and augment the discussion.

Participants examined the continental political and economic contexts, tracked the human factors and the interactions between power, interests and motivations to reach reasonable agreement to move the processes forward. The next section provides some of the emerging insights.

# THE POLITICAL ECONOMY OF INDUSTRIALIZATION AND ECONOMIC TRANSFORMATION IN AFRICA: **INSIGHTS FROM POLICY-MAKERS, INDUSTRIALISTS, ORGANIZED LABOUR AND CIVIL SOCIETY**

## **Introduction**

In their publication on the politics of African industrial policy, Whitfield et al (2015) attribute the slow progress in economic transformation to economic and political challenges. Ruling coalitions impact economic policy and limit the achievement of real change in the name of democracy.

Given the context of African politics, interests and motivations have to be acknowledged in order to understand the prospects that an economic transformation initiative could have. Altermann and Lutkenhorst suggest that strong capacity does not necessarily guarantee effectiveness (2015). These points and other evidence require policy analysts and industrial development advocates to consider the underlying socio-political-economic issues to African economic transformation.



The September 2017 workshop which brought together policy-makers, researchers, industrialists, labour leaders and civil society representatives from the six (6) participating countries provided opportunities to discuss the some emerging issues including:

- The Context of and Commitments to Economic Transformation
- Building Coalitions for Change
- The Role of Capital in the Politics of Economic Transformation
- Social Compacts for Economic Transformation
- Challenges to Industrial Policy Implementation
- Putting the People/Persons and their Capabilities at the Centre of Economic Transformation
- Strengthening the Movement

## **The Context of and Commitments to Economic Transformation**

Economic transformation should be considered as a long-term commitment involving structural change, national attitudinal modification and institutional reform. The rate of economic transformation will depend on the dominant ideologies and the nature of the debate on national development.

The goal of a transformative project must be to ensure that the majority of the people are in value-added activities. Therefore, transformation must be understood to have implications for rights observance, strengthening responsiveness, anticipation and conflict management, managing change and fostering creativity and innovation.

Therefore, people should be at the centre of economic transformation. From that people-centred perspective of development, jobs will not only be inputs, but also outputs of transformation. Economic transformation should therefore provide good opportunities for investing in young people in order to realize demographic dividends.

Once the focus is on people and their needs and capacities, simulating

transformation should include industrial policy that takes account of such issues as decent work, empowerment and support for small and micro-enterprises (SMEs).

However, the disruptive forces that would bring about the desired breakthrough or the required step changes may be blocked by more dominant forces. In order to identify such dominant forces, critical attention must be paid to disaggregating levels and locations of influence. This involves understanding who has access to which kinds of resources and the causes and interests in which they are making investments, economic, social and political. In sum, it requires a good understanding of how influence and power have been put to work.

The above discussion indicates that the nature of politics and the kinds of elites in charge of the economy determine the direction in which policy-making will go. The politics is not only about the processes by which office-holders come into power, but the alliances they form throughout the system and over the years.

Economic transformation also means paying attention to the prevailing trends and development paradigms in the wider international, socio-political environment. For instance, the “Africa Rising” discourse focusing on GDP growth needs to be further analysed. The experiences of most of the rapidly changing African countries indicate that growth is coming from extractive activity rather than value addition. But sustainable economic transformation would require a shift from extractive activities to higher value activities that expand the wealth and opportunities of a nation.

African countries may have underemphasized the prospects offered by processing activities and manufacturing activities as a basis for transformative change. National visions should indicate how processing and manufacturing activities can gain traction and provide a basis for growth.

The focus on services should not cloud the transformation vision. The much-touted high-technical services economy led by telecommunications expansion is rather deceptive in view of the roles nationals play in these

industries. Nationals are mainly selling credit, processing money transmission transactions and the basic services rather than being involved in ways that bring them more than superficial benefits. Services should be disaggregated into those that add value as against those that provide commodity services and others such as general tourism, commercial sex and the operation of bars and hotels.

## **Building Coalitions for Change**

Recommendations were made to build collaboration amongst key stakeholders through coalitions for change. However, the types of coalitions that will facilitate effective economic transformation will depend on the actors to be involved; their interests; the challenges they face which could well influence the effectiveness of the coalition; and the sphere of governance/ level of operation – national, regional or local.

The key players or potential membership of the coalitions identified were the private sector, the state, labour organizations and civil society. The table below depicts their key priorities or interests; challenges and potential actions to pursue these interests.

Interests that cut across actors include job-creation and ensuring national and local socio-economic development. The potential actions that each of these parties could take would benefit from a functioning collaborative relationship..

*Table 3: Key Actors, Priorities, Challenges and Potential Actions*

Actors	Key Priorities/ Interests	Challenges	Potential actions to pursue interests
Private sector	Profits, growing industries, enabling environment for industry development and job creation	Consensus building amongst different groups of private sector actors/employers	Lobbying key duty-bearers and institutions
State	Job creation, tax revenue mobilization, technology, skills acquisition and transfer, retention of political power	Neo-liberal economic orientation/ orthodox development paradigm of government and Ministries of Finance; intra-state tensions; varying levels of capacity for participatory approaches; posture of State-Owned Enterprises (SOEs); incidence and perception of corruption and rent-seeking	Strengthening the bureaucracy and technical institutions; appropriate legislation; and ensuring compliance with regulations

[Organized] Labour	Decent work, job creation and capacity-building	Automation and technology replacing labour	Organization and mobilization; advocacy and negotiation
Civil society (media, think- tanks, NGOs, political party, academia)	Socio-economic development access to health, education, social services, livelihoods and knowledge	Fragmentation of effort; lack of resources; low capacities for mobilization and organization	Civil society activism, advocacy, campaigns, submissions to key parties (duty-bearers, parliament)

It is acknowledged that private sector is not homogenous and consists of large, formal sector; medium-scale; and small and informal actors. There are sectoral differences as well. While the different interests must be disaggregated, the common priorities they share can be a basis of organization, with adequate mechanisms for capturing the differential dimensions; as well as opportunities to organize at their sub-coalition levels.

Membership associations could include consumer organizations. However, in the African context, strong consumer organizations that effectively represent the interests of the people are lacking. A priority action would be to foster the creation and capacity-building of such entities.

The distinction between elite CSOs and the more grassroots-based organizations, (some verging on informality) must be acknowledged. Political parties, in their developmental work at the local levels would have relevance for economic transformation. The various political families should be able to demonstrate their understanding of industrialization as a developmental issue.

The recommendations for action to foster collaboration include:

- Developing an industrialization/ economic transformation charter rather

than a plan to set out long term political, social and economic commitments over successive governments.

