



IPAR:
**Inclusive Economic Growth
and Economic Transformation**

29th January 2015

RUGWABIZA M Leonard

4th Annual Research Conference



Presentation Outline

1. Economic transformation: Rwanda's experience
2. Policies for acceleration
3. Inclusive growth: Rwanda's Experience
4. Policies for deepening
5. Conclusion

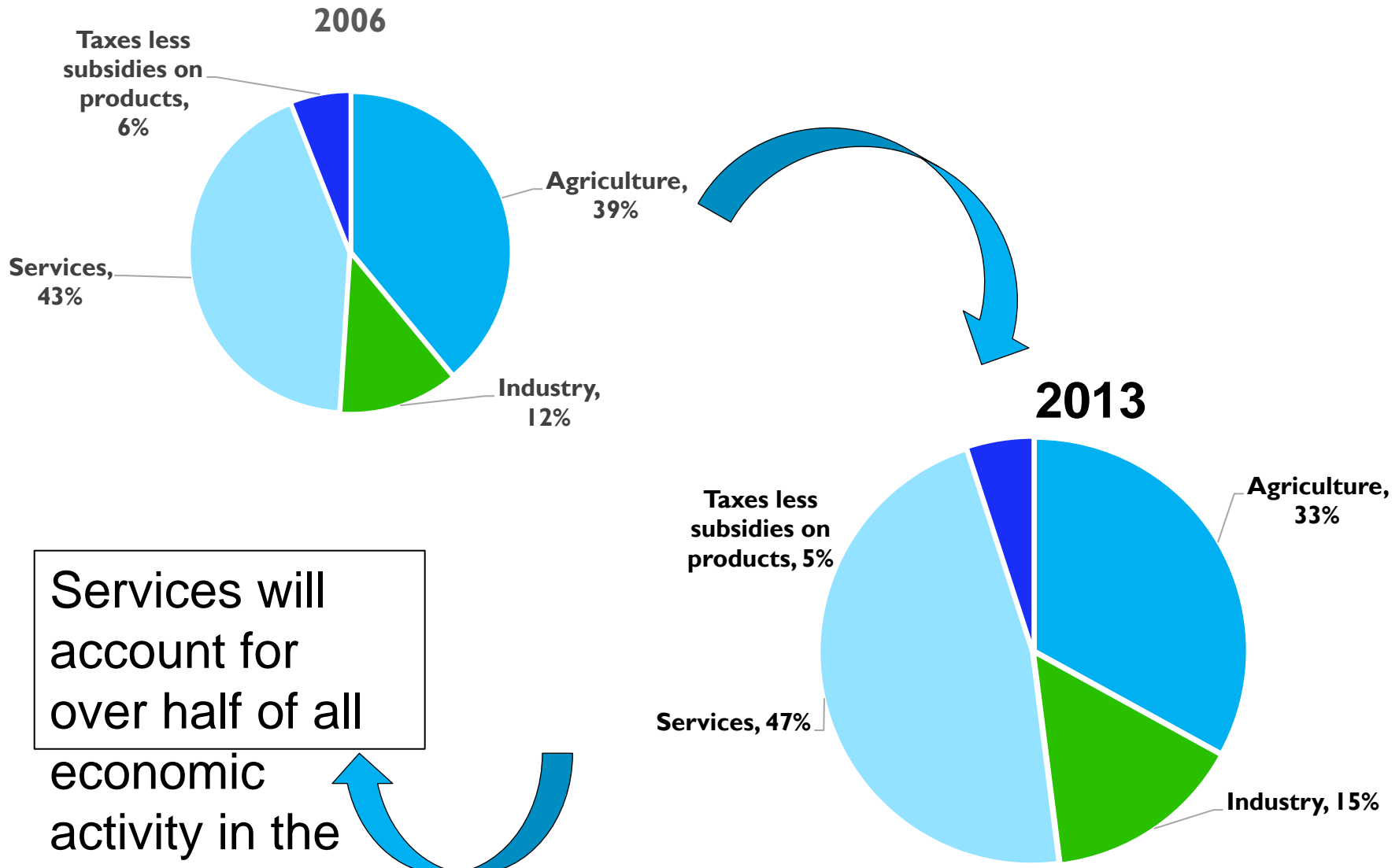


What is economic transformation?

