

# Tools for **Green and Inclusive Industrial Policy** in the Middle East and North Africa

Cairo, 26 October 2015

Johanna Jagnow

Sector Project Sustainable Economic Development  
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH



## Contents

- Why do we need EQuIP?
- What exactly is EQuIP and what makes it unique?
- What will be the next steps of the project?

## Background

- Renewed international **acceptance of Industrial Policy**
- Many IP instruments of limited use for **developing countries**
- German cooperation: important role in **supporting processes**, not policy definition



## Challenges for Industrial Policy

- Complex Industrial Policy decisions
  - Many different **intervention** areas and **external** factors
  - **Multi-dimensional**, potentially conflicting objectives, e.g. value addition, export promotion, employment promotion, energy efficiency
- Plethora of claimed '**silver bullets**'
- High dependency on **external advisors**



## EQuIP Goals

- **Inclusive and sustainable** industrial development
  - **Including tools on employment promotion and energy efficiency**
    - Enable countries to **manage their own future**
      - Move from supply-driven to demand-driven IP
      - Non-deterministic and transparent
      - Building local capacities for public policy
    - **Evidence-based** IP decisions in developing countries
      - Address practical challenges with appropriate tools
      - Help make sure different policies are aligned
    - **Holistic** notion of development



## Contents

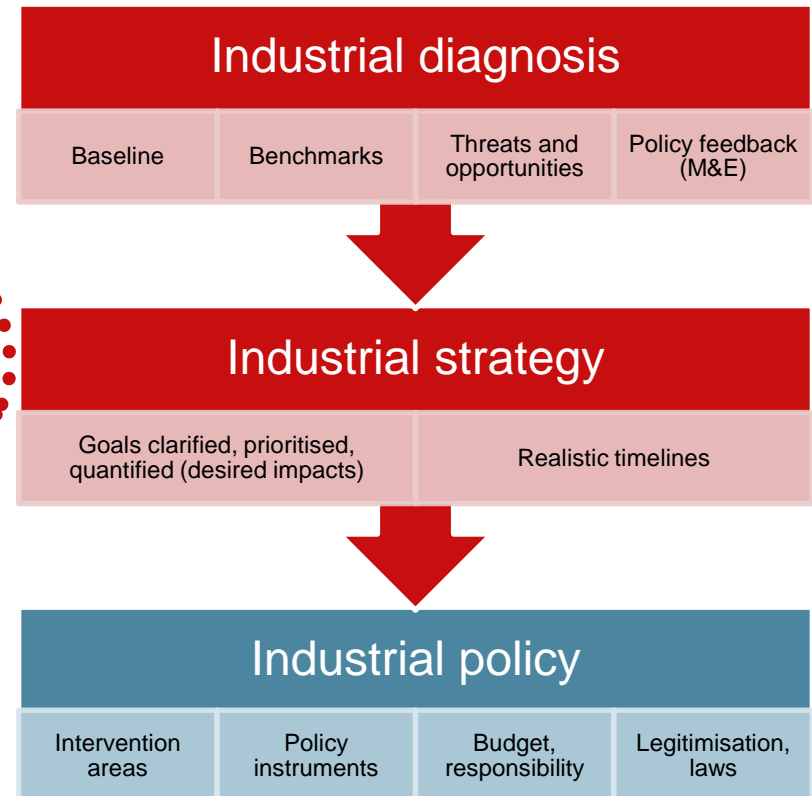
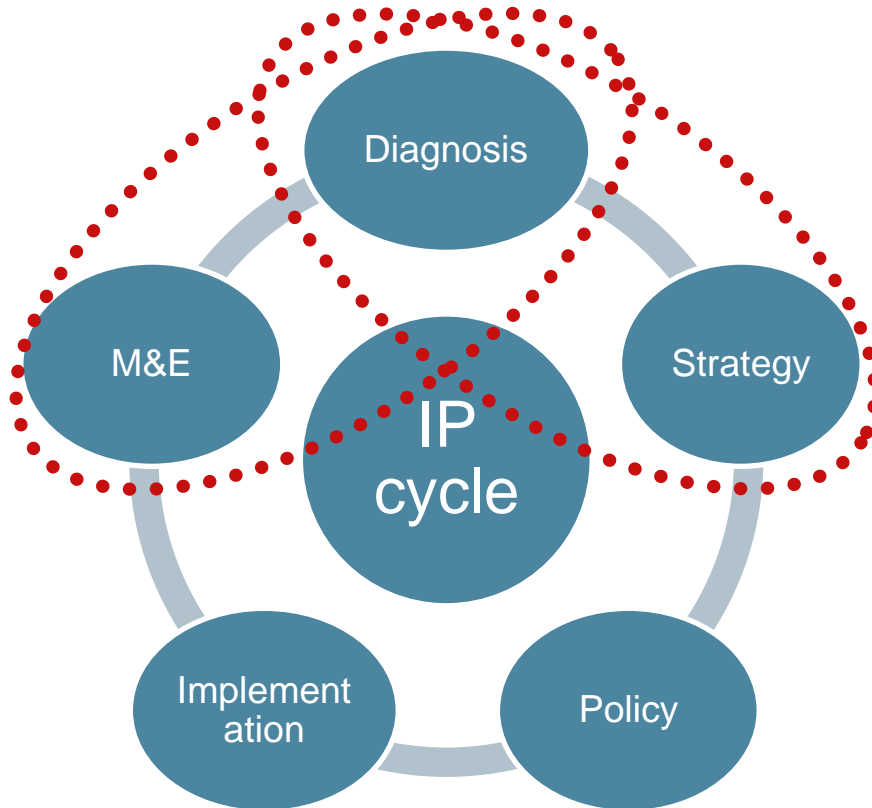
- Why do we need EQuIP?
- **What exactly is EQuIP and what makes it unique?**
- What will be the next steps of the project?



## EQIP at Present

- Toolbox for **industrial diagnosis, followed by strategy-setting** for an industrial policy
- Capacity development package: **tools and training**
- To be used in **combination** with other tools
- **Work in progress**

# The Policy Cycle







## Analysis as the Foundation for Industrial Policy

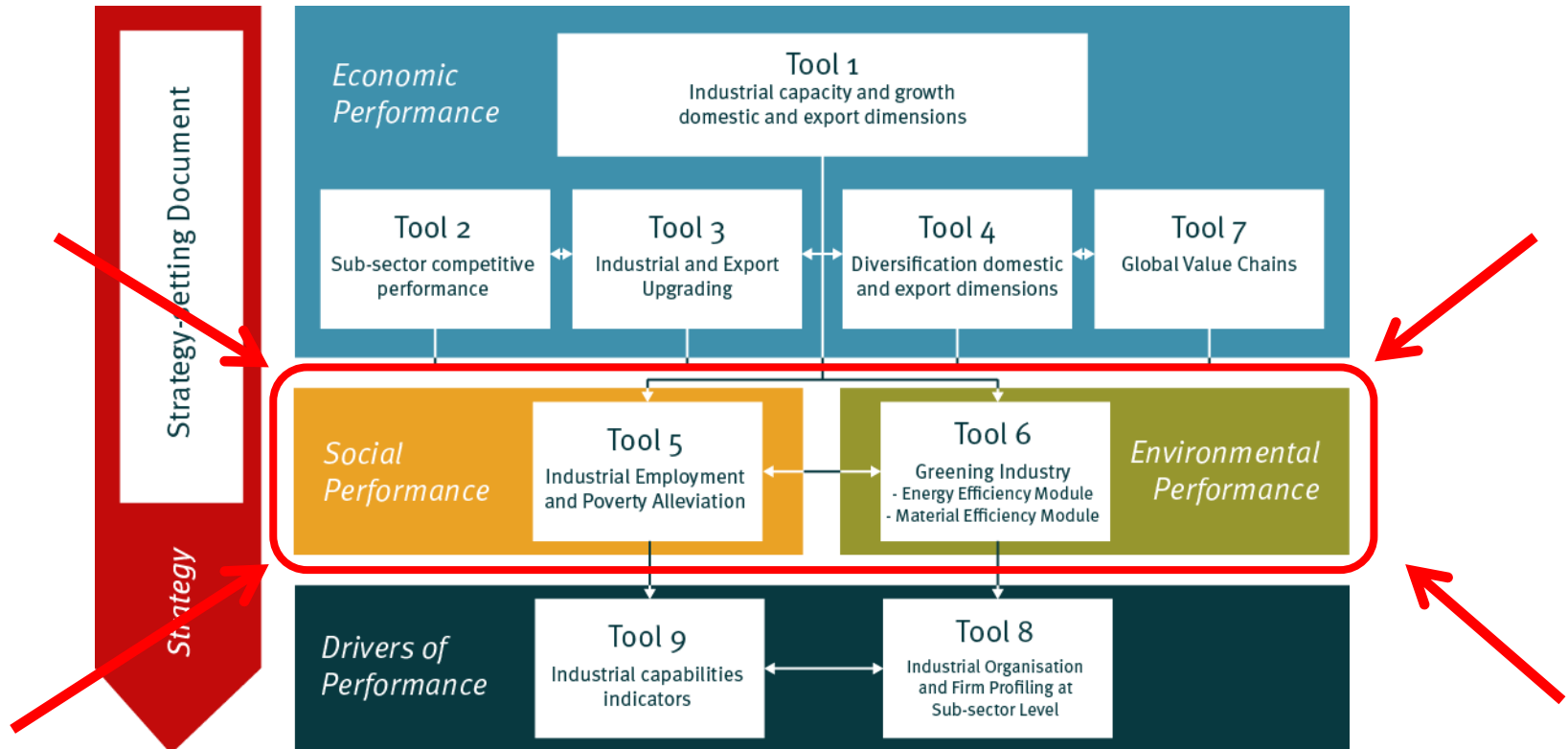
- **Transparent and evidence-based** policymaking
  - Understand **status quo**
  - Learn from **other** countries
  - Consider **trade-offs** and **synergies between three dimensions of sustainability**
  - Derive **feasible** targets and timelines
  - **Monitor** progress and stay flexible
  - **Evaluate** and learn from achievements and failures



