



**STRUCTURAL TRANSFORMATION IN SUB-
SAHARAN AFRICA'S CONFLICT-PRONE
COUNTRIES: A MULTI-COUNTRY STUDY OF COTE
D'IVOIRE, ETHIOPIA, MOZAMBIQUE AND
RWANDA.**

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Objective of Presentation

The major objective of this paper is to shed light on structural transformation in sub-Saharan African's conflict-prone countries, with a multi-country study of Cote D'Ivoire, Ethiopia, Mozambique and Rwanda. Specifically, the study aims to:

- assess the state of the structural transformation in sub-Saharan Africa
- determine the factors that spur or hinder structural transformation in the region
- strategies associated with structural transformation
- elaborate on structural transformation in Cote D'Ivoire, Ethiopia, Mozambique and Rwanda.

Presentation Outline

- Structural Transformation: A Conceptual Framework
- The state of Conflict and Implications for Development in sub-Saharan Africa
- Structural Transformation in SSA: Recent Trends and Developments
- Conflict & Structural Transformation case studies:
 - ---Cote D'Ivoire, Ethiopia, Mozambique & Rwanda
- Concluding Remarks

Structural Transformation: A Conceptual Framework

- Structural Transformation is acknowledged as an essential factor spurring economic growth (Kuznets, 1973).
- It is aptly defined as the reallocation of economic activity across the three broad sectors (Agriculture, manufacturing and services), accompanied by modern economic growth (Herrendorf, Rogerson and Valentinyi, 2013).
- Also acknowledged as structural change, UNCTAD (2016) defines structural transformation as movement of labour and other productive resources from low productivity to high productivity economic activities.
- It further reveals that productivity increases in agriculture foster the steady release of labour and capital in favour of more productive industries like manufacturing and modern services, in a development that often triggers productivity and income growth.
- Consequently, the movement of factors of production from low- to high-productivity industries holds particular benefits for developing economies, where productivity differentials across industries are usually deep.