- Moving from lower productivity to higher productivity sectors
- Diversification of production and exports
- It is about the flexibility of your markets – labour market (skills, wages); product market (more well-off households for domestic demand, regional integration for external demand); financial markets (investment, private sector credit)
- When looked at in combination with inclusive growth, it is ultimately about the most important units of the economy, the workers/citizens....



Economic Transformation is already happening: more services in structure of GDP



Services will account for over half of all economic activity in the medium term

Services will account for over half of all economic activity in the medium term



Rwanda's experience

	2006	2011	% change
Real GDP (RWF billion)	2,614	3,846	47
Total number employed	4,300,000	4,961,000	15
Output per worker (RWF)	607,907	775,247	28
Annual earnings per worker (median, 2001 prices, RWF)	60,214.00	97,592.80	62

Source: NISR National Accounts, EIVC surveys

Real output and productivity increases as workers transferred into services from agriculture

Earnings rose substantially (but still very low)

Note all service sub-sectors experienced productivity growth over this period (with exception of highly labour intensive/low skill hospitality sector)

A warning signal: productivity declined in manufacturing...



Private Sector Development and Export Promotion:

- Greater investment certainty;
 - Lower cost of doing business – Strategic investments in Infrastructure;
 - Larger markets/ shared prosperity - Regional Integration;
 - Increased planned urbanization – Secondary cities as poles of growth;
 - Exports strategic bets – anchor projects.
-



Concept of Inclusive Growth (IG)

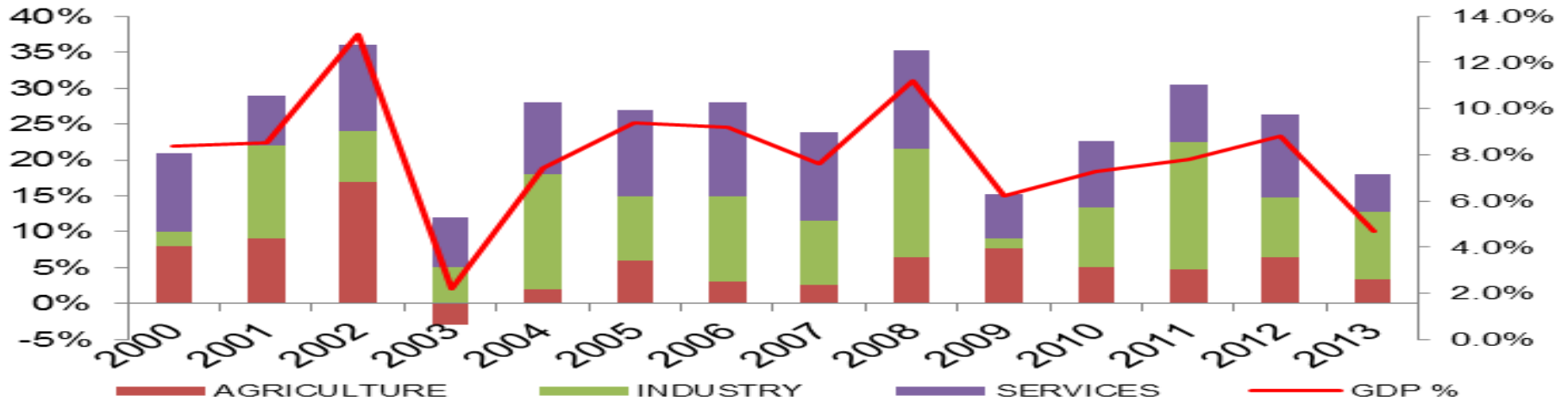
Inclusive growth (CAFOD 2014) considers:

