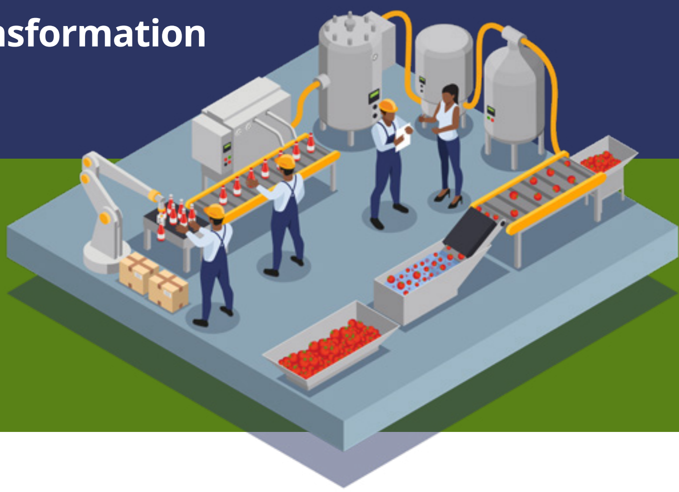
ACET African Center for Economic Transformation

African Transformation Index 2023



Diversification

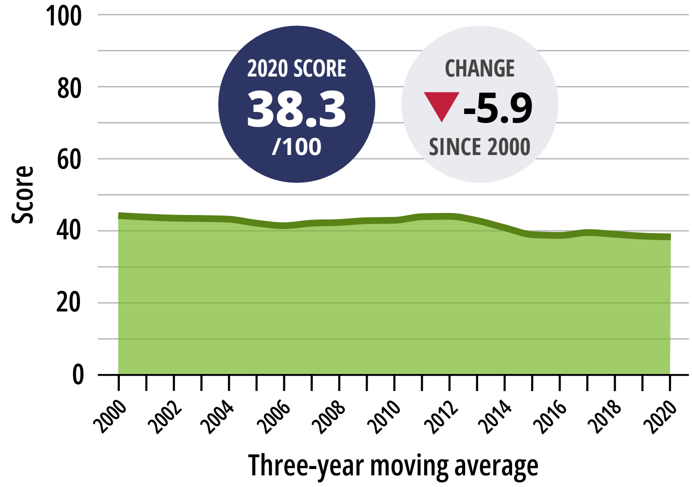
Diversification measures an economy's capability to produce and export a widening array of goods and services.

Acquiring the capability to produce a widening array of goods and services is essential for economic transformation. However, today most African economies are confined to a narrow range of commodity production. The importance of diversified production applies equally to exports. But most African economies rely on the exports of a small number of primary products.

Diversification scores by country

COUNTRY (alphabetical order)	2020 SCORE	CHANGE SINCE 2010	CHANGE SINCE 2000
Algeria	8.2	1.7 ▲	-2.8 ▼
Botswana	24.0	-7.0 ▼	2.0 ▲
Burundi	25.5	1.4 ▲	6.5 ▲
Cameroon	39.0	-6.6 ▼	-3.8 ▼
Cabo Verde	45.1	-12.2 ▼	-9.9 ▼
Congo Rep	19.1	8.5 ▲	11.5 ▲
Côte d'Ivoire	33.1	-4.9 ▼	-14.1 ▼
Egypt	63.9	-1.1 ▼	0.0 ●
Eswatini	70.9	1.0 ▲	-4.7 ▼
Ethiopia	25.8	-4.4 ▼	-1.4 ▼
Gabon	12.6	5.6 ▲	-1.0 ▼
Gambia	38.5	-8.6 ▼	-5.1 ▼
Ghana	26.8	-0.2 ▼	-17.0 ▼
Kenya	52.2	-8.2 ▼	-5.5 ▼
Madagascar	43.2	-14.3 ▼	-10.0 ▼
Malawi	31.7	0.1 ▲	0.7 ▲
Mauritius	75.8	1.5 ▲	0.8 ▲
Morocco	69.9	-6.0 ▼	-9.9 ▼
Mozambique	25.4	-9.4 ▼	-14.7 ▼
Namibia	38.9	-12.9 ▼	-5.9 ▼
Niger	11.6	-5.5 ▼	-19.5 ▼
Nigeria	16.4	-0.8 ▼	-5.8 ▼
Rwanda	37.4	0.6 ▲	8.2 ▲
Senegal	50.3	-7.9 ▼	-8.4 ▼
South Africa	63.8	-6.2 ▼	-11.7 ▼
Tanzania	29.9	-12.3 ▼	-19.5 ▼
Tunisia	76.0	1.3 ▲	1.0 ▲
Uganda	40.7	-14.7 ▼	2.4 ▲
Zambia	23.7	-4.3 ▼	-18.7 ▼
Zimbabwe	30.4	-12.4 ▼	-20.4 ▼