Structural Transformation in Developing Countries, 1991-2010

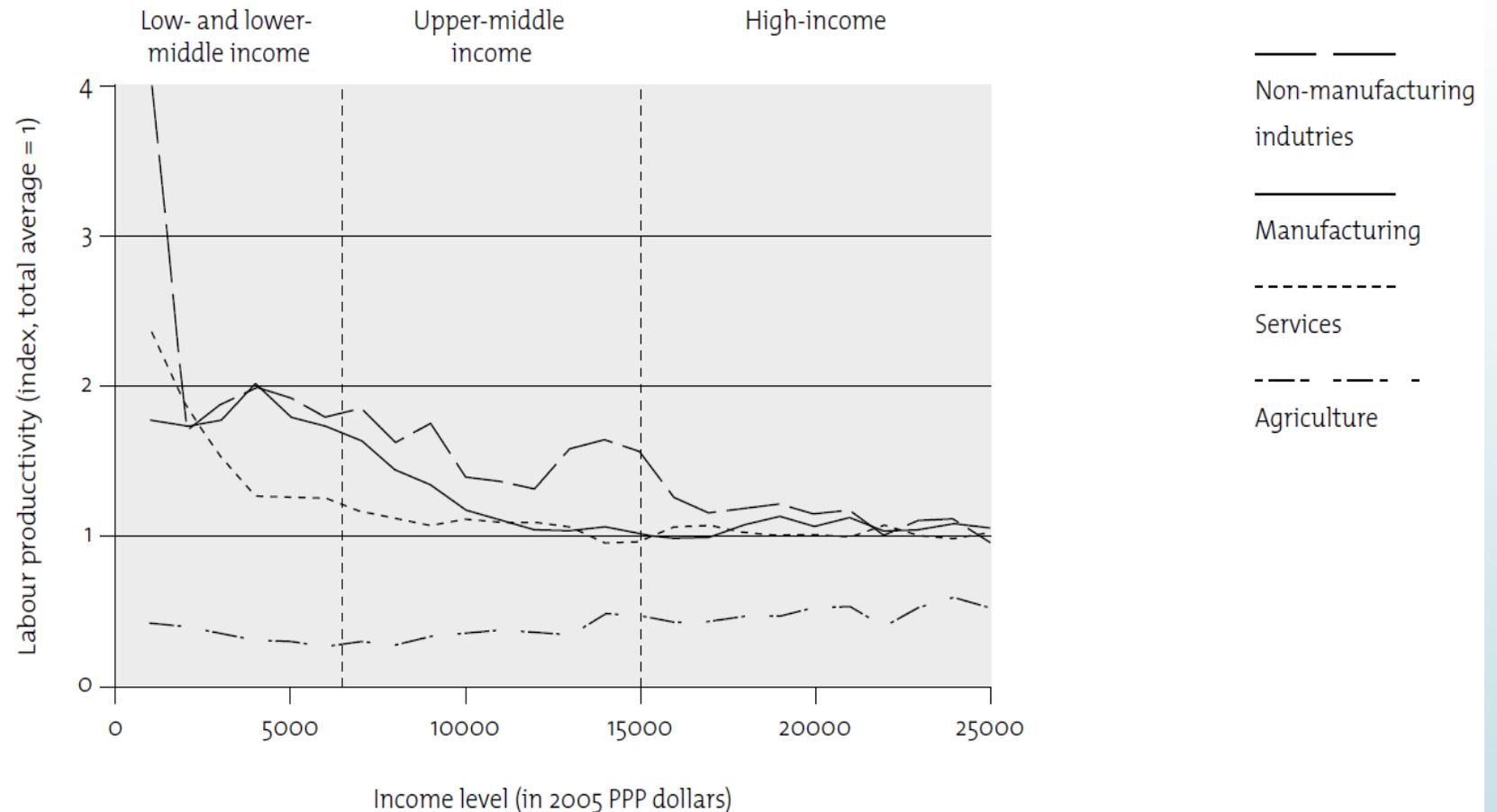


Figure 1: Relative labour productivity by sector, 1991–2010
Source: UNIDO (2013)

The state of Conflict and Implications for Development in sub-Saharan Africa

- Conflict in sub-Saharan Africa is a critical factor undermining development trends in the region. Over the past several decades, sub-Saharan Africa has emerged with conflicts more than any other major region in the world.
- The trend assumed an alarming proportion in the 1990s, when about one-half of countries in the region were engaged in conflict.
- O'Hare and Southall (2007), employing a dataset on 42 countries in sub-Saharan Africa, reveal that half of the countries were either engaged in civil war or transnational conflict.
- Clempson (2012) reveal that between 1946 and 2002, there were 47 civil wars in sub-Saharan Africa, accompanied by 1.37 million deaths on the battle field and even higher level of civilian deaths.
- The development largely accounts for the deterioration in development efforts across the region over the past several decades, leading to the fall in development rankings of many countries in sub-Saharan Africa.

Conflict and Implications for Development in sub-Saharan Africa (Cont'd)

Table 1: Number of conflicts in sub-Saharan Africa from 2005 to 2019 by conflict intensity

Year	Disputes	Non-violent crises	Violent crises	Limited wars	Wars
2005	14	21	30	8	1
2006	13	25	27	13	2
2007	13	28	29	7	2
2008	16	21	30	9	3
2009	20	24	31	9	1
2010	24	22	37	4	2
2011	20	19	40	5	8
2012	22	11	44	10	10
2013	20	12	44	13	22
2014	18	15	47	8	9
2015	17	17	42	10	9
2016	8	14	55	8	7
2017	7	18	50	4	10
2018	11	13	46	9	6
2019	12	9	45	10	5

Source: Duffin, 2020

Conflict and Implications for Development in sub-Saharan Africa (Cont'd)

Table 2: Sub-Saharan Africa: Share of Countries in Conflict by Geographic Region and Economic Classification.

