Research Article

e-ISSN: 2687-4695

Journal of Economics, Business & Political Studies

Volume: 6, Issue: 3

http://dergipark.gov.tr/equinox

# Enabling Sustainable and Inclusive Growth in Africa: African Economic Transformation Index

**Seyithan Ahmet Ates**

*seyithan.ates@asbu.edu.tr*

*Ankara University of Social Sciences, Ankara, Turkey.*

*orcid.org/0000-0002-8130-8298*

*Corresponding Author*

**Mbelangani Mban**

*mbelangani.mban@gmail.com*

*THK University, Ankara Turkey*

*orcid.org/0000-0001-8300-8857*

*JEL Code: Q56, N17.*

*Received: 04.09..2019*

*Revised: 03.12.2019*

*Accepted: 14.12.2019*

*Available Online: 21.12.2019*

To cite this document

Ates, S. A. & Mban, M, (2019). Enabling Sustainable and Inclusive Growth in Africa: African Economic Transformation Index. Journal of Economics, Business & Political Studies, 6 (3), 144-163

***Abstract***

*Africa has experienced in recent years a high growth and relatively sustained of approximately 5 to 6% on average, reaching even 8 to 9% in some countries. However, despite this constant growth, growth in Africa has not been a poverty reduction factor as dominant as it could have been due to the high levels of poverty and inequality. Therefore, African countries need reliable and comprehensive indicators intending to evaluate the growth, which is more than a growth resulting in economic diversification, export competitiveness, an increase in productivity, technology upgrade, and finally, human well-being. African Transformation Index (ATI) has been recently created to measure African countries' progress in diversifying economic activities, making their exports competitive, increasing the productivity of farms, firms, and government offices, and upgrading the technology. The paper strives to elaborate on the African economic transformation in general and the African Transformation Index in particular to assess ATI's ability to address the issue of African economic transformation.*

Keywords: *sustainability, economic transformation, African transformation index*

# 1. Introduction

1980 Studies of the economic growth in African countries in the past few years have shown that African countries have experienced relatively high growth rates, which in turn led to improvements in several areas such as an increase in tax revenues, trade, infrastructure development, and delivery of social and economic services. Indeed, during the last decade, Africa was among the regions of the world which have recorded relatively sustained and dynamic high growth rates reaching even respectively 8% to 9% in some countries. However, despite the progress achieved in the region in recent years, growth in Africa did not do much for millions of Africans. Poverty remains high; more than half of sub-Saharan Africa's people still live with less than 1.25 US$ dollar a day (AFDB, 2013: 2) high unemployment rate and rise in social inequalities.

United Nations Conference on Trade and Development's report (UNCTAD, 2012: 2) on "structural transformation and sustainable development in Africa" addresses three main reasons to explain this situation. Firstly, African countries rely heavenly on natural resources as the engines of economic growth. While most of these resources are not renewable and are being depleted quickly, which have negative consequences on growth and sustainability. There are also concerns regarding the dependency on growth based on non-renewable resources because commodities prices are extremely volatile and are subject to global demand. This price instability has adverse effects on investment and makes the macroeconomic planning difficult. Secondly, the agricultural production and productivity per inhabitant are still weak in Sub-Saharan Africa compared to the world's average, which has significant consequences on food security and social stability. Thirdly, the actual African growth resulted in the deindustrialization of Africa. In fact, according to the same report, the share of manufacturing industries in Africa's GDP fell from 15% in 1990 to 10% in 2008.

The question of economic transformation in general and the measurement of the economic change, in particular, has become then a major issue for Africa's development because Africa's high growth rates did not succeed to translate into job creation and poverty eradication. Besides, with the globalization, the challenge of poverty is getting even more difficult and complicated. Since African countries did not manage to take advantage of the many benefits of a global economy increasingly interconnected and interdependent.

One of the main aims of the paper is to shed light on the theoretical background and necessity of economic transformation in Africa. After reviewing the latest development, we will analyze the progress of African countries in transforming their economies towards sustainable and inclusive growth.

