

Sustainable Structural Transformation

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Outline

- Structural transformation in the context of sustainable development
- The UN approach to structural transformation
- Recent socio-economic and environmental trends and trade-offs in structural transformation
- Policy sequencing and structural transformation

Structural Transformation and Sustainable development

- Traditional definitions of ST have focused on productivity with little emphasis on inclusion and sustainability
- **Definitions emphasize:**
- A relative decline in the sectoral shares of low-productivity agriculture and low value-added extractive activities;
- a relative increase in manufacturing and high-productivity services;
- a decline in the relative share of agricultural employment in GDP;
- increasing rural-to-urban migration that stimulates the process of urbanisation;
- and the rise of a modern industrial and service economy.
- In Africa the shift has been from agriculture to not necessarily high productivity services

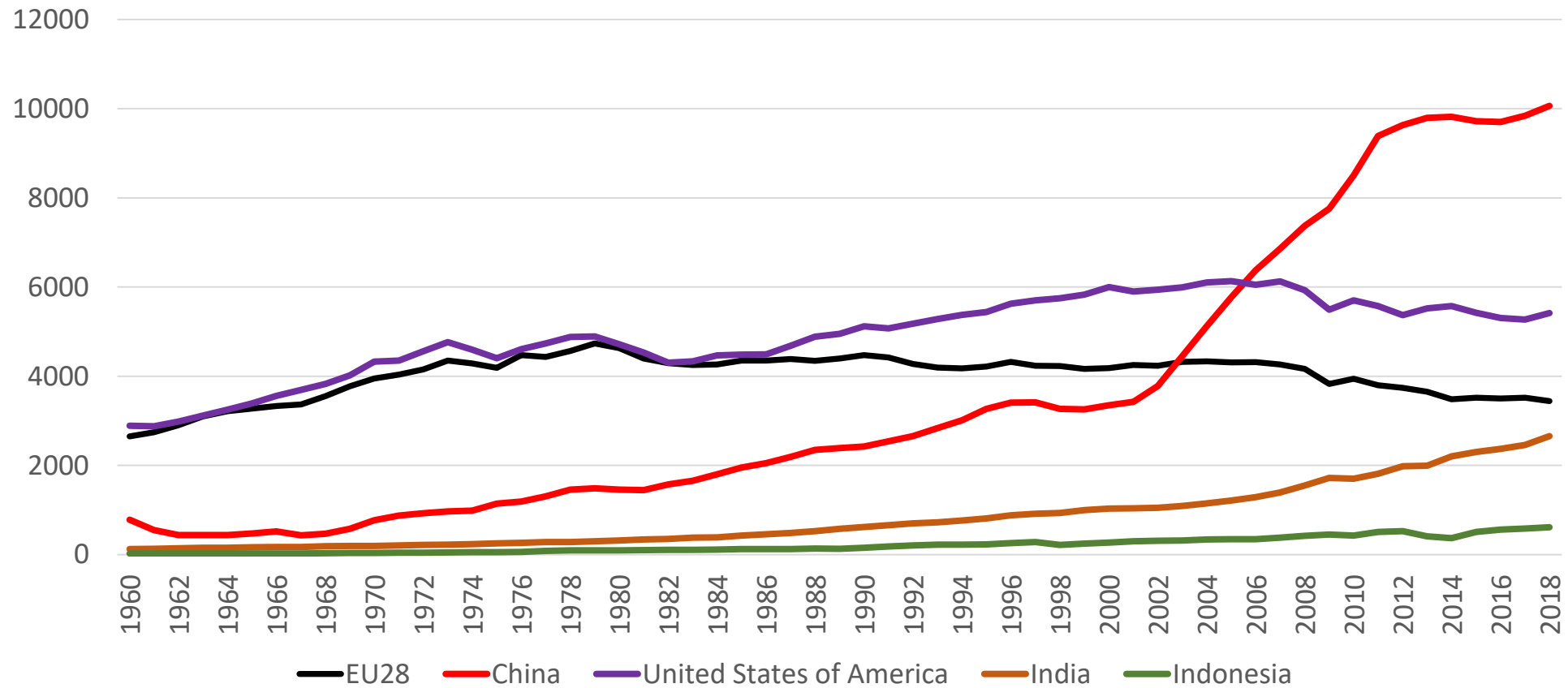
Sustaining Structural Transformation – the new UN approach

- Explicitly takes into account inclusion and environmental sustainability
- *Economic transformation comprises long lasting fundamental changes in the economy that raise the overall productivity level while ensuring adequate quantity and quality of employment, equitable distribution of income and wealth, and access to quality public services, and protection of and respect for environment*
- Addressing the social and environmental consequences of policies should not be viewed as an afterthought to the economic growth process.