1. Geographic Regions		
	Pre 2000	Post 2000
Central Africa	42.4	36.4
Eastern Africa	35.2	27.4
Western Africa	35.2	24.4
Southern Africa	20.0	1.1
2. By Resource Intensity		
	Pre 2000	Post 2000
Oil exporters	52.0	39.9
Other resource-intensive countries	35.2	25.2
Non-resource-intensive countries	29.3	20.5

Source:IMF, 2019

Structural Transformation in SSA: Recent Trends and Developments

- ▶ Sub-Saharan Africa, until recently, has witnessed profound economic growth, accompanied by structural transformation in several countries across the region (IMF, 1999, 2000; NEPAD, 2012, World Bank, 2013).
- ▶ Transformation of output is particularly noticeable in agriculture, the lowest-productivity sector, which has declined as a share of higher-productivity sectors, and increased as a share of GDP (IMF, 2012).
- ▶ IMF (2017) findings reveal that there was structural transformation in some Sub-Saharan Africa economies during 2000-10 and convergence in sector productivities within countries.
- ▶ However, this change emerged through strong movement in the shares of labour and output out of agriculture into services rather than into industries.
- ▶ Consequently, this shift, according to the IMF (2017) report, lowered relative productivity in services, largely because much of this movement was into lower-productivity, non-wage employment.
- ▶ The report further asserted that the Sub-Saharan Africa experience stands in sharp contrast to that of most recent low-income industrial transformation in Asia, where transformation emerged from agriculture to manufacturing activities.

Structural Transformation in SSA: Recent Trends and Developments (Cont'd)

Table 3: A Snapshot of Structural Transformation in large SSA countries

<i>Country</i>	<i>year1</i>	<i>year2</i>	<i>Share of employment in agricultural sector from SSAPOV</i>			<i>ILO estimates of share of employment in agricultural sector</i>		
			<i>Year 1</i>	<i>Year 2</i>	<i>Annual reduction</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Annual reduction</i>
Angola	2008	2014	46.9%	45.2%	-0.3 p.p.	44.6%	49.4%	0.8 p.p.
Burkina Faso	2009	2014	85.1%	82.4%	-0.4 p.p.	52.2%	30.4%	-4.4 p.p.
Cameroon	2007	2014	64.0%	50.3%	-2.0 p.p.	59.8%	47.6%	-1.7 p.p.
Congo Dem. Rep.	2004	2012	73.4%	78.9%	0.7 p.p.	72.4%	70.7%	-0.2 p.p.
Ethiopia	2010	2015	72.6%	73.5%	0.2 p.p.	73.9%	68.9%	-1.0 p.p.
Ghana	2012	2016	49.0%	46.2%	-0.7 p.p.	46.8%	34.7%	-3.0 p.p.
Kenya	2005	2015	66.3%	52.3%	-1.4 p.p.	61.1%	58.3%	-0.3 p.p.
Liberia	2014	2016	20.4%	18.5%	-1.0 p.p.	45.7%	46.5%	0.4 p.p.
Madagascar	2005	2012	81.6%	81.4%	0.0 p.p.	82.0%	68.9%	-1.9 p.p.
Mozambique	2008	2014	83.3%	77.1%	-1.0 p.p.	77.8%	73.0%	-0.8 p.p.
Malawi	2010	2016	83.8%	81.3%	-0.4 p.p.	73.3%	72.2%	-0.2 p.p.
Nigeria	2010	2012	48.0%	48.8%	0.4 p.p.	40.8%	39.3%	-0.7 p.p.
Uganda	2012	2016	76.5%	79.9%	0.9 p.p.	66.1%	71.4%	1.3 p.p.
South Africa	2014	2016	4.7%	5.4%	0.3 p.p.	4.7%	5.6%	0.5 p.p.
Zambia	2010	2015	69.9%	61.0%	-1.8 p.p.	64.2%	54.7%	-1.9 p.p.
Average					-0.35 pp			-0.88 pp
Standard deviation					0.87 pp			1.51 pp

Source: SSAPOV database, Sub-Saharan Africa Team for Statistical Development, World Bank, Washington DC and World Development Indicators (which reports ILO estimates).