- Creating clear incentives for engagement; the incentives must speak to the interests of the different parties, demonstrate an understanding of the issues that affect the different players.
- Building effective coalitions able to represent different, visible sections of the population, interest groups and actors. These coalitions must also be a source of empowerment for interested but weaker parties.
- Engaging the key parties on two levels: towards identified short-term targets; and pursuit of longer-term interests.
- Pursuing two levels of coordination:
  - i. coordination amongst non-state actors to periodically engage the state
  - ii. creation of a coordination mechanism/ council to bring together state and non-state actors to guide and review industrialization processes
- Developing an industrialization barometer for use by coalitions for rapid tracking implementation of key policy steps.
- Developing a framework of indicators for managing the coalitions themselves for accountability and effectiveness.
- Demonstrating state commitment through establishment of state-owned industrial development banks with innovative-orientation.
- Outlining clear mechanisms for enhanced and participatory monitoring and evaluation.

## **The Role of Capital in the Politics of Economic Transformation**

The importance of capital in structural transformation is in the capacity to achieve the desired change through investment. In other words, not all investments result in transformation. In PEA, the various types of capital should be considered. National/domestic and international capital have different implications. The critical questions that must be asked are who is investing which resources where, why and for what at what costs?

An interrogation of international financial flows is critical. African countries often emphasize the importance of Foreign Direct Investments (FDIs). The key questions that need to be asked include whether FDIs are absolutely necessary or there is no alternative to that source of financing. The quest for FDI must be accompanied with attention to leakages, capital flight, illicit financial flows and equitable, functioning tax bases.

As part of the process of answering the question of who is investing which resources where, why and for what and at what costs, external contributions to political party financing must be restricted and vigorous tracking mechanisms institutionalized. One challenge related to tracking external inflows is the incidence of liberalized accounts and flows. Therefore, strategies should be evolved to mitigate spontaneous movement of money out and following political cycles?

The danger of government functionaries, politicians and technocrats adopting rent-seeking behaviour and demanding equity and kick-backs can also not be ignored. There must be a clear and accessible process of ensuring that the investments are actually channelled into the intended development projects.

There must a facility for funding for internal transformation. This includes strengthening transparency of procurement systems, reviewing accountability measures (including social accountability) and sanctions clearly outlined for "spoilers". As part of this process, civil society actors/bodies must be equipped to generate and utilize evidence based information to promote accountability.

Public-private partnerships (PPP) have been touted as a key strategy for mobilizing funds for development. These partnerships have been aligned with equity flows; and it is important to ensure that equity flows are not directed into short-term investments. Apart from external inflows, internal sources of financing with potential must be identified. These could include pension funds that may be lying dormant and could be used for transformation.

Finally, it must be recognised that there are economic as well as social returns

from capital. To this end, human, financial and productive capital must be distinguished for their availability, costs and potential for stimulating change.

## **Social Compacts for Economic Transformation**

Social compacts are interpreted here as statements of commitments or national obligations mutually agreed upon by its citizens, intended to achieve particular social benefits. The proposal that emerged for achieving economic transformation was that countries would pursue the agreed compacts that would be linked to the kind of future and economic outcomes they desired.

The compact would serve as a reference point and a position that citizens can buy into. It should be linked to the ethos of the society, its envisioned future and clarity on the roles of the different actors.

The core element of the compact is the vision it sets out. It also has parameters and imperatives. The social compact must be the product of consensus-building, outlining a set of issues that there is broad agreement on.

Social compacts for economic transformation are facilitated when citizens and interest groups feel that they have participated in and contributed meaningfully to deciding the country's economic future; and have made inputs into who has the power to decide what should be done. Therefore, the process of its formulation is as important as the product. It is to ensure that it is not dominated by the elite and everybody feels fairly treated and their issues taken on board. Social compacts should outline accountability, transparency and effective action mechanisms for each of the identified outcomes.

The starting point is ensuring agreement on the basic, fundamental problem. That analysis must be linked to history of the country, the development processes and identifying the factors that account for the present national status and the things to be contended with.

The compact would outline a range of actors, their issues and how they



operate and whose interests must be taken into account. The actors would include civil society, media, private sector, communities, public agencies, faith based, informal operators, organized labour, international players including people in the diaspora, donors and international investors amongst others. There is the need to disaggregate the communities of interest into different levels and layers of communities; localities, gender, age, shared interest and common inputs.

A social compact would facilitate economic transformation in that it stimulates prioritization, better use and mobilization of resources. It would facilitate economic stability because there is common agreement and provides the terms of reference for subsequent political leaders. The social compact is the “what”; the political programme is “how you get there”.

Social justice should be central to the focus of the social compact, with more people on a common page and fewer losers. To achieve this, effective negotiation amongst the key parties is important. So the process of formulation must be able to strengthen wide capacity for negotiation. This will require that the processes and levers of public negotiation are strengthened and people have the opportunity to bring their inputs to the table.

When external actors look into the social contract, they should know what they are getting into; and it should enhance the legitimacy of the particular country's effort. It should demonstrate that the country is building economic activity based on social realities and not asking people to change the way they live their lives. The social compact has to accommodate the interests of investors, who may not be citizens, in an open way.

The social compact must align domestic consumption with domestic production, mobilizing domestic investments and utilizing local content. This can be achieved by promoting economic patriotism or encouraging the nationals to buy goods from local industries. While patriotism can be appealed to, a government can compel public institutions from national companies. Production of export and export markets should also not be underestimated. The long term goals must be sustained, so that there is a greater sense of long term investment.

The social compact process would answer some of the following issues indicated in the Table below: the interests to be taken into account; the positive interventions; strategic choices; and actors.

*Table 4: Considerations for a Social Compact*

<b>Which interests?</b>	<ul style="list-style-type: none"><li>• Political economic and social interests that are inter-generational: A lot of the decisions being made presently do not necessarily take account of the interests of the young or next generation.</li><li>• Local and foreign and who gets priority: it is important to define who is local and who is foreign;</li><li>• A more broad based agenda beyond the interest of the elite: presently, a lot of elite concerns underlie decision-making</li><li>• Sectoral interests including those of the financial sector, other economic communities alongside those of government</li><li>• The interest of capital</li><li>• Continuum of citizens accounted for</li></ul>
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<b>Positive interventions</b>	<ul style="list-style-type: none"> <li>• Consultative process with clear communication channels going upwards and downwards</li> <li>• Processes that allow for collective action and widening of political space: It is important that people in positions of political and economic power are willing to allow other people to speak from places of new-found power (after empowerment)</li> <li>• Galvanizing around movements for change and foundational moment</li> <li>• Processes of civic engagement to allow society to speak with itself through networks of trusted partners. Are there trusted organizations and institutions within particular communities that can be brought together</li> </ul>
<b>What strategic choices need to be made?</b>	<ul style="list-style-type: none"> <li>• Choice of custodians of the process: these are critical to maintain the perspective of a social as well as an economic intervention; and to sustain it over changes in political leadership</li> <li>• Allowing activism to happen</li> <li>• Initiating and involving actors from various sectors and various levels: state, CSO or communities</li> <li>• Top-down or bottom-up decision making and ensuring a good balance</li> <li>• Managing labour and capital relations and regulations</li> <li>• Relationships with external actors: are they part of the process to build the social compact or are required to respond to it?</li> </ul>

Actors	<ul style="list-style-type: none"><li>• Players from public, private and civil society entities including traditional authorities (TAs), labour organizations, collectives of people who will be drawn into these processes at different times</li></ul>
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## Challenges to Industrial Policy Implementation

It must be recognised that the challenges of policy implementation do not begin at execution stage. In order to anticipate and manage the challenges that an industrial and economic transformation policy would pose, its’ place and relationships with issues in the larger macro-economic environment and the national international and global power dynamics must be mapped.

