



**DESA/ILO Expert Meeting on the Implementation of the Second United Nations Decade for the Eradication of
Poverty
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Exports, Diversification and Employment in Africa

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The context

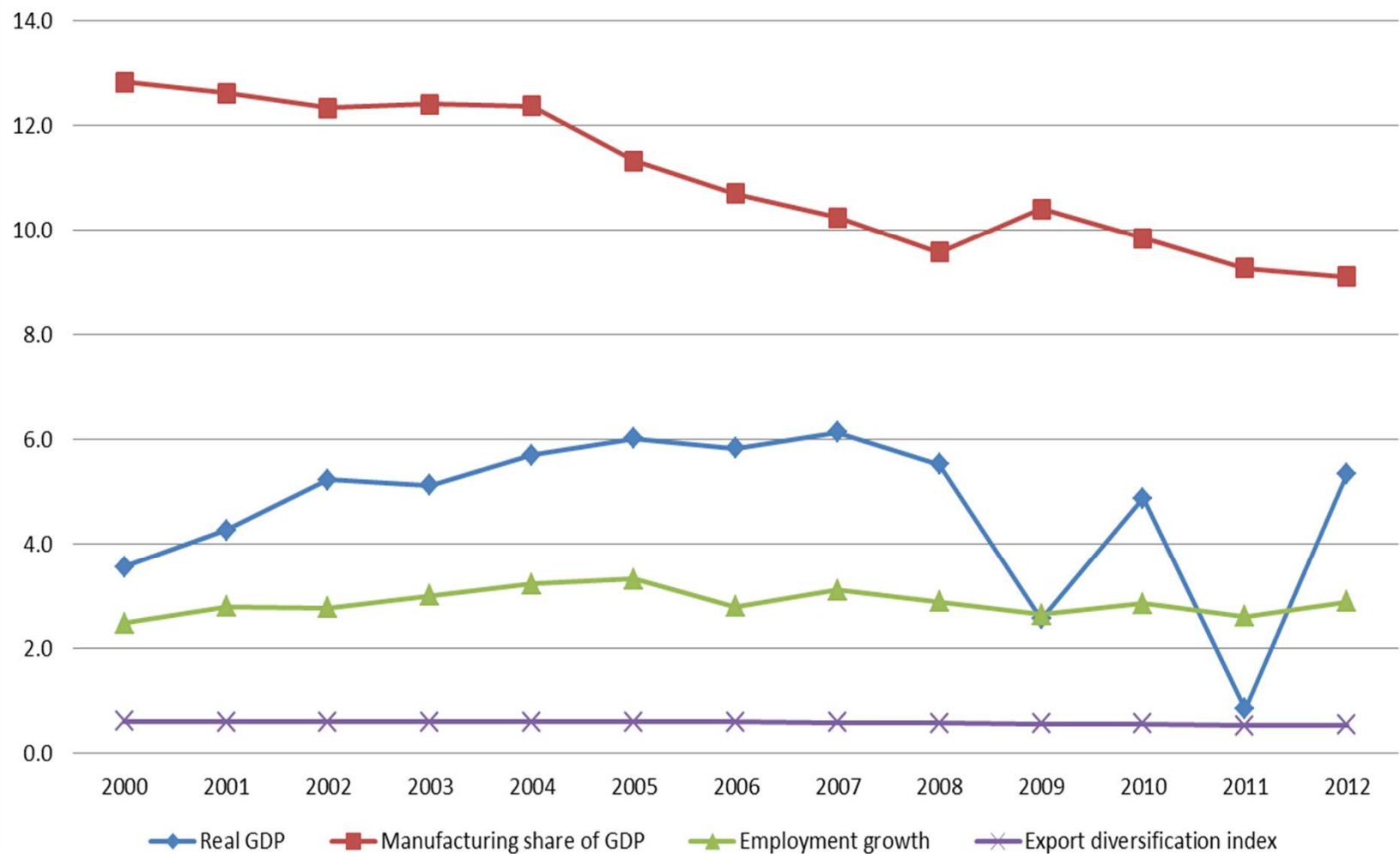
- The conventional wisdom in the economic literature has been that exports is an engine of growth and has the potential to create employment and reduce poverty.
- Historically, this potential of exports has been realized in most developed and emerging economies. However, in several developing countries (particularly in Africa), it has been observed that export growth is often accompanied by higher output growth but also an increase in unemployment (Jobless Growth).



Some Facts on Exports and Development in Africa

	2000-2007	2008-2013
Real output growth	5.5	3.5
Export volume index	116.3	133.9
Export volume growth	5.7	0.3
Employment growth	3.0	2.8
Export diversification index	0.60	0.56
Manufacturing share of GDP	11.9	9.6

Growth, Export Diversification and Employment in Africa



Why has recent growth not led to adequate employment creation in Africa?

- There are structural problems with Africa's pattern of growth both on the demand and on the supply sides of the economy

