



Keeping Transformation on Track for Emerging Industries

By Carlos Oya

Summary

The COVID-19 pandemic has brought much uncertainty to Sub-Saharan Africa, in terms of both health and economic outcomes. Crises of such magnitude can induce innovation through new needs that drive change, such as the rapid adoption of digital technologies, but they can also reverse innovative economic transformations. Manufacturing has proven to be a key sector experiencing the test of whether it can harness these innovations for a COVID-19 recovery. Evidence from Ethiopia and other African nations suggests that responses need to be bold, coordinated, and focused on protecting jobs and strengthening previous efforts. A combination of jobs protection, production repurposing, and financing to build resilience may do the trick, especially in the manufacturing sector.

Thematic Context

Since the start of the pandemic in 2020, the economic impact on African countries has been uneven, with some countries doing much better than others—both at the macro level in terms of economic growth and investment, and at the micro level in terms of highly disrupted livelihoods. Health crises such as COVID-19 are unique events that can generate opportunities for change and innovation, while at the same time revealing structural deficiencies of the “business as usual” economic system. Innovation in its broader sense encompasses the development and adoption of new technologies, such as mobile applications; the diffusion, adaptation, and adoption of existing know-how in new contexts; and entry into new global supply chains and markets with higher quality requirements.

The need for bold and risky responses, even when interventions and adjustments fail, can produce learning opportunities for business, governments, and society, thereby generating production and innovation capabilities. During the pandemic, crisis-induced needs accelerated manufacturing capacity in testing, adoption of novel digital technologies, and rapid repurposing of existing production towards new aims and markets. These responses were swift and entailed greater risk taking. Whether successful or not, these reactions to crisis conditions could sow the seeds of future economic transformations, following Hirschman’s principle of the “hiding hand”.¹

Innovation’s Contribution

A wide range of responses to COVID-19 emerged in several African countries, reflecting the continent’s potential for innovation and resilience in the context of a global crisis. Many African governments reacted to the announcement of a global emergency in earnest, introducing restrictions on movement and measures to test and trace cases, all despite very limited means and weak health systems. Different kinds of pandemic and crisis-induced innovation include:

- Building on lessons learned from Africa's many previous health crises, most prominently Ebola, to deploy rapid health responses.
- Harnessing digital technology to offer virtual health consultations, enable cashless financial transactions, and combat health misinformation, such as through the Viral Facts Africa initiative.²
- Adapting operations to meet new demands, such as the successful decision by Ethiopian Airlines to turn some of its idle commercial planes into cargo fleet—a pivot that not only produced profits but also contributed to keeping key parts of the Ethiopian economy open.³

Despite success stories like these, the pandemic has not spared African economies, hitting emerging sectors like apparel and light manufacturing—crucial for the economic transformation of countries like Ethiopia, Tanzania, and Madagascar—particularly hard.⁴ More than a year into the pandemic, the scale of production disruption is not yet fully ascertained, but early signs suggest that temporary closures, scarcity of raw materials, slowdowns, and increasing logistics costs did lead to many workers being idle, made redundant, or asked to reduce hours, thereby seeing their incomes decline.

This trend is particularly alarming, given that some African countries have only recently entered these hard-to-access global supply chains, which are moving jobs towards higher productivity, and more technologically advanced forms of production.⁵ A reversal of this recent industrial growth could jeopardize efforts to achieve the innovation and long-term economic and social upgrading that comes from new, high value-added activities in manufacturing, commercial agriculture, and modern services.⁶ It could mean missing out on opportunities from the spill-over effects that nurture local industrial clusters and business innovation among firms willing to connect to global production networks.