Globally, the challenge of a dominant neo-liberal economy embodied in the World Trade Organization (WTO) rules, bi-lateral investment treaties and related instruments constrain the space for transformation.

At regional level, economic partnership agreements and common free trade initiatives are promoted with the hope that if African countries open up their borders, they expand manufacturing markets. However, these manufactures may not benefit the nationals/citizens and the poor. Global capital located in African countries assembles consumer goods there and markets the products in the region. There is little actual local content. Regionally, the better prepared “African Giants” benefit more from these arrangements than the less-well equipped countries.

- Within national borders, the following political economy challenges persist:
1. Dominant ideologies that foster generic ideas rather than specific and responsive initiatives tailored to the situation on the ground.
  2. The contest of what the role of government should be in fostering industrial policy; whether government should be involved in picking “winners”.

3. The contest between pursuing macro-economic stabilisation and sector-specific policies.
4. The contest between manufacturing and value-addition as the focus of industrialization. Arguments are made for value addition in agriculture and mining sectors as the two have strong linkages for multipliers and growth.
5. Conflicting institutional mandates: whether countries should go with industrial initiatives from the Ministry of Industry, direction from Planning Commissions or the Ministry of Finance dominance.
6. Managing central government-local authority-local level development relations and the responsibilities for achieving economic transformation. Very often, the main discourse is conducted at the Central Government/ Federal level; however, implementation of economic policy affects the local level actors. The national level conversation may be out of step with local level realities or may not provide clear roles for local authorities.
7. The tyranny of elections and the challenge of the long-term nature of economic transformation. Governments may be tempted to focus on things that happen over the short-term political cycles.

Some contending stakeholders and their interests are as follows in the Table below. Other challenges that persist include how to achieve coordination of competing interests; defining priorities out of priorities, on which to expend limited resources; and building the trust of citizens in government. High level political support is required especially in countries with executive dominance and centralization of power and the inputs from the line ministry must be aligned with the positions of other actors in cabinet as well as parliament.

*Table 5: Stakeholder Interests in Industrial Policy Formulation*

Actors	Interests in Industrial Policy Formulation
Political elites	Capture and retention of power
Private sector	Tax incentives and profit maximization
Governments/Civil servants	Expansion of interest and influence; however, attention to heterogeneity is necessary. There are competent persons. There are persons who support innovative industrial policy but are blocked by more dominant forces.
Civil society	These bodies are not homogenous and some of their interests are more aligned to the national interest, than others (whose interests may be more aligned to the international or sectional)
Academia, research and innovation centres	Also a non-homogenous group. Some are connected to power centres in policy making. Others prioritise publication and promotion rather than policy solutions; others could be used to promote patriotic economic policy evidence

Other players whose interests must be analysed and optimized or neutralized as necessary include associational interests, media and development partners.

From the lessons learned from country experiences, some positive interventions that can forestall or address these constraints are as follows:

- Institutionalizing industrial policy through arrangements comparable to those employed by the Ministry of International Trade and Industry (MITI) in Japan and similar mechanisms in South Korea; policies must be anchored in the law of the land
- Recruiting on meritocratic basis; duty-bearers who are patriotic, with the capacity to vision with a long term perspective; exploration of the tenets of “embedded autonomy”
- Ring-fencing budgets to fund industrial policy priorities

- Defining objective criteria for determining inclusion and exclusion of benefits and facilities (to allow for equity and avoid elite capture): tendencies from patronage politics must be over-ridden. In Taiwan, there are clear criteria for access to such facilities.

## **Putting the People/Persons and their Capabilities at the Centre of Economic Transformation**

As indicated in Section 3.2 above, when economic transformation is viewed from the human development perspective, the conditions, opportunities and capabilities of various sections of the population must be explored in some depth<sup>1</sup>.

A review of the conditions would involve an “unpacking” of the systems, structures, institutions and even the values underlying the perspectives from which economic transformation is being considered. What are the positions from which people’s circumstances, access to these systems, resources and benefits are being considered? And which groups of people?

Fundamentally, the discussion should focus on raising living standards, even the very basic ability to live. Economic transformation should consider the place social protection would occupy in the scheme of things and how livelihoods would be secured. Raising living standards would not be a welfare issue only, but an input and an investment into economic transformation. People should be invested in to sustain their living as well as have a basis for progress.

In order to achieve this, the standard, neo-liberal instruments and paradigms may not be adequate. It is important to give every citizen a minimum living standard in order to have them participate in the economy. Therefore, the

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<sup>1</sup>A perspective informed by Amartya Sen’s work. Inputs from a presentation by Tessa Dooms are acknowledged

cost of living and doing business and giving small, informal operators the requisite support for their enterprises becomes important for economic transformation. The strategy must prioritize interventions to provide them with resources for the under-served sections of the population (who though have the potential to contribute to the economy) to assist them to hire the labour, infrastructure and other inputs becomes important part of the strategy.

Critically, there is the need to set up opportunities that such potential contributors to the economy (including young people) can actually participate. The opportunities will depend on the capabilities of the intended beneficiaries/principals, where they are and what they want.

Economic and industrial policy formulation and economic transformation need to go beyond creating industries. There must be interest in building capability including investing in people's skills and producing artisans. When this is done and people have skills and they can use these skills and contribute to the economy without being part of a factory or a big machine. They still have the option of selling their labour on the labour market or even scale up their activities.

The question of how we get jobs, entrepreneurs and new industries is critical. But the question of how to develop multiple pathways for economic transformation must be answered. This will allow young people who are artisanal to have multiple options and pathways of participation in the economy as well as access and benefit from multiple forms of support.

In order to create systems that are effective, they must be designed around what people are actually doing and going to do not systems that compel people to do what they are ill-equipped to do. Systems must be designed what they are doing, how to strengthen these and what they want.



Opportunities can be created through

- Adopting affirmative action for under-represented sections of the population in access to resources, opportunities for participation (such as procurement)
- Focusing on the social sector and social enterprises as a source of employment, skills development and community development (such as for renewable energy)
- Promoting financial inclusion through mobile technology rather than focusing on traditional banks alone; working around banks to reach the “unbanked”
- Re-evaluating the implications of “formalization” of the informal sector; how backyard artisans can operate at levels of convenience
- Mobilizing various sources of knowledge beyond consultants, universities and research institutions
- Expanding information on employment opportunities for young jobseekers to provide them with options beyond the “labour brokers”
- Providing online and virtual platforms where people who need opportunities meet beyond physical arrangements; working around the notion of a formal, physical market spaces for trading
- Supporting small scale manufacturers and producers (making production as attractive as retailing)
- Exploring decentralized approaches and utilizing sub-national channels so that there is also democratization in facilitating inclusion

## **Strengthening the Movement**

Movers are key actors in the processes of transformation. They are those entities with primary roles as they determine outcomes. Determining who the movers are is a contextual undertaking. Movers could be individuals as well as institutions. They could be national or international; public or private.