Africa's growth of recent years has not managed to create jobs for millions of Africans, unemployment remaining higher to help reduce income inequalities;

in other words, shared prosperity. Additionally, economic growth in African countries is mostly based on a rise in natural resources exports, as mentioned by (Lipton 2005); Africa's economic growth is mainly a result of rising commodity prices. However, this situation exposes African countries to high levels of risk if rates were to collapse. Also, most foreign investments in Africa still go to the oil or mines sector rather than factories, services or, farming.

Economic transformation is now a major issue for African countries to have an economic model that is beneficial to everyone. They must diversify their economies, increase their export competitiveness, need more technology, increase productivity, and lastly, ensure human well-being.

Given that, the paper aims at investigating;

- the overall economic transformation of African countries
- drivers of economic change,
- the link between economic reform and development
- African Economic Transformation Index (ATI) and its ability to address and measure the economic transformation.

This research shall contribute to existing knowledge dealing with the institution and implementation of economic transformation. The study provides an approach of solutions on the issues which inhibit the economic change of African countries in general. The research shall also broaden the researcher's understanding of the subject of economic transformation.

The focus is mainly on the significant factors that influence and facilitate economic growth through economic transformation. Additionally, the paper aims at discussing the main barriers which prevent African economies from reaching a sustainable development and shows how the economic change allows the development of African economies, creation of wealth, reduction of poverty, minimization of inequalities, strengthening of productive capacities, enhancing of social conditions of the populations of African countries and achieving sustainable development.

***Background***

African countries need economic transformation to maintain growth for the poor, to deal with the population growth and the urbanization challenge, to become more competitive in the global economy and finally and, most importantly, create the conditions for better governance.

Prosperous Asian and Latin American countries show two critical aspects of a successful economic transformation process. Firstly, there are necessary aspects for the structural change models, industrialization and diversification in particular and economic development process in general.  Secondly, there is a predominant aspect; the critical role plays by the state in leading and promoting effective economic transformation through the attraction of foreign resources, increased productivity, and infrastructure development are essential elements for successful transformation, reliable and functional institutions.

However, many African countries suffer from severe deficiencies in infrastructure, including energy, water, and transport. Progress before the crisis that some countries have made by attracting foreign funds was achieved mainly through the accumulation of capital generated by exports of raw materials, development aid, and foreign direct investment instead of productivity factor.

According to the report released by the African Centre for Economic Transformation (ACET, 2014), while being necessary, economic growth is not enough for the sustainable development of African countries. They need more than economic growth. They need a more diversified economy, healthy competitiveness, advanced technology, increased production as well as human wellbeing.

## 2. Impact of Economic Transformation over the Economic Development

Economic transformation has several definitions provided by different authors. By searching whether in a library or on the internet, we would get several explanations on the commercial change.

(Grzegorz W. Kolodko, 2000) defined economic transformation as "a process involving a fundamental shift leading from the late socialist centrally planned economy based on the dominance of state ownership towards a free market, with the private sector playing the key role."

(Breisinger & Diao, 2008) argued that economic transformation is "a process in which a country's economy, society, and institutions modernize and move to more developed levels."

Policy Research for Development (REPOA, 2013: 3) supported the above argument by saying that "economic transformation is a process entailing the changing of the structure, path, and speed of economic growth."

Economic transformation is therefore considered to be one of the critical instruments for economic development since it leads to new commercial sectors.

Economic transformation has been regarded as the primary vector for African development as it enhances the human well-being, impacts upon economic growth as a result of economic development; it has a positive effect on production and gross income, foreign exchange earnings, and job creation.

The relationship between economic transformation and economic growth has received a great deal of attention during recent decades. Economic change is considered as one of the principal factors leading to economic growth worldwide. It contributes extensive economic benefits to economic growth as well as the impact on the gross domestic product of a country.