## Limitations of EQuIP

- Focus on manufacturing sector
- Dependency on data in international databases
- No coverage of renewable energy, due to constraints in databases
- Today: Only first insights in employment and energy efficiency analyses, but no deep and final diagnosis

# Diagnostic Tools



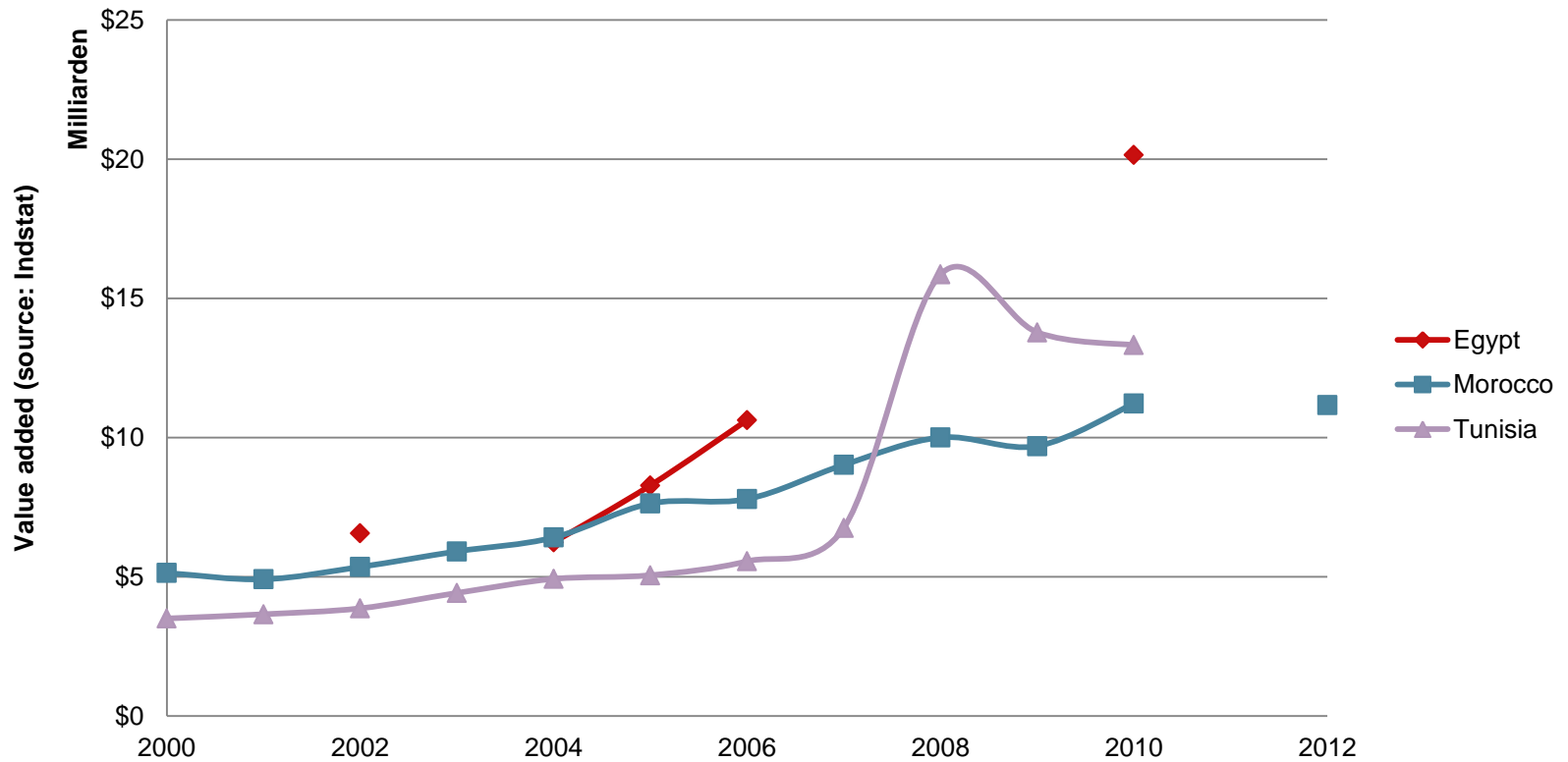


Enhancing the Quality of Industrial Policies

# Economic Analysis



## Manufacturing Value Added





**EQuIP**

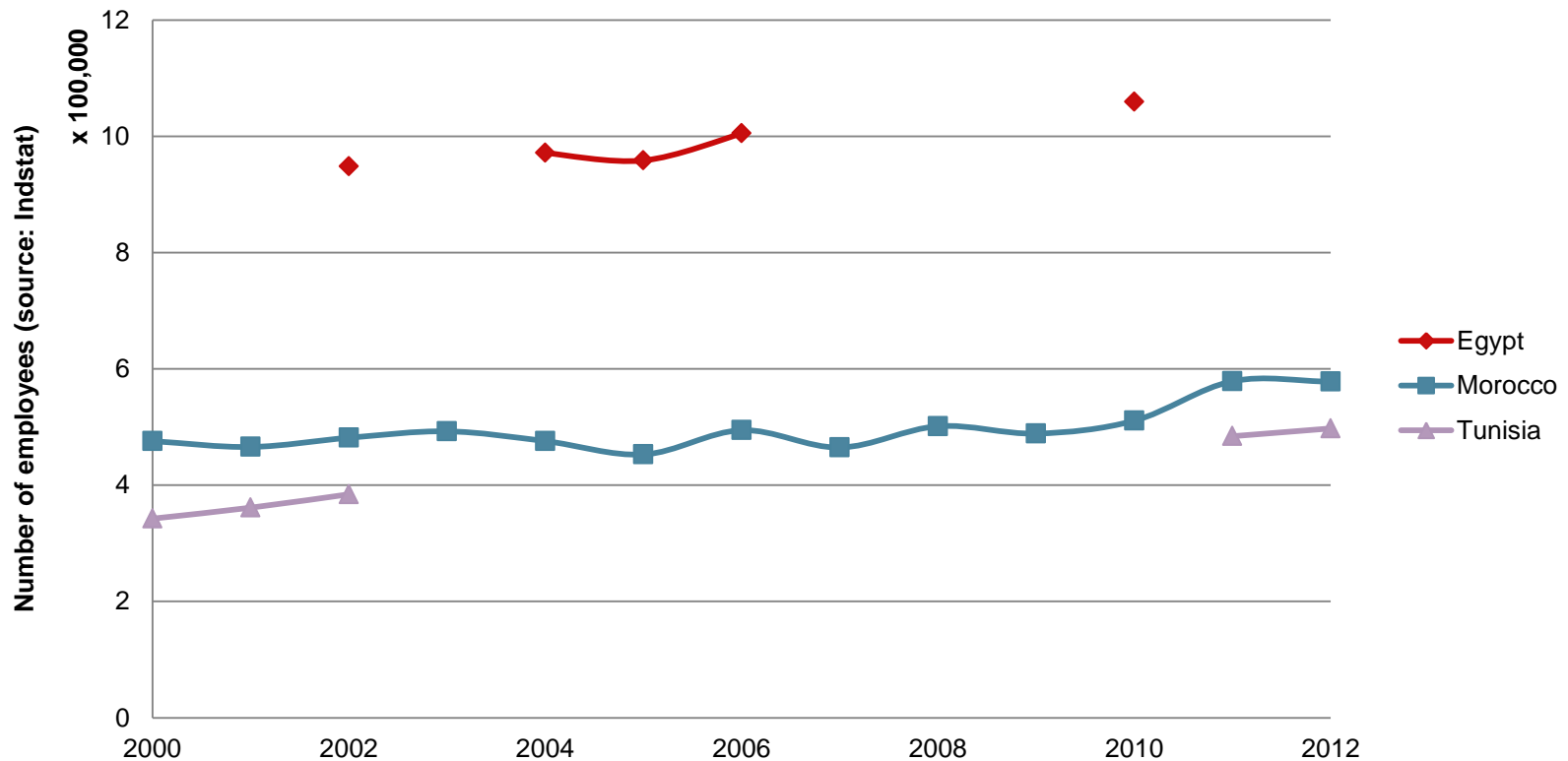


Enhancing the Quality of Industrial Policies

# Employment Analysis

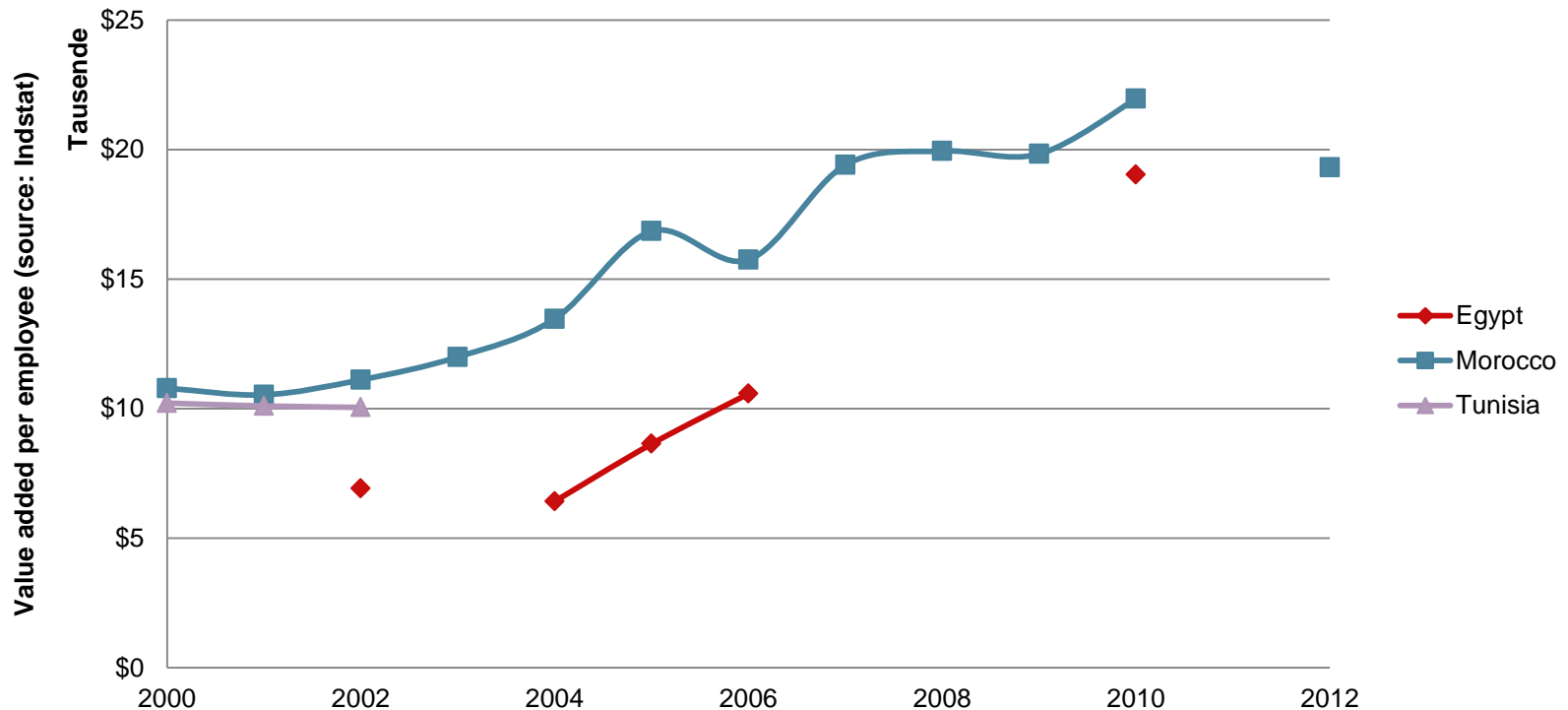


## Employment in Manufacturing



- **Egypt** shows **high employment in manufacturing sector** in comparison to Morocco and Tunisia
- But: Lack of data