- Reduced Poverty and Inequality;
 - More than income – Human development
 - Participation – Focus on productive employment rather than on income redistribution
-

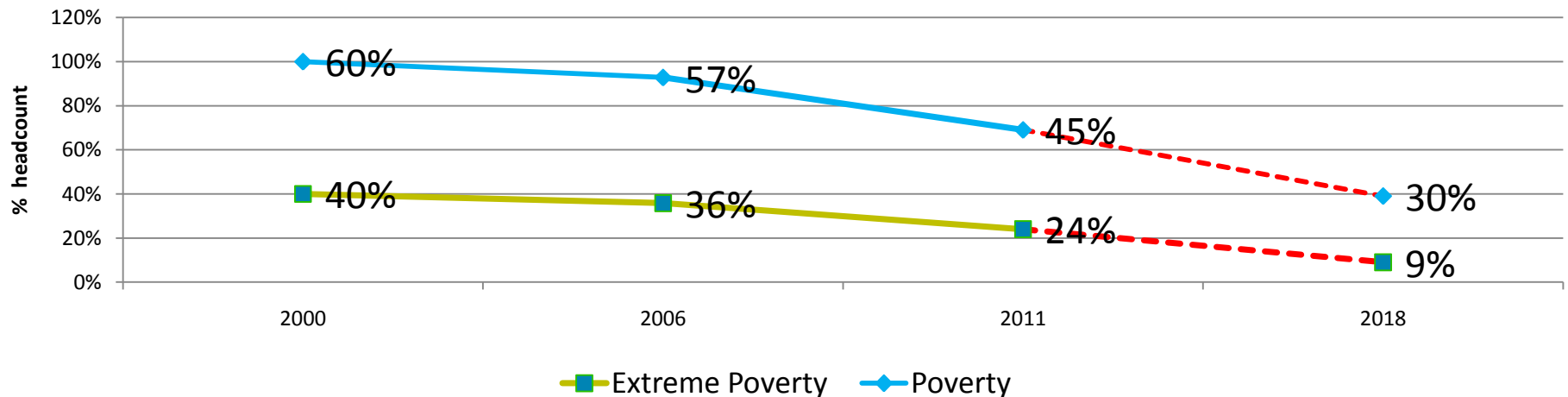