Average African *Diversification* score



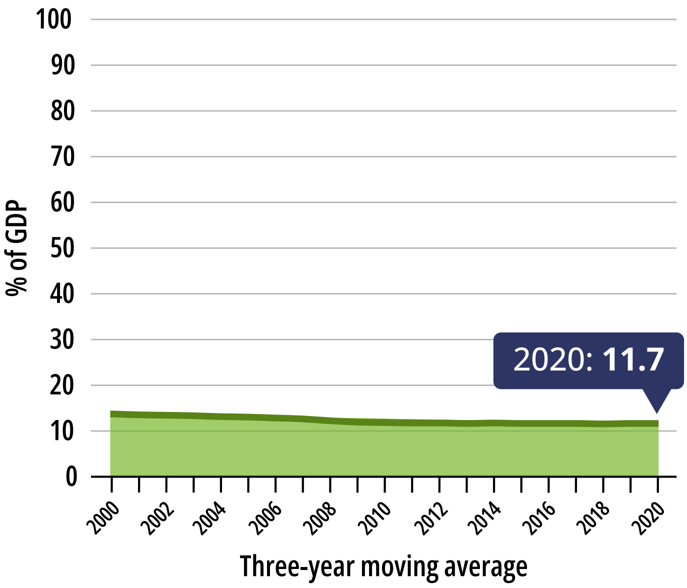
The average African *Diversification* score above is the average of the 30 economies tracked by the ATI. The map below and the table on the left show the individual country scores.

Diversification scores by country, 2020

The *Diversification* dimension measures diversity in production and exports through four indicators. The charts below show the average indicator scores for the 30 African economies tracked by the ATI for the years 2000–2020.

Manufacturing

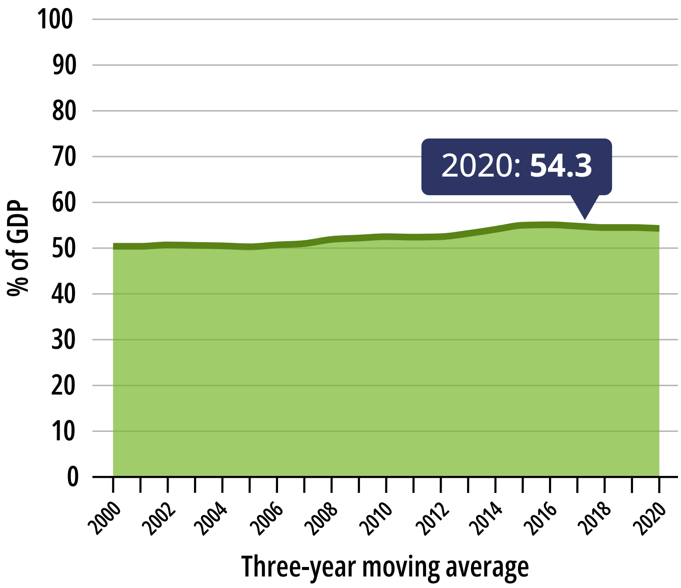
Manufacturing value added during a given period as a percentage of GDP.