## Labour Productivity in Manufacturing

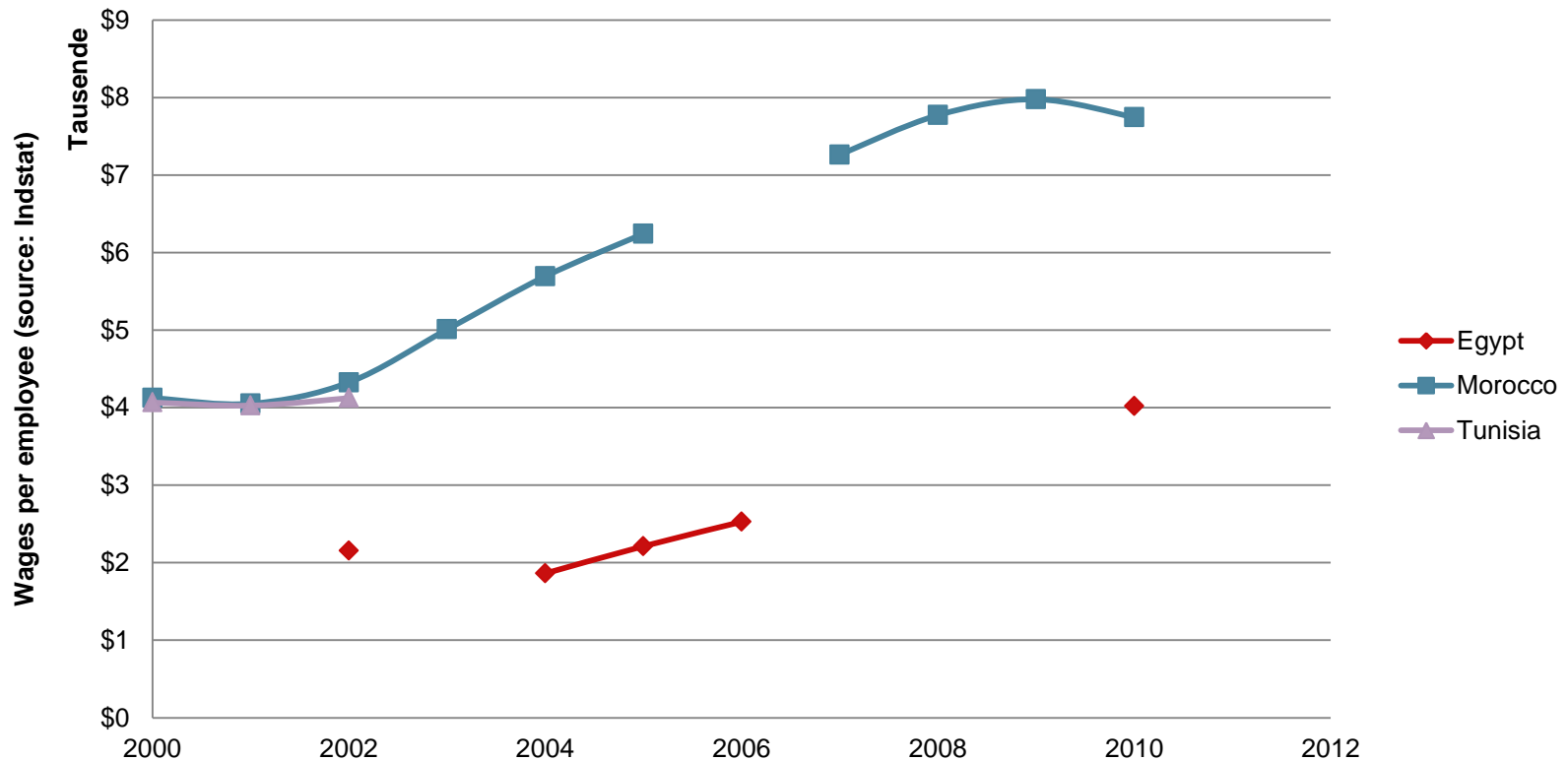


- In **Egypt and Morocco**, labour productivity increased a great deal
  - In 2010, an average worker produced around \$20 000 value
- Data for **Tunisia** lacking on Indstat (UNIDO)



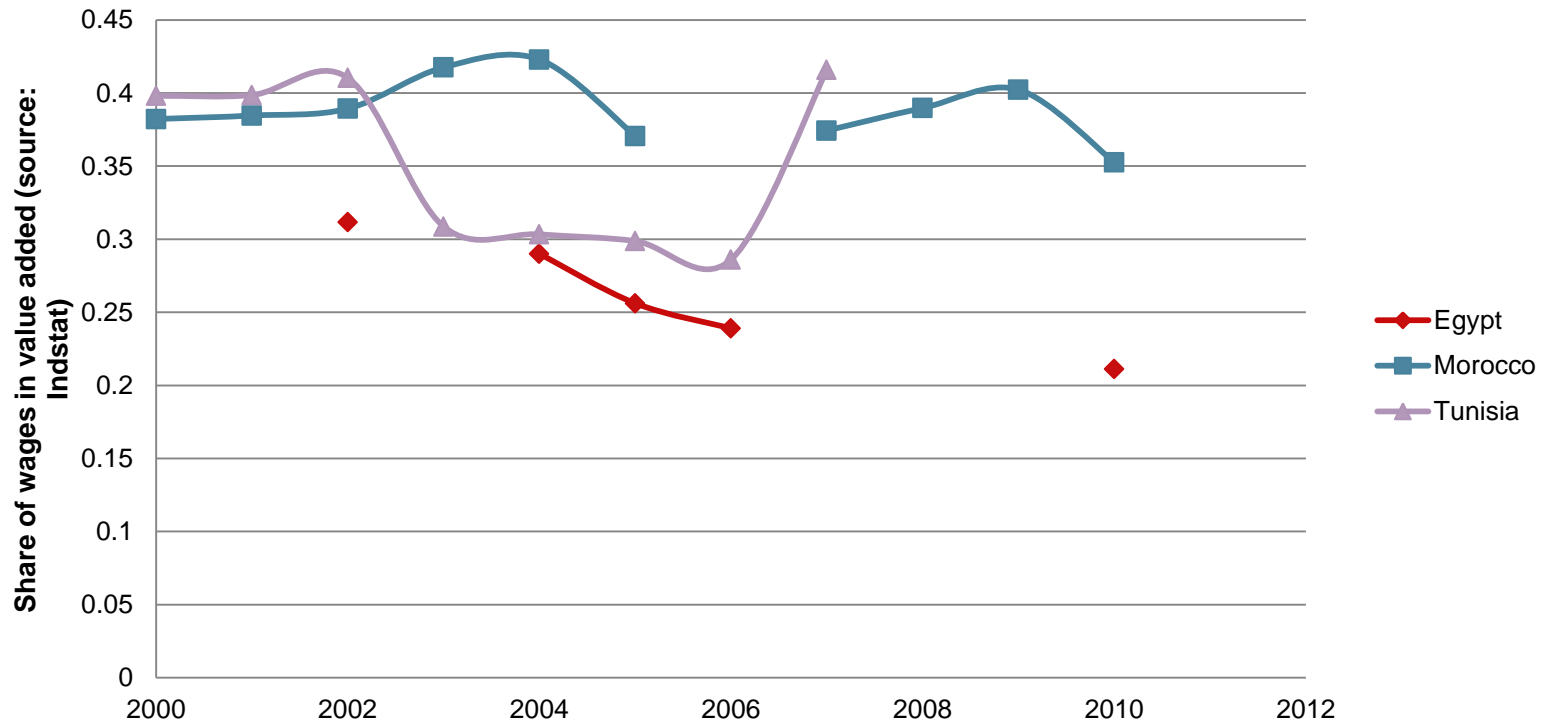


## Wages in Manufacturing



- In **Egypt**, wages rising, but not as fast as labour productivity
- Marocco: wages rise with productivity, although small decrease after 2010 visible

## Wage Intensity of Industrialisation



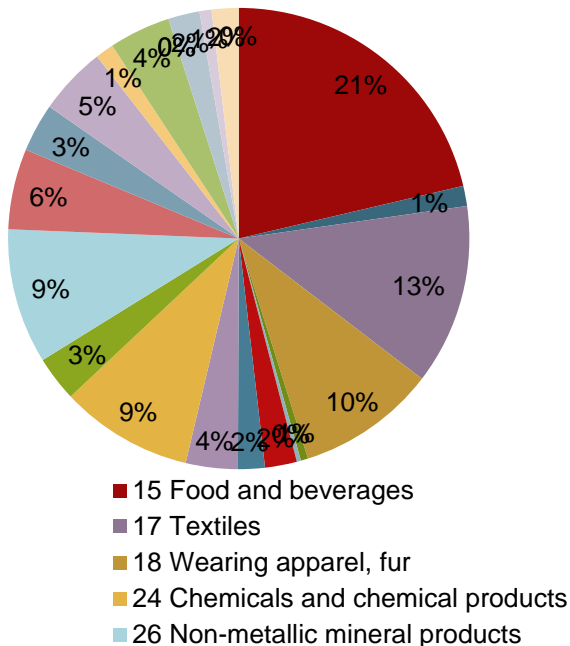
- In **Egypt only 20% of value added is paid out to workers** in the form of wages (recall: wages did not rise as fast as productivity)
- Morocco and Tunisia show volatility, but generally higher values (loss of competitiveness?)

## Employment Elasticity of Industrialisation

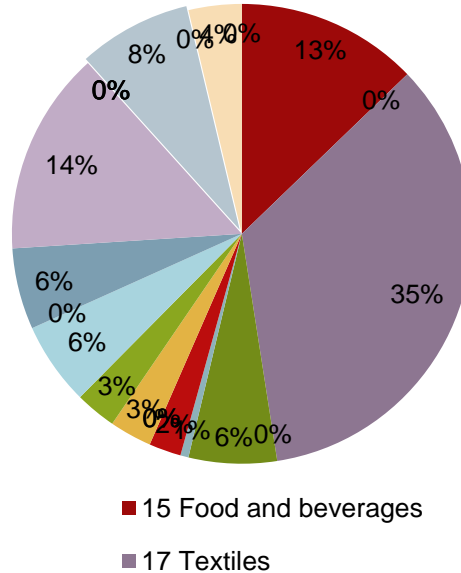
Country	Elasticity	Classification
Egypt	0.09	Productivity-led growth → <b>low</b> employment generation
Morocco	0.24	Productivity-led growth → <b>moderate</b> employment generation
Tunisia	0.22	Productivity-led growth → <b>moderate</b> employment generation