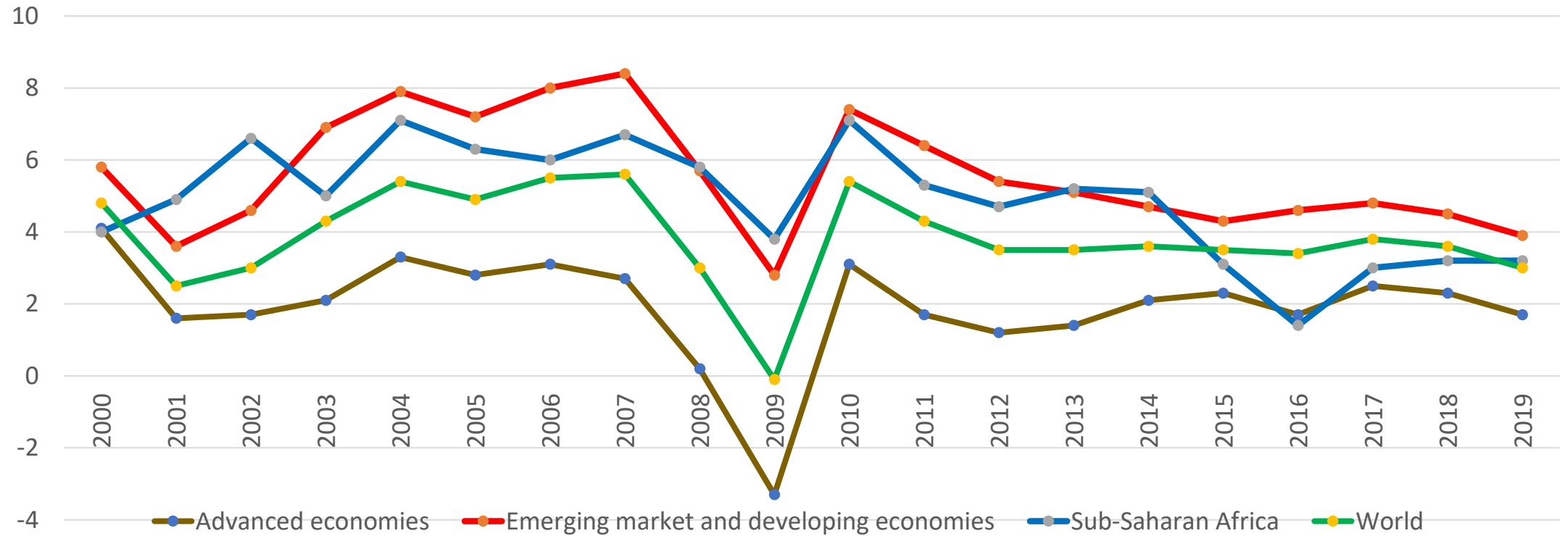
Trade-offs

- **Few developed countries have been successful in simultaneously achieving rapid, green, and inclusive growth.**
- Some studies [e.g., Dastidar (2012)] found that where structural change is characterized by a transition from agriculture to industry, inequality did not increase in developing countries.
- On the other hand, inequality was found to rise in developing countries experiencing an agriculture-service transformation. In the latter case, the increase in inequality rises with when initial levels of inequality exceed the average.
- Studies [Qizilbash, 2010] find that countries that perform well in indicators of well-being and poverty had the highest levels of environmental degradation
- Sweden and Denmark rank 39th in Carbon Dioxide emissions