Growth has increased and poverty has reduced over the last decade

GDP Growth (2000 - 2013)



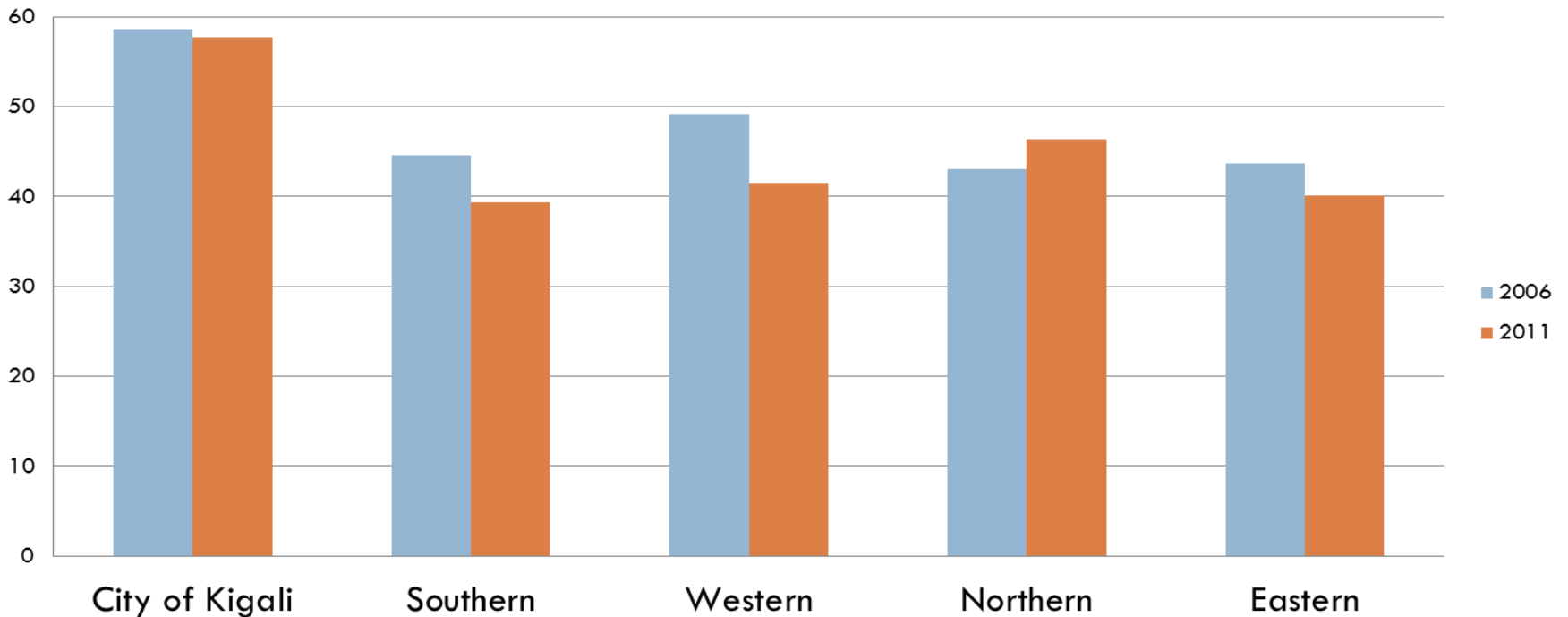
Evolution of Poverty Reduction (2000 - 2011)