## Sectoral composition of Manufacturing Employment

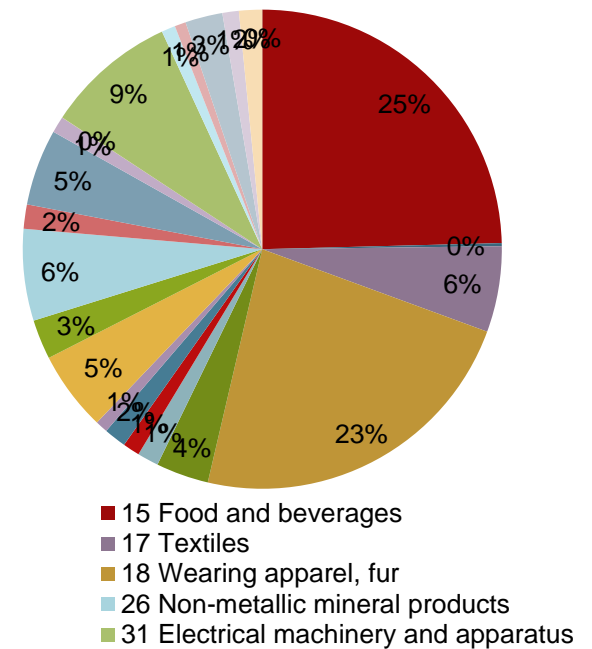
### Egypt



### Tunisia



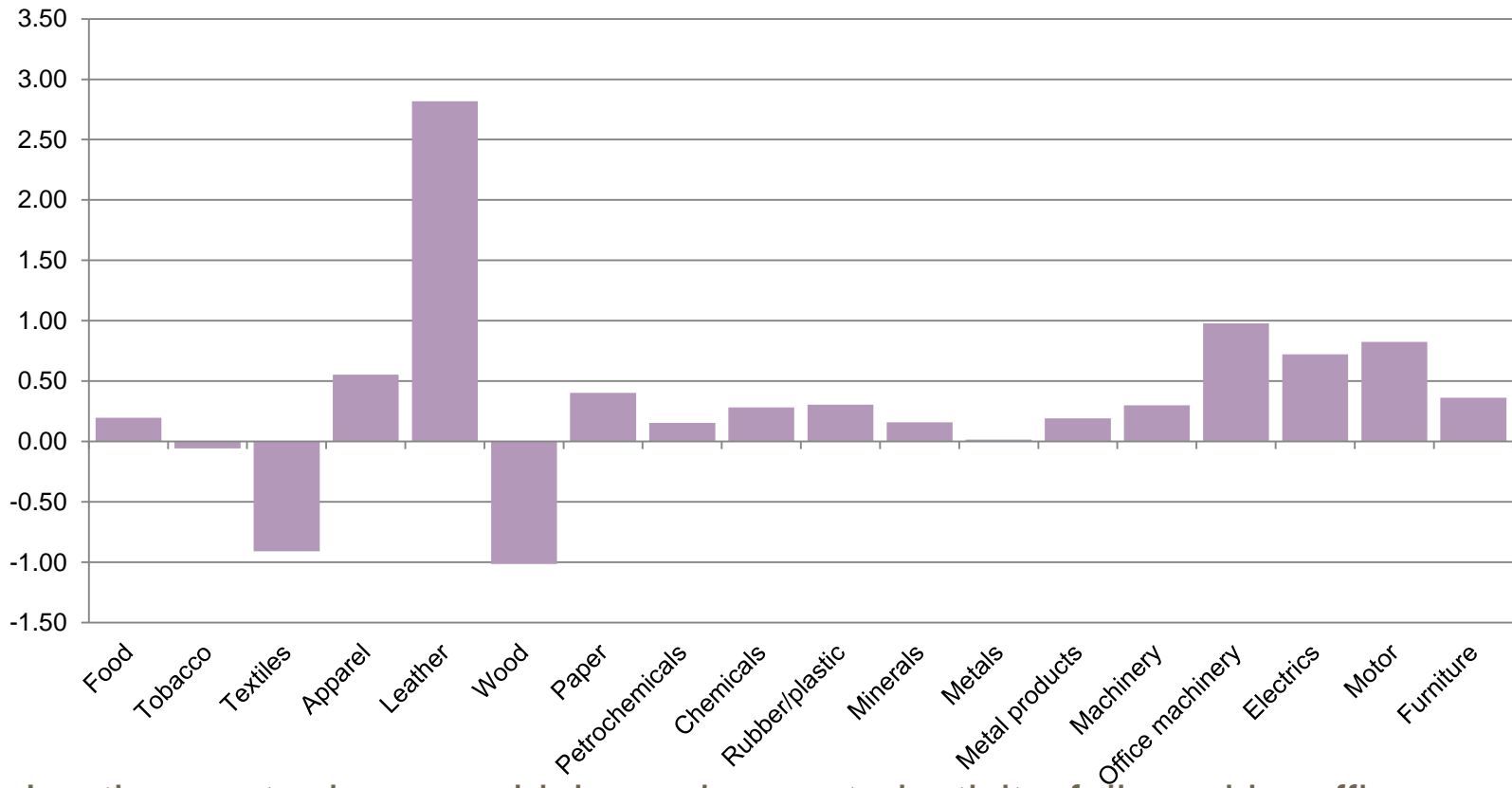
### Marocco



- Food and beverages as well as textiles are sectors with highest manufacturing employment In Egypt
- Egypt compared to Tunisia and Marocco rather diversified



## Employment Elasticity: Egypt



- Leather sector has very high employment elasticity, followed by office machinery, electrics and motor
- The textile and wood sector even show negative employment elasticity