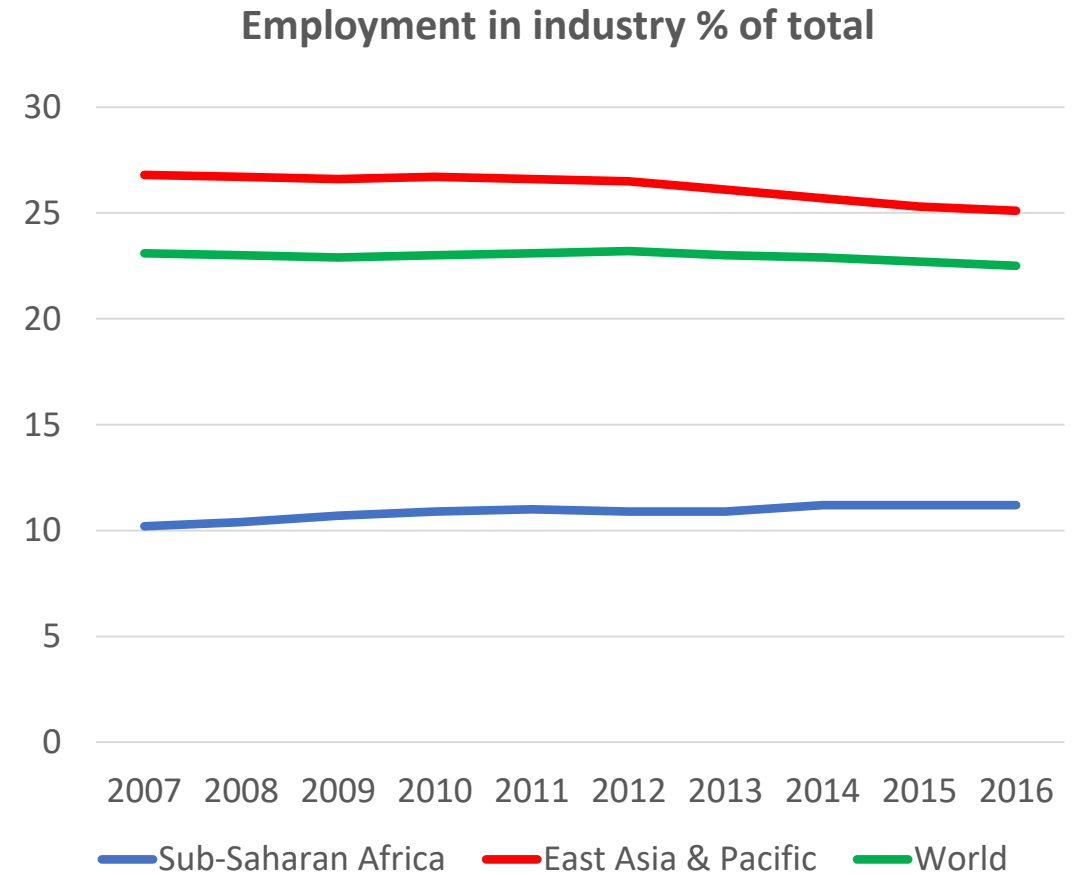
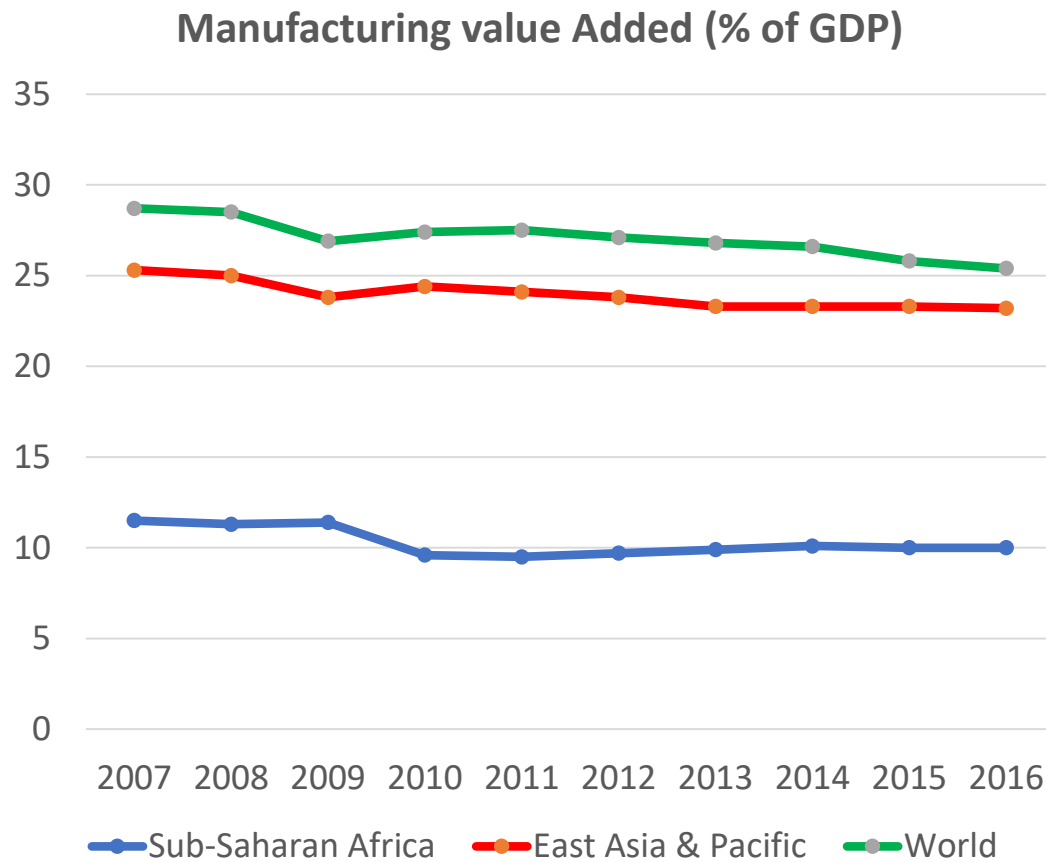
Territorial emissions in Metric tons of CO₂



