



**Institutional Structures, Policies & Macro Economic
Environment in African Countries**
*Implications for Social Innovations and Business
Competitiveness*

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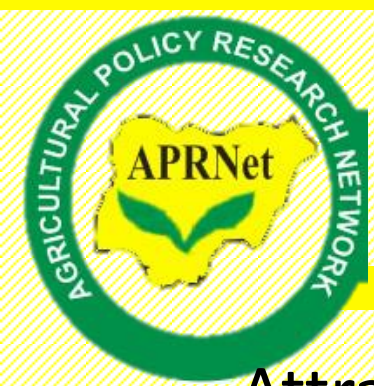
Outline of Presentation

1. Introduction - Key Objects and Headline Messages
2. Conceptual and Contextual Frame- Working Definitions & Assumptions
3. Africa and Africa's Economies in Perspective: Typologies and Peculiarities
4. Africa in the Global Society & Economy: Trends and Outlook
5. Africa's Scoreboard
 - a) Global Competitiveness – Three Case Studies
 - b) Social Innovation – Two Case Studies
6. Matters Arising from the Scoreboards on Competitiveness and Social Innovation
 - a) Challenges – issues and country examples
 - b) Opportunities – issues and country examples
7. Lessons and Implications for Inclusive Growth and Sustainable Economic Prosperity – The “Development State” paradigm
8. Conclusions



Key Objects and Messages

- Africa's recent gains in macroeconomic and growth performance have not translated into higher global competitiveness and poverty reduction due to lingering institutional, governance and infrastructural bottlenecks
- The solution will entail institutional change, social innovations and paradigm shifts in economic governance (developmental state) for sustainable enhancements of regulatory capacity/efficiency, economic diversification, infrastructure services and human capital development
- The desirable change can come about only through "developmental State" approach by African Countries, not "business as usual" –



Competitiveness defined

- Attractiveness or conduciveness of an economy to private enterprise (profit investments, business, entrepreneurship)
 - Two-way definition - Static (for productivity) and dynamic (investment and growth potentials)
- Measured by Pillars as follows:
 - *Productivity – resource productivity and total factor productivity (TFP)*
 - *Efficiency of resource use*
 - *Systems Transparency*
 - *Institutions Integrity*
 - *Credibility and effectiveness of services*



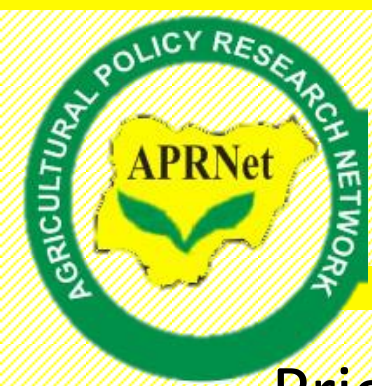
Significance of Econ. Competitiveness

- Basis for trade performance
- Means to sustainable employment
- Guarantees sustained growth and wealth creation
- Key to shared economic prosperity and poverty reduction
- Fosters backward and forward linkages – inter sector, intra sector, agriculture-industry-services



Competitiveness Deconstructed

- Macroeconomic Environment
- Institutional Climate – legal, business regulatory services, public administration etc.
- Infrastructure, Services & Amenities
- Sector Policies, particularly Agric. and Agro-Industry, Informal Sector
- Human Capital – Quality & Integrity of Managerial and Technical Labour
- Governance – Political, Democracy, Succession



Macro-Enablers of Economic Competitiveness

- Price Stability
- Rule of Law
- Systems Integrity – business regulation, property rights, public administration
- Fiscal Sustainability – public debts, budget deficits
- Quality of the Labour Force – managerial, technical skills and integrity
- Techno-Economic Power of the Middle Class
- Research-Industry Linkages



Social Innovations defined

- Social Innovation refers to new strategies, concepts, ideas, methodologies and organizations that meet social needs of all kinds (social in the sense of communal, public, collective, group-wise)
- The social innovation theory of 'connected difference' conceptualizes 3 key angles to social innovation.
 - new combination or hybrids of existing elements, rather than wholly new.
 - cut across organizational or disciplinary boundaries
 - Powerful new relationships between previously separate individuals, groups and systems.



Nature of Social Innovation

- Endogenous, home grown
- Cross-sectoral, cross-disciplinary, cross-organisational
- Social purpose, not private gain or profit object
- Context-specific, often non-replicable or non-reproducible, but adaptable

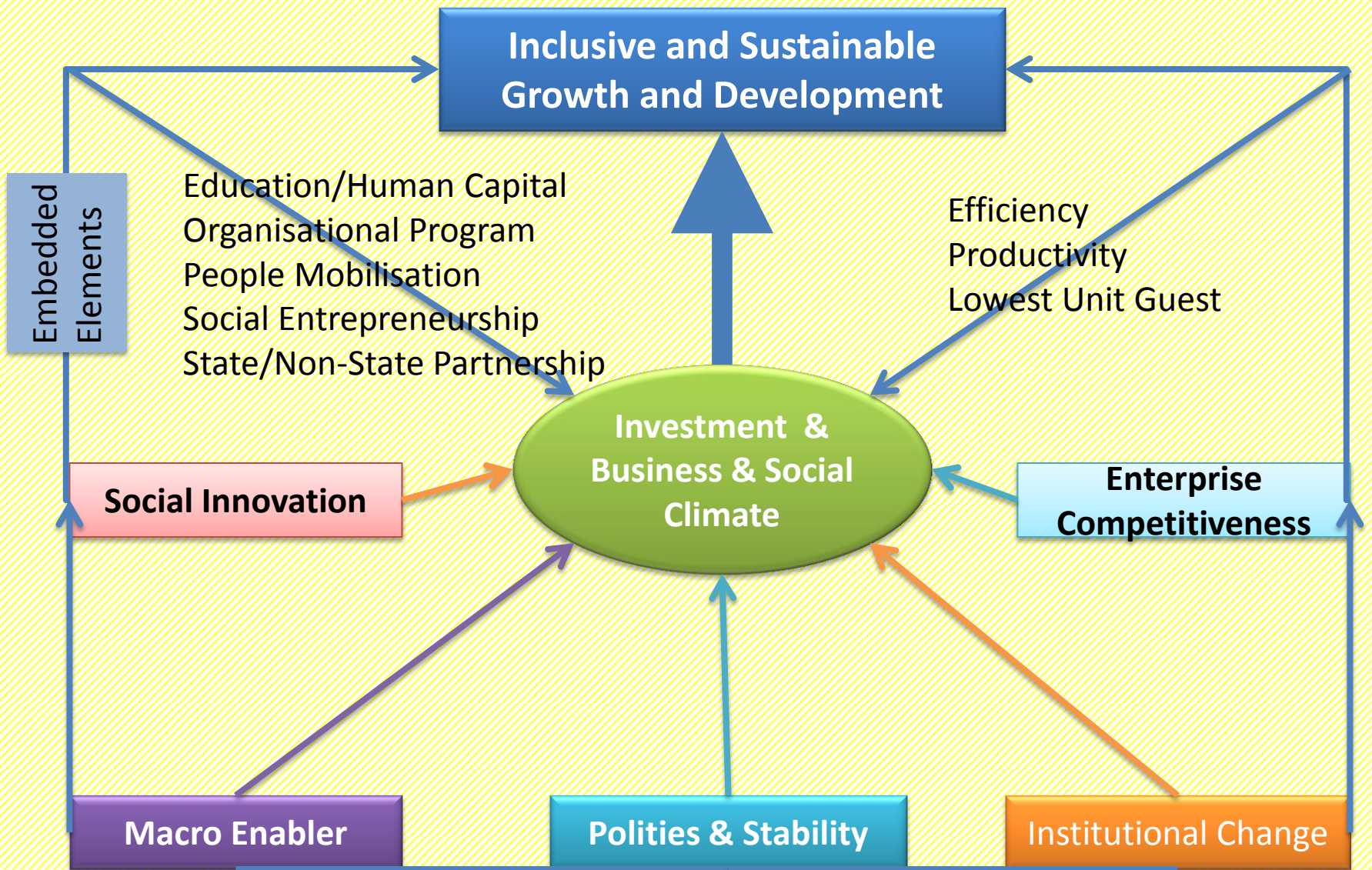
Arenas for social Innovations

- Public policy and governance
- Non-Profit Sector – CBOs, NGOs, Think Tanks – social entrepreneurs
- Profit sector – PSOs, corporate entities, private entrepreneurs