Structural Transformation in SSA: Recent Trends and Developments (Cont'd)

- Enache et al (2016) reveal the pace, intensity and consistency of structural change in African economies over four decades, from 1980-2010.
- The study assessed and characterized historical structural change on three dimensions: pace, intensity and consistency. It also identified two broad growth patterns among African countries for which data are available, as illustrated in figure 5.

Pattern 1

- Early transition of labour out of agriculture
- Pace of structural change slows in the 1990s/2000s
- Wholesale and retail trade is not the main labour absorbing sector in the 2000s

Countries: Botswana, Nigeria, Mauritius, South Africa, Egypt

Pattern 2

- Late transition of labour out of agriculture, if at all
- Pace of structural change does not slow markedly in 1990s/2000s
- Wholesale and retail trade is the main sector absorbing labour in the 2000s

Countries: Zambia, Tanzania, Ethiopia, Senegal, Malawi, Ghana, Kenya

Figure 5: The Two Broad Growth Patterns among African countries

Conflict and Structural Transformation: A Multi-Country Study of Cote D'Ivoire, Ethiopia, Mozambique and Rwanda

Cote D'Ivoire

Table 4: Cote D'Ivoire's key macroeconomic indicators, 2014 – 2018

	2014	2015	2016	2017	2018
GDP per capita (USD)	1,534	1,397	1,451	1,525	1,679
GDP (USD bn)	35.4	33.1	35.3	38.1	43.0
Economic growth (GDP, annual variation in %)	8.8	8.8	8.0	7.7	7.4
Unemployment rate	3.7	3.1	2.6	2.5	2.5
Fiscal balance (% of GDP)	2.2	-2.8	-4.0	-4.5	-4.0
Public Debt (% of GDP)	44.8	47.3	48.4	49.8	53.2
Inflation rate (CPI, annual variation in %)	0.5	1.2	0.7	0.7	0.4
Exchange rate (Vs USD)	542.1	603.9	621.9	546.3	573.8

Source: Adapted from focus economics, 2020.

Conflict Profile of Cote D'Ivoire

- Cote D'Ivoire became an independent country in 1960 and emerged as an economic model in West Africa, with a stable socio-economic profile. For decades, the country's political stability was driven by an authoritarian regime led by Felix Honphonèt Boigny until his demise in 1993.
- However, the country began to experience political and social instability, fueled by widespread marginalization of large segments of the society.
- Political instability began to deteriorate rapidly by the late 1990s, with the overthrow of Conan Bedie in 1999.
- Events eventually spiraled out of control, culminating in the start of the first civil war, which broke out on 19th September, 2002; with mass killings in Abidjan, Korhogo and Boleake.
- The resulting humanitarian crisis prompted France to deploy peace-keeping troops in 2003, spurring reconciliation process, involving both regional and global players.
- The United Nations Operations in Cote D'Ivoire was also deployed in February, 2004, which brought the conflict to an end, with a peace agreement on 14th March, 2007 (Study Country, 2019).
- The controversy surrounding the November, 2010 Presidential election provoked a resurgence of violence.
- In an election apparently won by the opposition candidate, Alassane Ouattara; the incumbent President, Laurent Gbagbo declared victory and was inaugurated as President.
- Despite appeals from both regional and global leaders urging Gbagbo to stand-down, he remained adamant, prompting military action by a combined France and United Nations force to oust him.
- He was promptly apprehended, taken into custody and flown to the international criminal court in Hague, Netherlands, where he was prosecuted, convicted for crime against humanity and sentenced to prison (McGovern, 2011; Bah, 2010).