It is important to distinguish real movers from influencers or facilitators, who help things along. Movers have been described as the creators. There are two

types of movers or promoters: those motivated from a sense of duty; and those acting from an impassioned desire to achieve a change.

The contributions of foreign movers can be harnessed alongside local ones. Development partners and external parties can be movers as they provide the requisite infrastructure, financial support and knowledge-sharing (such as the inputs by UNIDO) targeted at the national plan or design. Foreign investments can be evaluated against remittances or diaspora support for national, industrial development.

The respective roles movers could play have to be evaluated for their potential for achieving the values of the transformation. Excessive state dominance could crowd out an already weak private sector. If there are public-private partnerships (PPP), what is the model and what will be the value addition to national capacity building and dividends to citizens?

Particular activities strengthen the prospects for transformation such as providing the enabling environments, investing in key infrastructure such as roads, railways, energy, education, health and ICT. On the other hand, the obstacles to “moving” towards transformation are consistent with the challenges identified earlier as impediments to policy implementation<sup>2</sup>. They include:

- Challenging the dominant ideology of economic liberalism. This orientation has been embraced by several of the technocrats who control the Ministries of Finance (MoFs) and is manifested in the prevailing solution that trade is the way out of poverty for Africa. But trade is most profitable where there is local capacity to create. Therefore, economic liberalism may not be quite appropriate for Africa at this stage
- Strengthening the weak state, cleaning and streamlining the bureaucracy and creating a transformed sense of ownership
- National capacity to consider world frameworks critically; so that the

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<sup>2</sup>Inputs from the workshop presentations by Prof. Kiita and Dr. Rahel Ayele (2017) are acknowledged.

unquestioning acceptance and domestication of WTO rules to gain access to certain spaces and resources changes

- Facilitating a better understanding of the role of the state in industrial transformation amongst key players and a better appreciation of the role of markets (so that the dangers of an over-reliance on markets is reduced)
- Specificity, measurability and achievement of the objectives of industrial policies; interventions must actually deliver the desired results
- Integrating the citizenry in the economy as contributors to the economy by emphasizing practical education and skills-building to ensure that citizens have high technical, vocational and technical skills to ensure their inclusion
- Developing objective criteria for ensuring and assessing inclusion.

## Conclusion

The workshop deliberations complemented the issues raised in the studies and provided considerations for analysing the context and political economy of industrial policy and economic transformation. However, an important conclusion was that policy makers, technocrats, researchers and advocates required capacities for political economy analyses for economic transformation. Wide national conversations on the significance of industrial policy for all aspects of sustainable national transformation had to be conducted in African economies.

To these ends, the debates, questions and proposals raised in the preceding sections have been summarised in the following chapter.

# GUIDING QUESTIONS FOR POLITICAL ECONOMY ANALYSES OF ECONOMIC TRANSFORMATION AND INDUSTRIAL POLICY FORMULATION AND IMPLEMENTATION

## Introduction

Political economy analysis (PEA) provides an understanding of the interests and motivation behind policy choices. It allows development thinkers and actors to appreciate the context in which efforts at economic transformation are made; and enhances the prospects for effective industrial policy formulation and implementation.

In the analyses of past policy decisions, PEA clarifies how decisions were made and how all who “mattered” at particular points in time “settled” issues. PEA elicits the nuances and debates that informed decisions about starting, continuing, modifying or discontinuing particular policies and programmes. It facilitates an understanding of:

- how decisions on policy positions and programmes were arrived at;
- who mattered in these processes;
- which institutions and parties led the process and played which roles;
- the ideology, philosophy, orientation and motivations that guided them;
- why particular objectives were set;
- target and target groups and the allocation of opportunities, arrangements;
- location of action;
- choice of technology and methodology;
- modes of implementation;
- the format of and participants in monitoring and review exercises were selected; an;
- why and how information was disseminated about the particular programme and to whom.

Section 1.4 identified some of the approaches to PEA and their contributions including stakeholder and power analyses, institutional arrangements and political settlements. The following section presents a compilation of questions to facilitate an understanding of past efforts at industrial policy and economic transformation.

The questions have been collated mainly from three (3) sources: various international development publications and case studies, issues raised at the September, 2017 workshop and FES international resources. The international sources include the World Bank's Problem Driven Governance and Political Economy Analysis Series and Good Practice Framework (2009; and Fritz, 2014) and the UNDP Planning, Monitoring and Evaluation Handbook (2009).

Other inputs are from bilateral resources such as British Department for International Development –DFID's practice note (2009). The DFID 2009 practice note provides a good overview of political economy tools and questions and is referred to in Overseas Development Institute (ODI) publications. A Swiss Development Cooperation (SDC) practice guide publication (2013) shares useful approaches to power analysis and other political economy tools.

Insights into political settlements have been derived from East African case studies in a publication by Booth et al (2014). Ostrom (2011) and Levy (2014) provide guidelines and frameworks for institutional analysis, collective action, principal agent hierarchies, multi-stakeholder governance, public management and public accountability. Unsworth and the Conflict Research Institute in their 2007 Framework for Strategic Governance and Corruption Analysis provide guidance for conducting power analysis including unpacking foundational factors, rules and context (Clingedael Institute, 2007).

The issues arising from the workshop were raised in the previous chapter; and FES guidelines include those that guided the conduct of the country studies (see Chapter 2 and Appendices 1 and 2). The questions presented below have not been categorized into specific, political economy analytical frameworks. For the purposes of unpacking and understanding economic transformation and industrial policy making better, they have been clustered into four (4) sets, namely:

- Contextual Analysis Questions.
- Sustaining industrialization and economic transformation.
- Unpacking the Issues
- Contributing to an Economic Transformation Compact, namely:
  - i. Governance and contextual Issues
  - ii. Stakeholder issues
  - iii. Policy design and implementation

## **Set One: Contextual Analysis Questions**

1. How have industrialization and economic transformation efforts evolved over the years (since independence) within the changing political, economic and institutional contexts? Consider
  - a. *Political epochs (periods of government etc.)*
  - b. *Economic periods (watershed periods/milestones)*
  - c. *Key changes in institutional arrangements*
  - d. *Other*

Note: the time periods/regimes identified could be used for the analysis of trends in the following questions.

