AES Africa Economic Symposium

1st Edition

THE ROLE OF SCIENCE, TECHNOLOGY, AND INNOVATION IN DRIVING AFRICA'S ECONOMIC GROWTH

September 21st - 22nd, 2023 - Rabat, Morocco

GENERAL RAPPORTEUR

Larabi Jaïdi, Senior Fellow, Policy Center for the New South

SUMMARY REPORT

POLICY CENTER FOR THE NEW SOUTH

THINK • STIMULATE • BRIDGE

Edition
Stephen Gardner

Graphic Design
Youssef Aït El Kadi

THE ROLE OF SCIENCE, TECHNOLOGY, AND INNOVATION IN DRIVING AFRICA'S ECONOMIC GROWTH

September 21st - 22nd, 2023 - Rabat, Morocco

SUMMARY REPORT


AES Africa Economic Symposium
The Role of Science, Technology, and Innovation in Driving Africa's Economic Growth
September 21st - 22nd, 2023 – Rabat, Morocco

INTRODUCTION

The Africa Economic Symposium (AES) is the Policy Center for the New South's new major conference, alongside the renowned Atlantic Dialogues and the African Peace and Security Annual Conference (APSACO). AES aspires to be a continent-wide annual gathering of prominent economists, policymakers, and academics, which will bring together global and continental perspectives on the issues shaping the future of Africa's economic development.

The global economy is going through a period of exceptional uncertainty that combines the aftermath of the health crisis, the consequences of the Russia-Ukraine war, and the increasing impacts of climate change. Fragmentation of the world economy is linked to the effects of the war, the potential decoupling between the economies of the major powers (United States-European Union-China-Russia), which would be associated with technological competition at the origin of more aggressive and protectionist industrial policies, and a redefinition of macroeconomic policies in Western countries.

The worsening of these risks is weakening African economies, hampering growth, fueling inflation, disrupting supply chains, increasing energy and food insecurity, reviving the specter of external debt, and raising concerns about the stability of Africa's public finances. The interrelationships between these multiple risks make them more complex to manage. At the heart of the AES is the drive to understand the economic repercussions of these uncertainties, the risks they pose to the evolution of African economies, and the structural transformations that the continent needs to accelerate.

For African economies, the challenges are immense. The extent of the economic repercussions of the crisis depends on their structural characteristics. Against a backdrop of growing social needs and growing macroeconomic imbalances, space for economic policies is shrinking. The pressures on external balances generated or accentuated by the crisis must be examined in the light of the exposure and vulnerability of African economies to such shocks, i.e. in terms of their capacity to absorb them.

In this context, public policies and the decisions that reflect them should seek and strike a delicate balance between the requirements of economic and social recovery in the short term, and structural transformation in the medium and long terms. In the face of an uncertain outlook, African economies should reduce their vulnerabilities to current or future shocks as much as possible. As a first step, this may require rebuilding capacities to safeguard countries' economies against greater risks. In addition, countries can become more resilient by strengthening their public policy frameworks. This context of uncertainty, conducive to large-scale risks, requires public authorities to exercise strict vigilance to preserve this resilience.

In the medium term, deepening structural reforms to generate high-quality and transformative growth is of great importance. Strong growth is perhaps the most essential remedy for eliminating macroeconomic imbalances, since a growing economy allows for more policy space. Many African economies face the twin imperatives of reinvigorating underlying trend growth and improving its quality. The dissipation of shocks offers a chance to shift the focus back to these major long-term challenges, and thus lay the foundations for stronger, more inclusive, and more sustainable growth.

Furthermore, technology is emerging as the game changer in global economic competition. Technology is a lever of influence and positioning in the dual geoeconomic and geopolitical battle. In the twenty-first century, the battlefield on which the great powers clash is digital. New technologies (3D, biotechnology, nanotechnology, etc.) greatly stimulate the economic development of countries and consequently their positions in the global economy. Artificial intelligence in particular can enable civilian and military uses that could change the balance of power in the world by giving new actors crucial capabilities. Effective policies need to be defined to strengthen Africa's engagement in the geopolitics of technology. African countries, which are still unaware of the role that technology plays in global competition, must change their mindsets and recognize that ignoring the geopolitical power issues linked to new technologies is not a winning strategy.