Economic transformation and economic growth share a symbiotic relationship. An efficient transformation system facilitates development and economic growth. Thus, change involves the modernization of a country's economy, society, and institutions. Supporting this argument (Kuznets, 1973) calls for "the need for adjustments in both institutions and society during transformation..." Kuznets showed that changing the structure of production will result in changes in educational needs, motivation structures, and the improvement of people's position in society. Urbanization contributes to shifts in gender relations and personal status and family formation. Changes in communication and transport services open up less-favored areas and connect factor and commodity markets. Managing those necessary changes involves institutional and legal innovations, in which the state and other institutions play vital roles.

Economic transformation has fundamental impacts on human life, and sociologists, in that sense, emphasize the critical role of changing values, norms, beliefs, and customs in the transformation from a traditional to modern society.

Economic transformation has a more significant contribution to the economic growth of countries. In developing countries, especially African countries which are characterized by low income, uneven distribution of income and wealth, high level of unemployment and underemployment, low level of industrial development that are held back by the small size of domestic market and a heavy dependence on agricultural products for export earnings, economic transformation is perceived as an essential instrument which is expected to enhance economic growth and human well-being.

The above argument is supported by the United Nations for Economic Commission in Africa (UNECA, 2013: 4) in its 2013 meeting. According to this meeting, "Africa must transform its economies to create wealth, reduce poverty, minimize inequality, strengthen its production capacity, improve people's social conditions, and achieve sustainable development." By reaching economic transformation, Africa will be able to optimize the use of its natural resources that are called to finish and even non-renewable for some. Besides, to the extent that the structural transformation promotes industrial development, it increases the range of growth engines and develops resilience to shocks on commodity prices.

## 3. Dynamics of African Economic Transformation

Africa has recorded unprecedented growth over recent years and has been remarkably resilient to the global economic crisis. The continent ranked the world's second-fastest-growing region just behind East Asia.

Lessons learned from countries that have managed to transform have shown that economic transformation does not only come from a single model, but it requires vision, flexibility, and hard work. Indeed, the main fundamentals of the African economic transformation are liberalization, stabilization (Fiscal reforms), privatization, and regional integration.

However, these fundamentals need to be supported with institutional backing. A strong fiscal position, balanced budgets, balance in current accounts, low inflation, improvement in employment rate, liberal regimes toward international trade and capital flows; all these will contribute towards the growth of the economy only if they are supported by adequate organizations, good institutions, and respected and organized market rules.

### 3.1 Trade Liberalization

The widely accepted argument by economists around the world is that countries with fewer trade barriers have faster growth than countries that are subject to trade restrictions.

By removing all economic restrictions and protectionist provisions, African countries have been able to attract more international firms and foreign investors to invest in Africa and help create jobs.

Trade liberalization, therefore, has corrected and promoted capital inputs through foreign currency thus revived growth and enabled economies to play a more competitive role in a globalized world. This argument confirms the fact that countries with trade openness tend to grow faster than countries with trade restrictions.

Being open to open foreign markets help ensure a sound resource allocation, promote, and attracting investment towards the export sector, which had already been adopted by development strategies based on domestic markets, causing considerable distortions in the operation of market forces in developing countries. Protective policies applied by African countries since the 1960s have resulted in poor allocation of scarce resources and weak growth and productivity in economies (ECA, 2004: 1).

Africa's development policy has changed over the years. State intervention or public ownership has been replaced by liberalization and privatization policies to attract private investment and opening up to the global market forces. The private sector is increasingly driving more job creation and wealth.

### 3.2 Foreign Market Liberalization

During several years, African countries have been encouraged to promote Africa's integration into the world economy, in order to benefit from expanding world trade and gain access to the necessary private capital in the context of attracting foreign investments and accelerate growth.

Likewise, policymakers in Africa have been encouraged to step up Africa's integration into the world economy, to take advantage of extending world trade and gain access to the private capital needed to accelerate investment and growth. This argument supported the experience of the successful Asian economies as examples of the advantages of integration into the globalized economy (Klugman, 2011).