Source: United Nations Statistics Division national accounts data

Services

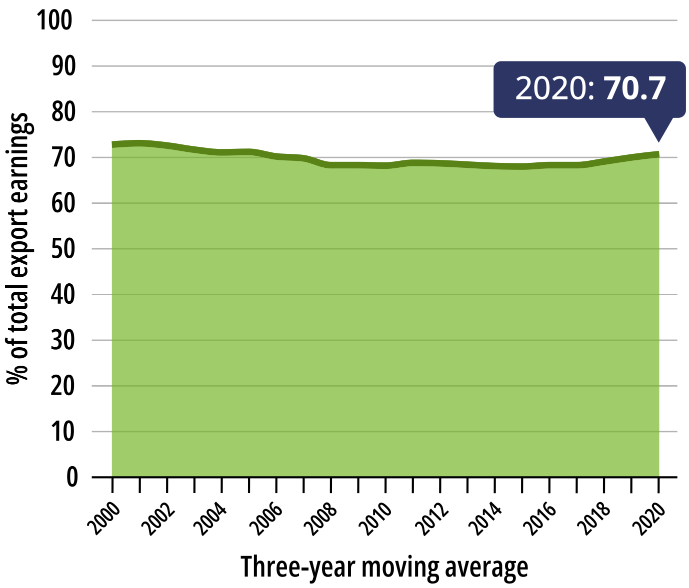
Services value added during a given period as a percentage of GDP.



Source: United Nations Statistics Division national accounts data

Export concentration

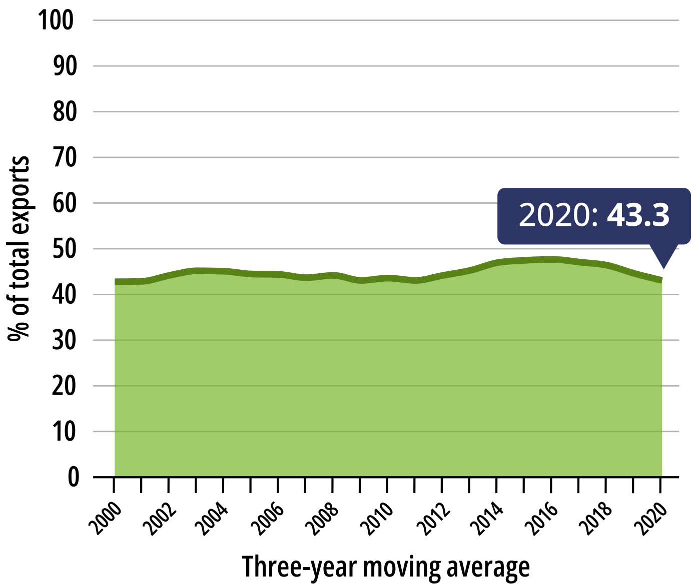
The combined share of the country's five highest-earning exports of total export earnings.



Source: United Nations Comtrade Database; World Integrated Trade Solution; World Development Indicators (2022 update)

Export sector diversification

Share of manufacturing and service exports in total exports.