African countries are at different stages of technological transformation. A few indicators are often put forward to show that Africa has already propelled itself into the digital revolution. This is the case for some emblematic indicators of the rapidly increasing number of African start-ups specializing in technology, e-learning platforms, innovation hubs and incubators active throughout the continent, and the improvement of the quality of communication infrastructure networks. In fact, the development of the digital economy in Africa, its adoption, and its affordability vary enormously according to professional situation, location, and level of education. Research and development spending in African countries remains well below the world average. In addition to higher cognitive skills, various behavioural, interpersonal and socio-emotional skills (creativity, risk-taking, decision-making, persuasion and negotiation skills, networking and teamwork, etc.) are not widely disseminated.

The main digital sectors, despite their growth trajectories, will not be enough to offer job prospects to the millions of young graduates who enter the labour market every year. Concerns about the impact of advanced technologies on employment have fueled a growing debate on the need to adapt the social contract to the new context of rapid technological change, as well as key parameters of the social, cultural, and political environments. New technologies also offer an opportunity for African countries to keep up to date in terms of technology, and thus to reduce the gaps between them and other countries. Innovation in these areas could help diversify economies, create better-paying jobs, and catalyze economic growth and structural transformation, while addressing the existential threat of climate change.

Thus, African countries need to harness the power of science, technology, and innovation to boost economic growth and escape the middle-income trap. This will require revamping the nexus between educational policies, R&D, innovation, and economic policies, and defining modern industrial policies that will serve development through clear roadmaps and transparent objectives. In addition, as Africa remains the continent most threatened by climate change and chronic food insecurity, science and technological innovation have the potential to smooth the energy transition and increase food production, making it a vital area of focus for promoting sustainable economic growth.

The great challenge for African economies is to acquire the capacity to implement the major innovations that will shape the future of the world economy system. Capacity is essential for countries to be able to exploit the opportunities offered by new and emerging technologies—and there is a significant gap between developed and developing countries. If Africa wants to be more than a consumer of technology and aims to be less dependent on the great powers, it must make its way and be itself an actor in technological competition. Otherwise, it risks becoming a playground for technological competition between great powers. Technological battles are being waged in a growing number of areas in which Africa is called upon to define strategies and policies that will enable it to achieve strategic autonomy. The challenge for Africa is to work with partners and multilateral organizations—such as the Organization for Economic Co-operation and Development, the World Intellectual Property Organization and others—to develop effective, open, and value-based technological standards. Through multilateral institutions, including the World Bank and the International Monetary Fund, the World Trade Organization and the G20, Africa should contribute to the establishment of an international data protection regime.

Similarly, regional groups such as Mercosur, the African Union, and ASEAN should establish a framework for their member states to cooperate closely on technological issues. These groupings would be strengthened by establishing rules and regulations, such as those on artificial intelligence. They can use the allure of access to their digital marketplaces to strengthen their alliances. The financial institutions of these regional groups should encourage companies to invest in the adoption of critical technologies, while seeking to reduce their technological dependencies.

Over two days, experts, scholars, and policymakers participated in thematic discussions revolving around these issues, setting out their views on how Africa could be positioned as the new engine of global growth. The AES centered on the theme ‘The Role of Science, Technology, and Innovation in Driving Africa’s Economic Growth’, and featured five panels and a discussion on the Annual Economic Report on Africa.

- **Panel 1:** Challenges of Monetary Policy: Navigating Inflation Dynamics in the Face of Supply Shocks.
- **Panel 2:** Challenges of Fiscal Policy: Managing Debt Sustainability
- **Panel 3:** Promoting Innovation-led Growth in Africa
- **Panel 4:** Industrial Policy for Innovation and Technology Upgrading in Africa
- **Panel 5:** The Power of Innovation for Sustainable Development: Meeting the Challenges of Climate Change, Energy Transition, and Food Security in Africa
- **Report Presentation:** Annual Report on the African Economy

KARIM EL AYNAOUI

Executive President of the Policy Center for the New South.

OPENING REMARKS

The first Africa Economic Symposium, a conference organized by the Policy Center for the New South focused on the theme of 'The Role of Science, Technology, and Innovation in Driving Africa's Economic Growth'. It was opened by Dr. Karim El Aynaoui, Executive President of the Policy Center for the New South.

The conference has been initiated to address a significant issue that has persisted for years. It is essential to examine who tells the story of Africa, as the narrative about Africa, including its challenges, progress, and decline, remains a subject of concern. After a decade of engagement with policymakers, journalists, academics, students, and various stakeholders, it has become evident that the current narrative is insufficient and often vague.

