



Nations Unies  
Commission économique pour l'Afrique

**Brainstorming session on the  
Operationalization  
Of the "Douala Consensus":  
"Pathways to economic  
diversification in Central Africa"**

**ISSUES PAPER**

January 2018

## 1. INTRODUCTION

The recent slump in commodity prices, most notably those of oil and related products, has caused fiscal and current account deficits in Central Africa since 2014. Meanwhile, structural transformation has been slowed down on all of its components. Realizing that a heavy dependence on oil exports is no longer a sustainable development trajectory, representatives of the Central African governments and Regional Economic Commissions (RECs) have reaffirmed at the 33rd Intergovernmental Committee of Experts (ICE) in Douala their commitment to promoting structural transformation through diversification of the economic activities of their countries.

While there is a broad consensus on the need for diversification and industrialization for the sub-region, it is still not entirely clear how this goal can be achieved under the current economic circumstances. Indeed, the limited policy and fiscal space due to the difficult economic climate forces governments to be extremely strategic in their investment decisions. There is, therefore, a clear need for guidance on how to operationalize industrialization in the specific context of Central Africa.

This issues paper aims to delineate the pathways to diversification and industrialization for Central Africa and to assist the United Nations Economic Commission for Africa (UNECA), the RECs and their member states in the sub-region in operationalizing the *Douala Consensus*, the outcome document of the 33<sup>rd</sup> ICE. This paper will kick start discussions with experts on industrialization, diversification and development issues in Central Africa from government agencies, international organizations and the community of consultants that have worked on these and related issues.

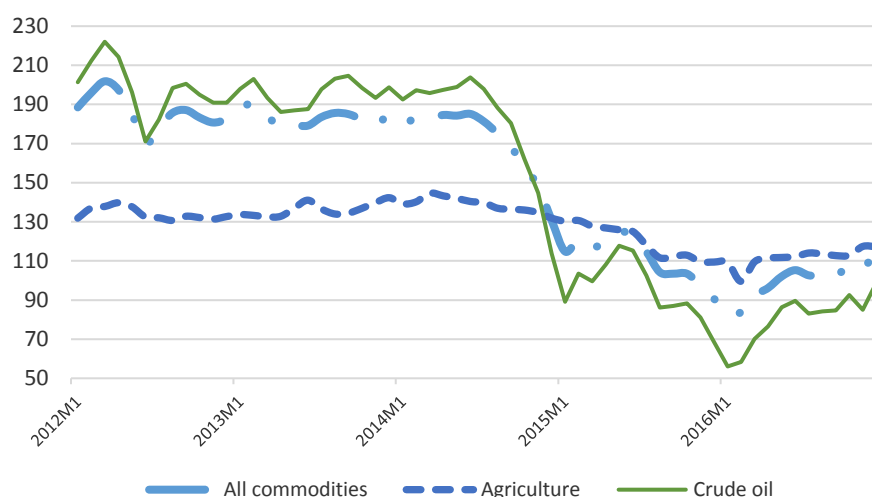
The issues paper is organized as follows. First, the economic context in Central Africa will be described (2) in order to understand the renewed interest in diversification and industrialization in the sub-region (3). The document then identifies the constraints and drivers of diversification in Central Africa (4) mainly based on the various ECA publications. The final section of the paper presents key elements to effectively pave the way for diversification and industrialization in Central Africa (5).

## 2. ECONOMIC CONTEXT

The economies in Central Africa, many of which are heavily dependent on the exports of primary commodities, are currently facing severe macro-economic instabilities due

to the steep decline in commodity and particularly oil prices that has troubled the sub-region since 2014 (Figure 1).

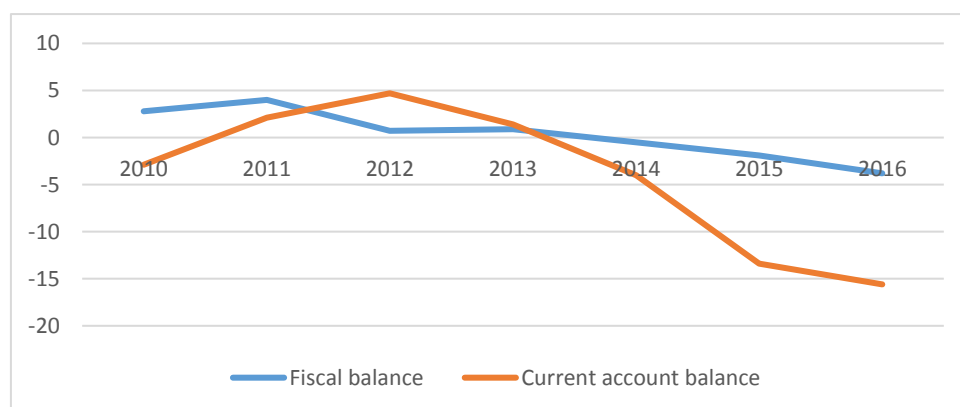
**Figure 1 :** Commodity price indices, 2012-2017 (2005=100)



**Source:** AfDB, OECD, UNDP, 2017.

At the same time, slowing growth in other parts of the developing world, most notably China, has reduced the demand for many of Central Africa’s main export products, thereby worsening the already difficult situation for the sub-region. The resulting current account and fiscal deficits (Figure 2) have deterred the public and private investments that are so sorely needed to bring the economic growth back to its previous levels.