**EQ**u**IP**

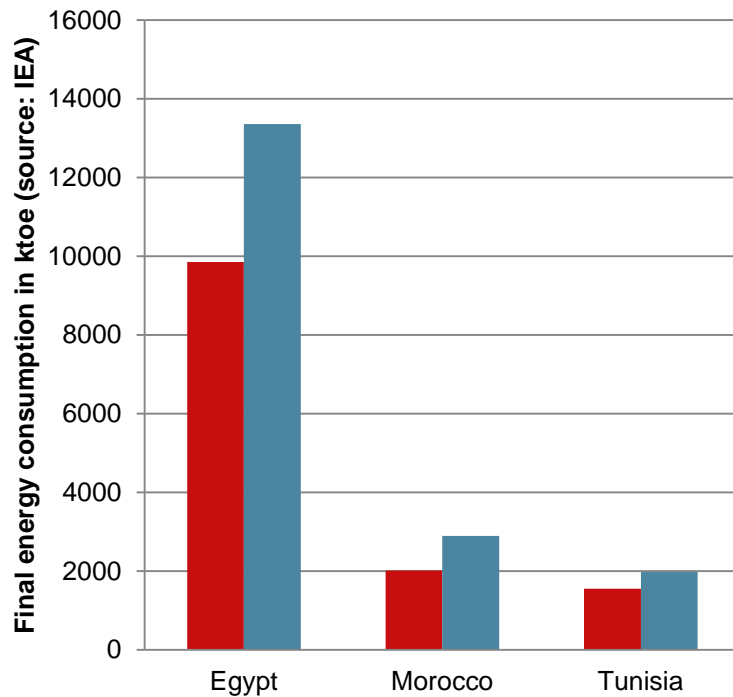


Enhancing the Quality of Industrial Policies

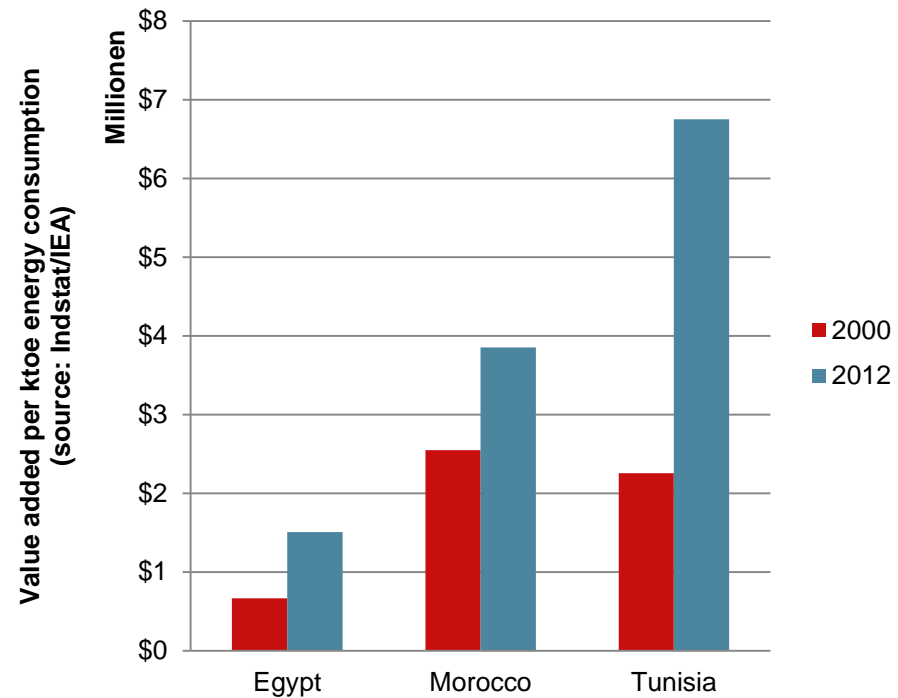
# Energy Analysis

## Overall Energy Use

### Consumption

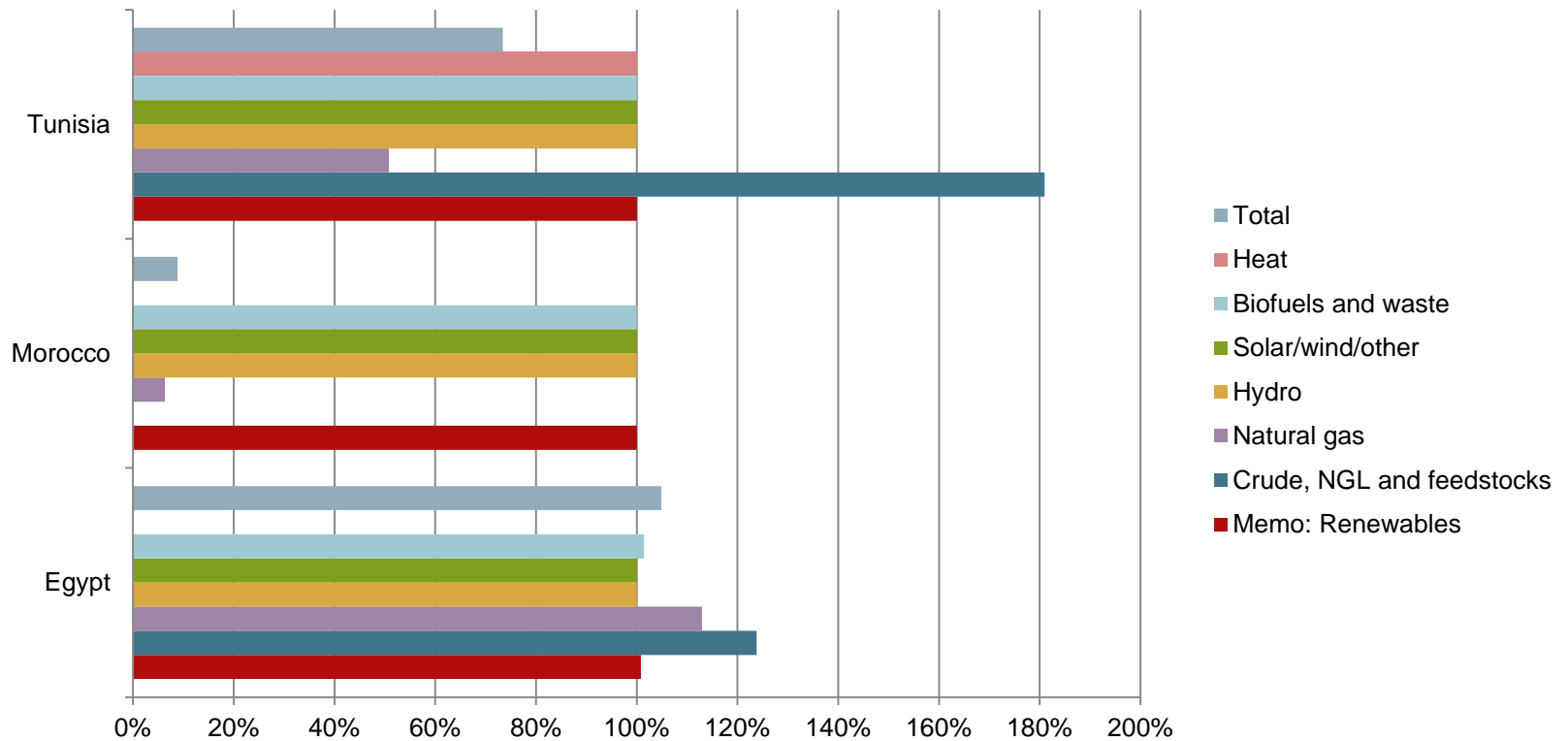


### Efficiency



- Energy consumption in **Egypt** is very high and even increased between 2000 and 2012
- At the same time: **Morocco and Tunisia** show higher energy efficiency in the manufacturing sector with lower energy consumption

## Self-Sufficiency by Energy Carrier



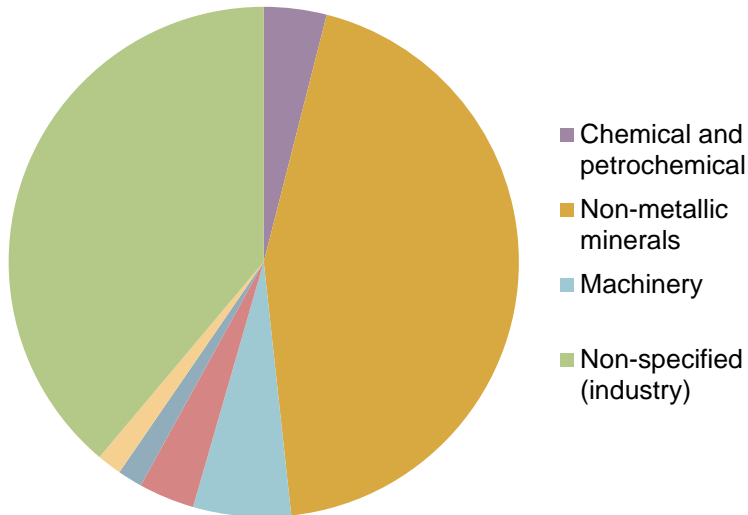
Egypt, Morocco and Tunisia are basically self-sufficient in almost all energy carriers, except for natural gas