This ambiguity creates challenges for the public and investors, who may lack the time or commitment to understand Africa comprehensively. The goal is to present a true, detailed, and rigorous economic story about Africa. While there is a general global economic outlook on Africa, it often lacks depth and detail, leading to misconceptions.

The primary objective of the conference is to provide a platform for experts to share insights, discuss current trends, and delve into long-term structural issues, such as the impact of technology on economics. Additionally, the conference launched the annual report focusing on African economies, now in its fourth edition.

The Policy Center for the New South is committed to making this conference an annual event, aligned with its mission to promote an African voice that engages with global partners, based on science, rigorous analysis, and empirical research. It is important to note that the center is a science-based institution, not an advocacy-focused think tank.

The context in which the conference is held is complex, characterized by challenges in macroeconomic management, including rising interest rates, shifts in financial stability, persistent inflation, and growing debt. International politics and geopolitics have regained prominence, influencing policy decisions related to security, energy, and food. These factors put pressure on monetary and fiscal policies, limiting room for maneuver.

Furthermore, policies are influenced by international developments, including subsidies in advanced economies, slow progress in trade integration on the continent, and negotiations with the International Monetary Fund on debt reduction and stabilization programs. This challenging context underscores the importance of the discussions during the conference.


POLICY CENTER
FOR THE NEW SOUTH

PANEL 1

CHALLENGES OF MONETARY POLICY: NAVIGATING INFLATION DYNAMICS IN THE FACE OF SUPPLY SHOCKS

This panel discussed the causes of inflation in African countries, including disruptions to global supply chains and external shocks. It emphasized the need for coordinated fiscal and monetary policies, stronger institutions, and adaptation of exchange rates.

Moderator

Panelists

MEHDI BARTAL

Professor, Mohammed VI Polytechnic University (Morocco)

ABLA ABDEL LATIF

Executive Director & Director of Research, The Egyptian Center for Economic Studies (Egypt)

IBRAHIM ELBADAWI

Managing Director, Economic Research Forum (Sudan)

ABEBE AEMRO SELASSIE

Director of the African Department, International Monetary Fund (Ethiopia) **(online)**

MAIN IDEAS PRESENTED

- The rise in tradable inflation was the direct result of disruptions to global value chains, and has far-reaching consequences.
- The pass-through to non-tradable inflation is primarily driven by input costs.
- The exposure of African countries to the Russian-Ukrainian war through food imports plays a significant role in explaining the inflation surge.
- Some African economies have highly discretionary monetary policies, which is a crucial factor in analyzing the impact of monetary policy.
- The narrative on the recent inflation surge is linked to factors including COVID-19 and the Russian-Ukrainian war, but tends to dismiss the role of the climate change. The critical question is whether inflation is transitory or permanent, and what risks it poses to various economic stakeholders.
- Policymakers face constraints, including time pressure. They lack the luxury of running cost-benefit analyses when responding to inflation.
- Inflation concerns not only monetary authorities but also fiscal ones, as monetary policy responses can increase already high levels of debt.
- In the face of supply shocks, addressing cost-driven inflation requires specific attention and responses, as raising interest rates can harm economic activity.
- Africans lack both the capacity and the framework needed to implement the appropriate monetary policies to mitigate inflationary pressures. Africa must confront its internal inefficiencies; in this context, effective monetary policies can play a crucial role in responding adequately.
- Africa has been hit by significant shocks, including COVID-19, supply-chain disruptions, and the war in Ukraine, which have made managing inflation extremely challenging. In addition, the synchronized aggressive monetary tightening was necessitated by the scale and cumulative nature of these shocks, further complicating inflation management.
- The seeds of the current inflation experience comes from the excessive response in advanced economies to the COVID-19 crisis, which heightened pressure on prices, before and to a greater degree than the Russian-Ukrainian war.
- Africa is plural. Some countries, including those with fixed exchange rates, have managed to contain inflation, highlighting heterogeneity of outcomes.
- The challenges encountered are multifaceted. Weak institutions and underdeveloped domestic financial markets, for example, have made it harder for countries to harness domestic resources, leading instead to reliance on international borrowing. Additionally, fixed exchange rates have failed to absorb shocks, thus impeding the ability of African economies to adapt.

- Ensuring alignment between policymakers' words and actions is crucial for the effective functioning of an exchange rate regime. In the case of a fixed exchange rate regime, it's essential to align monetary policy with the pegged currency. For countries with flexible exchange rate regimes, it's vital to maintain consistency and avoid counteracting market forces.