Macro-Enablers of Social Innovation

- Functional, effective and dynamic education
- Polity that nurtures, supports and promotes ideas and coalitions for change
- Right relations and platforms between the State and Non-State Actors (Civil Society)
- Social Entrepreneurship – private and corporate social entrepreneurship
- Social capital , organisational capacity and intermediating power of the middle class



Conceptual Framework of interrelations of Macro-Environment, Business Competitiveness and Social Innovations

Source: Author-generated



Africa in Perspective: Social, Economic and Global Prisms



Some basic characteristics of Africa

Total Africa GDP (US\$)	1.184 (US\$ trillion)
Africa as % of world population	15%
Africa as % of global land area	19%
Intra-Africa Trade as % of Total African Trade	11
Total Foreign Direct Investment (US\$ billion)	52.4
Real GDP Growth - % - 3-yr average(2009-2011)	5.52%
Real GDP Growth - % (4-yr average 2004-2007)	5.20%
Africa GDP as % World GDP	2.6
Total Africa Population	1,100,000,000 (SSA = 874M)
Africa trade as % of global trade	3.2
Inflation (Consumer Price) - %	8.4
Fiscal deficit as % of GDP	4.4
Africa FDI as % of GDP	6.2



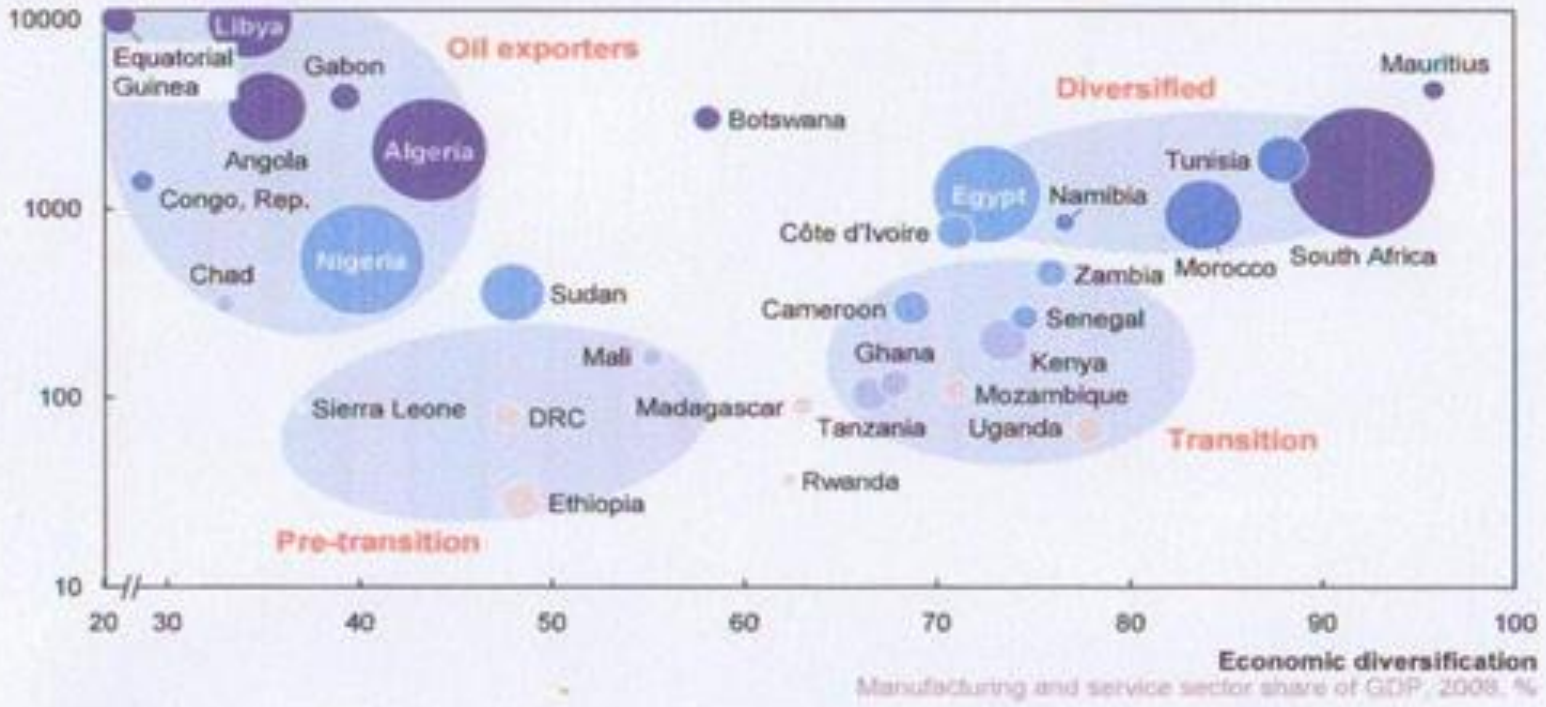
4-pronged typology of Africa economies

Segmenting Africa in this framework yields four groups of countries

○ Size of bubble proportional to GDP

GDP per capita	
Lightest blue	<\$500
Light blue	\$500–1,000
Medium blue	\$1,000–2,000
Dark blue	\$2,000–5,000
Dark purple	>\$5,000

Exports per capita, 2008, \$



NOTE: We include countries whose 2008 GDP was approximately \$10 billion or greater, or whose real GDP growth rate exceeded 7% over 2000–08. We exclude 22 countries that accounted for 3% of African GDP in 2008.

SOURCE: Organisation for Economic Co-operation and Development; World Bank World Development Indicators; McKinsey Global Institute

Tri-level development-stage typology applicable to Africa

Factor-driven economies - whereby increasing competitiveness critically depends on basic requirements (4 Pillars)	Efficiency-driven economies: whereby increasing competitiveness depends on 6 Pillars	Innovation-driven economies: whereby increasing competitiveness depends on 2 Pillars
Institutions	Higher education and training	Innovation
Infrastructure	Goods market efficiency	Business sophistication
Macroeconomic environment	Labor market efficiency	
Health and primary education	Financial market development	
	Technological readiness	
	Market size	
Most African economies are in this category	South Africa, Mauritius, Cape Verde, Namibia	Not applicable