Structural Transformation in Cote D'Ivoire

- The World Bank's examination of economic growth factors during the period 2002 through 2014 reveals that while the Ivorian labour force worked more, they hardly worked better, as employment rate not only increased significantly; but incomes did not follow the positive trend.
- According to the World Bank (2018) report, labour productivity in Cote D'Ivoire has risen since 2012, estimated at about 4-5% per annum; however, businesses still lagged behind the production frontier achieved by the emerging countries.
- In a report, which examines the constraints to economic growth in Cote D'Ivoire, the Ivorian government, in association with the Millennium Challenges Corporation (2015) affirms the nation's extreme dependence on cocoa exports, which accounts for 35% of the nation's annual exports, but also vulnerable to price instability in international markets.
- The trend poses a risk to structural transformation, in the opinion of the authors, in a development largely blamed for the high rate of impoverishment, estimated at more than 45% of the population (Lloyds Bank, 2020).
- However, the Lloyds Bank (2020) report also reveals the transformation of the services sector, which contributes about 42% of annual GDP, but employs 46% of workforce, as shown in table 5.

Structural Transformation in Cote D'Ivoire (Cont'd)

Table 5: Breakdown of economic activity by sector in Cote D'Ivoire

	Agriculture	Industry	Services
Employment by sector (% of total employment)	47.4	6.3	45.3
Value Added (% of GDP)	19.8	24.7	41.6
Value Added (Annual % Change)	11.2	3.0	9.1

Source: World Bank database

Conflict and Structural Transformation: A Multi-Country Study of Cote D'ivoire, Ethiopia, Mozambique and Rwanda

Ethiopia

Table 6: Ethiopia's Key Macroeconomic Indicators, 2014-2018

	2014	2015	2016	2017	20
GDP per capita (USD)	731	828	897	910	1,0
GDP (USD, bn)	64.6	74.3	81.8	84.4	96
Economic Growth (GDP annual variation in %)	10.4	8.0	10.1	7.7	9.
Fiscal balance (% of GDP)	-2.4	-2.3	-3.3	-3.0	-2
Public Debt (% of GDP)	54.5	55.8	58.6	61.0	59
Inflation Rate (CPI, annual variation in %)	7.1	10.0	6.7	16.5	10
Exchange Rate (vs USD)	20.33	21.26	22.40	27.58	28.

Source: Adapted from Focus Economics, 2020a.

Conflict Profile of Ethiopia

- Conflict in Ethiopia was endemic over several decades until recently, driven by repressive and authoritarian rule, famine, civil war, ethnic turmoil, political and economic instability (Metiku, 2013).
- Political conflict in Ethiopia is characterized by recurrent civil war and violence, resulting in armed conflict. In contemporary times, the revolution of 1974, which led to the overthrow of the monarchy by the military, also witnessed the adoption of socialism as a political ideology and economic framework.
- According to Metiku (2013), the military regime embraced extreme authoritarian methods, acknowledged as “red terror,” which lasted for a period of seventeen years.
- Another source of conflict in Ethiopia was the Ethiopia-Eritrea Interstate War between 1998 and 2000. The conflict was triggered by Eritrea’s declaration of independence from Ethiopia in 1993.
- The crisis culminated in military conflict, resulting in the death of more than 100,000 people, with millions of refugees and displaced persons. However, both countries embraced peace and endorsed a peace treaty, effectively bringing the conflict to an end (Political Economy Research Institute, 2005).
- Incessant conflict, combined with environmental disaster, has unleashed severe humanitarian crisis in Ethiopia over the past few decades. In 2017 alone, over 857,000 people were displaced around the border areas of Oromia and Somali regions, accompanied by social and economic instability (OCHA, 2018).

Structural Transformation in Ethiopia

- Indications are that Ethiopia is experiencing structural transformation against the backdrop of the nation's rapid economic growth over the past decade.
- In a study on structural change in Ethiopia, Martins (2014) examined structural dynamics in the Ethiopian economy over the previous 15 years.
- Findings reveal that the structure of output in the nation's economy has changed significantly. For example, the share of agriculture in total output reduced from 66% in 1991 to 45% in 2011, while the services sector increased considerably.
- However, the results also reveal that changes in the composition of employment have lagged behind. Indeed, the share of agricultural employment in total employment remains very high, estimated at 78%.
- In its National Human Development Report for Ethiopia, the United Nations Development Programme (UNDP) (2018) examined the state of industrial development as a driver of structural transformation in the country.
- Findings also reveal industrial value added per capita has shown strong annual growth since 2010. While the share of industrial value added remains relatively low, the growth patterns reveal unmistakable patterns for emerging transformation.