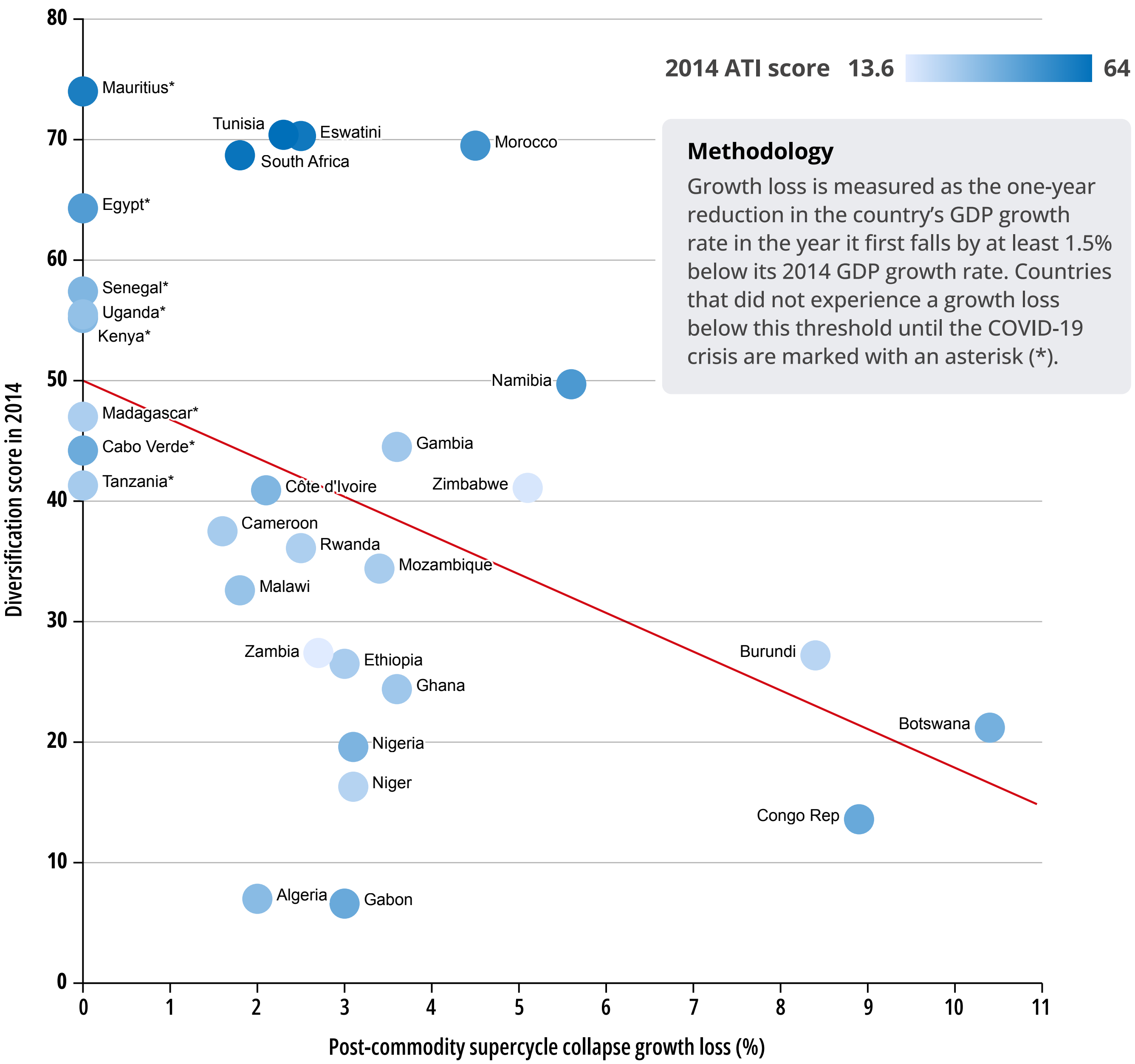
Source: United Nations Comtrade Database; World Integrated Trade Solution

Resilience and transformation

Diversification and the commodity supercycle

Africa's growth acceleration has been partly supported by the commodity supercycle that started in the mid-1990s and ended in 2015. In the early part of this period, African economies made advances in transformation. However, not all African economies that experienced rapid growth were resilient enough to maintain the momentum after 2015. The extent of a country's *Diversification* score is particularly relevant to its ability to withstand commodity price collapses. The average African country in the ATI had a very high level of export concentration, with the top five exports accounting for around 70% of the total export value at the peak of the commodity supercycle in 2014. At the same time, the share of services and manufactured goods—both products that were less affected by the commodity price collapse—remained relatively low. These factors, which helped many African economies grow rapidly at times of high commodity prices, also meant a stronger economic decline when the prices collapsed.

The chart below illustrates how more diversified African countries experienced significantly lower growth loss after commodity prices collapsed in 2015.