Inequality declined in most provinces

Gini index across provinces



	Kigali	Southern	Western	Northern	Eastern
Change between 2006 and 2011	-1.6%	-11.7%	-15.6%	7.6%	-8.1%



Supported by increased uptake of non-farm activities

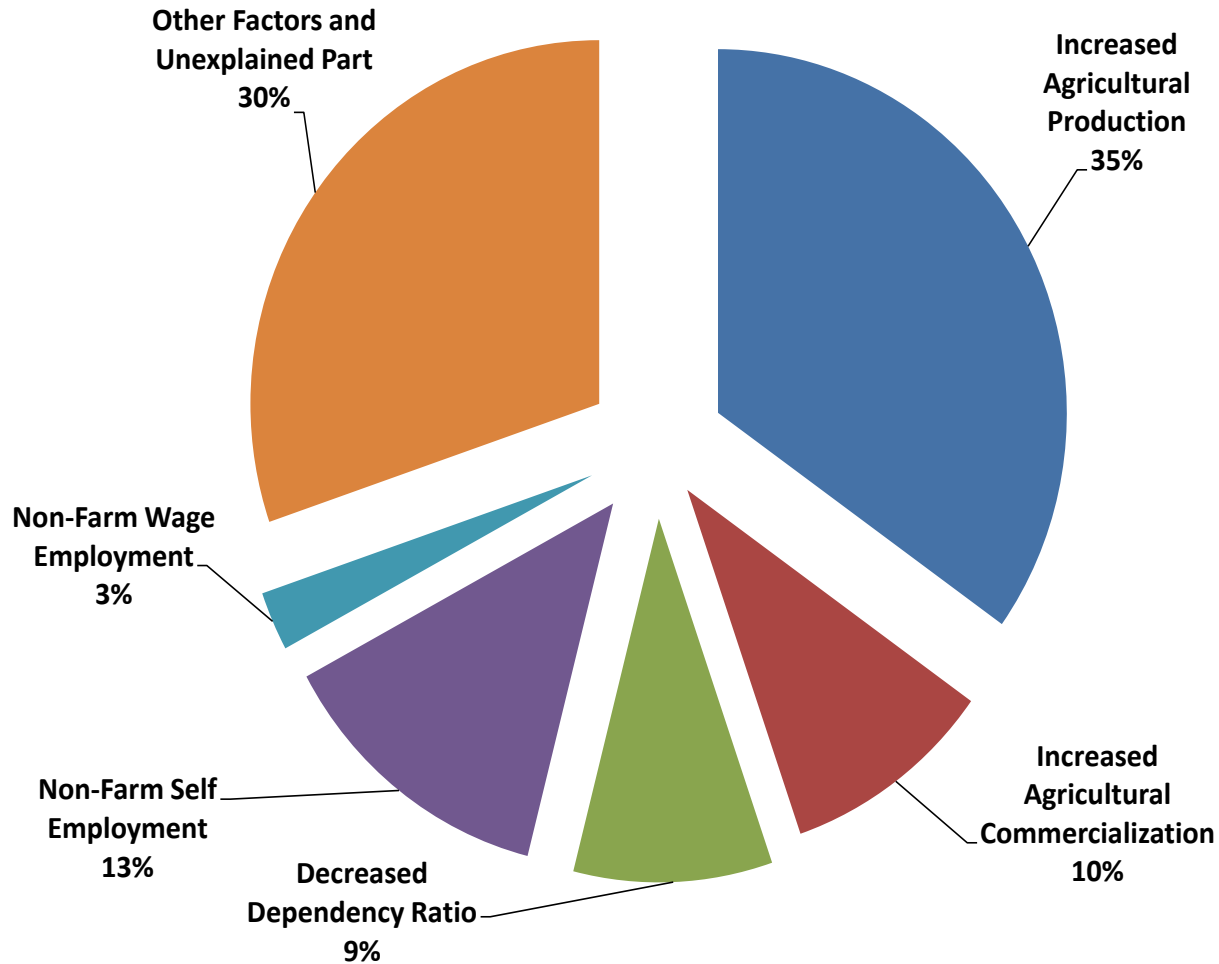
	EICV1, 2001	EICV2, 2006	EICV3, 2011
Wage farm	4%	8%	10%
Wage non-farm	7%	11%	17%
Independent non-farm	4%	8%	10%
Independent farmer	85%	71%	62%
Unpaid non-farm	0%	2%	2%