POLICY RECOMMENDATIONS MADE BY SPEAKERS

- Monetary policy responses need to take into account the complex relationship between inflation, exchange rates, and fiscal policy.
- Anticipatory monetary policy actions should be developed to address potential future supply-chain disruptions.
- Central banks should build the capacity to understand and respond proactively to supply-chain disruptions.
- Coordination between fiscal and monetary policy is essential to manage inflation effectively.
- There should be recognition of the heterogeneity among African countries in dealing with inflation, including those with flexible exchange rate regimes.
- Monitoring and adaptation to changing economic conditions, such as accelerating inflation and public balance sheets, are necessary for effective policy responses.
- Efforts should be made to strengthen institutions, improve coordination between government bodies, and enhance the capacity to analyze economic situations.
- Exchange rate policies should be adapted to respond to domestic currency pricing and shadow markets, while avoiding rigidity.
- Addressing man-made factors that contribute to supply shocks, such as policy decisions, is crucial for mitigating their impact.


nology, and Innovation
ic Growth
Andrew Dabalen
Africa Region Chief Economist, World Bank
JK MOVING

PANEL 2

CHALLENGES OF FISCAL POLICY: MANAGING DEBT SUSTAINABILITY

The panel provided an overview of the debt situation in Africa. The first question examined how the current debt crisis in developing countries differs from the debt problems encountered in the 1980s and 1990s. The second addressed the issue of debt management in African countries, while the third looked at the role that fiscal policy should play in meeting these challenges.

Moderator

Panelists

IDRISS EL ABBASSI
Professor, Mohammed V University (Morocco)

HAKIM BEN HAMMOUDA
Executive Director, Global Institute 4 Transitions (Tunisia)

ANDREW DABALEN
Africa Region Chief Economist, World Bank (Kenya).
(Online)

HAFEZ GHANEM
Senior Fellow, Policy Centre for the New South (Egypt)

MAIN IDEAS PRESENTED

- In the past, Africa experienced a debt crisis that began in the 1980s. During this period, high debt levels had a profound and adverse impact on the GDP of African nations. The consequence was a noticeable reduction in social spending within these countries.
- In response to the debt crisis, the international community introduced the Highly Indebted Poor Countries Initiative. This program involved an agreement among lenders to alleviate the debt burden on African countries. The stipulation was that the funds saved from reduced debt servicing would be redirected towards poverty reduction efforts in these nations.
- As a result of the Highly Indebted Poor Countries Initiative, Africa saw a significant decrease in its debt-to-GDP ratio. However, the landscape has evolved, and today, Africa faces a renewed debt crisis. The debt-to-GDP ratio has once again surged, exceeding 65% and approaching the concerning threshold of 70%. This underscores the current challenges in managing debt sustainability on the continent.
- The question raised is why the lessons of previous debt crises have not been learned, despite the recurrence of similar situations. The reappearance of the debt crisis has happened despite prior warnings.
- The composition of Africa's creditors has shifted considerably, from multilateral organizations and banks to private creditors, notably from European markets and China, making the resolution of the current debt crisis more complex than that of the 1980s.
- China currently holds almost 20% of Africa's debt, making dilution very difficult at this stage of the debt structure.
- Africa's debt crisis cannot be solved with traditional instruments alone. Currently, many African countries spend more on interest payments than on education, creating a vicious circle of growing debt and limited educational opportunities.
- The IMF assesses that there are 24 African countries currently in a state of economic distress, such as Ghana and Zambia, which are in default.
- The 'common framework' established by the G20 to alleviate debt burdens on the continent has, unfortunately, yielded limited success, as only one country has thus far managed to secure a debt-reduction agreement with its creditors through this mechanism.
- The G20 is currently experiencing significant internal turmoil caused by geopolitical tensions, and these tensions have a detrimental impact on the effectiveness of the debt reduction initiatives undertaken by the G20.

