

Industrialise Africa



Industrialization is key for economic development. Evidence shows that no country or region in the world has ever achieved prosperity and a decent socio-economic life for its citizens without the development of a robust industrial sector. In recognition thereof, African leaders have emphasized on several occasions the importance of “Industrialization” in Africa’s inclusive and resilient growth. The role of industrialization in Africa is highly articulated by the African Union’s Action Plan for Accelerated Industrial Development of Africa (AIDA) and reaffirmed in Agenda 2063, which called for the promotion of sectoral and productivity plans as well as regional and commodity value chains to support the implementation of industrial policies at all levels.

As part of this agenda, the Heads of the African Development Bank Group (AfDB), United Nations Industrial Development Organization (UNIDO) and the United Nations Economic Commission for Africa (UNECA) have agreed that the three institutions will work together to help Africa deliver the “Industrialization Agenda”.

Within this framework and in keeping with its Ten-year Strategy, this publication highlights the roadmap for implementing flagship programs to scale-up the industrial transformation of Africa. It also summarizes the rationale for: (i) Why we need to “industrialize Africa”; (ii) What it will take to “industrialize Africa; and (iii) How AfDB will help to “industrialize Africa;





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Why Do We Need to ‘Industrialize Africa’?

Africa’s economic growth has been strong in recent years; this has been built on the back of expanding domestic markets driven by a burgeoning middle class, an improving business environment, improved macroeconomic management, favorable commodity prices, rapid urbanization, and increasing public investment. Several of these factors continue to drive growth but a persistent lack of industrialization is holding back Africa’s economies, which remain largely dependent on sectors like agriculture and unprocessed commodities that add relatively little value. On average, industry generates merely USD 700 of GDP per capita in Africa, less than a third of Latin America’s output (USD 2,500 per capita) and barely a fifth of East Asia’s (USD 3,400 per capita). Industrial GDP influences overall GDP as industrial productivity drives productivity in other sectors.

Industrialization is a necessity for Africa. World leaders met in New York in November 2015 and agreed to “build resilient infrastructure, promote sustainable industrialization and foster innovation” and this became one of the new Sustainable Development Goals (SDG 9). Industry has always played a vital role in development. It increases the value created in an economy by generating activity all along the value chain, from raw materials to finished products. It boosts productivity by introducing new equipment and new techniques, increases the capabilities of the workforce, and diffuses these improvements into the wider economy. It generates formal employment, which in turn creates social stability. It improves the balance of trade by creating goods for export and replacing imports.

African nations must be bold in their ambitions. The benefits of industrialization are within our reach.

What Will it Take to ‘Industrialize Africa’?

The experience of other industrializing economies around the world shows that Africa can realistically more than double its overall GDP per capital by substantially increasing its industrial GDP in the next ten



years. For this to happen, Africa needs to implement a comprehensive and resolute industrial policy; one that can be adjusted in each country, is specific to local context and requirements and is aligned with the country's development goals. This will require vision and commitment from political leaders but also from the Bank and the broader development community, who will provide support through technical assistance, capacity building, continuous dialogue and advisory services. Experience suggests that creating opportunities for entrepreneurship (both new business creation and expansion of existing ones) is the most important driver of industrialization. To achieve this, however, Africa needs to leverage the full strength of the Bank's experience in this area, while leveraging the specialized expertise of organizations such as UNIDO and UNECA as well as that of a broader set of stakeholders like the AU, Regional Economic Communities (RECs), national governments, policy makers and DFIs. Lessons from the experiences of the Bank, UNIDO, UNECA and other development organizations highlight five key enablers that have been common to almost all countries that have rapidly industrialize their economies. These enablers are:

- Supportive policy, legislation and institutions.
- Conducive economic environment and infrastructure
- Access to capital
- Access to markets

- Competitive talents, capabilities, and entrepreneurship.

In successful industrializing countries, these enablers have typically been integrated into a comprehensive industrial policy that has enabled businesses, both large and small, to develop along the value chains of selected, high-potential industrial sectors. ***These programs are feasible and can be implemented with the right levers.***

How Will the Bank Help 'Industrialize Africa'?

The aspiration to more than double Africa's industrial GDP over the next ten years cannot be achieved by the Bank alone. Industrializing Africa and driving meaningful progress on each of the five enablers outlined above will require combined and coordinated efforts by a wide range of stakeholders, both public and private.

While it will intervene along with its partners in all identified programs, the Bank plans to place a stronger focus on areas where it can best leverage its experience, capabilities and its finances to support countries by championing a subset of these programs, grouped into the following **six 'Flagship Programs'**, which are at the core of the Bank's 'Industrialize Africa' priority.