Conflict and Structural Transformation: A Multi-Country Study of Cote D'ivoire, Ethiopia, Mozambique and Rwanda

Mozambique

Table 7: Mozambique: Key Macroeconomic Indicators, 2014-2018

	2014	2015	2016	2017	2018
GDP per capita (USD)	651	579	417	449	484
GDP (USD, bn)	17.7	16.2	12.2	13.3	14.7
Economic Growth (GDP annual variation in %)	7.4	6.7	3.8	3.7	3.4
Fiscal balanced (% of GDP)	-10.7	-7.2	-6.0	-3.1	-5.2
Public Debt (% of GDP)					
Inflation Rate (CP, annual variation in %, ROP)	62.4	94.2	130	101	99.8
Exchange rate (Vs USD)	1.9	10.6	23.7	5.7	3.5
	34.01	46.97	71.38	58.53	57.58

Source: Adapted from Focus economics, 2020b

Conflict Profile of Mozambique

- Mozambique has witnessed armed conflict that developed into a full blown civil war from 1977-1992, leaving more than one million people dead and six million more either displaced from their homes or fleeing across national boundaries as refugees (PERI, 2004).
- The violence was also fueled by major global powers. The United States, supported the rebels, or the Mozambican National Resistance (RENAMO); on the one hand; and the defunct Soviet Union, supported the government forces, or the Mozambique Liberation Front (FRELIMO).
- Therefore, the Mozambican civil war was a war of proxy fought at the height of the “cold war” (Momodu, 2018).
- Frelimo, a socialist movement, effectively turning the country into a one-party state ruled by authoritarianism. It also supported rebel groups in Rhodesia (now Zimbabwe) and South Africa.
- In response, Rhodesia organized alienated groups in Mozambique into a fighting force to destabilize the government, an effort that resulted in the emergence of Renamo.
- However, with the demise of Samora Micheal in 1989, his successor, Joaquim Chissamo, began to dialogue with the opposition in Rome, leading to a peace treaty in 1992.
- The peace negotiation was reinforced by the transformation of the Soviet Union and South Africa, which led to the withdrawal of support to the protagonists (Funada-Classen, 2012).
- While the civil war ended in 1992, conflict has re-emerged in Mozambique since 2013, with islamist rebels on the rampage in the North.

Structural Transformation in Mozambique

- In a synthesis paper, Balchin, Coughlin, Papadavid, Willem teVelde and Vrolijk (2017) identified a variety of factors constraining economic transformation and job creation in Mozambique.
- Findings reveal the following economic constraints: insufficient skills in the workforce; dearth of credit; inadequate infrastructure and investment climate, as well as difficulties associated with the regulatory framework (particularly about the regulation of labour, access to land, taxation, investment, and custom).
- In a study that under-scores the challenges associated with structural transformation in Mozambique, Jones and Tarp (2016) examine labour productivity dynamics across the economic sectors.
- The study relies on three household budget surveys conducted by the government between 1996 and 2014.
- Findings reveal that the majority of the population in Mozambique continues to derive their livelihoods from agriculture, with the sector accounting for two in every three workers.
- However, agricultural labour share appears to have declined rapidly between the two most recent surveys -from 79% of workers in 2009, to 73% in 2014.
- This development is consistent with a trend shift out of agriculture, particularly in the southern region of Mozambique. The decline is however offset by a corresponding increase in the labour share of the service sector.
- On the other hand, the other aggregate sectors (mining and manufacturing) account for less than one in every twenty workers and reveal no material changes in their overall shares of employment, according to Jones and Tarp (2016).