Methodology

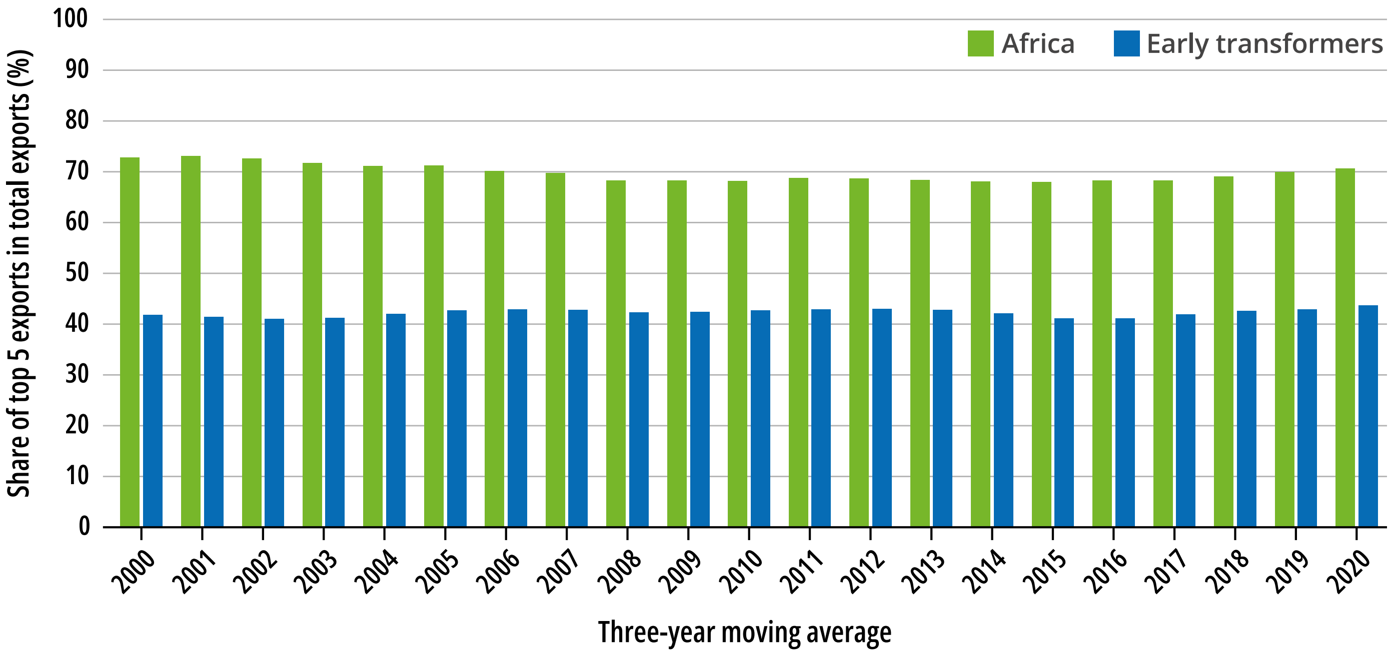
Growth loss is measured as the one-year reduction in the country's GDP growth rate in the year it first falls by at least 1.5% below its 2014 GDP growth rate. Countries that did not experience a growth loss below this threshold until the COVID-19 crisis are marked with an asterisk (*).

Global context

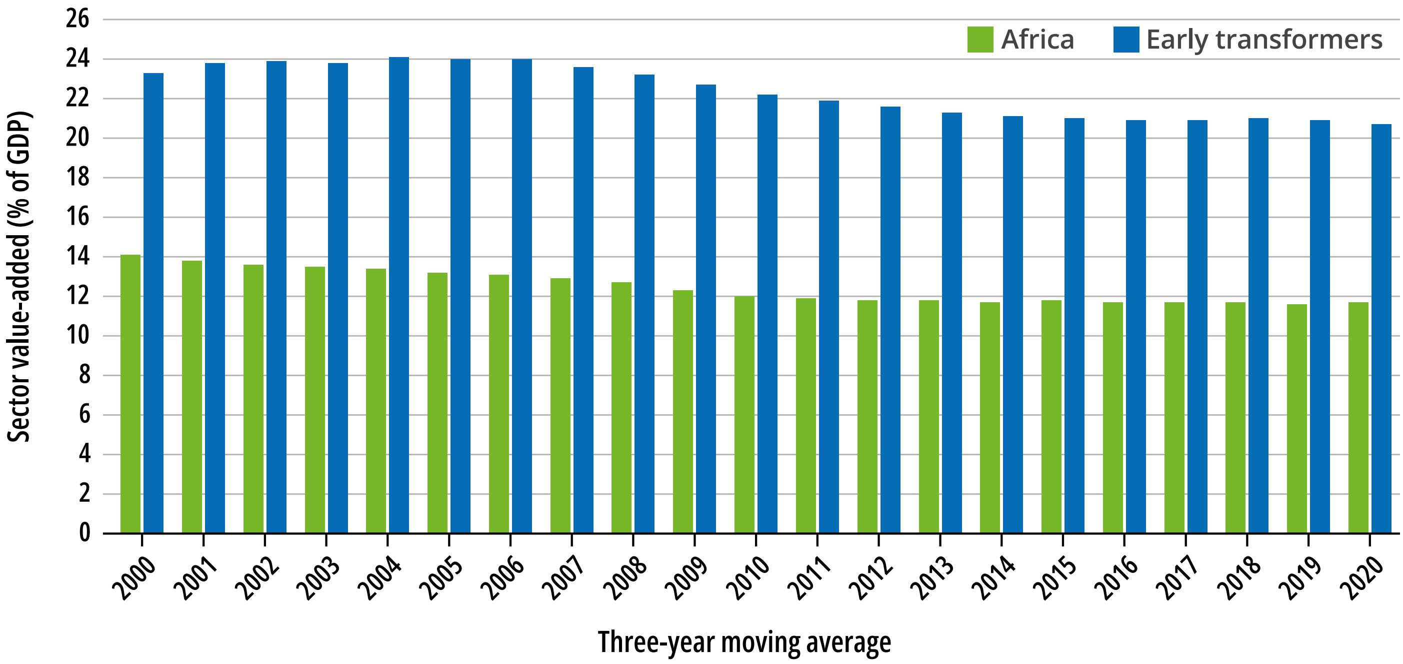
Africa's lagging export diversification and manufacturing