POLICY RECOMMENDATIONS MADE BY SPEAKERS

- It is important to note that debt restructuring should not be the sole responsibility of the G20, but rather led by multilateral institutions such as development banks.
- Climate change is a major challenge. An initiative offering debt relief in exchange for climate action could solve two problems simultaneously, encouraging African countries to commit to environmental measures while alleviating their debts. This innovative approach could contribute to a better future for Africa and to the fight against climate change.
- The common framework has proved quite disappointing. What we require are fresh initiatives aimed at debt reduction.
- It is essential to broaden our thinking on the mobilization of internal resources for financing. The first aspect of this mobilization naturally concerns public resources. In Africa, there are two main sources of growth in public resources. First, the level of taxation remains relatively low. For Africa as a whole, the average is around 21%, while North African countries have an average tax rate of around 30%. Clearly, then, there is considerable potential for generating tax revenues in many African countries.
- The second critical source is illicit transfers. One potential solution to this problem is the ongoing global discussion on the taxation of profits, known as the BEPS (Base Erosion and Profit Shifting) initiative. This initiative could provide substantial resources for African countries. In addition, the introduction of a minimum corporate tax could also help to increase the resources available.
- It is essential to recognize that the challenges vary, with some countries dealing with liquidity crises rather than solvency crises. Addressing these issues requires a multifaceted approach. One significant advancement would involve guaranteeing the annual allocation of Special Drawing Rights (SDRs), which can inject vital liquidity into countries facing economic challenges. Additionally, tailored issuance of SDRs designed for countries in debt distress could serve as a focused lifeline, providing critical support to mitigate the urgent debt-related issues these nations face. Such an approach has the potential to play a pivotal role in stabilizing the economic conditions of these countries and paving the way toward sustainable recovery.
- The present economic situation is often characterized as a liquidity crisis, but it is widely recognized that elements of insolvency are also at play. It becomes crucial to delve deeper into this distinction between countries facing genuine insolvency, and those primarily grappling with liquidity issues.
- In essence, recognizing the nuances between liquidity crises and insolvency issues allows for a more tailored and precise response to the diverse challenges faced by countries in debt distress, ultimately paving the way for more sustainable economic recovery and stability.


AES Africa Economic Symposium
The Role of Science, Technology, and Innovation in Driving Africa's Economic Growth

PANEL 3

PROMOTING INNOVATION-LED GROWTH IN AFRICA

This session explored how Africa can strategically introduce and embrace innovation, examined challenges and opportunities in adopting artificial intelligence and innovation across African regions, and discussed tailored policies for fostering an innovation culture in Africa, considering its unique socio-economic landscape.

Moderator

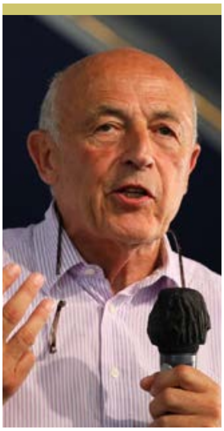
LUC SAVARD

Full Professor, Mohammed VI Polytechnic University (Canada)

Panelists

ILYES BOUMAHDI

Head of Service for Tertiary Activities and Knowledge-based Economy, Ministry of Economy and Finance in Morocco (Morocco)



JEAN-HERVÉ LORENZI

President, Le Cercle des Economistes (France) **(online)**

ARKEBE OQUBAY METIKU

Senior Minister and Special Advisor to the Prime Minister, Economic Plan Effectiveness Monitoring and Support (Ethiopia)

MAIN IDEAS PRESENTED

- The world is undergoing significant changes, driven by new technological innovations, particularly AI, which elicits concern but also offers opportunity.
- Leveraging Africa's unique qualities is crucial for effectively attracting investment.
- African economies lag behind the global innovation frontier for three main reasons:
  - Limited capacity for innovation generation through research, development, and effective transfer to businesses and public entities.
  - Low absorptive capacity for innovation.
  - Insufficient collaboration between public universities, the private sector, and businesses.
- Innovation is present in Africa, with a strong correlation between GDP and total factor productivity (TFP), linked to research activities and their associated costs.
- The establishment of African credit rating agencies is imperative, and African stability plays a crucial role in maintaining confidence in exchange rates.
- Technology acts as a catalyst for growth, particularly in the era of digital transformation (Industry 4.0), enabling learning through practice and experience for developing countries.
- China's rapid rise in solar power production and dominance in lithium battery manufacturing signifies a significant shift in the global technological landscape. China accounts for more than 60% of the world's solar panels production and 90% of the world's lithium batteries.
- Technology expansion is becoming increasingly complex, with a focus on digital and green energy industries in the twenty-first century.
- Recognizing variations among countries is essential, especially in discussions related to innovation-led growth. For example, Morocco has emerged as a leader in innovation and production capabilities in the automobile sector through technology adoption, achieving significant vehicle exports annually.