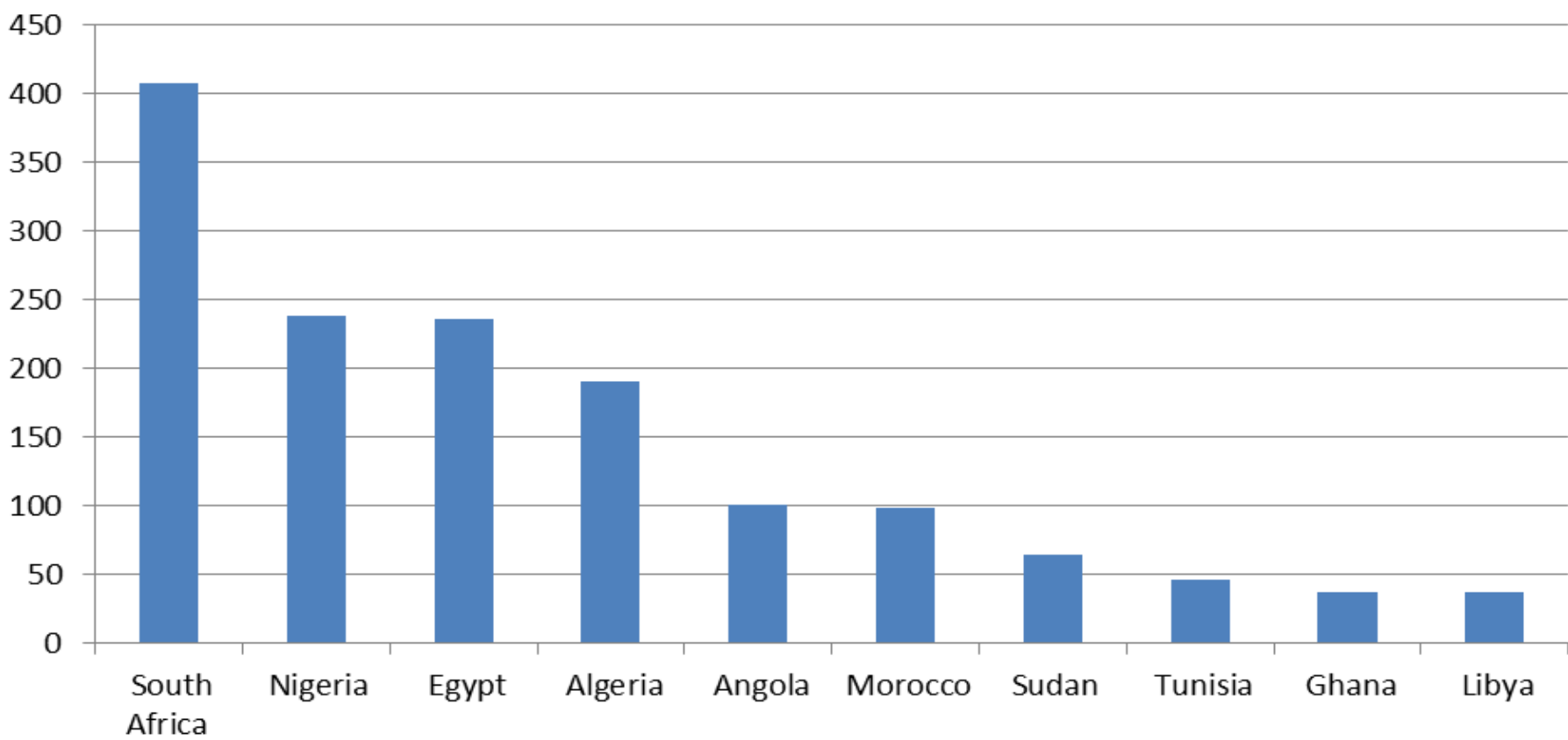


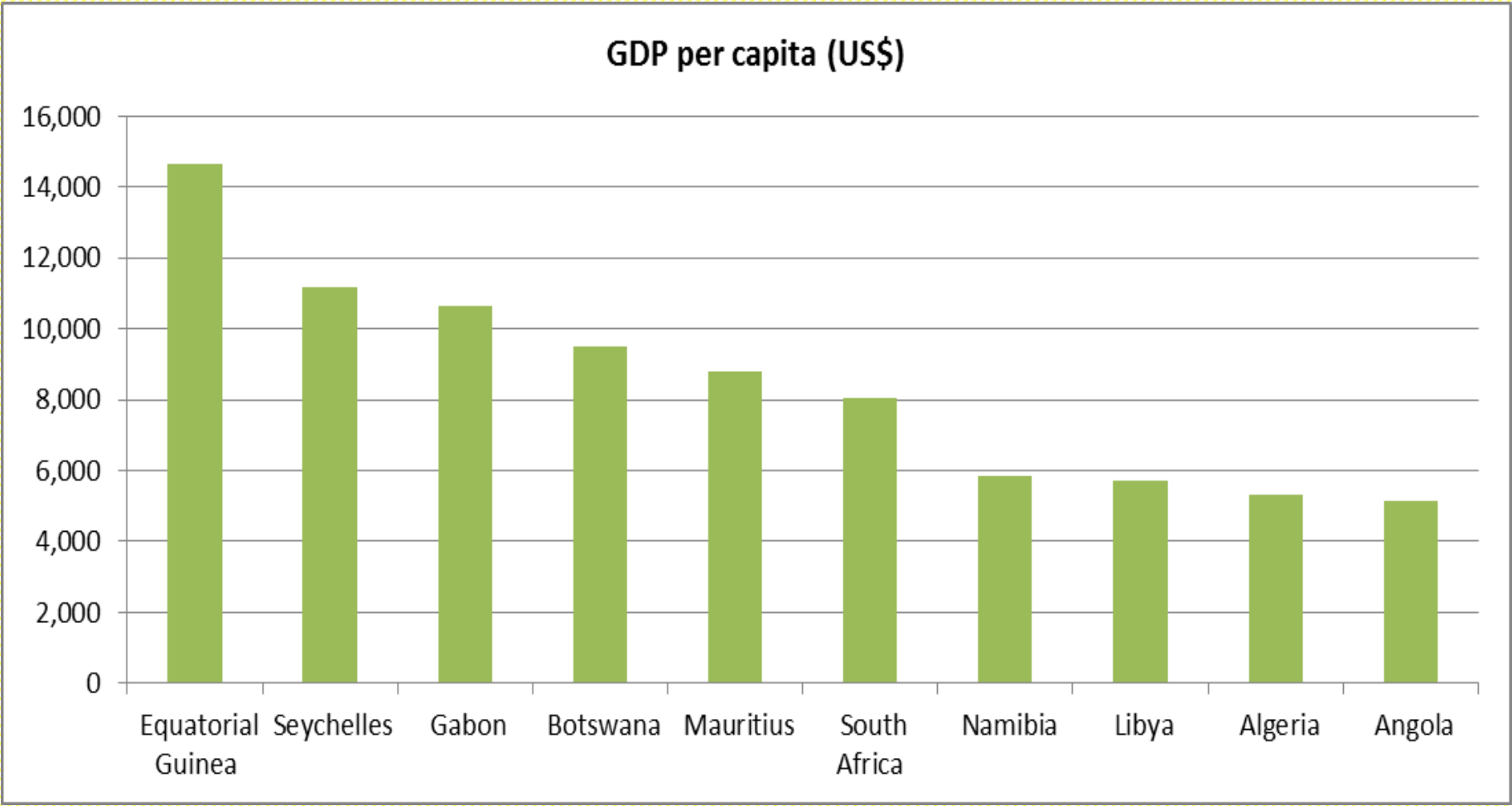
3-pronged typology of Africa economies





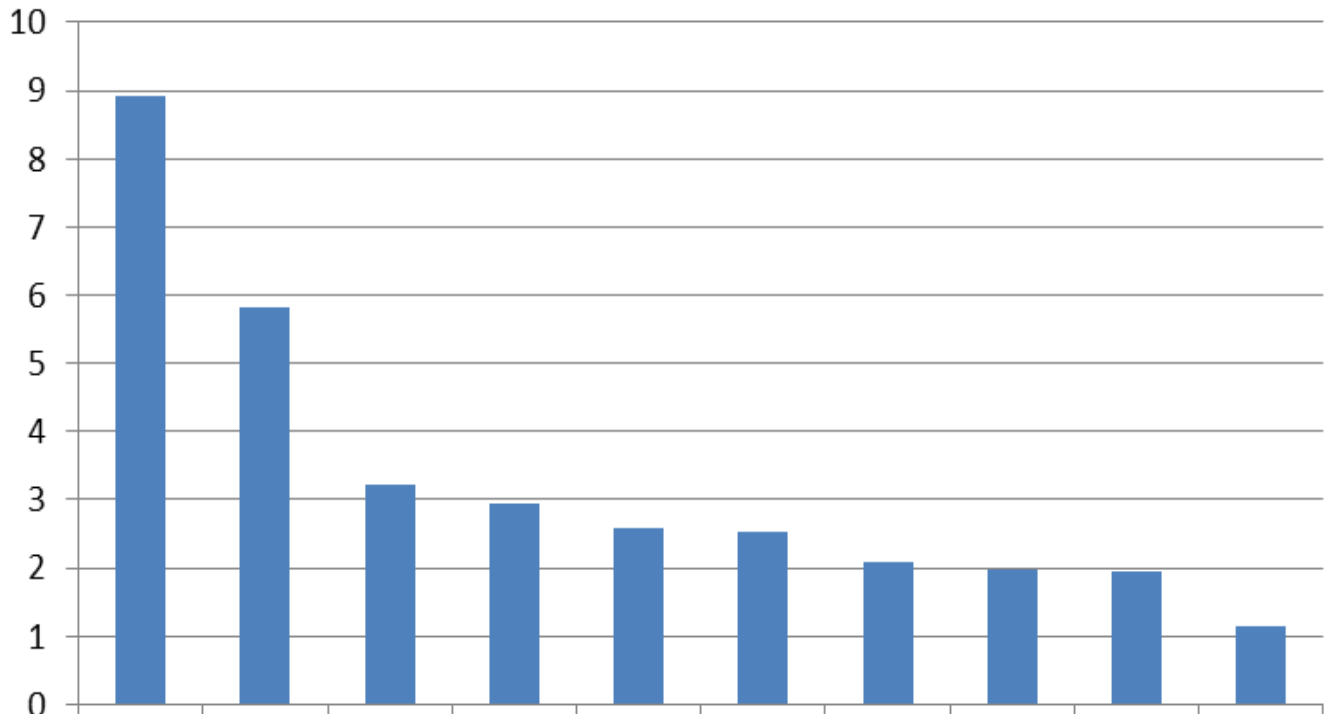
GDP (US\$) Billion for Top 10 African Countries