2. What directions in industrialization and economic transformation have different political regimes favoured and why?
  - a. *Political regime/Approach/Key Features/Achievements/Apparent Reasons/Lessons*
3. Which activities were given visibility and political legitimacy at what points in time (through high profile endorsement, publicity and information dissemination)?
4. Which parties/persons were involved and in what capacities?
5. Who have been the stakeholders?
  - a. *What have their interests been?*
  - b. *How were these interests acknowledged?*
  - c. *How responsive have governments been to their concerns (identify such indicators as inclusion in events/consultation/discernable efforts at change in line with stakeholder preferences etc.)?*
6. How has this changed over the years?
  - a. *Analyze for different time periods: stakeholders/changing interests/ changing responses and actions of government: assess degree of responsiveness using ranking or other means*
  - b. *Establish reasons for changes*
  - c. *What are the lessons?*
7. How have stakeholder interests and influence changed over the years?
  - a. *Categorize stakeholders and their interest and influence over defined time periods*
  - b. *Identify reasons for the changes in stakeholder interests and influence*
  - c. *What lessons can be learnt?*

8. How have public institutions/entities with responsibilities for industrial policy and economic transformation changed over the years? Consider public entities with mandates for
  - a. *Visioning and policy formulation*
  - b. *Implementation for the different aspects*
  - c. *Coordination*
  - d. *Monitoring*
  - e. *Research, Data and Knowledge Management*
  - f. *Capacity-Development*
9. How have economic transformation plans and programmes evolved over the years in relation to changes in
  - a. *the population characteristics*
  - b. *political, economic and social conditions*
  - c. *technology*
  - d. *international development paradigms and commitments and*
  - e. *institutional development trends*
10. What influenced the changes (resources, historical factors, socio-cultural imperatives including religion, political expediency, international partners, other)?
11. What roles have civil society groups played in economic transformation visioning and implementation? How have these changed over the years?
  - a. *Which civic groups have been involved or impacted upon by economic transformation efforts (include informal sector organizations and actors)?*
  - b. *What have their interests been?*
  - c. *How were these interests acknowledged?*
  - d. *How have they been involved?*
  - e. *Have there any changes over a period of time (use the defined "epochs" in economic transformation efforts)?*
  - f. *What have been the reasons for these changes/what have been the sources of these changes/what has initiated these changes?*



12. What places have development partners occupied in the process?  
Disaggregate players and consider
- a. Their roles and partnership arrangements with government*
  - b. Their influence (importance of contribution; type of contribution; extent to which they are able to initiate/promote change)*
  - c. Modes of input into industrialization policy and economic transformation processes?*
  - d. Coordination processes (with other development partners; with government; with civil society)*

## **Set Two: Sustaining Industrialization and Economic Transformation**

1. What links have there been between industrialization policies and economic transformation efforts and programmes for tackling poverty and vulnerability?
2. What types of programmes have been favoured by successive governments for addressing poverty, vulnerability and deprivation? (Analyse for regime period/type and orientation of poverty reduction-vulnerability initiative, including targets and types of interventions/ and prospects for linkage to industrial development/transforming the nation)
3. What political conditions have facilitated (or limited) the expansion of industrialization and prospects for transforming the economy? (Under which political arrangements/regimes has the country witnessed the most impressive industrial performance and why?)
4. How have domestic and external actors promoted these conditions?
  - a. Who was involved? What form of involvement?*
  - b. What was their contribution?*
  - c. How did they achieve political legitimacy?*

5. What are the current demands of the citizenry for economic transformation (disaggregate for different categories of citizens and their special interests and capacities)?
6. Where are different categories of citizens located on a socio-economic map?
7. What social, technological and economic coping channels/mechanisms are extensively/commonly utilized by the poor/underserved sections of the population in their livelihoods activities?
8. How can these channels and mechanisms be harnessed in the efforts at industrialization and economic transformation?
9. What needs to change for the economic benefits to be equitable and sustained?
10. How can industrialization be used to address these demands?
11. Who will win what and who will lose out as a result of the intended policy and programme designs? (Develop different scenarios considering different policy instruments, target groups, timing, players, technological approaches, resource combinations and markets)
12. How can citizens contribute to the achievement of the objectives of the industrial policy and economic development?
13. How have successive governments financed industrialization and economic transformation?
14. What have been the implications of such sources of financing for public accountability and sustainability?

## **Set Three: Unpacking the Issues**

A more detailed analysis to unpack these issues further would include the following questions:

1. What happened as a result of a previous effort at industrialization, how and why?
2. To what extent did the expected happen? Which targets were met and under what conditions?
3. Where the expected did not happen, why did it not happen and why?
4. What were the unintended consequences, positive and negative, and why?
5. How did the mandated parties perform their responsibilities? Who went beyond their remit and why? Who should have acted and did not? Why?
6. Who supported what in the design and implementation of the initiative – policy instruments, target groups, timing, players, technological approaches, resource combinations, markets, - at what point in time and why?
7. What were the relationships between stakeholders/those parties associated with and impacted on by the industrialization policy?
8. Which historical, social, cultural obligations were there? Which allegiances, accountabilities superseded which ones?
9. What were the tacit but unspoken interests, the contextual issues (historical, relational, cultural) and relationships around the interests?

10. What was the basis of technical and conceptual choices that were made? Ideology? Allegiance to particular “schools of thought”/paradigms by people in key decision-making positions?

The last three questions are contextual and can be further explained by answers to the following questions:

11. What is the level of importance attached to social, class, religious and ethnicity? Do/did these and other factors override economic considerations? How do they affect policy implementation?
12. To what extent did the incidence of “street-level bureaucracy” affect policy implementation (where front-line implementers do not have the same understanding of the direction of policy and programme implementation as the policy designers/formulators; or are compelled to re-interpret and implement policies because of their particular circumstances?)
13. What lessons are there for us from the histories? Have any of the factors changed? If not, what is likely to repeat itself under what conditions?
14. What is the state of relations between the different categories of stakeholders? Where are there shared interests? Where are there contradictions/antagonism/opposition?
15. What alliances are there between the different categories of stakeholders
16. What compromises have to be made based on alliances? What lessons have been learned from alliances and compromises from past industrialization and economic transformation efforts?
17. How have alliances and compromises changed over the years?
18. What private interests can be anticipated versus publicly stated interests?

What lessons can be learnt from past contests between private versus public interests?

## **Set Four: Contributing to an Economic Transformation Compact**

To contribute to the design of an economic transformation compact which would include a viable industrialization policy, the analyses can be undertaken in components. Some considerations have been proposed below under (a) governance and contextual issues (b) stakeholder issues and (c) policy design and implementation.

### **Governance and contextual Issues**

1. What arrangements – economic and non-economic mechanisms – are essential for conducting business in the country? How accessible are these to all sections of interested parties – what do the arrangements mean to each of these parties?
2. What are the hierarchies of power – who are the ruling elite, sub-elite groups, other levels of power? What is the basis of their “legitimacy” (is their recognition based on ideology, performance, culture, access to and control of resources, history, other factors?)
3. What are the issues arising from the history of the country – legacies, alliances, obligations, precedents of action, “taboos”, grievances)
4. What are the opportunities for rent seeking? What are the main rents and how are they allocated? (ways of making money without adding to productivity including bribery, corruption, some forms of taxation, levies)
5. What is the state of governance and functioning of checks and balances: do the legislature, government and judiciary work effectively?