	Farm own	Farm wage	Non-farm own	Non-farm wage	Other
Change between 2006 and 2011 (%)	-12.7	4.5	2.5	7.9	-2.2



Factors Driving Poverty Reduction

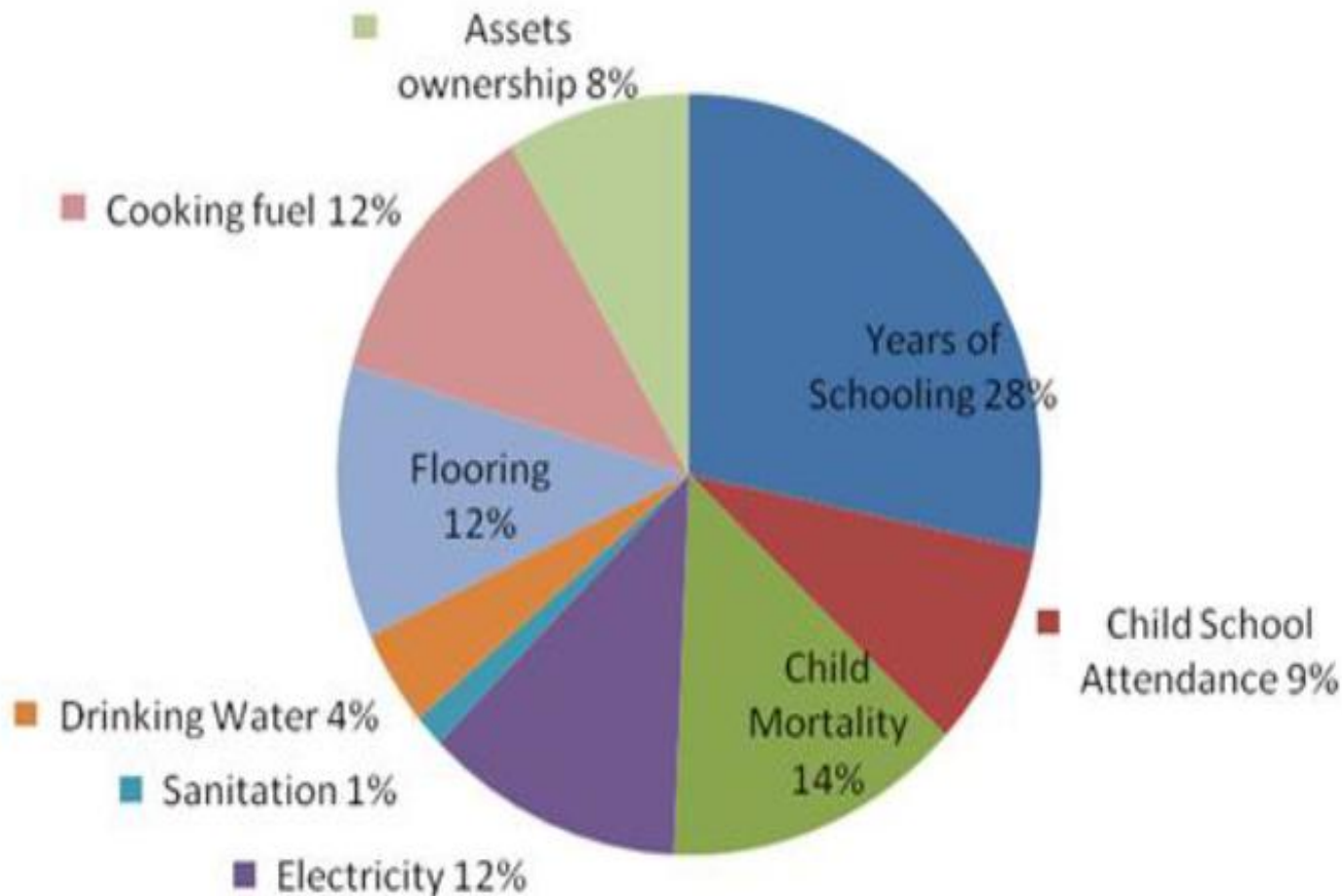
Contribution of the Various Factors to Poverty Reduction between 2001 and 2011, percent



Source: World Bank Country Team analysis, 2014



Contribution of indicators to non-monetary poverty at national level



Source: Fourth Rwanda Population and Housing Census.

Deepening Inclusiveness of growth



Inclusive growth – Productivity and Job Creation:

- Increased agriculture productivity and commercialisation;
 - National Employment Program (**Skills Development, Business Development** - linking SMEs to large firms, interventions on Labour market);
 - Access to rural infrastructure
 - Health and population programs
-