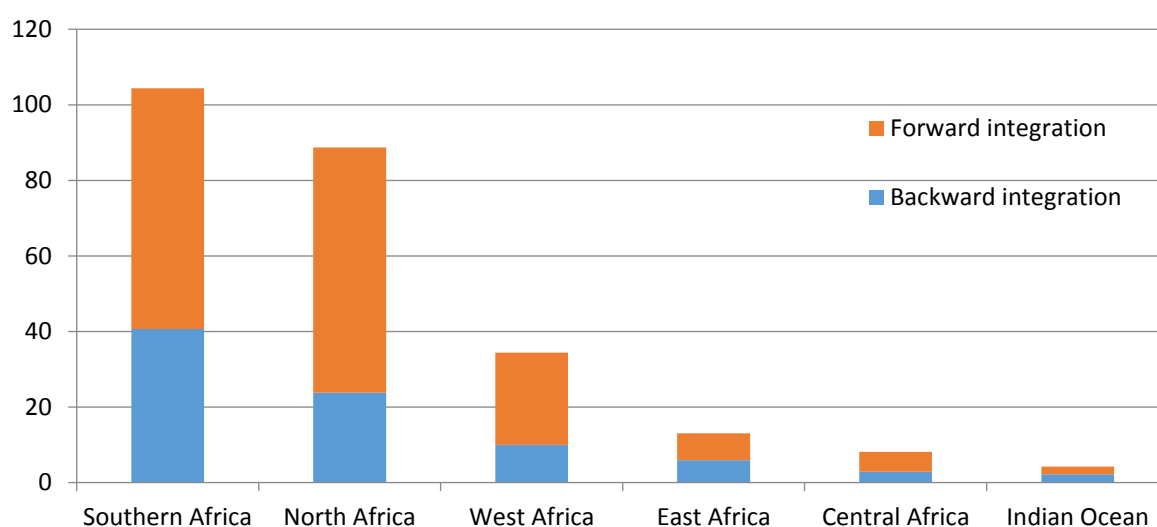
**Figure 2 :** Fiscal and current account balance BEAC Zone, 2010-2016 (% of GDP)



**Source :** BEAC, 2017.

At the same time poverty and inequality are persistent and indeed even growing in large parts of the sub-region and unemployment is widespread (ECA, 2015, 2016). The failure to improve the productive capacities beyond the extractive sector and to spur economic activities with a higher added value to the societies completes a vicious cycle of decreasing productivity and a decreasing pace of structural transformation in the sub-region. Indeed, the added value of the economic activities in Central Africa remains one of the lowest on the continent (Figure 3).

**Figure 3 :** Value added exports (USD billion)



*Source:* AfDB, OECD, UNDP, 2014.

These economic and fiscal difficulties have necessitated structural adjustment programmes to achieve macroeconomic stability on the short to medium-term and regain investors’ confidence in the sub-region, which have been implemented by several of the CEMAC countries under supervision of the International Monetary Fund. Structural adjustment programmes are now in place in Cameroon, the Central African Republic, Chad, Gabon, São Tomé and Príncipe (IMF, 2017) while programmes for Congo-Brazzaville and Equatorial Guinea are still being discussed (EIU, 2017).

As well as reaffirming their commitment to achieve short-term macroeconomic stability, the Heads of States of the CEMAC countries expressed at two extraordinary summits (Yaoundé, Cameroon December 2016 and in Ndjamená, Chad October 2017) their ambition to achieve long-term resilience to external shocks by diversifying their economies. The progress on the dual objectives of attaining macroeconomic stability

and promoting economic diversification will be monitored by CEMAC's Steering Committee of Economic and Financial Reforms Programme (PREF-CEMAC).

The importance of industrialization and diversification for achieving this economic diversification in Central Africa was recently underscored in the Douala Consensus, which was adopted at the 33<sup>rd</sup> ICE by high-level representatives of the Central African Member States, the RECs, civil society, the private sector and international organizations. As part of the Consensus, the ICE participants adopted a set of recommendations, which include the need for the formulation and implementation of industrial policies at national and sub-regional levels as well as the development of industrial clusters and requested ECA to provide the necessary technical support to member States and RECs/IGOs in the sub-region.

The Douala Consensus is a rallying call for the design of smart and context-specific industrial policies and a macro-economic framework that can promote structural transformation. Meanwhile, the current limited policy space forces policy makers to be ingenious and look for innovative ways to pursue these goals.