6. What is the status of accountability?
  - a. *What are the mechanisms for supply-side accountability?*
  - b. *How effective are the reporting mechanisms?*
  - c. *How are effective are the accountability instruments for achieving reforms? How accessible are the results for remedial action?*
  - d. *What is the status of information-sharing, feedback and grievance handling mechanisms?*
  - e. *What is the status of social accountability? Do citizens know where to seek redress?*
  - f. *What is the response rate from redress mechanisms?*
7. Has there been enough political support for reform?
8. Have reforms been based on enough information that acknowledge the political, economic, social, relational, historical and cultural influencing factors to build effective responses and anticipate the reaction to the required changes?

## **Stakeholder issues**

1. What are/have been the differential levels of influence and interests of the different categories of stakeholders:
  - a. *National actors versus local level actors*
  - b. *International actors versus national actors*
  - c. *Bilateral versus multilateral actors*
  - d. *Donor organizations versus international development organizations*
  - e. *Public sector versus private sector*
  - f. *Civil society versus public sector*
  - g. *Private sector versus civil society*
  - h. *Multinational companies versus national companies*
  - i. *Formal versus informal sector*
2. What has been the extent of involvement of private sector: differentiated for size, location, sector, types of actors to account for extent of influence

and types of interest

3. What has been the extent of involvement of civil society organizations : differentiated for size, location, sector, level of operation, types of members to account for extent of influence and types of interest
4. What is the place of bureaucracy and orientation for industrialization and economic transformation: assess for
  - a. *facilitating or hampering private sector development;*
  - b. *what was their orientation for instance towards the private sector:*
  - c. *rhetoric of private sector as driver of economic growth versus extent of allowance for involving private sector organizations in policy formulation*
5. Do political and economic elites overlap? Do they collide? Do they cooperate? Under what circumstances and in relation to what issues?
6. What are the incentives for politicians to act in the public interest (re-election, patron-client networks, support for their particular socio-ethnic, religious groups etc.)
7. How are the voices of society represented? How effective are traditional authorities, faith-leaders, members of parliament, welfare and economic associations in presenting the voices of the society?
8. To what extent have key stakeholders been dependent on, connected to or autonomous from the other institutions and partners?
9. What are the dynamics between the participating groups – is there collaboration, rivalry, competitiveness, territorialism, hierarchical relations, silos, other dynamics
10. How are issues, policies, initiatives mediated amongst social groups? (How are agreements reached, settlements made, compromises reached?)

11. Are there occasions for collaboration between the “representative” entities identified above? Under what circumstances? How often? Which are some of the instances of success and lessons from them?
12. What motivates the various institutional actors to work together, share power and foster a “win-win” orientation?
13. What have been/are the incentives and roles of external parties with an interest in the reform (development partners, international development organizations, international private sector actors etc.)?
14. What role have networks played in public, private and civil society sectors?: consider networks in the public service organizations, public enterprises, politically affiliated organizations, private sector associations, organized labour?

## **Policy design and implementation**

1. What reforms have been attempted in the past? How have they shaped current expectations?
2. What policies were sabotaged or stalled and why?
3. How can the political context affect the commitment of various actors to the policy?
4. What has been the sense of ownership by the key stakeholder/ implementing agencies? Were they fully involved in the all stages? Were they taken into account in all considerations along the supply chain? Did they see their interests taken into account at all stages? Did some parties feel left out?
5. What opportunities were for making inputs and to what extent did the various parties feel responsiveness to their concerns?



6. What incentives have been required to implement policies – including salary supplements, daily subsistence, sitting allowances, recognition certificates, training opportunities, other?)
7. Did the proposed/prescribed/required processes match their capacities? (See reference to street-level bureaucracy in earlier set of questions). Did the various parties feel adequately resourced and motivated? Some entities may have felt better resourced, more respected, more visible etc.
8. What has been/is the motivation for supporting particular technical approaches, target groups, sectors, policy instruments, locations, timeframes, sources etc. than others? What are the reasons for resistance and opposition to policies? What have some of the disincentives for support been?
9. What was the level of incorporation of local knowledge, local demands and local needs in programme design?
10. Were there transparent feedback mechanisms (before, during, and after reform) that ensured continuous identification and incorporation of stakeholder concerns and mechanisms to ensure that they were actually taken on board?
11. How can/how has policy generate(d) sustained routes between poverty reduction and industrialization?
12. How can the policy achieve functioning economic transformation “fit-for-purpose” in a developing country with the socio-economic characteristics, contradictions and aspirations for middle-income status?

## Appendix One

# QUESTIONS FOR THE COUNTRY CASE STUDIES

## **“ANALYSIS OF EXISTING INDUSTRIAL POLICIES AND STATE OF IMPLEMENTATION”**

You are expected to conduct a study on the existing industrial policy in your country and implementation by the state and other relevant actors. Specifically your study report should address the following questions<sup>3</sup>:

1. What is the current overall (economic) development strategy as laid down, for instance, in the national development plan (or a similar document)? Which overall economic policies are currently being pursued? Does industrial policy play a key role in that (economic) development strategy? And if so, is industrial policy geared towards the manufacturing sector a political priority?
2. Have there been attempts in the past to implement industrial policies, especially with regard to promoting manufacturing? Have they worked out or did they fail? If so, why?
3. How, i.e. by which means and with what instruments are economic policies and more specifically industrial policies currently being implemented?

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<sup>3</sup>These core questions should be addressed by every country to enable us compare with the various countries but country specific situations could be incorporated to suit individual countries.

4. Which ministries/government agencies are the key actors in shaping and implementing the country's economic policy in general and specifically its industrial policy?
5. What role does parliament play in shaping economic policy in general, and industrial policy in particular?
6. Which other actors are involved in industrial policies (manufacturing associations, trade unions, academic think tanks)?
7. What are the shortfalls of the economic policy in general and industrial policies specifically being pursued presently with regards to contents?
8. What are the shortfalls in the policy implementation process and how could they be addressed?
9. What are the successes of the economic policy in general and industrial policies specifically with regard to (a) contents) and (b) their implementation?
10. What factors are responsible for these shortfalls and successes? Why do the shortfalls exist? Who are the drivers and the spoilers of the industrialization agenda in the country? Please provide a stakeholder analysis. What role does international trade play?
11. What can be said in this context about the system of governance? Which factors positively or negatively influence economic development and industrialization?
12. How can the factors responsible for the failures of the economic/industrial policy and its implementation be addressed? Give a rough outline.

## Appendix Two

# TERMS OF REFERENCE FOR THE SYNTHESIS REPORT

## **SYNTHESIS REPORT ON SIX (6) COUNTRY REPORTS ON THE TOPIC “ANALYSIS OF EXISTING INDUSTRIAL POLICIES AND STATE OF IMPLEMENTATION” APRIL, 2017**

### **Background**

The FES in 2016 streamlined its operations in the Africa department to enhance better coordination and impact. As a result of this exercise, the working line of Economic Transformation was established even though some countries in Africa have been working on this topic for decades with the Ghana office coordinating activities on this project. The other participating countries include Nigeria, Uganda, South Africa, Ethiopia and Madagascar.