2012 FDI Inflows (US\$) Billions



2012 FDI Inflows (US\$) Billions	8.92	5.81	3.22	2.93	2.57	2.52	2.09	1.98	1.94	1.14
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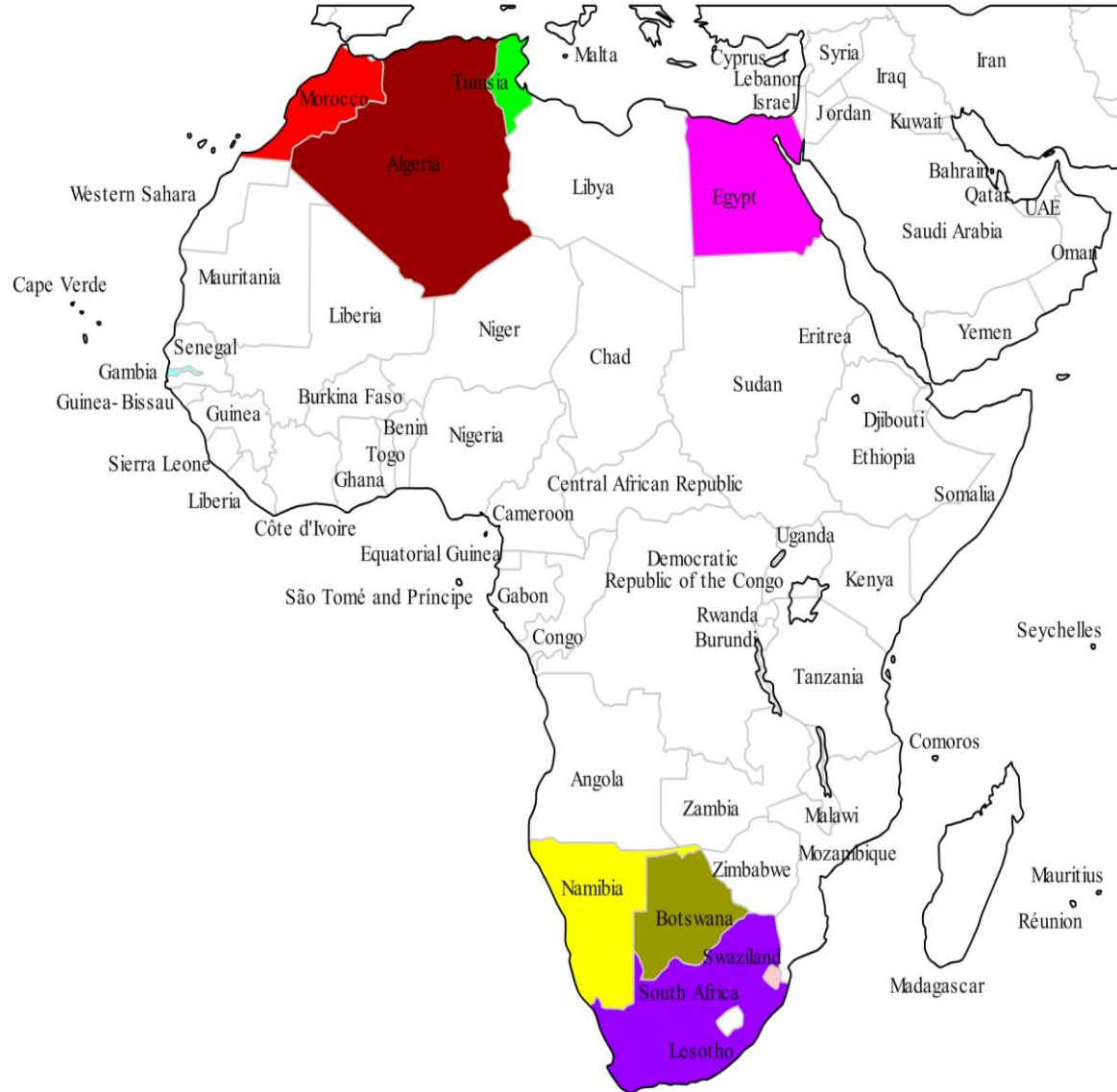
Africa's Global Competitiveness Dashboard: 3 Case Studies

- World Economic Forum Global Competitiveness Index
- Mo Ibrahim Index of Africa Governance
- World Bank Doing Business Indicators

INFRASTRUCTURE Component of GCI

Infrastructure

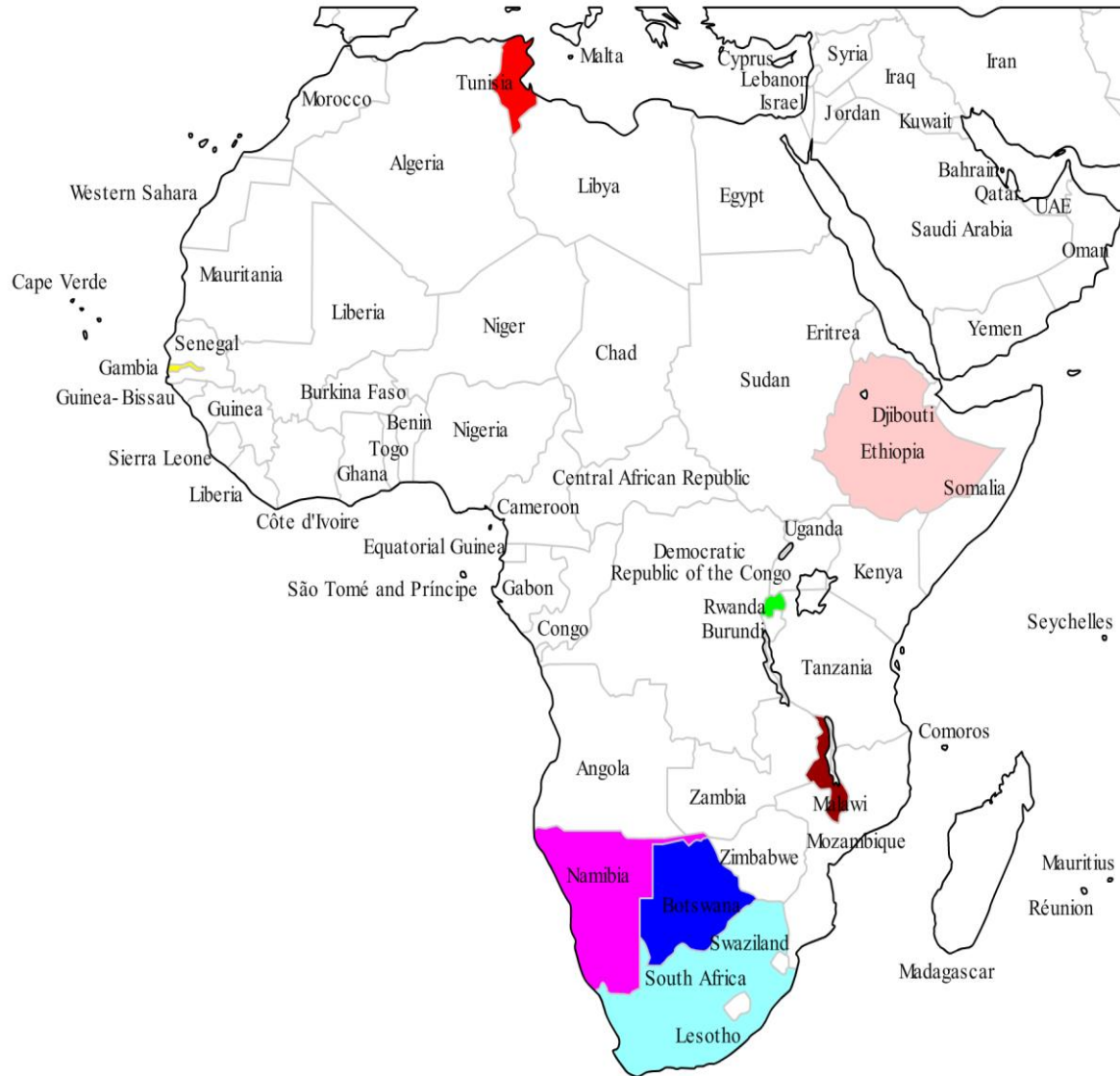
- 1 Tunisia (52)
- 2 Mauritius (54)
- 3 Namibia (58)
- 4 South Africa (62)
- 5 Morocco (69)
- 6 Egypt (75)
- 7 Gambia (80)
- 8 Botswana (92)
- 9 Algeria (93)
- 10 Swaziland (98)