### **3. THE RENEWED INTEREST IN DIVERSIFICATION AND INDUSTRIALIZATION**

Taking into account past experiences of development strategies<sup>1</sup>, Central African countries seem nowadays to be aware of the need to pursue economic diversification. This awareness is justified by the new international environment which is marked by: (i) the advent of the Fourth Industrial Revolution characterized by a strong digitalization in particular the dominance of information systems, the Internet, connected objects and networks; (ii) the constraints of the World Trade Organization, the multiplication of bilateral and regional trade and investment agreements; (iii) the expansion of global value chains and the global economy's shifting center of gravity from the West to the East (iv) the transition to clean energy systems induced by the acceleration of climate change.

It is within this context that the ECA and the African Union Commission recommended in the 2011 Economic Report on Africa (ERA) that African countries, particularly those of Central Africa, should « adopt a developmental state approach (Box 1) by using the market as an instrument rather than a mechanism to promote long-term investment, rapid and sustained growth as well as equity and social development.

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<sup>1</sup> In particular, Import substitution industrialization, industrialization through structural adjustment programmes and industrialization through Poverty Reduction Strategy Papers (ECA, 2017).

**Box 1 : Definition of a developmental state**

A developmental state may be defined as “a state that puts economic development as the top priority of government policy, and is able to design effective instruments to promote such a goal. The instruments should include the forging of new formal institutions, the weaving of formal and informal networks of collaboration amongst citizens and officials and the utilization of new opportunities for trade and profitable production”.

This developmental state is characterized by: (i) Competent leaders, the definition of a vision and a developmental ideology; (ii) The relative autonomy of the State in particular in designing and implementing its policy; (iii) A strong institutional capacity of the State, especially a strong and usable bureaucracy; (iv) effective national development planning; (v) Effective coordination of economic activities and resources; (vi) Strong support for the emergence of a class of national entrepreneurs or capitalists; (vii) Strong determination to build human capacities; (viii) Peace, political stability, the rule of law and predictability in government affairs.

*Source : Bagchi (2000 : p. 398) ; ECA (2017).*

UNIDO and UNCTAD likewise recommended new industrial policies in 2011.

As part of this new role for African States, ECA and the AUC insist on the need to formulate and implement smart industrial policies in order to accelerate structural transformation and economic diversification with a view of generating strong, inclusive and sustainable growth. The importance of industrialization for the structural transformation of African economies is underlined by several ECA publications, including the ERA 2013 and the following editions but also the 2011 edition of the report on “Central African economies”.

The commitment of the countries of the sub-region to industrialization in order to diversify their economies and increase production capacities is partly due to the need to withstand systemic shocks and to protect their economies from global disturbances that occur from time to time.

This determination has been reaffirmed in the AU Agenda 2063 and the United Nations 2030 Agenda for Sustainable Development<sup>2</sup> adopted by the Central African leaders

<sup>2</sup> In January 2015, the AU Heads of State and Government adopted agenda 2063. This initiative is a strategic framework for inclusive growth and sustainable development in Africa, and a strategy to optimize the use of the continent's resources for the benefit of all Africans. A few months later, in September 2015, the African Heads of State and Government also endorsed the United Nations Sustainable development Programme for 2030. This new global programme on sustainable development has the peculiarity of placing man at the heart of development and aiming to eradicate poverty in all its forms and in all its dimensions, to preserve the environment and to ensure the advent of more peaceful and inclusive societies.

and which constitute the two major strategic frameworks for inclusive growth and sustainable development. Sustainable Development Goal (SDG) 9 which aims at « building resilient infrastructure, promoting sustainable industrialization and fostering innovation » addresses three important dimensions of sustainable development: infrastructure, industrialization and innovation. SDG 9 is one of the most crucial objectives for supporting Africa in its desire for rapid development and transformation, through increased production capacities. Building productive capacity was clearly identified as a key element in a report published by ECA in 2016, entitled "Transformative Industrial Policy for Africa". This specialized report provides empirical evidence demonstrating that in virtually all cases of successful economic development an active industrial policy has played an important and often decisive role. The 2013 edition of the report on the "Central African economies" relating to the green economy shows that the development of productive capacities must be accompanied by an improvement of economic and environmental factors.

#### **4. CONSTRAINTS AND DRIVERS OF DIVERSIFICATION IN CENTRAL AFRICA**

As past development strategies have failed to produce structural transformation in line with their expectations, Central African decision-makers have begun to reassess their development strategies in order to avoid making the same mistakes of the period of industrialization by import substitution and structural adjustment programmes. An ECA (2017) study which will be published soon and which is entitled: "Made in Central: from the vicious circle to the virtuous circle" identifies the weaknesses, strengths, threats and opportunities for diversification in Central Africa (Table 1) and suggests that countries who have adopted or are about to adopt industrial policies must overcome some major constraints with a view to achieving successful industrialization of the sub-region.