In 2020, the top five exports comprised more than 70% of Africa's exports, while in early transformers in Asia and Latin America, they made up less than half. Exporting more products can help Africa cope with shocks, compete better, and change the structure of its economy. In contrast with early transformers, Africa has also failed to grow its manufacturing sector, which can create jobs, boost productivity, and foster innovation. Between 1990 and 2020, the share of manufacturing dropped from 16% to 12% in Africa, while it stayed around 20% in Asia and Latin America.

Export concentration in Africa and early transformers



Manufacturing in Africa and early transformers

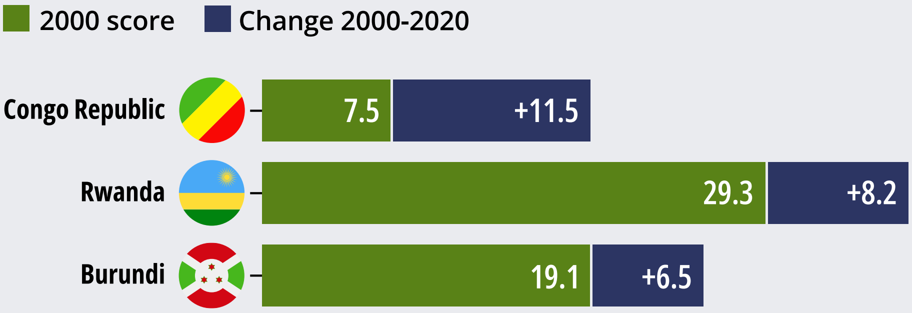


Pathways for improved Diversification

Shifting from commodity dependence to value addition

Reorienting production and export structures and strengthening technological and industrial capabilities towards higher value-added products have been successful pathways to diversified economies for early transformers in Asia and Latin America, as well as for some countries in Africa.

Three most improved countries (2000-2020)



Highest score

Tunisia

2020 SCORE **76** /100

CHANGE **+1.0** SINCE 2000

Lessons from early transformers

India aggressively implemented diversification policies that spurred an agribusiness transition, including sustained investments in technology, infrastructure, entrepreneurial capabilities, national research systems, extension services, and stronger supply and value chains. The Shared Mobile Infrastructure Program expanded mobile phone networks to rural areas, extending the reach of digital extension services such as the Kisan Call Centers to rural farmers. Farmers could then receive agricultural extension services via mobile phones, hastening the adoption of modern agricultural technologies. These initiatives boosted smallholders' productivity and increased agricultural SMEs' capacity to integrate with other activities, such as logistics and manufacturing, forming a value chain that increases incomes beyond the agricultural sector.

Examples from Africa

In **Tunisia**, an upgrading program, Programme de Mise à Niveau, helped firms develop a competitive advantage, diversifying the economy by modernizing the industrial sector with technical assistance, training, subsidies, and infrastructure upgrades. The country also promoted private sector-led export policies that attracted trade and investment partnerships, plugging the domestic economy into regional and global manufacturing value chains.

Mauritius shifted from a commodity-driven economy reliant on sugar cane to a more diversified economy with larger contributions from processed products and services, including textiles, financial services, and tourism.

Eswatini reduced its dependence on agriculture and focused on improving value addition in manufacturing and services. The country took advantage of the African Growth and Opportunity Act and Multi-Fiber Act of 2004 to deepen the country's domestic supply chains for textiles and garments and the processing of other non-extractive goods, reflecting an increasing diversification of the country's exports.