Institutions component of GCI

Institution

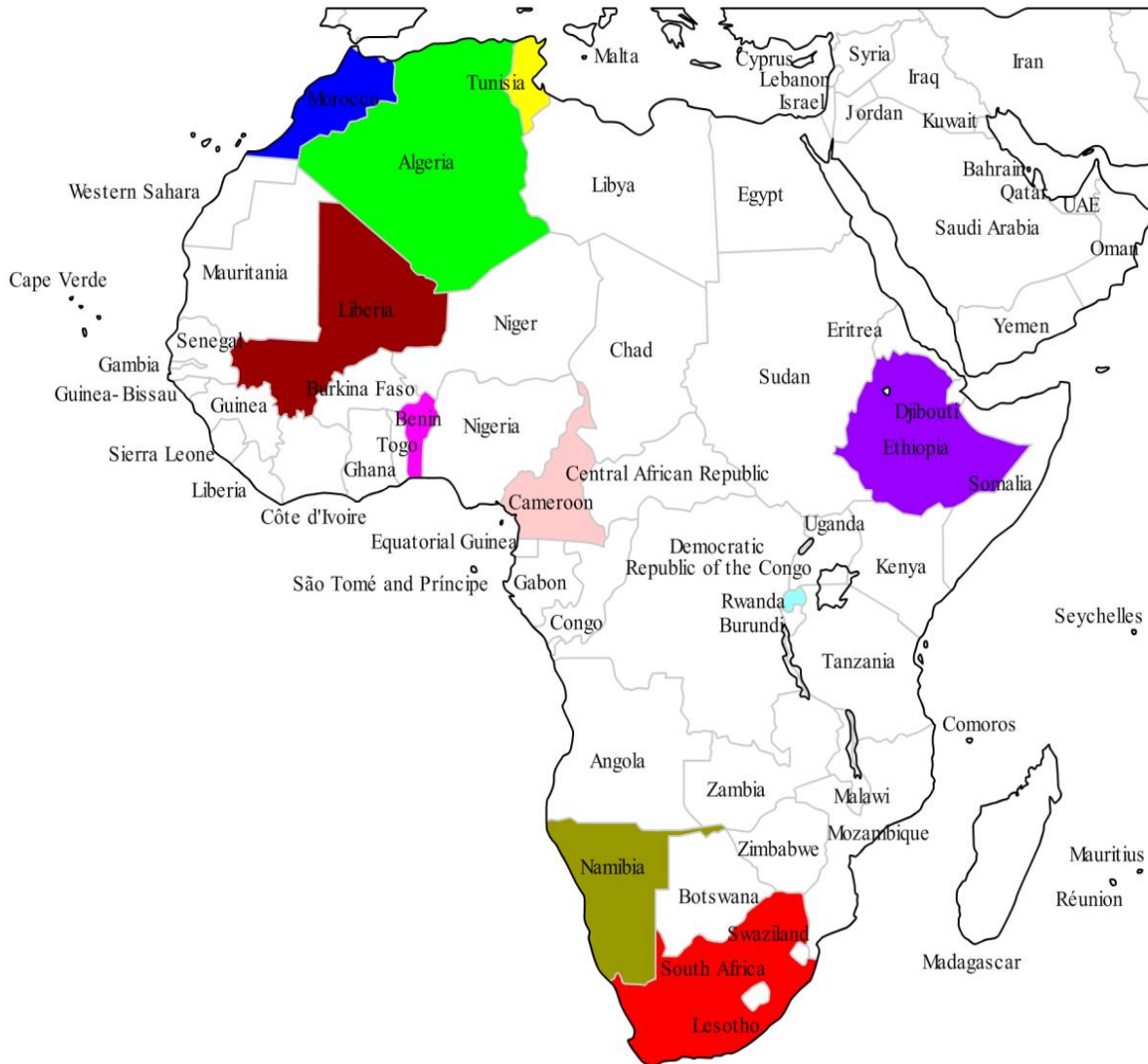
- 1 Rwanda (21)
- 2 Botswana (32)
- 3 Gambia (37)
- 4 Mauritius (40)
- 5 Tunisia (41)
- 6 Namibia (43)
- 7 South Africa (46)
- 8 Cape Verde (54)
- 9 Malawi (56)
- 10 Ethiopia (58)



MACROECONOMIC ENVIRONMENT Component of GCI

Macroeconomic Environment

- 1 Algeria (19)
- 2 Morocco (25)
- 3 Tunisia (38)
- 4 Ethiopia (47)
- 5 South Africa (55)
- 6 Benin (58)
- 7 Rwanda (61)
- 8 Namibia (63)
- 9 Mali (66)
- 10 Cameroon (77)