Risks to inclusive growth and economic transformation



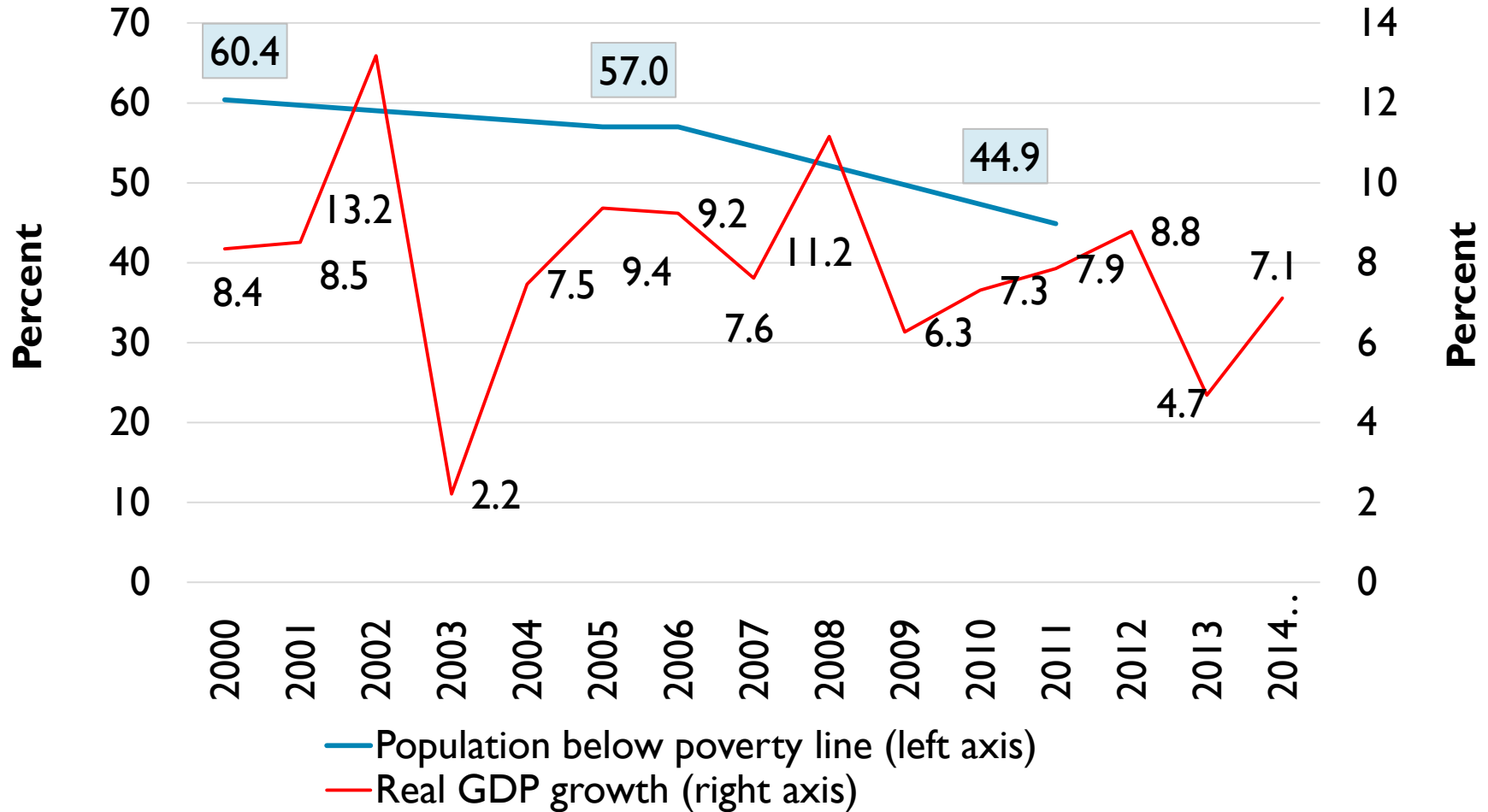
Young population in an economy that cannot create jobs



Cost competitiveness – hurts business and hurts consumers/households



What is the meaning of changing trend over years??





Tentative conclusion

- ▶ Researchers need to scale up their examination of the drivers and implications of economic transformation and productivity change in low-income countries, e.g. what are the direct and indirect links with development and poverty; what is holding back or promoting transformation and inclusiveness in LICs;
 - ▶ Post-2015 goals need to consider economic transformation more seriously. So far, a range of sub-goals in relation to economic development have been developed (jobs, infrastructure etc.), but are these seen in overall context of economic transformation?
-



Still wondering...

- ▶ Are proposed policies the right ones to accelerate economic transformation and deepen inclusive growth?
 - ▶ Economic transformation takes time but we want inclusive growth today
 - ▶ How to make stronger the link between economic transformation and inclusive growth – make them both happen faster
 - ▶ Truth is :I could go on with questions.....Let me stop here and **Thank you**
-



This work is licensed under a
Creative Commons
Attribution – NonCommercial - NoDerivs 4.0 License.

To view a copy of the license please see:
<http://creativecommons.org/licenses/by-nc-nd/4.0/>

This is a download from the BLDS Digital Library on OpenDocs
<http://opendocs.ids.ac.uk/opendocs/>