POLICY RECOMMENDATIONS MADE BY SPEAKERS

- Embracing the 4th industrial revolution and Digital Transformation: as we embrace the 4th industrial revolution, it is crucial to recognize that digital transformation goes beyond new technologies; it involves new methodologies.

Developing countries can harness the power of this transformation for growth through continuous learning, adaptation, and imitation.

- Promoting innovation for economic growth: innovation is vital for economic growth, and skills and expertise play a pivotal role. Africa's abundant workforce presents a substantial opportunity for job creation and new market development.
- Investment in R&D: to enhance innovation, investment in research is critical, particularly basic research. Examples from countries such as Korea, which invests about 4% of its GDP in research, highlight the importance of such investments for economic growth; countries including the U.S. and China allocate around 2.6% to 2.7% of GDP to research.
- Coordination and integration of innovations: African growth is crucial for global growth in the twenty-first century. It is essential to coordinate and synchronize innovations. Isolated innovations do not generate growth; only well-articulated, coordinated, and integrated innovations lead to sustained growth.
- Elements to boost innovation: three important elements are crucial for boosting innovation:
  - A favorable business climate: creating a business-friendly environment to attract domestic and foreign investment.
  - Qualified human capital: developing a skilled workforce.
  - Infrastructure development: Building infrastructure that fosters positive impacts on various regions.
- Leveraging the diaspora: the African diaspora provides significant financial flows for several African countries, but these flows in general are not directed towards investment and the knowledge industry. Capitalizing on these financial flows is essential for boosting growth and promoting intra-African innovation.
- Promoting regional development: transferring the benefits of innovations from central areas and large cities to the peripheries is fundamental for achieving balanced and sustainable growth. Amidst a high demand for resources and limited availability, territorial specialization emerges as a critical strategy. Tailoring development efforts to the unique specifications of each region becomes paramount in optimizing the utilization of scarce resources.


Andy McKay
Professor, University of Sussex

PANEL 4

INDUSTRIAL POLICY FOR INNOVATION AND TECHNOLOGY UPGRADING IN AFRICA

The panel examined the pivotal role of industrial policy in facilitating economic transformation in African countries by fostering innovation and technological advancement. The key takeaways included an emphasis on the need for a holistic industrial-policy approach that prioritizes technology and innovation, acknowledges the vital contribution of the private sector, advocates for a results-driven strategy, and underscores the significance of an effective trade policy as a complementary element.

Moderator

ABDELKHALEK TOUHAMI

Full Professor, Mohammed VI Polytechnic University (Morocco)

Panelists

ANDY MCKAY

Professor, University of Sussex (UK)

MUSTAPHA KAMEL NABLI

Senior Associate, Economic Research Forum (Tunisia)

THIERRY WARIN

Professor, HEC Montréal (Canada)

MAIN IDEAS PRESENTED

- Industrialization should be viewed as a multifaceted process encompassing shifts not only between sectors (agriculture, manufacturing, services) but also changes within each sector.
- Innovation and technological advancement are needed in all sectors, including agriculture and services, and should not be limited solely to manufacturing. This holistic approach is key to driving overall economic development and diversification of African economies.
- Trade, including intra-African trade, is vital. Diversifying trade partners and products is essential to drive economic transformation and foster the development of African economies. The African Continental Free Trade Agreement (AfCFTA) represents a transformative opportunity in this regard, offering substantial prospects for enhanced trade diversification.
- Industrial policy has been at the heart of the East Asian economic success, driving robust economic growth, increased complexity, and substantial technological advancement. A comprehensive analysis of how industrial policy was applied in these countries in comparison with other developing economies is key to understanding the reasons behind its success in East Asia.
- One of the key factors that explains the success of industrial policy in East Asian economies is the dynamic role played by the private sector, particularly in driving innovation and technological upgrading.
- Another determinant of East Asian economic success is the adoption of results-oriented policies. Subsidies and support were conditional on firm performance and results.
- Achieving positive outcomes from industrial policy requires a comprehensive and integrated approach. This approach should encompass a broader framework that promotes innovation, facilitates technology upgrading, fosters quality education, and supports the involvement of the private sector.
- When we think about the industrial revolution 4.0, we naturally think of a linear transition from one phase to another. However, it is imperative to recognize that the shift characterizing this fourth industrial revolution is rather an exponential shift. This perspective challenges conventional thinking and highlights the importance for countries to adapt, and to adopt new policies and strategies to harness the potential of this transformation.
- Economic growth is not determined solely by the availability of resources (natural and human resources), but also by the quality and effectiveness of institutions. These are not limited to national borders but also include international agreements and collaborations.