The cooperation and aid relations have evolved considerably in this new geopolitical context. Africa is diversifying its partners and accessing new funding in emerging and oil-producing countries. The relations of influence and power go through the fields of trade and finance. There is also an updating of historical links between large African zones and areas of influence.

The global context has changed dramatically in contrast, and Africa has dramatically diversified its partners. In fact, on the eve of the transformation, the foreign trade of Africa was heavily dependent on its former colonial powers. The mutual foreign trade created more than 90 percent of total foreign turnovers.

### 3.3 Privatization

The benefits that usually justify the need for privatization are mainly of two types, notably macro and micro. On the macroeconomic level, privatization helps to restore the overall balance, particularly in terms of the state budget. At the microeconomic level, privatization is supposed to provide technically high efficiency compared to public management. The private enterprise of managerial-type sets up several guardrails and control mechanisms and better flow of information at low cost.

It is in this sense that, through the adoption of the privatization policy of public companies, privatization has enabled mostly all African countries to achieve greater efficiency of their economies and to make radical cuts to financial transfers to this sector. Through better resource allocation and increased efficiency, privatization has fostered growth and poverty reduction. Privatization increased private investment in economic activities, leading to job creation, output, and welfare.

The private sector is Africa's primary engine for growth and poverty reduction. It generates 90% of Africa's jobs, two-thirds of its investment, and 70% of its output. Creating and promoting a healthy climate for business and investments is crucial to enabling Africa's small and medium-sized enterprises to grow and flourish. During the last years, Africa has considerably made progress in terms of business environment by remarkably decreasing the cost and the time required to start a business in promoting the creation of a single desk.

According to (AFDB, 2013: 35) report on "Annual Development Effectiveness," the private sector played a significant role in African growth. According to this report, "the growth was largely driven by the private sector, due to economic governance and improved and a better business environment on the continent." This has led to increased trade and investment, increasing the rate of foreign investment by 5% from 2000 until now.

### 3.4 Political Liberalization

"In the years following the end of the Cold War, African countries have rushed toward political liberalization. The most notable developments are those involving regime changes. Countries that were previously under one party or a military regime began to close their eyes to the multiparty system, the adoption of competitive electoral systems, one after the other" (Takeuchi, 2007).

In several countries, including Ghana, Nigeria, Tanzania, and Senegal, new leaders chose to appoint to the government's senior positions some internationally educated technocrats who were more willing than their predecessors to embrace reforms.

As mentioned above, there has been a successful and peaceful transition in Africa these recent years. (Herbst, 2001) Uses peaceful transfer of power through elections as an indicator of deepening of democracy and identifies Benin, Madagascar, and Mauritius as multiparty democracies. We must also note that Senegal and Ghana had nationwide elections in 2001, with prosperous and peaceful regime changes, Uganda completed elections in 2001 even though there were no regime changes and South Africa undertook its second democratic elections in 1999 with regime change.

A significant consequence of political liberalization has been the economic development through, the arrival of private investments. One way was to allow the exchange rate to decrease (thus making it easier for farmers to export their crop) rather than keeping the rate artificially high (thus benefiting the rich eager to buy imported goods) as well as making it cheaper to import goods necessary for industrialization.

### 3.5 Macroeconomic Stabilization

According (IMF, 2001) macroeconomic stability is defined as; "current-account and fiscal balances consistent with low and declining debt levels, inflation in the low single digits and rising per capita GDP, whereas instability is understood to imply large current-account deficits financed by short-term borrowing, high and rising levels of public debt, double-digit inflation rates and stagnant or declining GDP."

The macroeconomic performance of African countries has improved enormously over the past few years. The average GDP growth rate has more than tripled, from a low level to 5% between 2000 and 2008. This improvement was general and uniform. The number of countries with a GDP growth rate of over 5% almost doubled and continues to rise.

The leading macroeconomic indicators have improved significantly in an increasing number of countries. Inflation in African countries has severely declined over the past decade. The average number of countries able to keep inflation below 10% a year has risen (World Bank, 2015: 2). This performance is even more remarkable when one considers the significant increase in oil prices that began in 1999. The budget balance, another macroeconomic stabilization factor, has also improved. As a percentage of GDP, the average budget deficit in the African country declined significantly.