It is therefore not surprising that some governments, their international partners, and the private sector put in place measures to avoid this reversal. For example, garment suppliers and manufacturers in countries such as Ethiopia, Ghana, and Madagascar made a concerted effort to rapidly retool towards producing personal protective equipment (PPE). While traditional orders of apparel plummeted during the worst period of the pandemic in 2020, the demand for PPE, as well as sanitizers and swabs, soared. Cross-sectoral collaboration to adapt manufacturing processes to meet this demand was critical in some settings.⁷

The Ethiopian government and its international partners in particular acted quickly, developing coordinated and timely response packages to halt the closure of firms and slow job losses through logistics subsidies, measures to improve factories' cash-flow, paid training for factory workers who were temporarily idle, and an emergency jobs protection facility.⁸ Keeping the workforce committed to industrial work by preventing layoffs and protecting incomes is critical for industrialization in its early stages.

Will the emerging industries across Africa, such as light manufacturing, survive the global effects of the pandemic and combine with the dynamic digital economy to foster continued economic transformation? It is still early to say, but there are some good signs. Much will depend on the coordination of national and global responses to build resilience in global value chains.

Recommendations

- Promote infrastructure investment to enable the digital and technology economy to flourish. Foundational investments should target the potential of job-creating manufacturing and digital technologies, including apps that generate new jobs rather than displace existing ones—for

example, FUNDIS in Kenya, which is a job matching platform for blue-collar workers. As more business activity moves online, such investments could have far-reaching impacts on the transformation agenda.

- Strengthen production processes with local and regional capacity to help enable swift production repurposing toward more urgent needs in public health crises, and support the logistical needs of such repurposing.
- Take a proactive role to engage global brands, trade unions, donor agencies, development finance institutions, and other international organizations to build resilience into supply chains, including the protection of manufacturing jobs, making finance available to compensate for slowdowns, and funding training for idle workers. Enhanced resilience can make the processes of economic transformation less vulnerable and more likely to be scaled up.

Carlos Oya is Professor of Political Economy of Development at SOAS University of London, with research interests covering labor relations and employment, economic transformation, and development policy. He is a DEGRP grant holder leading research on Chinese engagement in Africa.

About the Series

Policy experts and researchers from the [African Center for Economic Transformation \(ACET\)](#) and the [Development and Economic Growth Research Programme \(DEGRP\)](#), in partnership with [ODI](#), explore the critical role of innovation in Africa's recovery from COVID-19. Essays identify areas in which innovation can contribute to effective responses and offer high-level policy recommendations.

Endnotes

1. The term was coined by economist Albert O. Hirschman in 1967. It states that a certain lack of knowledge is good in planning, because if decision-makers always knew actual costs and future difficulties, few projects would ever get started.
2. Viral Facts Africa was launched in December 2020 by the World Health Organization and a network of global and African institutions and fact-checking organizations to track COVID-19 misinformation spread online and through social media. In its first 15 months, it debunked more than 1300 falsehoods.
3. Arkebe Oqubay, "[Ethiopia's Response to COVID-19](#)" (OECD–Development Matters, May 26, 2020).
4. Jennifer Castaneda-Navarrete, Jostein Hauge, and Carlos Lopez-Gomez, "[COVID-19's impacts on global value chains, as seen in the apparel industry](#)" (Development Policy Review, December 15, 2020).
5. Hagen Kruse, Emmanuel Mensah, Kunal Sen, and Gaaitzen de Vries, "[A manufacturing renaissance? Industrialization trends in the developing world](#)" (UNU-WIDER Working Paper 28/2021, February 2021).
6. Carlos Lopes and Dirk Willem te Velde, "[Structural transformation, economic development and industrialisation in post-COVID-19 Africa](#)" (ODI, 2021).
7. Geoffrey Banda, Dinar Kale, Julius Mugwagwa, and Maureen Mackintosh, "[Local manufacturing for health in Africa in the time of Covid-19: experience and lessons for policy](#)" (DEGRP, 2021).
8. "[Landmark fund launched to help protect textile industry jobs in Ethiopia as COVID-19 slows manufacturing demand](#)" (FSD Africa, October 29, 2020).

WORKING IN PARTNERSHIP WITH