Positive growth trends in Africa

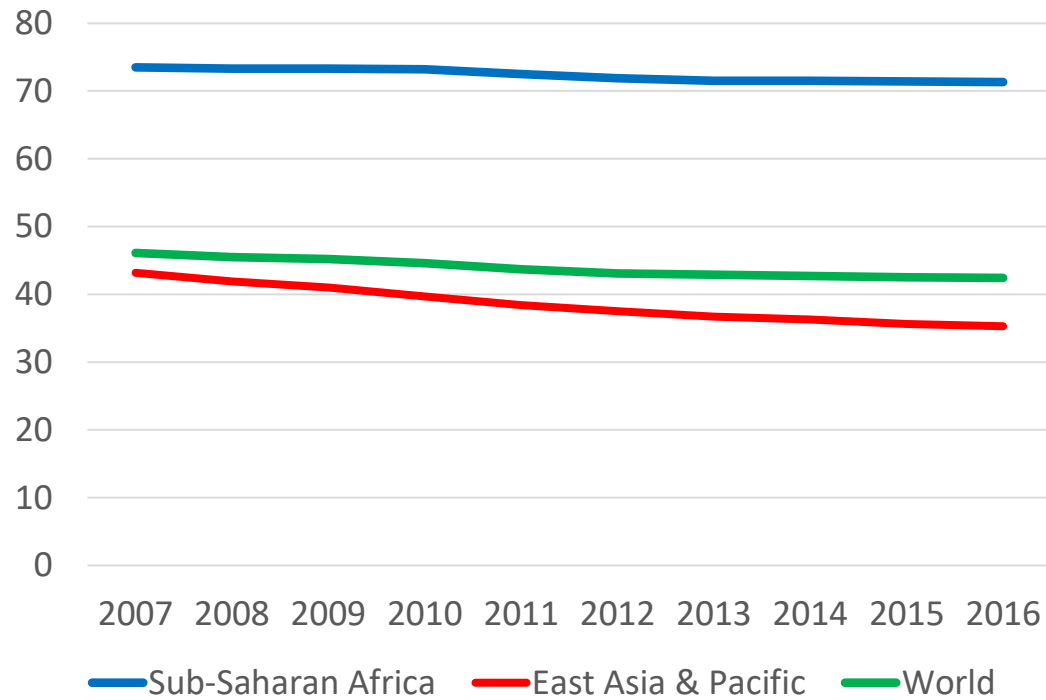


But evidence of de-industrialization in Africa

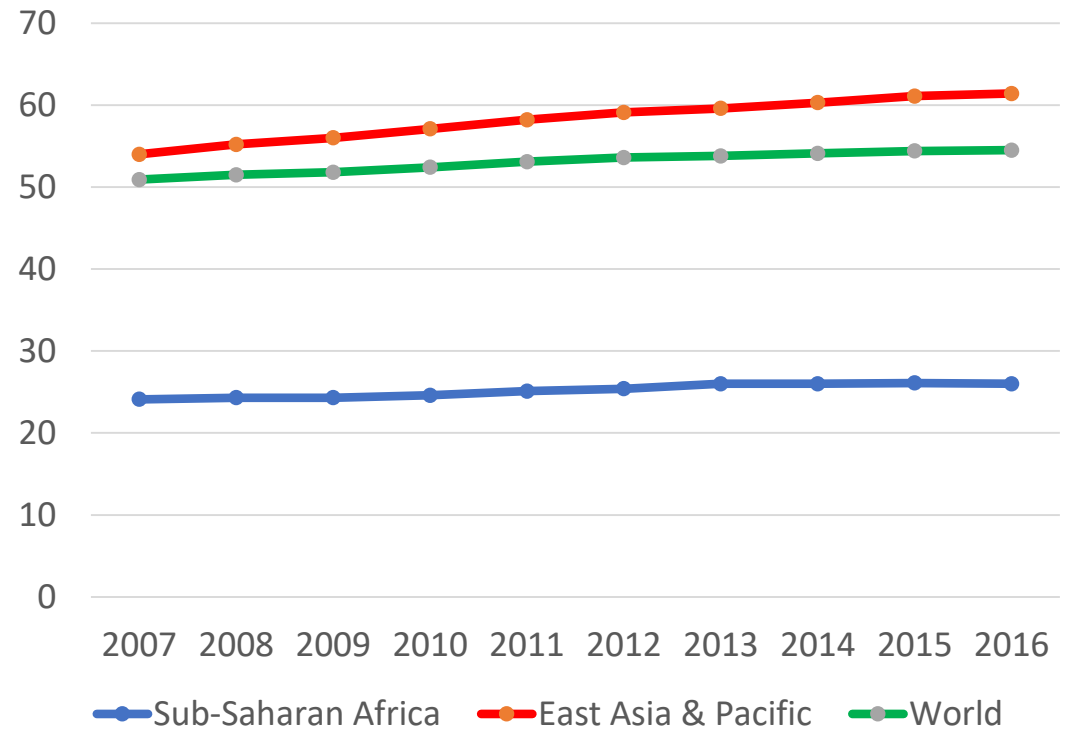


And growth not associated with rising opportunities for decent work

Vulnerable Employment % of Total



Wage and salaried workers % of Total



Perspectives on policy sequencing

- How can we ensure that positive changes along social and environmental dimensions reinforce economic transformation?

Prioritizing social inclusion interventions catalyzes inclusive structural transformation in Africa

	Direct ST impact	Economic	Environmental	Total Effect
Social	0.02	2.79	-2.37	0.44

	Direct ST impact	Economic	Social	Total
Environmental	-0.19	1.71	-1.25	0.27

	Direct	Social	Environmental	Total
Economic	1.09	-1.75	0.81	0.15

Parting thoughts

- **Sequencing matters:** Structural transformation measures should be informed by efforts to assess the likely effects of policy interactions on inclusion and sustainable development
- **Reflect the environmental dimension in indicators of decent work:**
- The Decent Work Agenda currently combines access to full and productive employment with rights at work, social protection and the promotion of social dialogue
- **But decent work should also be about the environment impacts of ones occupation**
- **Domestic job creation may not always be consistent with free trade in the short run**

Ongoing projects in Africa – glimpses of industrial development

- Ethiopia's flagship Hawassa Industrial Park is a 300-hectare industrial park, which is focused on textile and garment production and is expected to create about 60,000 jobs when fully operational.
- The park has state-of-the-art infrastructure and facilities, which will be mostly powered by renewable energy, making it the first sustainable textile and apparel industrial park in Africa.
- The Derba-Midroc Cement Project a \$350 million integrated cement plant project which is uses local limestone deposit of 165 million tons
- **The government banned cement imports on 27 March 2012 to protect upcoming domestic cement production.**
- It is helping to meet 100% of the country's cement needs and exporting to nearby countries.
- The plant resulted in a 75% drop in the price of cement and a reduction of cement import dependency.
- The project created about 2,000 jobs during construction and presently employs 739 permanent workers of which 17% are females.