According to (Dhonte & Kapur, 1997), macroeconomic stability can have a very active role. It is in this regard that African countries that have managed to reach macroeconomic stability succeeded in achieving excellent growth performance and stability; stability meaning a predictable political climate, leading to investment, both domestic and international. The resulting virtuous circle of poverty reduction, job creation, raised state incomes and investment in infrastructures and education providing benefits to all in society such that a return to violence or chaos is in no-one's interests.

### 3.6 Fiscal Reform

Africa has accomplished essential improvements in terms of fiscal reforms in recent years. With considerable progress having made towards a stable macroeconomic environment, the African continent is now attracting and interesting investors from all over the world.

Definite improvement is visible on the World Bank's Ease of Doing Business Index. Out of the fifty economies making the most improvement in business regulation for domestic firms since 2005, seventeen are in SSA. Out of the top twenty-five countries in terms of improvement, eight of them are in SSA.

Also, as put forward by (Mwaba, 2000), "many countries eliminated quantitative restrictions on imports and introduced rationalized licensing systems that allowed the importation of goods without restrictions. Other countries removed import-licensing systems and adopted negative or positive list approaches to streamline import procedures and finally fully terminating all kinds of import licensing and all kinds of prohibitions. The countries also implemented several rounds of tariff reforms, aimed at rationalizing the import tax structures, and reducing the tariff levels and their dispersion significantly".

According to the African Development Bank Group report on "Annual Development Effectiveness Review (ADER, 2013), the new economic dynamism in Africa is the result of significant improvements in terms of economic governance. Therefore, sound macroeconomic and fiscal reforms have been critical to Africa's growth performance. Even though poor governance in some countries persists, improvements are increasingly being made.

### 3.7 Regional Integration

"Regional economic integration has a fairly long history in virtually all parts of Sub-Saharan Africa (SSA). Several leaders called for the integration of Africa already soon after independence, but it was only in the 1970s and 1980s that concrete steps were taken to re-launch or establish economic integration institutions in all sub-regions" (Niekerk, 2005).

Intra-African trade has increased from its low level, more than doubling over the past years. According to (UNCTAD, 2013), in terms of intra-African exports rose with an annual average rate of 2.6 percent in the period between 2001 and 2006 and 3.2 percent in the period between 2007 and 2011, regarding the intra-African imports, its net growth rates were 9.4 and 4.2 percent respectively. The level of intra-African trade was $32 billion in 2000 and $130 billion in 2011 in nominal terms.

If informal trade, mainly food, handcrafts, and simple manufacturing goods were to be included, this figure would be even higher. However, with intra African trade worth just $130billion in 2011, it is clear that much faster progress is needed to remove trade barriers and create more significant markets. Domestic demand for food and other products is overgrowing. This provides excellent opportunities for African businesses if they can provide quality, low-cost goods to compete with imports.

According to the African Development Bank (AFDB, 2013: 35), as Africa integrates its markets and reduces production costs, enhanced competitiveness should lead to increased access to global markets. Africa's global share has progressed from 2.5 percent to 3.1 percent, respectively, in 2005 and 2013. African countries are increasingly adopting collaborative actions and regional approaches in order to achieve their development goals for the many African countries that have small economies, small populations, and land-locked.

However, Regional integration is progressing slowly but steadily. Africa's regional economic communities have launched some bold initiatives in recent years, beginning to rationalize Africa's complex architecture of regional institutions. Increasingly, integrated development planning is being led at the regional and continental levels.

## 4. African Transformation Index

African Transformation Index is mostly known as ATI. The African transformation index is a measurement index established by the African Center for Economic Transformation (ACET), with the primary objective of assessing the performance of African countries on five depth attributes of transformation and aggregate them in one overall index that will help policy-makers, business people, the media and the public track how African economies are transforming and how they stand compared to their peers.