### **Context/Rationale of Project**

The need to diversify African economies and, especially, to expand the manufacturing sector has been discussed since independence. After post-colonial attempts to promote exports and substitute imports, decades of a Washington Consensus imposed “laissez-faire” philosophy with respect to economic policy followed. However, extraction (Mining and oil exploration) and agriculture remained the dominant sectors of most African economies.

In recent years, many African countries have made major progress in reforming economic policy and have been able to improve the performance of their economies as a whole. In spite of persisting serious income inequalities, the emergence of middle classes cannot be denied. At the same time, unemployment – especially youth unemployment – and social injustices remain at unacceptably high levels. It must also be noted that more than 60% of the members of the African middle class have only barely made it out of the category of the “poor”. Informal and precarious jobs account for the vast majority of existing sources of income.

What is striking in Africa is the fact that in spite of significant economic growth since the mid-1990s, real structural transformation of economies has not taken place. Majority of countries on the Continent has even faced the phenomenon of de-industrialisation. Productivity remains largely at lower levels. Indeed, the growth of African economies, which has occurred, can be largely attributed to China’s industrialisation and the commodity price boom.

In recent years, the view is spreading that an active industry policy with a clear focus on a number of key areas is necessary in order to overcome the phenomenon of jobless growth and to create significant employment, which is characterised by decent work.

Sub-Saharan Africa with its agriculture-based economies is likely to be a precursor to industrial growth. Based on the current comparative advantage, the option for late-comers (as compared to countries that have already developed their industrial base) is to focus on processed and unprocessed primary-based exports, particularly agro food value chains.

It must be noted that any improvements will be accompanied by difficult trade-offs and compromises. Measures to guard against climate change, for instance, may lead to higher costs for energy, with energy being a key factor for further industrialisation. The same applies to the urgent need to reduce waste and improve systems of waste management. Also, national economies

are connected in many ways and their interactions are shaped by political interests and power relations.

Considering persisting unemployment and social cleavages on the one hand, and economically relatively successful authoritarian developmental states (such as Rwanda and Ethiopia) on the other, the democratic order has faced criticism. Indeed, continuing exploitation of state resources on the basis of patronage and outright theft by political actors have discredited democracy as a political system, which promised to bring development. Among many Africans, doubts are rising as to whether democracy and development go together as well as often promised.

At the same time, it must be asked if the existing democratic dispensations reach far and deep enough, or do they merely serve as a justification for a significant number of citizens to try to benefit directly from public funds. It seems that quite often democratically elected governments are expected to “bring development”, while the willingness of individuals to contribute to the collective good is wanting. Powerful vested interests seem to be at play in order to guide the flow of existing resources. Often these interests stand in the way of structural changes which could benefit the wider populace. The political economy of many African countries calls for much closer scrutiny. At the end of the day, sustainable economic systems must be established by democratic means, which reconcile economic and human development.

It is against this background and context that the FES is commissioning you to undertake this synthesis report. The report will feed into our intended international conference in September that among other things is aimed at identifying and promoting the movers of Economic Transformation. This report will be published after it has been presented and discussed at our international conference in September, 2017. The final product should serve as a kind of guide book to aid political actors to promote effectively economic transformation.

## Output

At the planning meeting in March 2016, the participating countries in this project agreed to conduct baseline studies in order to take stock of the level of industrial policies and its implementation in each country. The reports are ready and we would like to engage your services to prepare a synthesis report out of these reports that have been submitted. Specifically, we would want you to undertake the following;

1. Identify the factors (policies, mechanism, vested interests etc.) which have prevented Economic Transformation in African societies based on the country baseline studies
2. Identify the actors and coalitions that promote Economic Transformation (movers) and how they can be strengthened
3. Identify the spoilers of economic transformation and recommend ways to deal with these actors
4. Identify the political mechanisms at play and how to strengthen the one's promoting Economic Transformation across national boundaries.
5. Make conclusions and recommendations based on the country baseline studies

## Appendix Three

# LESSONS ON PROMOTING INDUSTRIALIZATION FROM THE INTERNATIONAL EXPERIENCE

African countries have to make industrialization work to provide income and employment opportunities as well as functioning and affordable basic services for the poor. The models of industrial policy implementation African economies have pursued come largely from the developed countries, such as the members of the Organization for Economic Cooperation and Development (OECD) and the newly industrializing countries (NICs) of Asia. While the lessons are useful, these models have been facilitated by well-established political systems with relatively clear rules and regulations, administrative capability and substantial private sector activity.

These conditions are not necessarily available in African countries and the objectives and challenges that industrial policy would seek to address are different.

For instance, African countries need to balance correction of market failures with having the capacity to tackle these failures. Developing countries may suffer such constraints as clientelism, weak democratic checks and balances, political capture and actors lack the incentives for the desired change.



Wade (2015) draws attention to the fact that strong forces at the world economy level could hold developing countries back. As some country experiences indicated, industrial development efforts may be constrained by World Trade Organization (WTO) rules relating to tariffs, quantitative restrictions, local content requirements, procurement regulations, intellectual property considerations and export subsidies particularly relating to agriculture. In relation to realizing SDG 9, Muchhala (2016) indicates that the industrialization, infrastructure and clean technology at the heart of structural transformation are blocked by binding constraints in the international, free-trade regime. Therefore, the agenda of privatization, free trade and deregulation must be viewed with caution.

But there are lessons from the international experience that African countries and other developer-nations can benefit from. Alternburg (2011) suggests that the political will is more important than the initial level of administrative capabilities. Again, weak capacity is not necessarily a hindrance to effective industrial policy and strong capacity does not guarantee effectiveness (Alternburg and Lutkenhorst, 2015).

Various differences have been identified between performing and non-performing countries, which suggest more technocratic, policy-related solutions. For instance, performing countries demonstrate

- Consensus on a long-term national approach to industrial transformation
- Commitment to this approach reflected in (a) evidence of strategic focus and (b) political determination demonstrated by the investments in capacity-building, targeted initiatives and relevant institution building
- Clear direction of change including priority sectors, untapped potentials, comparative advantages
- Clear road maps to actualizing this change
- Effective policy implementation including quality of public services
- Details of policy targets, provisions for indicators, periodic reviews and other efforts at tracking

- Incorporation of climate change mitigation and adaptation strategies and investments in renewable energy programmes<sup>4</sup>.

Wade (2015), Yong (2014) and others suggest that a more directional thrust of public policy is required to overcome the common, technocratic challenges such as effective monitoring and evaluation, social accountability arrangements and provision of checks and balances. Other proposals relate to better coordination of industrial policies with others relating to SME development, investment, trade, science and technology and climate change. Better coordination and integration in the business community and bridging present divisions along the lines of size, private versus public sector and national and international actors is advocated.