- The role of technology, especially AI and data, is fundamental as a driver of economic change in the current landscape. Emphasizing the relative ease of implementing AI, as compared to inventing it, reinforces the idea that countries should focus on integrating AI into their industrial policies to foster growth and adapt to the evolving economic landscape.

POLICY RECOMMENDATIONS MADE BY SPEAKERS

- Comprehensive industrialization strategy: develop and implement a comprehensive industrialization approach that considers the unique needs and opportunities within each sector. This strategy should promote innovation, technological upgrading, and value addition, not only in manufacturing, but also in agriculture and services.
- Holistic policy framework: recognize that industrial policy alone is insufficient for achieving economic development goals. Implement a comprehensive approach that combines industrial policy with education, research, innovation, and infrastructure development, to create a conducive ecosystem for economic growth.
- AfCFTA optimization: maximize the benefits of AfCFTA by creating a fostering environment for intra-African trade.
- Collaboration for innovation: collaboration among governments, as well as pan-African institutions, is pivotal in promoting innovation and technological advancement in Africa.
- Private sector engagement: encourage a more dynamic and innovative private sector in Africa by creating an enabling environment that empowers private enterprises to lead in technological and innovative advancements.
- Results-based approach: reform industrial policy to incorporate results-based incentives, ensuring that subsidies and support are contingent on the performance and achievements of businesses, promoting accountability and efficiency.
- Human capital investment: Invest in education and skills development to harness the potential of Africa’s human capital. In addition, to capitalize on the transformative potential of AI in the context of the fourth industrial revolution, governments should prioritize investments in AI-related skills.
- Encourage AI adoption in small and medium-sized enterprises: to ensure that the benefits of AI are widespread and not confined to large corporations, governments should implement policies that specifically support AI adoption by SMEs. This can include providing financial incentives, grants, or subsidies for SMEs to invest in AI technologies and training programs.

PANEL 5

THE POWER OF INNOVATION FOR SUSTAINABLE DEVELOPMENT: MEETING THE CHALLENGES OF CLIMATE CHANGE, ENERGY TRANSITION, AND FOOD SECURITY IN AFRICA

The panel delved into the risks associated with climate change, emphasizing the necessity of a holistic approach in addressing these challenges in Africa, while considering their potential impact on the economy, society, and the environment. Key recommendations for achieving this holistic approach included tailoring innovation to local contexts, fostering international collaboration through technology transfers, and building local capacity to ensure effective policy implementation in Africa.

Moderator

RIM BERAHAB

Senior Economist at the Policy Center for the New South, (Morocco)

Panelists

JEAN-LOUIS ARCAND

President, Global Development Network, (Canada)

HÉLÈNE DJOUFELKIT

Director Economic Assessment and Public Policy Department – Innovation, Strategy & Research, Agence Française de Développement, (France)

MAIN IDEAS PRESENTED

- Climate-related risks take three main forms: physical risks, transition risks, and nature-related risks. These risks are dynamic and closely tied to macroeconomic factors.
- Research plays a pivotal role in addressing climate-related uncertainties, especially during uncertain times.
- African countries, regardless of their green complexity ranking, can innovate and diversify towards green opportunities. Prominent positive examples include Ethiopia, Morocco, and Tunisia.
- Countries are advised to invest in green products based on their comparative advantages, offering a clear path to identifying priority products for investment.
- The importance of taking a holistic approach, considering the interconnected challenges posed by climate change, and their impacts on economies.
- In Africa, a significant issue is the presence of asymmetric information, hindering the flow of capital from rich to poor countries within the continent.
- Africa is set to experience annual job creation on a massive scale. A substantial portion of employment growth must come from SMEs, necessitating increased capital flows into the region.

POLICY RECOMMENDATIONS MADE BY SPEAKERS

- The need for a holistic approach and reassessment of sustainability in light of unmet Sustainable Development Goals: acknowledging the interplay of social, environmental, and economic elements in sustainable development is vital, especially considering unmet SDGs. Reassessing sustainability, differentiating between strong and weak approaches, and conducting comprehensive policy evaluations are key steps to achieve sustainable development.
- Prioritizing innovations based on context and comparative advantages: tailoring innovation strategies to align with local contexts, contingent on each country's comparative advantages, is essential for enhancing sustainability efforts.
- Enhancing partnerships and technology transfer: international cooperation in innovation is critical for sustainable development, as collaboration and technology transfers play pivotal roles in promoting innovation across borders.
- Mastering value chains and addressing financing challenges: mastering both upstream and downstream value chains, while addressing financing challenges is crucial for sustainable development.