The main concern of ACET is that African countries now need more than growth if they are to transform; they need growth with DEPTH, namely Diversify their Economies (production), make competitive their exports, increase their Productivity, and upgrade their technology and improve the Human well-being.

Through the ATI, the ACET aims at "supporting long-term growth with transformation of African economies by involving both the private sector and countries to work together in order to promote exports and developing skills for economic transformation".

**Tablo 1:** Construction of ATI (ACET, 2013)

| Diversification of production and Exports (D) | Exports competitiveness (E) | Productivity (P) | Technology upgrading (T) | Human well-being (H) |
|---|---|---|---|---|
| Production diversification: share of manufacturing value added in GDP. (D1) | Country's share of world non-extractive exports of goods and services to GDP | Manufacturing: manufacturing value added per manufacturing worker (2005 US$). **(P1)** | Production: share of medium and high-technology products in manufacturing value added. **(T1)** | The level of GDP per capita (2005 US$ PPP). **(H1)** |
| Export commodity diversification: share of top five exports. (D2) | | Agriculture: cereal yield (kilograms per hectare). **(P2)** | Exports: Share of medium and high-technology products in merchandise exports. **(T2)** | The ratio of formal sector employment to the labor force. **(H2)** |
| Share of manufacturing and service exports in total exports. (D3) | | | | |

Table 1 shows the process explaining the establishment of African Transformation Index. To compare African countries among themselves, ACET has developed a sub-index for each of the five main aspects of economic transformation and combined them to form an index, the African Transformation Index (ATI). Countries are compared for three-year periods centered on 2000 and 2010 (1999–2001 and 2009–11).
The ATI is constructed from the five DEPTH sub-indexes using equal weights as follow;

$$ATI = 0.2D + 0.2E + 0.2P + 0.2T + 0.2H$$

### 4.1. Construction of African Transformation Index

Each country can be compared according to their ATI scores since. As outlined in the previous part, ATI involves five sub-indexes that characterize a transformed economy: diversification of production and exports, export competitiveness, productivity increases, technology upgrading, and human economic well-being. As shown, the index goes beyond GDP growth (ACET, 2013).

Compared with other indexes that measure economic performance as well, the strength of ATI is its focus on outcome measures of the economy along with the policy inputs or institutional forms that are believed to affect outcomes.

The possible outcomes of ATI are expected to be useful for policymakers to construct respective policies and institutional reforms.

In terms of structure of ATI, as being a purely economic and an outcome-oriented index, it is in some ways similar to GDP per capita index which is purely economic and purely outcome-oriented, the United Nations Development Programme's Human Development Index-HDI which is partly economic, partly social, and purely outcome-oriented, and the Africa Competitiveness Index which is purely economic and a mixture of inputs and outcomes (ACET 2013).

Another substantial feature of ATI is its ability to highlight the nonlinear correlation between ATI and GDP growth. According to the ATI index, some countries that do well on both the GDP per capita index and the HDI do poorly on the ATI, and vice versa, since the ATI is focused exclusively on economic transformation.

On the other hand, there are some shortcomings of the index which are required to be improved. For instance, the current version of ATI covers only the time horizon of three-year periods centered on 2000 and 2010 (1999–2001 and 2009–11). The content and time horizon of ATI could be improved and enlarged to include more data and thus become more viable and comprehensive in providing the track of economic transformation of the concerned country.

### 4.2. Objectives of African Transformation Index

The ACET, in its report (ACET, 2014: 5) on "growth with DEPTH," argued that a DEPTH-based growth is essential because it can propel and sustain the economic transformation of Africa. Through DEPTH-based growth, economies are less subject to commodities price volatility and technologically advanced. Also, DEPTH-based growth can extend formal employment and connect it with the informal sector to boost productivity-productivity and incomes.
However, DEPTH-based growth does not come overnight. In order to achieve it, countries need to institute and implement strategies that suit their particularities. Though economic transformation does not necessitate any specific formula, however, many believe that policies and institutions have played an essential role in leading countries that have successfully transformed.