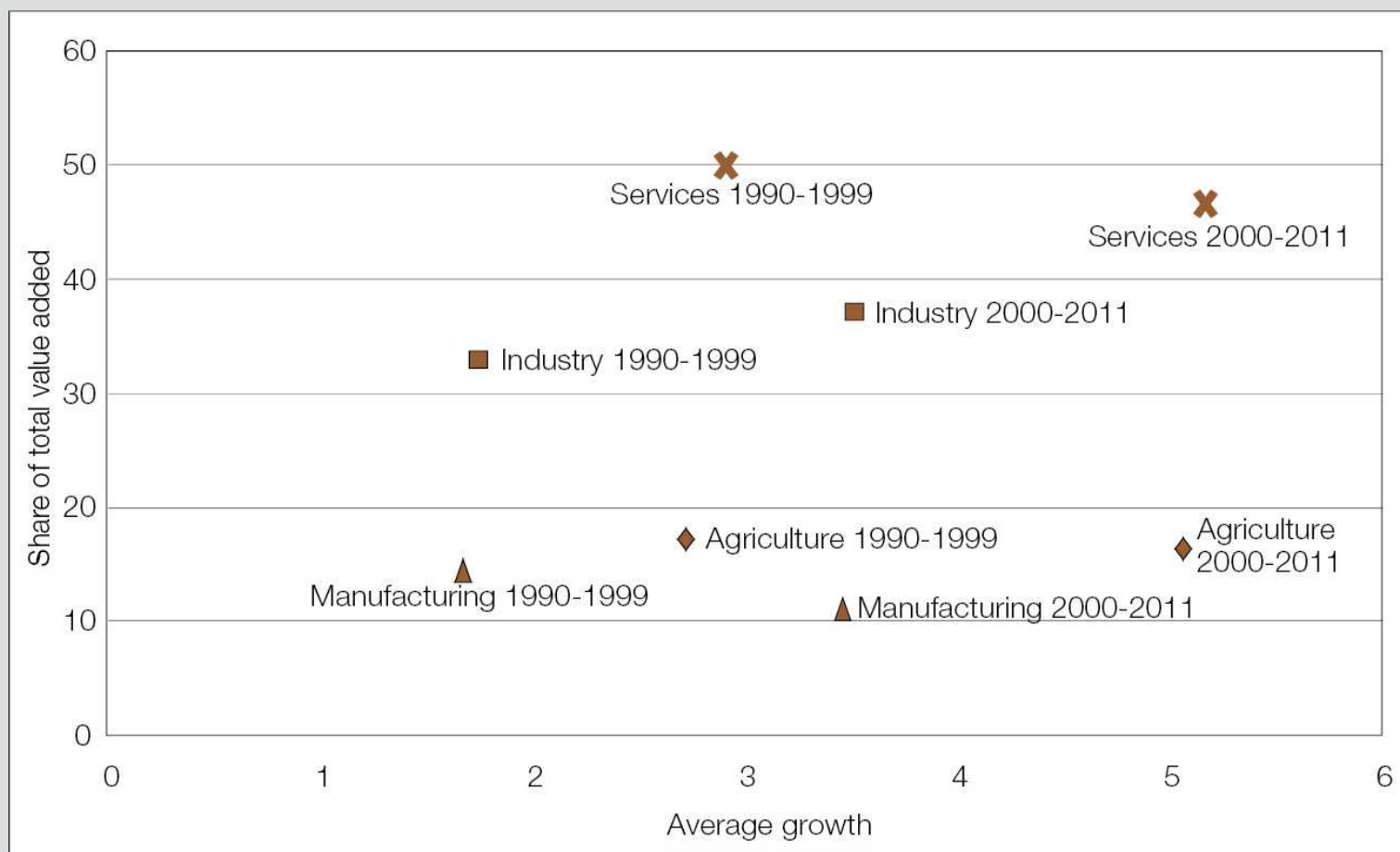
Table 2. Shares and growth rates of demand components in Africa, 1990–2011

	1990–1999		2000–2011	
	Share of GDP	Average growth	Share of GDP	Average growth
Household consumption	65.8	2.6	62.0	5.0
Government expenditure	16.5	2.1	15.1	5.3
Gross fixed capital formation	17.7	3.0	18.7	6.6
Exports	25.8	3.6	34.8	4.9
Imports	26.8	3.8	32.1	7.4

Source: UNCTAD.



Figure 1. Growth rates and shares of sectors in Africa's total value added, 1990–2011



Source: UNCTAD.



What accounts for the low level of export diversification in Africa?

- Various explanations have been offered
 - Foreign aid dependence
 - Natural resource abundance
 - Geographical barriers
 - Macro policy (inflation or RER overvaluation)
 - Poor infrastructure
 - Quality of education
- I tested the impact of these factors on diversification in Africa and found some evidence that aid, quality of infrastructure, and resource endowments are important determinants.



	GMM Estimation Results	
Diversification (t-1)	0.766 *** (0.000)	
Aid (% of gross capital formation)	-0.008 ** (0.014)	
Oil endowment	-2.539 * (0.077)	
Level of development	-0.001 (0.264)	
Inflation rate	-0.011 (0.368)	
Education	-0.015 (0.667)	
Quality of infrastructure	0.169 *** (0.000)	
Durability of political regime	0.068 (0.117)	
Geography	-0.001 (0.873)	8

How can we foster structural transformation in Africa?

- Enhance the contribution of investment to the growth process through
 - Boosting the rate of investment
 - Improving the productivity of existing investment
 - Ensuring that investment goes to strategic sectors
- Need deliberate government efforts to induce structural transformation through industrial policy
- Make macroeconomic policies consistent with the goal of structural transformation.



How to ensure that structural transformation contributes to employment creation

- Structural transformation is a necessary but not sufficient condition for employment creation. For it to create adequate employment, it has to go hand in hand with;
 - Adoption of labour intensive production processes
 - Strengthening linkages between activities and sectors
 - Some of the increase in productivity associated with transformation has to be passed on to workers to create additional demand and hence employment,.
- Need to address constraints to employment creation (infrastructure, workforce skills, etc)



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- Promoting rural development should also be an integral part of the structural transformation agenda
 - Mainstream South-South Cooperation more effectively into national development strategies
 - The rise of emerging economies and their growing partnerships with Africa presents challenges for labour-intensive industries and employment on the continent and should be explicitly taken into account in formulating national development strategies.



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