- De-risking and rethinking financial risk assessment: efforts should be directed toward developing financial risk assessment paradigms to better align with sustainability objectives.
- Building local capacity in Africa: empowering local experts, researchers, and advisors to contribute effectively to policy formulation and implementation in Africa is important.


policycenter.ma

REPORT PRESENTATION

ANNUAL REPORT ON THE AFRICAN ECONOMIES

The session launched the 4th Africa Economic Report by the PCNS. and discussed key economic and development issues in Africa. It emphasized the need for a comprehensive approach to address both short-term and structural challenges, including economic transformation, integration, and free trade.

Moderator

ABDELAAZIZ AIT ALI

Principal Economist, Policy Center for the New South (Morocco)

Panelist

LARABI JAÏDI

Senior Fellow, Policy Center for the New South (Morocco)

MAIN IDEAS PRESENTED

- The Annual Report on the African Economies takes an innovative approach to providing food for thought on the economic and development issues, and the concerns of the continent's countries. It offers a fresh, pragmatic, and realistic look at African thinkers and analysts, within a structure that addresses short-term, but more importantly structural and longer-term issues including transformation, integration, and free trade among the continent's countries and with the rest of the world.
- Inflation and debt were the two key issues on the economic front. The picture is mixed, with a spectrum of configurations, ranging from countries severely affected by the after-effects of imported inflation, to commodity exporters that have benefited from the rise in commodity prices. Combined with COVID-19, inflationary pressures and currency risks add layers of fragility to financial stability, particularly in the context of public finances. The question, then, is how to achieve efficient and harmonious public finances.
- The integration of African economies, particularly in the framework of regional groupings, could be seen as a remedy for the old ills of the continent's economies, but also as a response to the emerging needs of the populations, both in terms of employment and living conditions.
- Transport corridors can be a source of tension, not only between African countries vying for leadership, but also between the great powers that wish to exert influence over them.
- On the role of science and innovation in Africa's development, the report contrasts two visions. The first is the techno-pessimistic approach, which shows that the continent is lagging behind in more ways than one, and sometimes considers that the technological question is not an urgent concern for African countries. The other is the techno-optimist approach, based on isolated success stories.
- Africa's financial needs are immense. It is therefore essential to shed more light on the development of financing channels on the continent.
- The growth-development nexus requires greater attention to be paid to climate issues, resource sustainability and, of course, social concerns.
- Conflict is a key issue for Africa, blocking the implementation of initiatives at all levels.

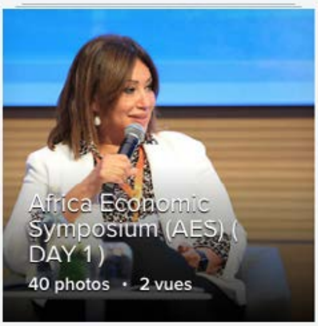
POLICY RECOMMENDATIONS MADE BY SPEAKERS

- Implement effective and harmonized public responses to imported inflation and debt-related risks, especially in the context of public finances.
- Beyond trade liberalization, economic integration should be based on the consolidation and expansion of productive capacities, the rise of regional and global value chains, and relevant and efficient local and cross-border infrastructures.
- Transport corridors should be transformed into development hubs and a means of moving up regional and global value chains (industry).
- Promote innovation and science in Africa through a balanced approach between technological pessimism and technological optimism. Develop financing channels adapted to the continent's needs, and promote resource sustainability.
- Address the issue of conflict in Africa by removing obstacles to peace and security in regions weakened by wars.
- Promote a unified digital marketplace in Africa by fostering the capacity to produce standards and data. Foster cooperation among African countries to address digital challenges as a united continent.

SCAN THE QR CODE BELOW TO REVIEW THE SESSIONS

WATCH VIDEO

SCAN THE QR CODE BELOW TO RELIVE THE HIGHLIGHTS OF AES




AES
Africa
Economic
Symposium

AES Africa Economic Symposium

POLICY CENTER FOR THE NEW SOUTH

THINK • STIMULATE • BRIDGE