The argument is that African countries need to combine economic growth with depth. Real economic growth is not enough for them if they are to transform their economies and to reach sustainable development. Therefore, they should emphasize more diversification of their economies, being more competitive, increasing their production, upgrading their technology, and ensuring human well-being.

The report further highlights the performance of African countries by making a comparison with some countries that have succeeded in transforming their economies in other regions of the world, such as Brazil, Singapore, South Korea, Thailand, and Malaysia. According to the report, their economies, forty years ago, were at the same level with African countries in terms of poverty, low level of productivity-productivity, weak use of technology in the production process, and a limited number of goods exported, a manufacturing sector relatively low.

On the other hand, according to (Ndaba, 2014), "..there is no formula for economic development. However, we know that if a country is at war or lack of institutions, its economy is condemned. We know that if a country is based on the export of raw minerals without added value, its economy is doomed in the long term. We know that if a country does not invest in the modernization of its agriculture, its population is prone to famine and inadequate nutrition, which have an impact on human capital, creating a vicious circle. This knowledge gives us a margin of at least a partial plan, at least a partial economic success rise out of deep poverty by distributing the benefits of growth".

As outlined, ATI is based on DEPTH, namely, Diversify their Economies (production), make competitive their exports, increase their productivity-productivity, and upgrade their technology and improve Human well-being. In the next part, we will elaborate on the five main souls of the ATI in depth.

### a- Diversification

African countries have been recording high levels of economic growth, political stability, and human development for several years now. Therefore, while they continue to make economic progress, it becomes imperative that they start to think about the diversification of their economies, especially by developing non-natural resources led sectors, expanding their range of products and exports.

According to UNECA report ( UNECA, 2007), several crucial engines are necessary, including investment, institutional variables such as good governance and absence of conflict a dynamic growth performance, trade and industrial policies, macroeconomic stability, a competitive exchange rate and expansionary but responsible fiscal policy, since diversification does not occur in a vacuum. Thus, there is a need to set an environment that makes diversification possible.

The ACET's report on growth with DEPTH also supports the above argument by saying that, "the fact that sub-Saharan African countries produce a small range of products and exports it is not because they choose to specialize but rather this is because they lack today technical and other capabilities to expand into other higher technology products and services. The region's average share of manufacturing value-added in GDP, which is one of the indicators of diversification in production, was less than 10% in 2010, much the same as in the 1970s".

African countries could benefit by diversifying their economies; this includes resistance to fall in commodity price, job creation (poverty reduction), and the development of the manufacturing sector and so on.

According to (Abouchakra et al., 2008), economic diversity and sustainability are linked, and diversification of the economy can decrease a country's economic volatility and raise its performance.

### b- Export competitiveness

During the past decades, many developing countries, including sub-Saharan African countries, have made good progress in liberalizing their trade policies by removing import restrictions and reducing tariffs. Trade has grown faster than the gross domestic product on a worldwide basis since the 1960s, particularly among developing country exporters of manufactured goods.
Export has several benefits, among which we have an income increase through the increase in export. Also, through trade, a country can better manage its comparative advantage to increase its incomes necessary for the funding of workforce, capital, and the necessary technology to develop a country's comparative advantage over time.

The favorable evolution that Africa has recently had in international trade is an excellent base from which to benefit trade further. Numerous actions can be taken to ensure this. Primarily African companies must begin to specialize much more than they do today. According to the theory of specialization, specialization is one of the essential advantages to benefit from international trade. This can also increase technological development on the continent, which is more than necessary in Africa.

### c- Productivity

Over the last decade, many sub- Saharan African countries have experienced rapid economic growth and significant social change. However, poverty, hunger, and malnutrition remain a highly widespread obstacle. With a large number of people living in rural areas and working in agriculture, the solution to these problems lies mainly in the increase of agricultural productivity-productivity.