Conflict and Structural Transformation: A Multi-Country Study of Cote D'ivoire, Ethiopia, Mozambique and Rwanda

Rwanda

Table 8 shows the profile of Rwanda's key macroeconomic indicators from 2014 to 2018

	2014	2015	2016	2017	2018
GDP per capita (USD)	812	699	839	837	870
Economic Growth (GDP annual variation in %)	4.5	5.7	3.0	6.9	5.9
Fiscal Balanced (% of GDP)	-4.7	-4.7	-4.8	-3.8	-4.2
Public Debt (% of GDP)	30.7	34.3	37.1	39.7	41.4
Inflation Rate (CPI annual variation in % COP)	2.1	8.4	5.7	3.3	2.2
Exchange Rate (Vs USD)	2.765	3.372	3.610	3.645	3.715
GDP (USD bn)	28.0	24.8	30.7	31.5	33.8

Source: Adapted from Focus economics, 2020c

Conflict Profile of Rwanda

- Rwanda has faced prolonged instability, characterized by a civil war, which emerged from 1990 to 1994.
- At the height of the violent conflict, the Rwandan armed forces, dominated by the majority Hutu tribe, fought against the rebel Rwandan Patriotic Front (RPF), led by the minority Tutsi tribe and committed acts of genocide by eliminating moderate Hutus and Tutsis across the country.
- The killing spree led to the death of about 800,000 men, women and children (Eriksson 1996).
- However, after repeated gains by the RPF around the country led to a stalemate; the president began formal peace negotiations, which led to the endorsement of the Arusha Accords in August, 1993.
- This development prompted the United Nations to deploy a peace-keeping force, dubbed 'The United Nations Assistance Mission to Rwanda'. However, the prevailing fragility was unrevealed, with the assassination of President Habyarimana on 6th April, 1994 (PERI, 2006).
- In the aftermath of the President's death, unprecedented violence was unleashed on moderate Hutus and the minority Tutsi, leaving more than 500,000 dead over a period of one hundred days.
- Meanwhile, the RPF continued to gain control of territories at the expense of government forces, resulting in an eventual victory for the rebel forces.
- The development led to the establishment of a coalition government, in line with the Arusha Accords, with Pasteur Bizimungu, a Hutu, emerging as President and Paul Kagame, a Tutsi as Vice President and defense minister.
- The coalition government effectively brought to an end the civil war in Rwanda.

Structural Transformation in Rwanda

- Rwanda's economic outcome since the end of the nation's civil war in 1994 is robust, characterized by accelerated growth and development.
- In a study on the nation's economic growth, structural transformation and diversification; Ggombe and Newfarmer (2016) affirmed that Rwanda has inverted the historical pattern of structural transformation, with labour moving out of the agricultural sector, not into manufacturing, but into construction and services.
- The authors relied on data featuring the share of farmers with secondary job outside agriculture, as well as the share of workers with non-agricultural job between 2006 and 2011.
- Findings reveal the share of farmers with a secondary job outside agriculture, which stood at 9.0% in 2006 rose sharply to 21.6% in 2011. Similarly, the fraction of workers with a job outside agriculture, which stood at 30.3% in 2006, rose to 45.0% in 2011.
- Ggombe and Newfarmer (2016) also reveal that Rwanda's structural transformation is accompanied by increasing industrialization, particularly with labour-intensive manufacturing process, as well as economic diversification.
- A major factor driving structural transformation in Rwanda is rapid urbanization. In a major report, the World Bank (2018) examined urbanization as a potent factor for structural transformation.

Concluding Remarks

- Structural transformation is critical to the sustenance of economic growth and development.
- Empirical studies reveal elements of structural transformation in sub-Saharan Africa, particularly against the backdrop of rapid economic growth recorded by several countries in the region since the early 2000s until recently.
- However, Africa's economic transformation dynamics is unlike that recorded earlier in East Asia, which witnessed high productivity growth in agriculture through the green revolution, accompanied by the release of labour to the industrial sector that drove the region's economic growth and development.
- Instead, structural transformation in sub-Saharan Africa has witnessed, for the most part, only moderate productivity growth in agriculture, accompanied by an increasing share of the labour force engaged in the service sector, while productivity in the industrial sector remains rather low.



THANK YOU