Enablers	Flagship programmes	Description
Supportive policy, legislation and institutions	Foster successful industrial policies ¹	Provide Policy Advisory services and Technical Assistance to governments (regulatory and institutional framework, implementation and monitoring) and funding of key PPP projects
Conducive eco. environment and infrastructure	Catalyse funding into infrastructure and industry projects ²	Increase and channel funding into GDP catalytic programmes (infrastructure and industrialisation projects, by public and private operators) Raise own investment, including from managed funds Foster investment by others (domestic and foreign) as strategic investor or MLA ¹
Access to capital	Grow liquid and effective capital markets ³	Improve access to market finance for African enterprises Advise governments, stock exchanges and regulators on development of liquid capital markets Invest directly in capital markets to increase liquidity
Competitive talents, capabilities and entrepreneurship	Promote and drive enterprise development ⁴	Drive enterprise development (large, small and medium businesses) Scale-up investment and financing to lend to SMEs Technical Assistance support to strengthen SME-focused entities Establish linkages of SMEs to domestic projects/companies and provide training of a strong talent pool
	Promote strategic partnerships in Africa ⁵	Link up African enterprises and major projects with potential partners and investors, through promotional activities , notably African investment forum Facilitation and management of investor relations (e.g. contract negotiations)
Access to markets	Develop efficient industry clusters across the continent ⁶	Support governments in developing efficient industry clusters² across Africa, through Technical Assistance and funding in implementation and monitoring

To deliver its contribution to these programs, the Bank will significantly increase its level of funding over the next decade.

What are the Implementation Arrangements and Modalities?

Through a partnership with UNIDO, UNECA, the AUC and RECs, the Bank will actively seek to support governments in crafting their national industrial policies, identifying potential sectors for industrial development, and providing value chain analysis, technical assistance and some degree of operational support. In addition, the Bank will strive to facilitate government and private sector dialogue to foster coordination between all the industrialization stakeholders. Given the significant crosscutting agenda embedded in the Bank's industrialization strategy for Africa, the Bank will optimize its resources to deliver on the ambitious

agenda within the framework of the **One Bank Approach**. In this respect, the key initiatives the Bank is launching under the **High 5s** will have positive impact on the economic environment and infrastructure, access to markets, and access to talent and capabilities, which in return will foster industrialization. To deliver the six 'Industrialize Africa' Flagship Programs, the Bank will mobilize a higher volume of funding, human resource, and hard and soft infrastructure-related mechanisms. Over the next 10 years, the Bank will increase its funding to implement the six industrialization programs. The Bank will scale up its own investment, including from managed funds to catalyze funding by others, acting as strategic investor or as lead arranger. Moreover, the Bank will develop its capability to drive mobilization activities by playing a more active Mandated Lead Arranger role, through improved processes and adequate talents, while growing its passive participation in co-financing activities.

Industrialization Enablers	Light Up and Power Africa	Feed Africa	Integrate Africa	Improve quality of life for Africans
Supportive Policy, Legislation & Institutions			✓ Improve business regulations to support cross country trade	
Access to Capital	✓ Provide capital to invest in power projects	✓ Provide funding to develop agro-processing & Agro-poles	✓ Develop financial exchanges and markets to further trade volumes	✓ Provide access to funding to fund business development
Conducive Economic Environment & Infrastructure	✓ Support building of power plants and supporting infrastructure			
Competitive Talents, Capabilities & Entrepreneurs				✓ Drive capability building and training to foster job creation
Access to Markets		✓ Develop agri-businesses to reach wider markets	✓ Remove or reduce trade restrictions and optimize regional linkages • Corridors	

In a nutshell, 'Industrialize Africa' represents a bold vision and an ambitious strategy – one that has the potential to truly transform the continent. The Bank is committed to playing a leading role in achieving this vision – acting as a catalyst to build support from governments and other development finance institutions (DFIs), and working with the private sector to turn the vision into reality, factory by factory, across the continent.

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The High 5 for transforming Africa

Le Top 5 pour transformer l'Afrique



1
Light up & power Africa
Éclairer l'Afrique



2
Feed Africa
Nourrir l'Afrique



3
Industrialise Africa
Industrialiser l'Afrique



4
Integrate Africa
Intégrer l'Afrique



5
Improve the
quality of life for
the people of Africa
Améliorer la qualité
de vie des populations
en Afrique

The High 5 agenda – five priority actions for the African Development Bank and for Africa – is the AfDB's channel for focusing and scaling up its 2013-2022 Ten Year Strategy, to bring about the social and economic transformation of Africa.

The High 5s are designed to deliver the twin objectives of the Ten Year Strategy: inclusive growth that is shared by all; and the gradual transition to green growth.

The High 5s are: Light up and power Africa; Feed Africa; Industrialise Africa; Integrate Africa; Improve the quality of life for the people of Africa.

Le Top 5, c'est-à-dire les cinq actions prioritaires pour la Banque africaine de développement et pour l'Afrique, constituent le moyen utilisé par la BAD pour concentrer et étendre la mise en œuvre de sa Stratégie décennale pour la période 2013-2022 visant à transformer l'Afrique sur le plan social et économique.

Le Top 5 a pour but de réaliser le double objectif de la stratégie décennale : une croissance inclusive partagée par tous ; et la transition progressive vers une croissance verte.

Le Top 5 est constitué des priorités suivantes : Éclairer l'Afrique et l'alimenter en énergie ; Nourrir l'Afrique ; Industrialiser l'Afrique ; Intégrer l'Afrique ; Améliorer la qualité de vie des Africains.