These constraints as well as potential drivers can be categorized into four groups of key areas of intervention for diversification: (i) Effective public Leadership (ii) Infrastructure and human capital; (iii) Governance and operational capacities; and (iv) Financing industrialization. These areas of intervention will be detailed in the following subsections.

**Table 1:** Weaknesses, strengths, threats and opportunities for economic diversification in Central Africa

Weaknesses	Strengths
<ul style="list-style-type: none"> <li>- Limits of political leadership.</li> <li>- Lack of efficient industrial planning.</li> <li>- Dilution of industrial policy in public policy.</li> <li>- Constraints of the political economy and productive structure dominated by foreign operators.</li> <li>- Weak ability to transform vision and development plans into concrete and rapid changes in the field.</li> <li>- Lack of physical infrastructure (energy, water, transport, ICT).</li> <li>- Lack of industrial infrastructure and low capacity for absorption and technological accumulation.</li> <li>- Poor business climate.</li> <li>- Low absorption capacity of industrial and infrastructure projects.</li> <li>- Low local financing capacity of industries and infrastructure.</li> <li>- Confusion of industrialization-related approaches to exports with approaches to imports.</li> <li>- Non-effective supervision of incentives and performance of beneficiary companies.</li> </ul>	<ul style="list-style-type: none"> <li>- Industries with high resource endowment and latent comparative advantages.</li> <li>- Potential for local entrepreneurs and businesses.</li> <li>- Potential market offered by sub-regional integration and the Continental free Trade Agreement.</li> </ul>
Threats	Opportunities
<ul style="list-style-type: none"> <li>- Constraints and limitations of the PRSP3 approach and programs with the IMF.</li> <li>- Constraints of trade and bilateral investment.</li> </ul>	<ul style="list-style-type: none"> <li>- Benefits of a regional industrialization strategy.</li> <li>- Availability of a diversified range of technologies that can be mobilized.</li> <li>- Opportunities to fit into global and regional value chains.</li> </ul>

**Source:** ECA, 2017. « *Made in Central: From a vicious circle to a virtuous circle* ».

<sup>3</sup> Public policy approach including industrial policy through PRSPs started in 2000 and is still going on in Central African countries. The Heavily Indebted Poor Countries (HIPC) initiative was initially launched in 1996 and was strengthened in 1999. Within this framework and under the impetus of the G7 countries, the IMF and the World Bank have imposed in 2000 the poverty reduction strategy papers approach as a mandatory framework to benefit from the initiative. At the end of February 2017, Thirty-three (33) African countries were involved in the HIPC initiative. Central Africa has eight (8) countries: Burundi, Cameroon, Congo, Central African Republic, Democratic Republic of the Congo, Rwanda, São Tomé and Príncipe and Chad.