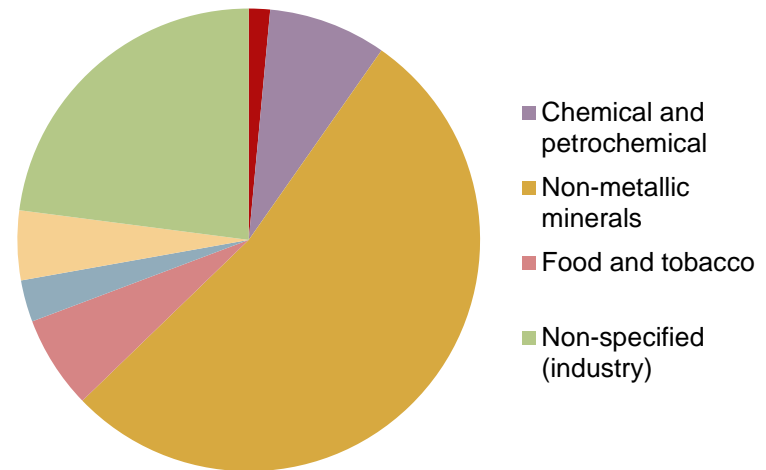


## Sub-Sector Share of Energy Consumption

**Morocco**

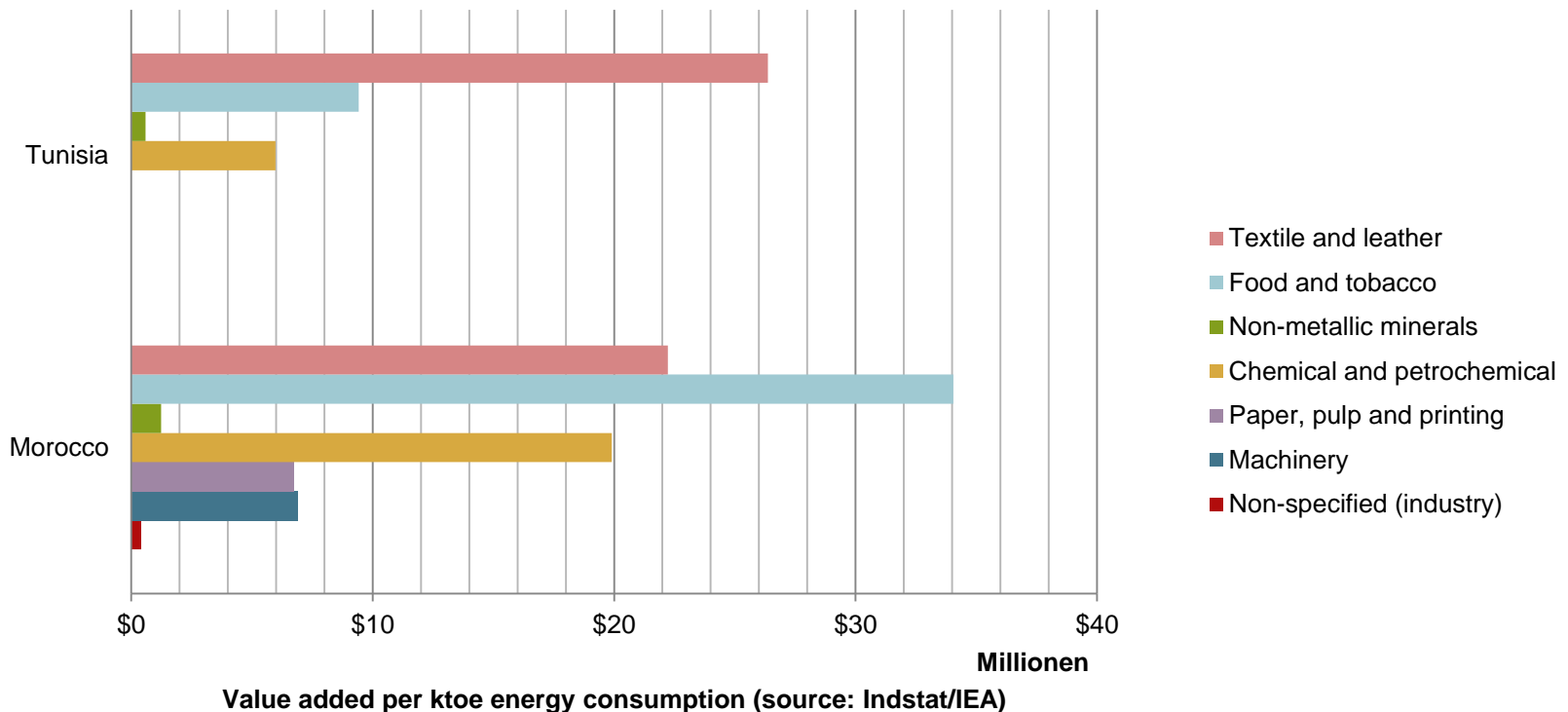


**Tunisia**



- **Lack of data for Egypt**
- In **Morocco and Tunisia** machinery and non-metallic minerals show the highest sub-sector share of energy consumption and hence, the highest potential for energy efficiency

## Sub-Sector Energy Efficiency



- **Lack of data for Egypt**
- **In Morocco and Tunisia**
  - **High efficiency:** textile & leather, food & tobacco. chemical & petrochemical
  - **High potential:** non-metallic minerals, paper, pulp and printing and machinery

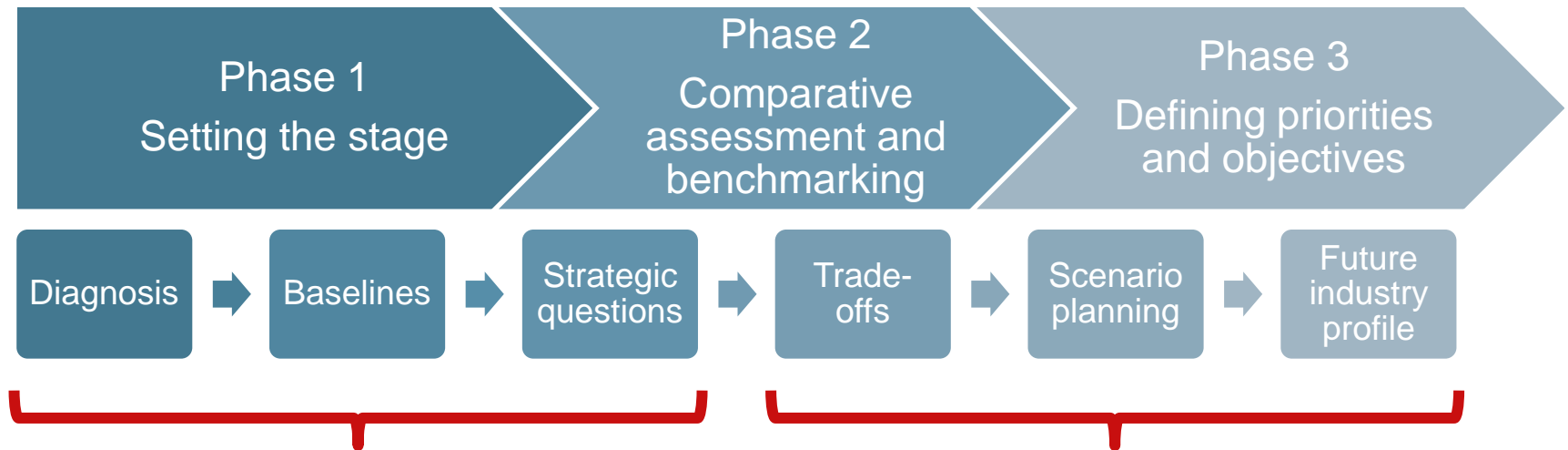