Indeed, in the South of the Sahara, it is estimated that 273 million people live on less than one US dollar a day, with 76% of them living in rural areas (Chen & Ravallion, 2007). Therefore, there is a need to increase productivity-productivity. To achieve this, Governments should invest or allocate more resources to agriculture and rural development policy.

Increasing agricultural Productivity in Africa calls for policies and policy frameworks that encompass the entire agricultural value chain, including the areas of agribusiness and agro-industry and agriculture in general. Sustainably, meeting the food demands in the future despite a growing population and depletion of natural resources, will greater emphasis on productivity growth.

Thus, increasing agricultural productivity in Sub-Saharan Africa could thereby reduce rural poverty, hunger, and malnutrition in the region.

### d- Upgrade technology

Technology is seen as a means by which many African countries can make their exports more based on a higher degree of manufactured products, and less on commodities, which will result in a rise of their income. By doing so, African countries can manage to reduce extreme poverty on the continent. This, in turn, may also help Africa benefit more from international trade.

"The SSA countries need to tap into advanced technology. New technologies provide an array of diverse new application in agriculture, health, and environmental management that can be of significant value for SSA, undoubtedly many of these technologies can help provide solutions to basic needs. They can also create aids to better governance via the effective use of data and transparency of public information and help to improve productivity-productivity both in agriculture and industry" (UNIDO, 2004).

Furthermore, with an increase in technology, African countries can produce expensive goods with high added value on the international market. Taken together, in both production and export, the share of medium and high-technology manufactures in SSA is relatively low, about 12%, less than a third of 39% of developing Asian and Latina American countries.

### e- Human well-Being

According to United Nations Development Program report (UNDP, 1998: 10), "human well-being or human capital development is considered to be an essential means for sustained economic growth, poverty reduction and as a significant end in itself."

Human welfare has several dimensions. Through human well-being, people meet their needs, and they have a wide range of choices and opportunities to develop their skills. Also, human well-being is a powerful means to face a variety of challenges. This includes the fight against poverty through precarious social and economic conditions, corruption. According to (Casagrande, 2007), human well-being means people's food security, investment, and business opportunities, political stability, and reliable governance systems.

Therefore, from the above arguments, it can be retained that human well-being is about improving people's welfare, job opportunities, and productivity-productivity through investment in education and health. Hence, improving human welfare may have several positive impacts.

## 5. Conclusion

This study has shown us that economic transformation is a vast field to explore. In the face of growing inequalities, limited national resources, and global boundaries, the challenge of African countries' economic transformation becomes even more critical. It is evident that the economic transformation does not occur overnight; it requires a structural transformation of the economy. Even though the economic transformation promotes development, it is inevitable that without governments' willingness to change, this cannot be possible. To address this issue and help policy-makers, business people, the media, and the public track how African economies are transforming and how they stand compared to their peers, African Center for Economic Transformation (ACET) has recently created African Transformation Index is mostly known as ATI. The African transformation index is a measurement index established with the primary objective of assessing the performance of African countries on five depth attributes of transformation and aggregates them in one overall index.

According to our evaluation, African countries now need more than growth if they are to transform their economy sustainably. However, the content and time horizon of ATI could be improved and enlarged to include more data and thus become more viable and comprehensive in providing the track of economic transformation of the concerned country.

Our study allowed us to understand the pillars of economic transformation and boundaries which delay the economic transformation of African countries through several factors.

One of the significant issues of this study was to know how African countries can achieve a sustainable development and become competitive in the world market by addressing the consequences of African economies' high level of reliance on natural resources as drivers of temporary economic growth and importance of achieving an inclusive economic development by covering human well-being, poverty and inequality eradication aspects simultaneously.

As our study underlined that economic transformation is the result of several reforms, especially; institutional, political, economic, and social. The role ATI, at this point, is to shed light on the condition of economic structure in terms of being inclusive, sustainable, and healthy. The countries with the pursuit of fundamental economic transformation are required to adopt reforms that would allow their economies to structurally transform by making their business environment propitious to foreign investment and the development of the private sector, which would result in job creation, economic diversification, poverty and inequality reduction.

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