## Effective public Leadership

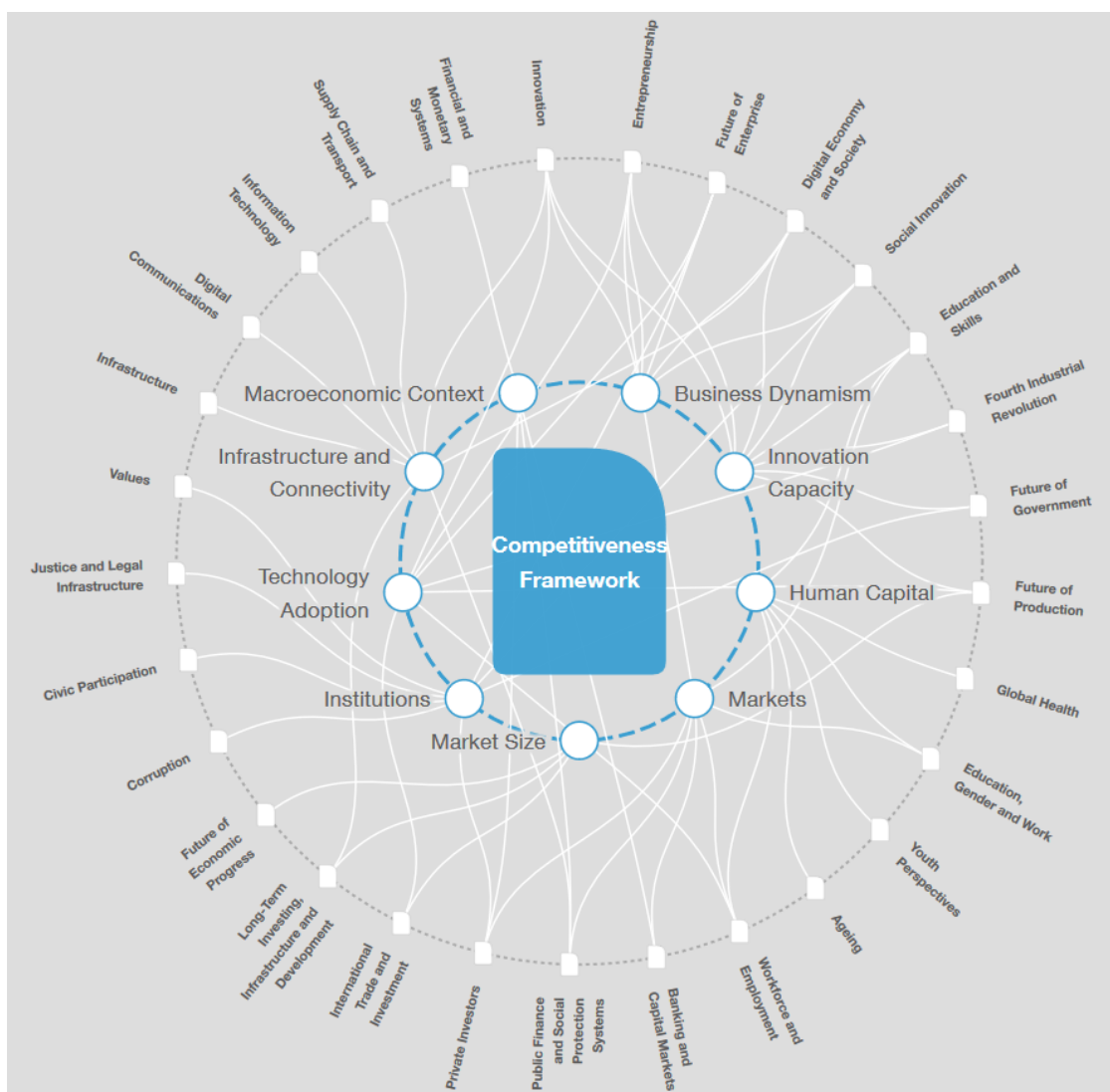
The urgent need for effective public leadership for industrialization in Africa has been analyzed in depth in ECA flagship report ERA 2013. The report states that to make the most of primary commodities it is essential for African countries to have appropriate frameworks for development planning and effective industrial policies based on factual data. ERA 2014 deepens the analysis of ERA 2013 by indicating that successful industrial policy frameworks must: be dynamic and organic; enable public-private dialogue to identify barriers; involve the private sector through "integrated autonomy"; have a high level of political coordination and ensure policy coherence through effective regulatory measures; create "pockets of efficiency" when governments lack bureaucratic experience; and be part of an integrated development policy framework. As ECA (2017) points out in the report entitled « Made in Central: From a vicious circle to a virtuous circle», effective public leadership is one of the most important aspects of industrialization and economic diversification in the context of Central Africa. The report identifies some of the structural weaknesses in leadership that hinder diversification of the sub-region: (i) the limits of political leadership, (ii) lack of efficient industrial planning, (iii) dilution of industrial policy in public policy, and (iii) confusion of industrialization-related approaches to exports with approaches to imports.

ECA report entitled "Transformative industrial policies for Africa" (ECA, 2016) argues that effective public leadership starts with a good theoretical understanding of the arguments in favor and against industrialization policies and experiences. According to this report, those who are responsible for conducting industrial policies must clearly understand the key theories behind the arguments in favor and against industrial policies as well as the experiments of industrialization, if they want make informed political decisions.

## Infrastructure and human capital

Infrastructure, connectivity and human capital are among the key areas of a competitiveness framework conducive to economic diversification and industrialization, according to the World Economic Forum (Figure 4).

**Figure 4 : Competitiveness Framework**



**Source:** WEF (2018) *Mapping Global Transformations: Competitiveness Framework*.

A well-developed physical and digital infrastructure has a direct impact on productivity by linking economic agents, reducing transaction costs, mitigating the effects of distance and time, facilitating the flow of information and by facilitating the integration of markets in global value chains (WEF, 2018). This physical and digital infrastructure positively influence productivity by enabling and improving access to basic services such as sanitation, education and health care, thus contributing to a healthier and more qualified workforce. Transport and increasingly digital infrastructure allow for a deeper social interaction, which contributes to creativity and innovation and hence to productivity. The improvement of human capital, through health and education of the workforce, increases the return on investment in industrialization and economic diversification (WEF, 2018).

In Central Africa high resource-endowed sectors with latent comparative advantage as well as the potential for local entrepreneurs and businesses can be harnessed to accelerate diversification<sup>4</sup>. The availability of a diversified range of technologies that can be mobilized as well as global and regional value chains can offer a great potential for companies in the sub-region. However, this potential cannot be harnessed because of the lack of physical infrastructure (energy, water, transport, ICT), industrial infrastructure as well as low absorption capacity and technological accumulation.

Infrastructure and human capital deficits are currently hampering the capacities of Central African economies to take advantage of the opportunities offered by global and regional trade liberalization and regional integration, such as the Continental Free Trade Agreement, and the AGOA. ECA (2016g), for example, describes in detail how ICTs can contribute to regional trade. The report stresses the potential of ICT for the promotion of sub-regional trade and stresses the importance of enabling policies, including investments in ICT infrastructure and capacities. In addition, the report identifies additional national and sub-regional policies needed to harness the potential of ICT developments for economic diversification in Central Africa.