## Next steps with EQuIP in Egypt

- Employment and Energy Analysis on **sub-sector level** to identify sub-sectors with highest potential for employment generation and energy efficiency
- Compare analytical data with development of good practice countries (e.g. Mexico, China, South Africa, Brazil etc.)
- Derive an **Industrial Strategy and Policy**

Plus:

- Cooperation with statistical office to increase data availability and hence foster sound empirical basis for industrial strategy setting

## Strategy Process



- EQuIP diagnostic inputs (mainly quantitative)
- Other inputs (qualitative)

- Dialogue and negotiation inputs (mainly qualitative)

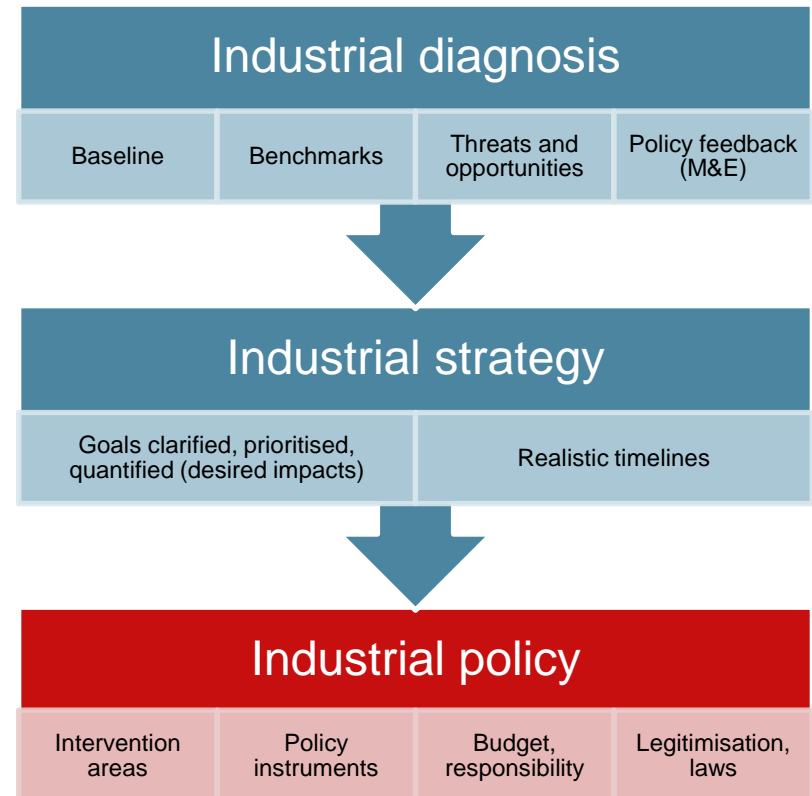
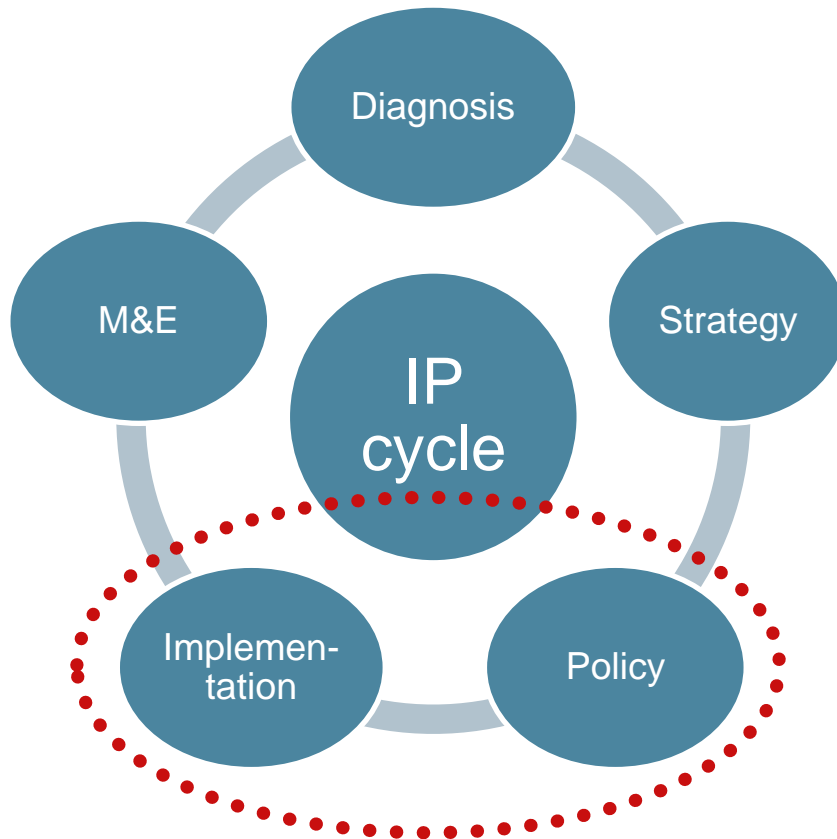