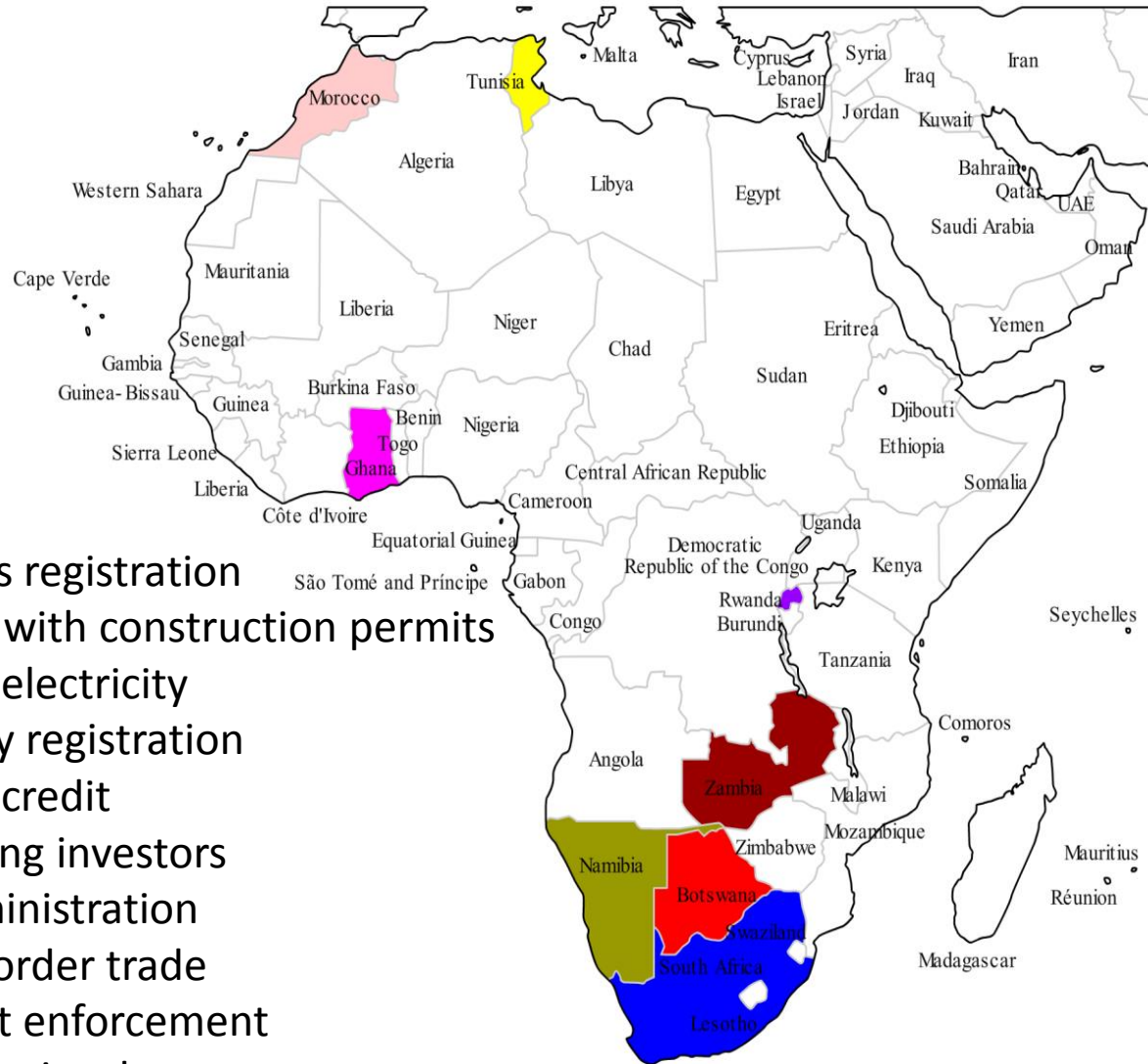


EASE OF DOING BUSINESS

11 indicators, 185 economies

Ease of Doing Business

- 1 Mauritius (19)
- 2 South Africa (39)
- 3 Tunisia (50)
- 4 Rwanda (52)
- 5 Botswana (59)
- 6 Ghana (64)
- 7 Seychelles (74)
- 8 Namibia (87)
- 9 Zambia (94)
- 10 Morocco (97)

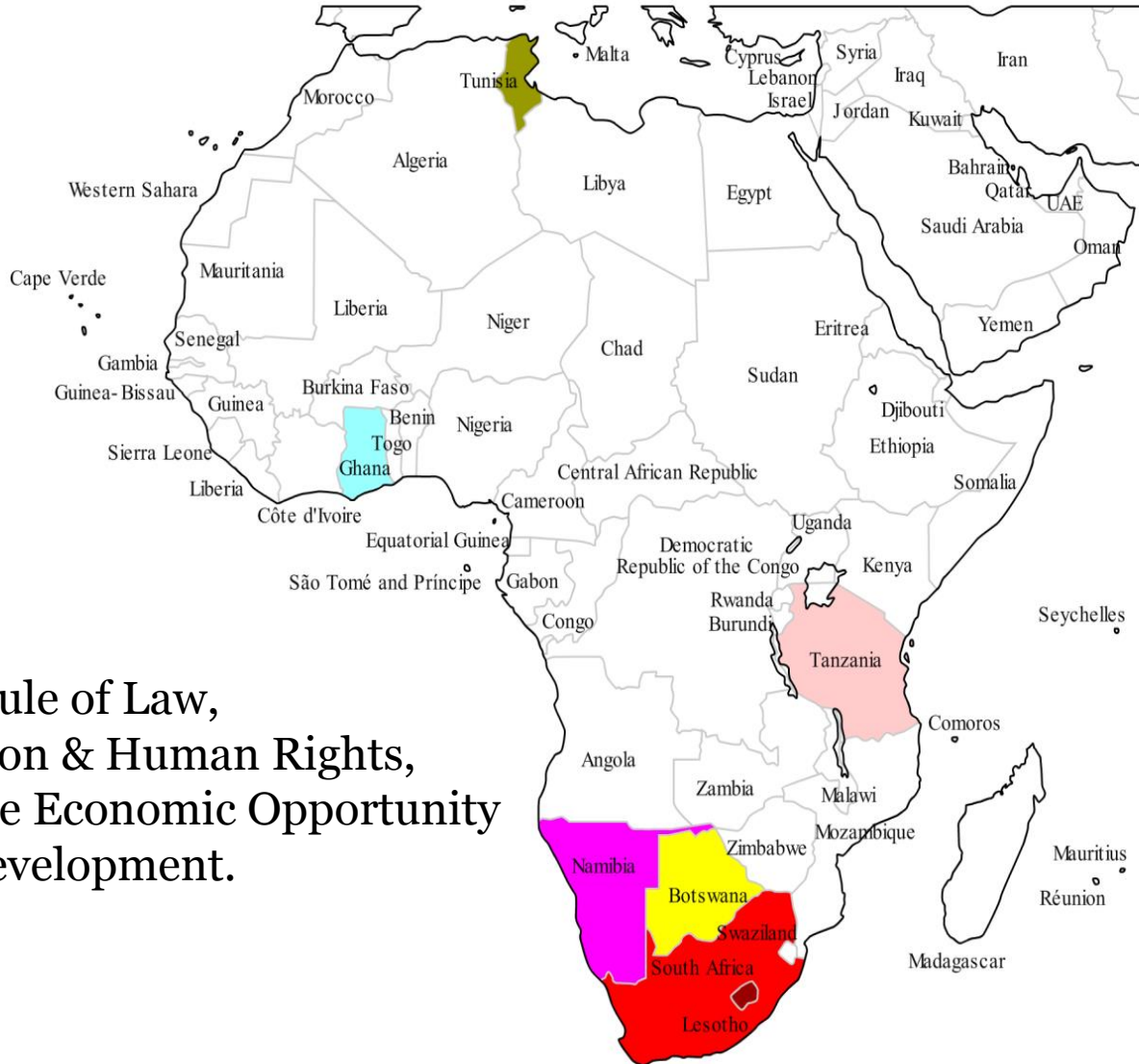


- Business registration
- Dealing with construction permits
- Getting electricity
- Property registration
- Getting credit
- Protecting investors
- Tax administration
- Cross-border trade
- Contract enforcement
- Resolving insolvency

MO IBRAHIM FOUNDATION

Ibrahim Index of Africa Governance (IIAG)

Ibrahim Index of Governance



- Safety & Rule of Law,
- Participation & Human Rights,
- Sustainable Economic Opportunity
- Human Development.