In several publications, including ERA 2015, ECA advocates for a better use of the opportunities offered by global and regional trade liberalization and regional integration. ECA (2017b) has examined in detail how trade policies and current tariff structures can contribute to Africa's broader industrialization policy. The report recommends the articulation of smart choices in trade agreements, the use of trade policy to promote industrialization, complementary policies of industrialization through trade and strengthening of links between national development strategies, industrial policy and trade policy.

The potential of infrastructure and human capital to contribute to economic diversification depends on current social trends, such as urbanization. ERA 2017 recommends that African countries must leverage the force of urbanization to drive and enable industrial development, reestablishing the link between urban growth and industrial growth. The report examines how to harness the opportunities from rapid urbanization to step up the pace of industrialization and accelerate structural transformation. ERA 2017 identifies and analyzes the drivers, enablers and policy levers for strengthening linkages between industrialization and urbanization. It shows that

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<sup>4</sup> ECA, 2017.

industrialization requires better functioning cities and systems of cities, which in turn require better performing industrialization processes. It stresses that African countries, under the right policy frameworks anchored in national development planning, can leverage the momentum of urbanization to accelerate industrialization. The 2011 edition of the report on “Central African Economies” focusing on industrial policies shows how manufacturing allows for greater domestic integration of economies, including through the implementation of stronger linkages between agriculture and the urban economy.

### **Governance and operational capacities**

The institutional framework of a country has long been regarded as a key factor of competitiveness, according to the World Economic Forum (2018). In the current context of the global Competitiveness Index, institutions are defined by two elements that reflect the fundamental characteristics highlighted by the economic literature. First, institutions establish formal and legally binding constraints—such as rules, laws and constitutions—and their associated enforcement mechanisms. Secondly, institutions include informal constraints such as norms of behavior, conventions and self-imposed codes of conduct such as business ethics, and one can think that they also include standards of corporate governance. The differences between institutions explain most of the underlying reasons of the differences in adopting technology and the physical and human capital between countries, which in turn explain a large part of the differences in income between countries. Public institutions and private institutions are key factors of the type of investment and economic transactions that generate productivity.

ECA (2017) identifies among the major weaknesses of governance and operational capacities in Central Africa: poor industrial business climate; weak ability to transform vision and development plans into concrete and rapid changes.

ECA (2007) also states that institution-building is a prerequisite for progress in diversification. The optimum effectiveness of macroeconomic policies and economic policies in terms of diversification implies that countries strengthen their institutions. Countries need to invest in good governance and in good institutions. Governance institutions should be based on the rule of law, public order and a judicial system capable of dealing effectively with trade disputes, as well as on a foreseeable investment fiscal environment.

## Financing industrialization

The macroeconomic context is one of the key factors in a successful competitiveness framework, according to the World Economic Forum (2018). Uncertainty about future economic prospects, coupled with uncontrolled inflation and doubts about the sustainability of public finances or recessions caused by financial crises, can greatly undermine investors' confidence. Recent financial crises have brought to light additional factors affecting the stability of the economic environment. These factors are: the structure of public finances, its dynamic interaction with the financial sector and the detrimental effect of recessions resulting from the financial crisis. An important component of macroeconomic stability is to avoid uncertainty about public finances.

Such uncertainty may encourage potential investors not to engage in new projects, or to prefer short-term projects to longer-term projects that would have higher returns and more impact on the productivity growth. The need to face high public debt can also diminish the effective political independence of a government, including its flexibility to pursue policies that would promote productivity-enhancing investments, as it is currently the case in Central Africa.

While public funding is currently constrained by current structural adjustment programmes, private investment is far from sufficient to fill the funding gap. ECA (2017) notes that the low local financing capacity of industries and poor infrastructure are in fact one of the key weaknesses of industrialization in Central Africa.

Opportunities for reconciling macroeconomic policies, such as the ongoing structural adjustment programmes, with policies for industrialization and economic diversification, are discussed in an ECA thematic report (2016h). The report stresses the need to coordinate fiscal, monetary, foreign exchange and other macroeconomic policies. In addition, the report suggests, among other things, to reassess the effects of contraction that conventional monetary policy measures may entail in order to find a good balance between the twin objectives of stability and development.

In the context of Central Africa, ECA (2010) recommends that private savings be mobilized through the following measures: maintaining monetary and banking stability by adapting monetary policy instruments to the current context; maintaining macroeconomic stability, with robust growth and controlled inflation; improving the legal and judicial framework; keeping a peaceful social and political climate;

improvement of collateral information; diversification of financial institutions and instruments; creation of venture capital companies; boosting financial market; setting up guarantee funds and land tenure reform.