## Contents

- Why do we need EQuIP?
- What exactly is EQuIP and what makes it unique?
- What will be the next steps of the project?



# The Policy Cycle





## Outlook: EQulP 2

- Implementation instruments
  - Overview of IP instruments
  - Selection and in-depth analysis
  - Methodology for selecting a mix of instruments
- Institutional setup
  - Overview of institutional setups
  - Methodology on choosing an institutional setup for IP design, implementation, governance, and monitoring and evaluation



**EQ**u**IP**



Enhancing the Quality of Industrial Policies

# Two other things...



# Checklist on social impacts of green growth policies

## Does the green growth policy affect...

- sectors where an above-average share of people living in poverty are economically active?
- employment opportunities and production factors that people living in poverty depend upon?
- the income of people living in poverty?
- the income distribution within the society?
- access to goods or services by people living in poverty?
- regions with an above-average share of people living in poverty?



Looking to have an impact on poverty and employment?

Trying to find economic sectors in which to increase competitiveness but also reap green dividends?

Then this tool is for you.

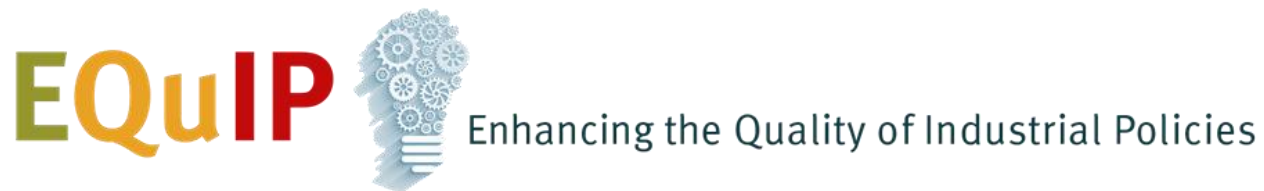


The GIZ-ILO *Guidelines for Value Chain Selection* provide guidance on including Economic, Environmental, Social and Institutional aspects when selecting subsectors for interventions in value chain promotion and development.

The guidelines build on the experiences of field practitioners and offer easy-to-follow guidance on value chain selection, with valuable tips and examples from GIZ and ILO projects.

The guidelines and scoring matrix are available also on:

[www.giz.de/privatesector](http://www.giz.de/privatesector) , [www.ilo.org/valuechains](http://www.ilo.org/valuechains) , and [www.ilo.org/thelab](http://www.ilo.org/thelab)



Thank You for Your Attention

[www.equip-project.org](http://www.equip-project.org)

[Johanna.jagnow@giz.de](mailto:Johanna.jagnow@giz.de)

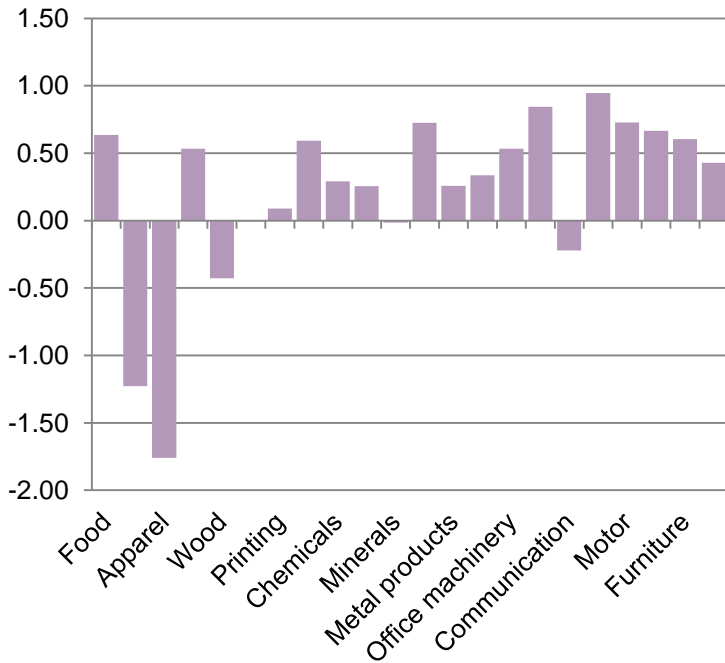


## Contents

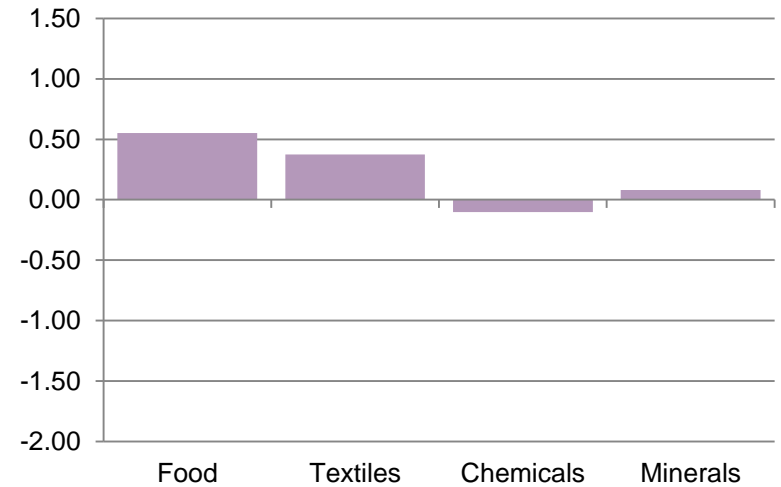
- Why do we need EQulP?
- What exactly is EQulP and what makes it unique?
- How does EQulP fit into German development cooperation?
- What will be the next steps of the project?

## Employment Elasticity: Marocco and Tunisia

### Employment Elasticity Marocco



### Employment Elasticity Tunisia





## Possible Applications in German Cooperation

- **Broad IP projects:** EQulP as central component of project execution
- Examples:
  - Economic policy reform
  - Development planning/strategy
  - Industrial strategy
  - Sector growth strategies
- **Specific interventions:** EQulP for specific analytical decision-making support
- Examples:
  - Sector support schemes (value chain, cluster, etc.)
  - Export promotion schemes
  - Meso- and enterprise support schemes
  - Local economic development



## Possible Activities and Outputs

- Training for:
  - Development cooperation professionals
  - Existing IP agencies
  - New IP units
- Basis for analytical **studies** for evidence-based IP
- Including the **industrial dimension** in development plans
- **Monitoring, evaluation** and impact assessments of IP