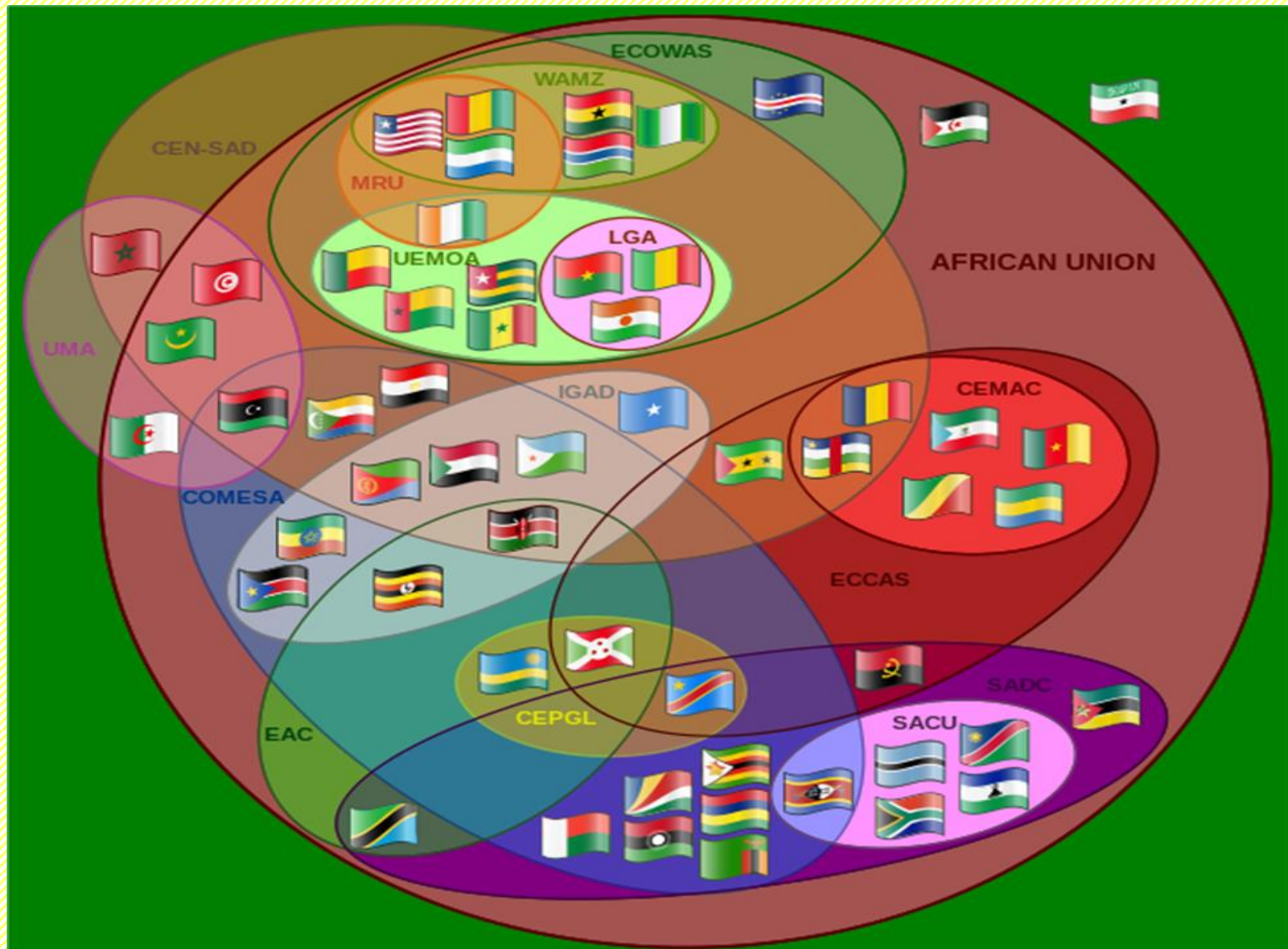
Social Innovations –

4 African regional case studies

- 1. Case No. 1 - NEPAD Comprehensive Africa Agriculture Development Programme (CAADP)**
 - set of benchmarks, principles and commitments for agriculture-led growth and poverty reduction
 - Regional implementation vehicles such as the ECOWAS Common Agricultural Policy and Regional/National Agricultural Investment Plans

- 2. Case No. 2 - African Peer Review Mechanism (APRM) –**
 - an instrument voluntarily acceded to by Member States of the African Union as an African self-monitoring mechanism
 - to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental integration

Opportunities for regional innovations for social and economic integration



Desirable Objects – free trade areas, customs unions, monetary unions, single common market, visa free, borderless.

Case No. 3: Social Innovation in Research-Education-Industry Linkage



- UniBRAIN - a new approach to promoting agricultural innovation by improving the generation and flow of technology and knowledge by removing barriers between actors in the value chains.
- Creating synergy and linkages between the agricultural innovation value chain drivers and actors (university education, research and business)
- Agribusiness Innovation Incubators function as training, research and advisory centres for SMEs, start-ups and enterprises undertaking change and innovation

Case No. 4: Social Innovation in Research and Science Linkages with Policymakers, Civil Society and Industry

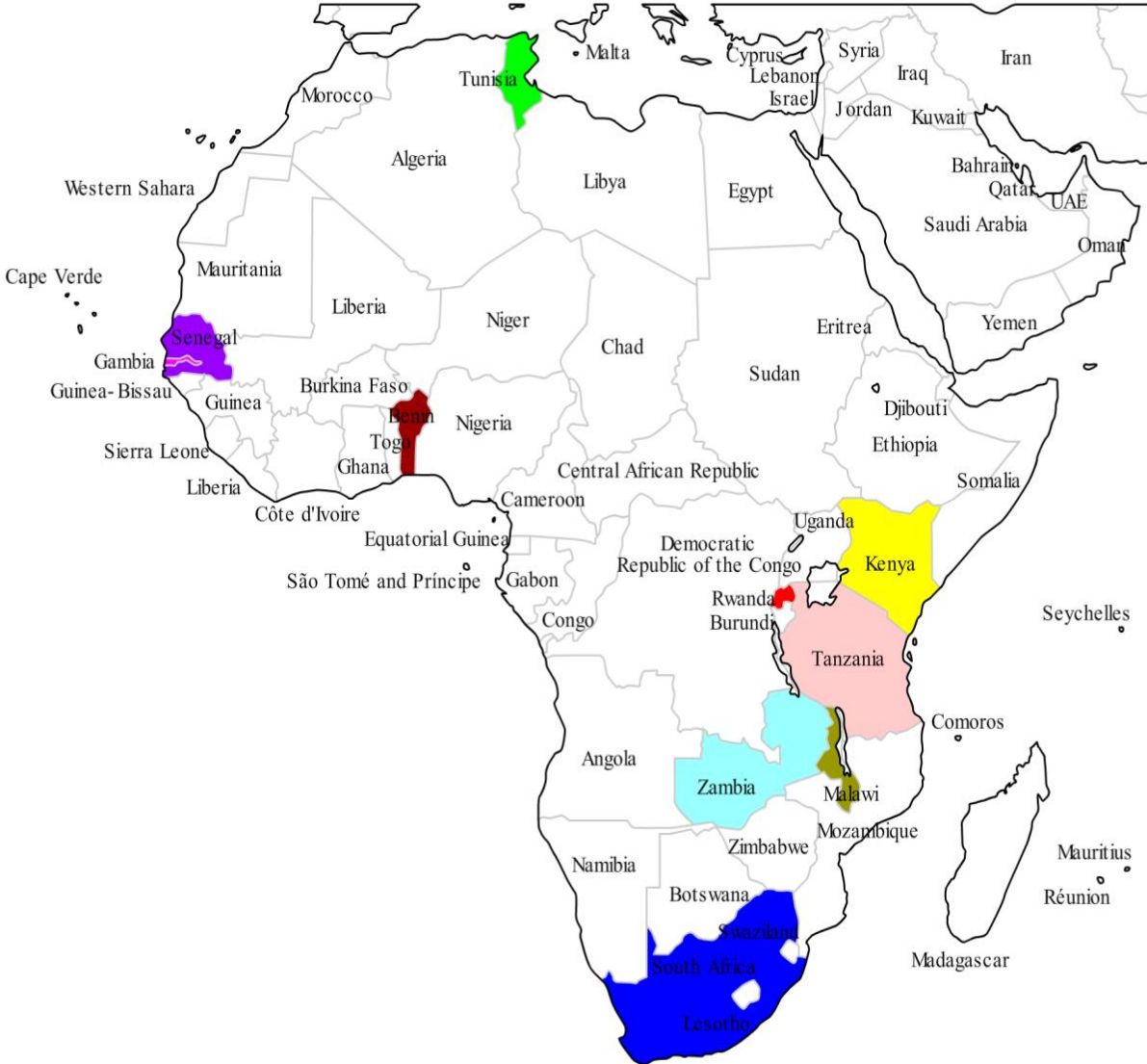


ATPS - multi-disciplinary network of researchers, practitioners and policy makers that promotes science, technology and innovation (STI) policy research, dialogue and practice, for African Development.