In addition, ECA (2010) suggests that alternative methods of financing should be sought: mobilization of remittances of the diaspora; mobilization of informal sector savings through microfinance; sharing good practices in efficient mobilization of domestic resources and economic diversification; fight against illicit financial flows; promotion of women entrepreneurship; the quality of public spending; the involvement of all stakeholders in the definition and implementation of national development policies. ECA (2015) presents an overview of few research papers on financing for development presented at the Ninth African Development Forum, including the mobilization of domestic financial resources, and innovative financing sources.

Even the IMF agrees that structural adjustment should not hinder economic diversification efforts. In its recent regional economic outlook (IMF, 2017b), which focuses on budgetary adjustment and economic diversification in sub-Saharan Africa, the IMF argues that a balance between fiscal consolidation policies and economic diversification is necessary to achieve structural transformation. The report shows that macroeconomic and political stability combined with quality infrastructure, better access to credit and a skilled and healthy workforce are crucial elements of these policies. However, they also find that specific policies must be based on the initial conditions of a country, its endowments and its situation. In some cases, the resolution of market failures can help. Trade integration can open up new markets and new opportunities. A key to success is endurance and coherence. Structural transformation is a long-term process that works better with long-term policies.

## **5. EFFECTIVELY PAVING THE WAY FOR DIVERSIFICATION AND INDUSTRIALIZATION IN CENTRAL AFRICA**

The contribution of economic diversification and industrialization to economic development, inclusive and sustainable growth in Central Africa can be significantly enhanced if the countries of the sub-region design and implement appropriate strategies (ECA 2011). However, in order to be effective, these strategies must be accompanied by the main underlying elements such as: pragmatic policies; effective and coherent planning, adequate human capacities, and mobilization of all stakeholders as well as embedded autonomy of industrial policy organizations.

### **Pragmatic and non-ideological policies**

Countries that have managed to industrialize and transform their economies have succeeded because they have defied the prevailing economic and political ideologies of their time (ECA 2016). They realized that industrialization is a very complex and dynamic process. It is therefore not desirable to focus on a dominant ideology or dominant policies to address industrial policies.

### **Effective and coherent planning**

One way to coordinate industrial policy with other macroeconomic issues is through development planning. This is a purposive governmental mapping to coordinate economic decision making over the long run and to achieve a predetermined set of development objectives (ECA 2014). To this end, the availability of reliable and regularly updated statistics is a key element in for evidence-based planning policies.

### **Adequate human capacities**

It is increasingly recognized that diversification and industrial development policies are broader and more complex than one would think (Nyarko Otoo 2013). They require, among others, high-level technical and managerial capacities. Hence the need to strengthen the capacities of those who are responsible for conducting industrial policies. For example, it is important to build national and sub-regional capacities for the absorption of industrial projects through the establishment of Project Design and Implementation Units or Project Management Offices or acquiring and mastering project management technologies (ECA 2017).

### **Mobilizing all stakeholders**

Changing the structure of any economy is a very complex process involving many stakeholders and interest groups. When government policies or measures deliberately target economic sectors as well as industrial policies, they are likely to make “winners” and “losers”. The elements of society that benefit from the current status quo are likely to oppose these new policy measures (Nyarko Otoo 2013). It is therefore important for policymakers and captains of industry to recognize the importance of rallying all the components of the society behind diversification and industrial development programmes.

## Granting embedded autonomy to Industrial policy organizations

Successful Industrial policy organizations (IPOs) have “embedded autonomy”. Embeddedness among IPO officials means that they understand the industry and have built relations with private stakeholders, improving their ability to collect information (ECA 2014). Autonomy is needed to ensure that bureaucrats are not “captured” by any special interest groups, to strive for the development goals of the whole country. Thus, bureaucrats conducting industrial policy should be insulated from political pressure and selected through competitive recruitment and well-defined career paths that make politically motivated hiring and firing difficult - ideally, impossible (ECA 2014).

### 6. ISSUES TO BE DISCUSSED

Based on the preceding discussion, the following issues are proposed for discussion at the meeting:

#### Flexibility to conduct an economic diversification policy

Developmental macroeconomic policies are crucial for structural transformation that is both sustainable and inclusive. Fiscal, monetary and financial policies are key elements of this framework (ECA 2016). Fiscal policy can contribute much in creating a positive relationship between the public and private sectors for structural transformation. Quality public goods and services help create productive assets. They also contribute to the national ownership of development strategies and encourage participation in the economy by private individuals.

Monetary policy cannot be restricted to rule-based macroeconomic stability management. Stability is indeed important for the promotion of domestic and foreign investment. But, it has to be twinned with the longer-term objective of sustainable development. This was affirmed at the first Caucus meeting of African Governors of Central Banks in Abuja in March 2014.