Along with the above, there are recommendations to enhance social inclusion, stronger, evidence-based monitoring and review focusing on outcomes and impacts, activities to enhance entrepreneurial creativity (such as business plan competitions and support for non-traditional ventures) and platforms for sharing, learning and knowledge-pooling. All of these must be backed by adequate data, functioning information systems, functioning public institutions and governance systems and entrepreneurs with the capacities for uptake.

African countries can learn from aspects of industrial policy action that developed countries have practiced. These include creating and steering knowledge-pulling/pooling networks, linking competitive firms together, establishing sources of finance and re-tooling universities and public and private laboratories to support industrial policy.

One of the major debates around industrial development relates to how a government should identify priority industries; especially the extent to which

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<sup>4</sup> Alternburg and Lutkenhorst 2015 suggest that developing countries have an opportunity to define their industrial policies in a resource-efficient, low-carbon and socially inclusive ways which have considerable potential to sustain the climate

it should target activities in the economy's current comparative advantage (Wade, 2015). Countries must practice policy selectivity by sector, location and ownership.

Altenburg (2011; Altenburg and Lutkenhorst, 2015) suggests that governments must begin by building on current comparative advantages as well as create conditions to advance gradually towards higher value activities. The move towards higher value activities requires substantial improvements on several fronts, for instance coordinated public support. Strong leadership and highly professional policy management are also imperative.

As the country studies demonstrate, there are political and organizational issues to take into account, as they affect effective implementation of policy as well as the conditions and characteristics of organizations that would facilitate economic transformation. Countries differ in terms of competitiveness as well as government effectiveness.

State effectiveness must be analysed and built at two levels:

- The macro-level of relationships between the state and the citizenry as well as governance stakeholders, where political settlements apply.
- The second is at the micro, inter-agency level.

For some African countries (for instance Ghana), the surge in commodity prices in the last decade resulted in attainment of middle income status. However, middle income status was not accompanied by advancement to high- value added manufacturing capabilities and activities. Middle income country aspirations require structural change to develop middle income capabilities and characteristics, skills and knowledge-intensive goods and services.

Wade (2015) suggests that this is a middle-income trap that countries may be stuck in as they aspire to become developed economies. Indigenous capability to move into new and profitable sectors must be built in middle-

income countries beyond what the operations of multi-national corporations (MNCs) would bring in. Countries must develop capabilities to optimize transfers of skills in their negotiations with MNCs. Yong (2014) suggests that middle income countries must direct their industrial policy towards upgrading their manufacturing sector to more technology-intensive, high-value added activities.

Altenburg (2011) recommends that governments build consensus on national programmes of industrial transformation, foster entrepreneurial and technical skills, build trust amongst producers and reform the supporting formal and informal institutions. He proposes that to develop the desired industrial policy management and technological capabilities, improve skills and expedite industrial competitiveness, they do the following:

- Define an appropriate, viable national project of productive transformation around which consensus can be built and societal support mobilized
- Establish clear rules for market-based competition
- Deliver services effectively
- Create as well as remove protection as needed (noting that protection could be useful in government-led, ground-breaking and strategic progress)<sup>5</sup>.

Some of the principles that could guide good industrial policy processes are as follows:

- The entire policy process must be collaborative and learning-oriented
- Targets must be agreed upon in a collaborative manner involving competent public and civil service entities and private sector operators
- Beneficiaries should make some meaningful contributions in cash or in kind

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<sup>5</sup> Government leadership support: Building from the lessons from East Asian industrial development, governments may provide targeted public support for initiatives. The government leads by allocating public resources to promising, priority industries that private sector is not able or willing to invest. Governments may also underwrite some activities that private sector has identified – or follows the private sector. Government support may include industrial extension services, monitor, propose reviews to production, upgrade resources and quality, propose products and find export markets. (Wade, 2015).

- Policy implementing agencies should be customer-oriented and business-like
- To this end, the agencies be relatively independent and authorized to recruit and manage personnel based on performance
- Service providers (public and private) should be subjected to competition as far as possible with provisions for customers to hold them accountable
- Performance assessment should be regular, objective, independent and oriented towards providing lessons into policy formulation processes
- The different roles of government should be “unbundled” so that these functions can be performed impartially, allow for checks and balances and enrichment.
- The roles considered for “unbundling” would include policy formulation, financing, implementation, monitoring and regulation, evaluation amongst others
- Independent policy think-tanks and research and advocacy organizations would play critical roles in providing evidence to support policy review and reduce rent-seeking behaviour.

## **Strategic thrusts should be towards**

- Learning from existing, tested and tried technology and business practices than re-inventing the wheel or pushing expensive technological frontiers.
- Learning by doing. Wade (2015) suggests that learning and self-discovery are important to both private and public sector actors.
- Developing private sector actors by equipping them to partner the government in industrial development including a secure framework for collaboration and private sector contribution
- Strengthening channels and opportunities for the public to hold government accountable on industrial policies and reduce interest group capture
- Aligning and harmonizing donor intentions and programmes with the country’s industrial development policy, priorities and strategies

- Reviewing the policy implications of international trade and investment agreements and where possible, renegotiating these to support the country's industrial intentions.

## **Strategies that appear to have worked include**

- Applying selective policies in favour of specific industries and groups of firms
- Focusing on incrementally upgrading endowment structures
- Synchronisation of forward and backward linkages from the traditional industries with recognition of required endowments for future/upstream and downstream activities
- Investments in renewable energy projects

Yong (ibid) also notes that given the circumstances of developing countries, there must be broadening of industrial policy beyond the purely economic focus to include social and environmental dimensions. As portrayed by the country case studies, some national policies indicated the need to provide jobs for young people or considered gender and ethnicity issues. Others would aim at spatial re-distribution or strengthening poorer, more marginalized or under-served regions for political and social reasons (Altenburg, 2011). However, an alternative approach would be for governments to assist local actors to build capabilities to attract external investors and for knowledge transfer and regional learning.

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She has taught and researched in public administration, local governance and social development. She has also consulted widely and been instrumental in the development of a number of national social policies. Her employment experiences include working with the Ghana Institute of Management and Public Administration (GIMPA) from 1990 to 1999; and at the Institute of Local Government Studies (ILGS) from 1999 to 2015, where she was the Director for over a decade. She is still interested in education, being an adjunct, external examiner and assessor for various tertiary institutions.

Dr. Ofei-Aboagye has served on a number of public boards including the National Development Planning Commission (NDPC) and the University of Ghana Council. She is currently a member of the Local Government Service Council. She has been actively involved in Ghanaian civil society issues, including membership of the councils of the Integrated Social Development Centre (ISODEC), the Alliance for Reproductive Health Rights (ARHR) and the Steering Committee of STAR-Ghana, amongst others.

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## **FES GHANA**

The Friedrich-Ebert-Stiftung (FES) is a German political not-for-profit organization with offices worldwide. FES has been operating in Ghana for over 45 years now. Some of the topics FES work on are: Political Participation, Economic Development and Social Justice, Security Policy, Gender and Youth related issues.

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