Technological Innovations

Rank in Innovation

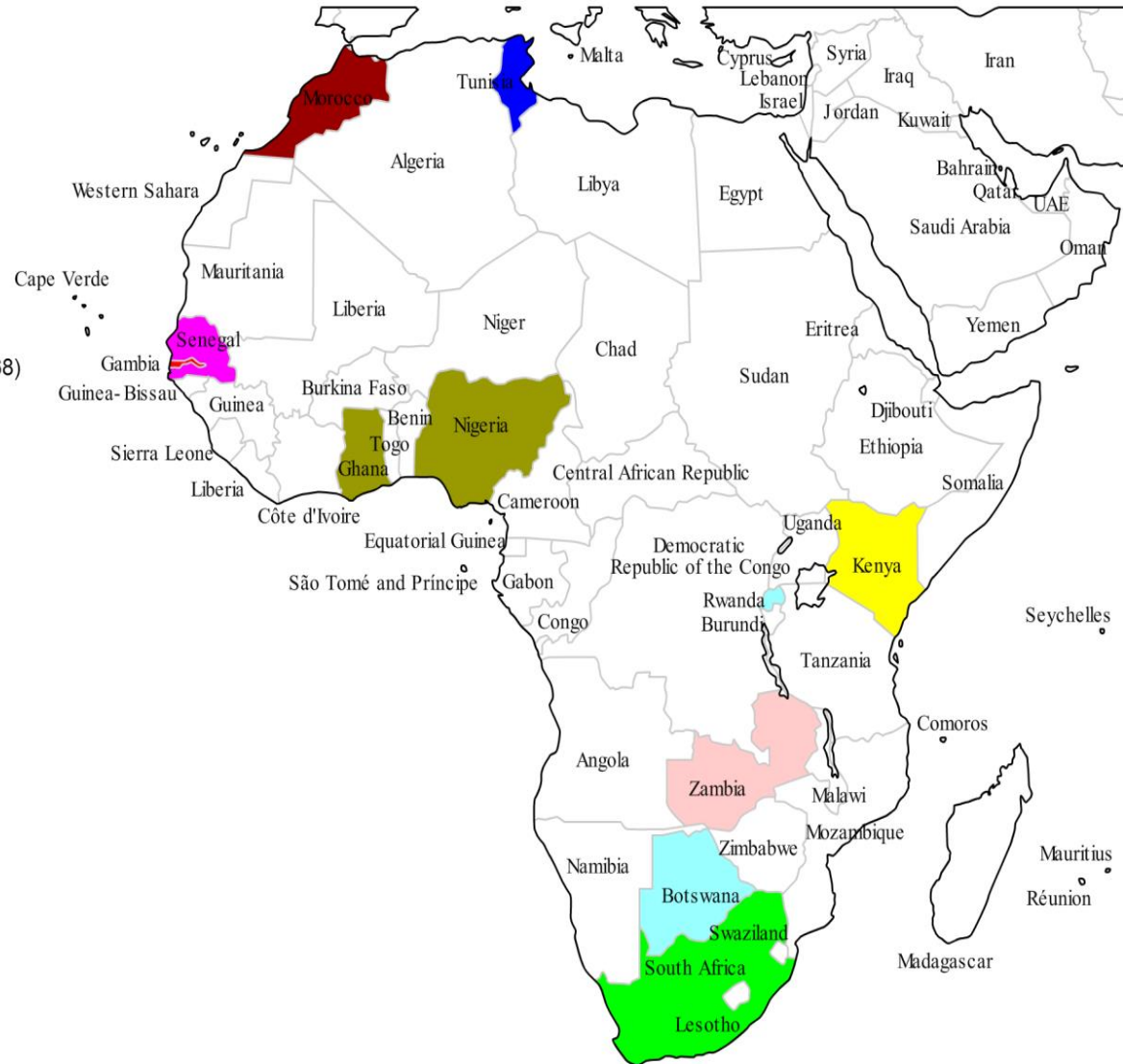
- 1 Tunisia (37)
- 2 South Africa (41)
- 3 Kenya (52)
- 4 Senegal (53)
- 5 Rwanda (56)
- 6 Gambia (62)
- 7 Zambia (64)
- 8 Malawi (65)
- 9 Benin (67)
- 10 Tanzania (73)



Business Innovations and Sophistication

Innovation and Sophistication

- 1 South Africa (39)
- 2 Tunisia (43)
- 3 Kenya (53)
- 4 Mauritius (60)
- 5 Gambia (61)
- 6 Senegal (62)
- 7 Rwanda/Botswana (68)
- 8 Nigeria/Ghana (69)
- 9 Morocco (79)
- 10 Zambia (80)





Matters Arising – Critical Challenges

- New threats from the double-dip depression in the Eurozone – a highly significant global economic bloc
- Adapting to Climate Change
- Reducing Poverty
- Accelerating and Sustaining Recent Growth Improvements
- Arresting Land and Resource Degradation
- Pushing Forward Productivity Frontiers (e.g. in Agric.)
- Ensuring Sustainable and Responsible Urbanization
- Promoting Resource and Environmental Impact Decoupling



Matters Arising - Opportunities

- Growing middle class – emerging consumer markets and burgeoning economic power blocs
- Increased FDI and remittances
- Large potential for productivity improvements – *increasing marginal returns*
- improving business and investment climate



Matters Arising - Opportunities

- Available technologies for less resource- and energy-intensive growth – “opportunities for leapfrogging”
- Sustaining the right macroeconomic and fiscal policies
- New international trade opportunities – value-added products, comparative advantage in agroindustrial subsector



Country-specific Exemplification of Challenges

- *Africa's red spots*
- Somalia, Mali – conflict ridden
- Nigeria, the sleeping giant
 - Most populated
 - Second largest economy
 - Perhaps most diverse in terms of economic potentials
 - But, lagging very much in competitiveness, governance and sustainable development



Country-specific Exemplification of Opportunities

- *Africa's 'shining lights' – **green spots***
(Rwanda, Ghana, South Africa, Tunisia, Mauritius, Kenya, Botswana, Angola)
 - Increasingly competitive in the global arena
 - Stronger institutions and governance
 - Trade and Growth performance
 - Social innovations on the rise, particularly in Rwanda, recovering fast from civil conflicts



Matters Arising – Opportunities and Merits for Benchmarking of Social Innovations across Africa

- While there are a number of economic and business performance scoreboards for Africa countries, there is yet no pan-African social innovations scoreboard
- Given ATPS role as a credible and formidable catalytic change agent in the African economy and society, it should pioneer this novel Initiative
- Ready to work with ATPS to develop and operationalise “Social Innovations” Criteria & Indicators Tool-Kit for benchmarking Africa Countries on “Social and Institutional Change”



Rethinking and Reappraising “State-Market” cum “State-Society” Relations

- Debate no longer about “less” or “more” government, “state-led” or “market-driven”, but about developmental and catalytic role of the State
 - In fostering social innovations and institutional dynamism
 - In fostering competitiveness and growth
 - In ensuring beneficial global integration

Mindful to strike a balance between African realities and global imperatives for a competitive society and economy

The “African Developmental State”

- ***legitimate, credible, visionary and strong political leadership***
- ***competent, efficient and responsible professional bureaucracy***
- ***delivers adequate levels of public investments for social and economic devt.***

- Vision setting, capable leadership and developmental ideology
- Relative state autonomy, especially in formulating and implementing policy
- State institutional capacity, notably a strong and competent bureaucracy
- Effective national development planning
- Coordination of economic activities and socially and economically responsible and responsive resource allocation
- Support for a national entrepreneurial class
- Commitment to expansion of human capacity
- Peace, political stability, rule of law and predictability in government business (ECA, 2011, Economic Report on Africa)



In Conclusion.....

- The 'African Developmental State' is not a copycat stereotype of East Asian model or Latin America 'Structuralist' model
- Because the internal and external conditions that existed in East Asia and Latin America in the 1950s and 1960s no longer exist
- The 'appropriate' African Developmental State is not "business as usual" but focuses on creating and promoting
 - *Progressive synergies between public action and private enterprise*
 - *Market complementation, not obstructing, distorting or crowding out the private sector, but 'crowding-in' private sector*
 - *Active State policies and investments to promote structural transformation, develop existing and new productive capacities, create dynamic comparative advantage and expand employment*



In Conclusion

- Africa therefore needs an alternative development governance strategy that focuses on building developmental State capabilities appropriate to the global imperatives of the 21st century and adapted to African realities and country contexts
- An important opportunity will be developmental regionalism paradigm – development-led regional cooperation framework aimed at maximizing the benefits of regional cooperation for the purpose of achieving advantageous country-level integration into global markets



Thank you!