- ◆ *What is the flexibility of the CEMAC and ECCAS countries to conduct their diversification policy as they are under IMF led structural adjustment programmes?*



- ◆ *How can political leadership at the highest level be asserted despite pressures from international financial institutions to make industrialization a perimeter of national sovereignty and decision-making autonomy?*
- ◆ *What strategies can be used to mobilize more resources for industrialization, given the current constraints?*
- ◆ *Should the role of central banks only be limited to price and financial system stability?*
- ◆ *Do central banks have to support industrial development policies as proposed by the first Caucus meeting of African Governors of Central Banks?*

### Coherence of diversification policies

One important aspect of diversification policies is that they must be integrated into a more comprehensive development policy that focuses on strengthening the accumulation of capital and knowledge. It is increasingly recognized that diversification and industrial development policies are broader and more complex than one would think. It requires, among others, capacity building in the development and adaptation of technology, in trade policies and human resources development. This forces countries to take a holistic approach to industrial development policies and programmes.

- ◆ *Are the industrial development plans holistic, in line with sectoral plans such as education, vocational training, employment, mining, energy, etc.?*

### Coordination of diversification policy within the sub-region

Many countries in Central Africa have similar endowments of natural resources and similar potential areas for diversification (agriculture, forestry, oil, etc.).

- ◆ *How to ensure that national policies and strategies are complementary rather than competing or antagonistic with each other?*
- ◆ *How to develop sub-regional value chains that can supply regional and global markets?*
- ◆ *What kind of urbanization policy is needed for successful industrialization/diversification?*
- ◆ *Should common industrial clusters or common special economic zones be developed?*

- ◆ *What kind of trade policy is required for successful industrialization / diversification?*

### **Production of information to design, target and monitor economic diversification policies**

Much information on the industry is produced in a "quasi-opaque" manner by international organizations (in the sense that the countries themselves do not know from which data or from which methodologies this information is produced, which may seem strange given that an investigation cannot take place in a country without the national authorities being involved). This lack of information lead to « navigation by sight », regardless of the expertise that countries have for implementing relevant policies. The production and availability of reliable and regular data to guide policies is key.

- ◆ *How to identify the sectors to be targeted if there are no reliable sectoral data on productivity, employment, income, financing needs, contribution to imports, etc.?*
- ◆ *How to produce reliable, regular economic and social data to guide policies?*

### **Industrialization, Agenda 2030 and Agenda 2063**

The 2030 Agenda for Sustainable Development) and Agenda 2063 of the African Union recognize the paramount role of industrialization in Africa, especially through the SDG 9 which aims at « building resilient infrastructure, promoting sustainable industrialization and fostering innovation».

- ◆ *How to integrate these two initiatives in a coherent way into national industrial development frameworks of African countries?*
- ◆ *How to align national planning cycles with Agenda 2030 and Agenda 2063?*
- ◆ *Which roles can be played by ECA and other technical and financial partners?*

### **Identification of sectors**

The industrial policy experiences of countries such as Ethiopia can inspire the countries of the sub-region. Ethiopia is one of the few countries in Africa whose GDP growth has remained consistently high for over a decade without relying on the natural resource boom, unlike the Central African countries. Since 80% of the Ethiopian population is

dependent on agriculture for its livelihood, industrial policy in Ethiopia has naturally focused on promoting the production industries that provide linkages to the agricultural sector. The leather industry and the textile and garment industry are the best examples.

- ◆ *How can Central African governments identify high-potential sectors that must be linked to industrial development policies in the sub-region?*

## Regional integration and industrialization

The ability of the Central African countries to create a competitive industrial sector and to promote closer industrial linkages has been hampered by inadequate infrastructure (energy, transport, communication, etc.), which has led to higher transaction and production costs. It is therefore crucial to increase investments in infrastructure, including energy. Infrastructure development, therefore, must be a priority at the national and regional levels.

- ◆ *How can sub-regional cooperation be strengthened in order to significantly reduce transaction costs, strengthen regional markets and make production and exports more competitive??*
- ◆ *How can national industrialization efforts be coordinated at the sub-regional level?*

## Partnership

Partnerships are important to achieve Central Africa's diversification and industrial development goals. The *Douala Consensus* states that "it is essential to facilitate access to national and sub-regional financing instruments adapted to the needs and requirements of a transformative industrial policy. It is time to move from the "resources for Infrastructure" type of partnerships to the "resources for industrialization" type of partnerships.

- ◆ *What are the partnerships to be forged to accelerate investment, industrialization and results in Central Africa??*
- ◆ *How could the sub-region make the most of the negotiations with partners, develop the necessary infrastructure and promote public-private partnerships?*

## Research and Development (R&D) and economic diversification

- ◆ *How can the digital economy and the knowledge economy be mainstreamed into industrial development policies?*
- ◆ *What are the measures for promoting innovation and protection of intellectual property rights?*

## Role of the private sector

- ◆ *How to improve the participation of local private sector in industrialization efforts?*
- ◆ *Role of SMEs: How to support them?*
- ◆ *How to attract more FDI into labor intensive activities?*

## Implementation of the Douala consensus and generation of knowledge

- ◆ *What kind of knowledge products would be useful to generate (and how often) in the context of the operationalization of the Douala Consensus?*
- ◆ *What can be the role of Think Tanks in economic diversification?*

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