

Industrialise Africa







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Foreword

Industrialise Africa is one of five accelerators of the African Development Bank. The others are Feed Africa, Light Up and Power Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa.

I firmly believe that if Africa focuses on these High 5s, the continent will achieve 90% of its Sustainable Goals and 90% of its Agenda 2063 goals. This is why Industrialise Africa is at the heart of the African Development Bank's High 5 Social Development Goals (SDGs).

To industrialise Africa, the African Development Bank is committed to mobilising capital, de-risking investments for the private sector, and leveraging capital markets. This is essential for moving Africa's Industrial agenda forward and for building an Africa of the twenty-first century that is well positioned to take its place in global value chains.

Africa is certainly the place to do business today. We have a rapidly growing young population, and an increasing demand for consumer goods, food, and financial services. Together, these factors make Africa an attractive business and industrial proposition for the private sector.

The bottom line is that we need to produce more and we need to produce better. Most of all, we need to add value to our resources and raw materials, and turn them into processed products.

That is the end goal! We must not slow down. Africa's time is now!





Industrialisation is Key to Economic Development

No country or region has achieved prosperity and a decent standard of living for its citizens without a robust industrial sector and African leaders have repeatedly emphasised the importance of industrialisation for the continent's inclusive and resilient growth. The role of industrialisation is clearly articulated in the African Union's Action Plan for the Accelerated Industrial Development of Africa (AIDA) and the United Nations' Third Industrial Development Decade for Africa (IDDA3). Agenda 2063, the African Union's strategic framework for the socio-economic transformation of Africa, calls for the promotion of sectoral and productivity plans, as well as the development of regional and commodity value chains, to support the implementation of industrial policies at all levels. In respect of these goals, the President of the African Development Bank Group, the Director General of the United Nations Industrial Development Organization (UNIDO) and the Executive Secretary of the United Nations Economic Commission for Africa (UNECA) have agreed to work together to help Africa design an "Industrialisation Agenda".

This publication presents a roadmap for implementing flagship programmes to scale up the industrial transformation of Africa. It also summarises the rationale for: (a) the industrialisation of Africa; (b) making industrialisation a current priority; (c) freeing resources for the industrialisation of Africa; and (d) the African Development Bank's assistance in the industrialisation of Africa.



Why Do We Need to Industrialise Africa?

Overall, Africa has enjoyed strong economic growth for almost two decades, but the continent has not seen a commensurate rise in industrialisation. Growth has been on the basis of expanding domestic markets supported by a burgeoning middle class, improving business environments that include better macro-economic management, favourable commodity prices, urbanisation and increasing public and private investment. The persistent lack of industrialisation is a brake on African economies, which remain largely dependent on agriculture and unprocessed commodities that add relatively little value. On average, African industry generates merely USD 700 of GDP per capita, which is less than a third of the same measure in Latin America (USD 2 500) and barely a fifth of that in East Asia (USD 3 400). In addition, African exports consist of low-technology manufactures and unprocessed natural resources, which represent more than 80% of exports from Algeria, Angola or Nigeria, for example.

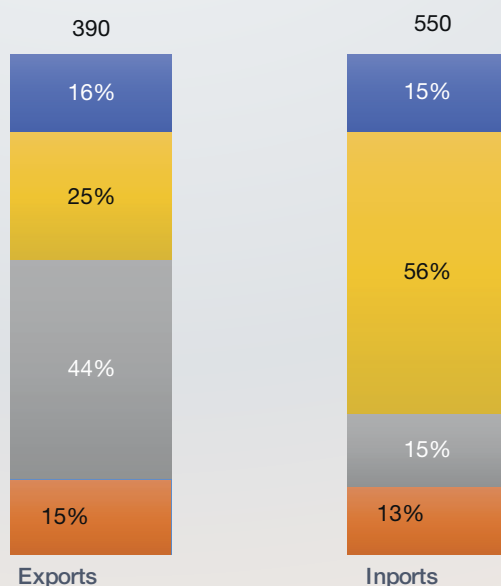
Since industrial growth has a positive influence on overall GDP and productivity, industrialisation is a necessity for Africa. When world leaders agreed in 2015 to “build resilient infrastructure, promote sustainable industrialisation and foster innovation”, which became Sustainable Development Goal #9, they recognised this. Industry plays a vital role in development because it increases the value created in an economy by generating activity further along value chains, from raw materials to finished products. Industrialisation boosts productivity by introducing new technologies and techniques, generates employment, increases the skills of the workforce, supports formalisation of the economy, diffuses improvements into the wider economy and tends to underpin social stability. Industrialisation can improve the balance of trade by creating goods for export and creating local competition for imports.

The challenges of industrialisation are many, but the benefits are wide and within reach.

African economies strongly rely on commodities that account for more than 70% of Africa's exports

African Merchandise Trade

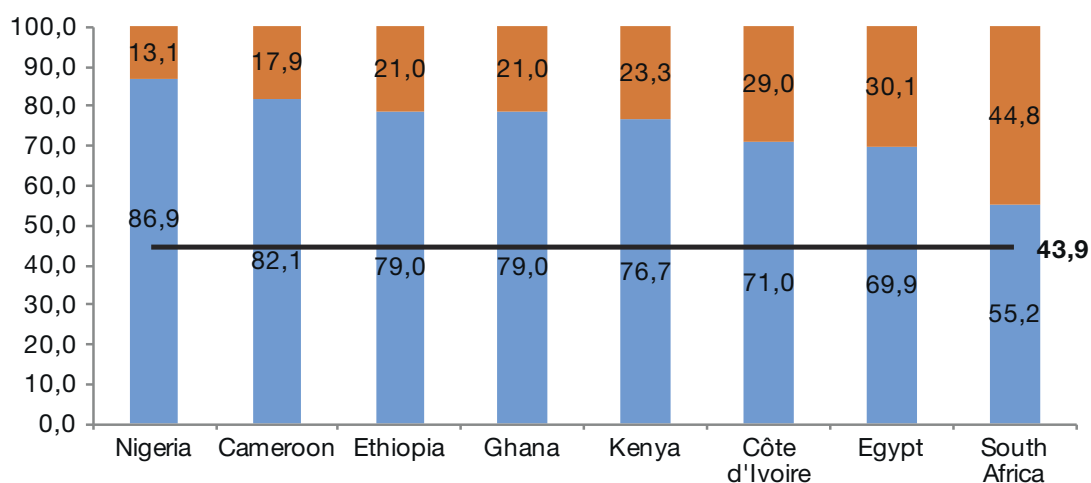
■ Others ■ Manufactured Goods ■ Fuels and Mining Products ■ Agricultural Products



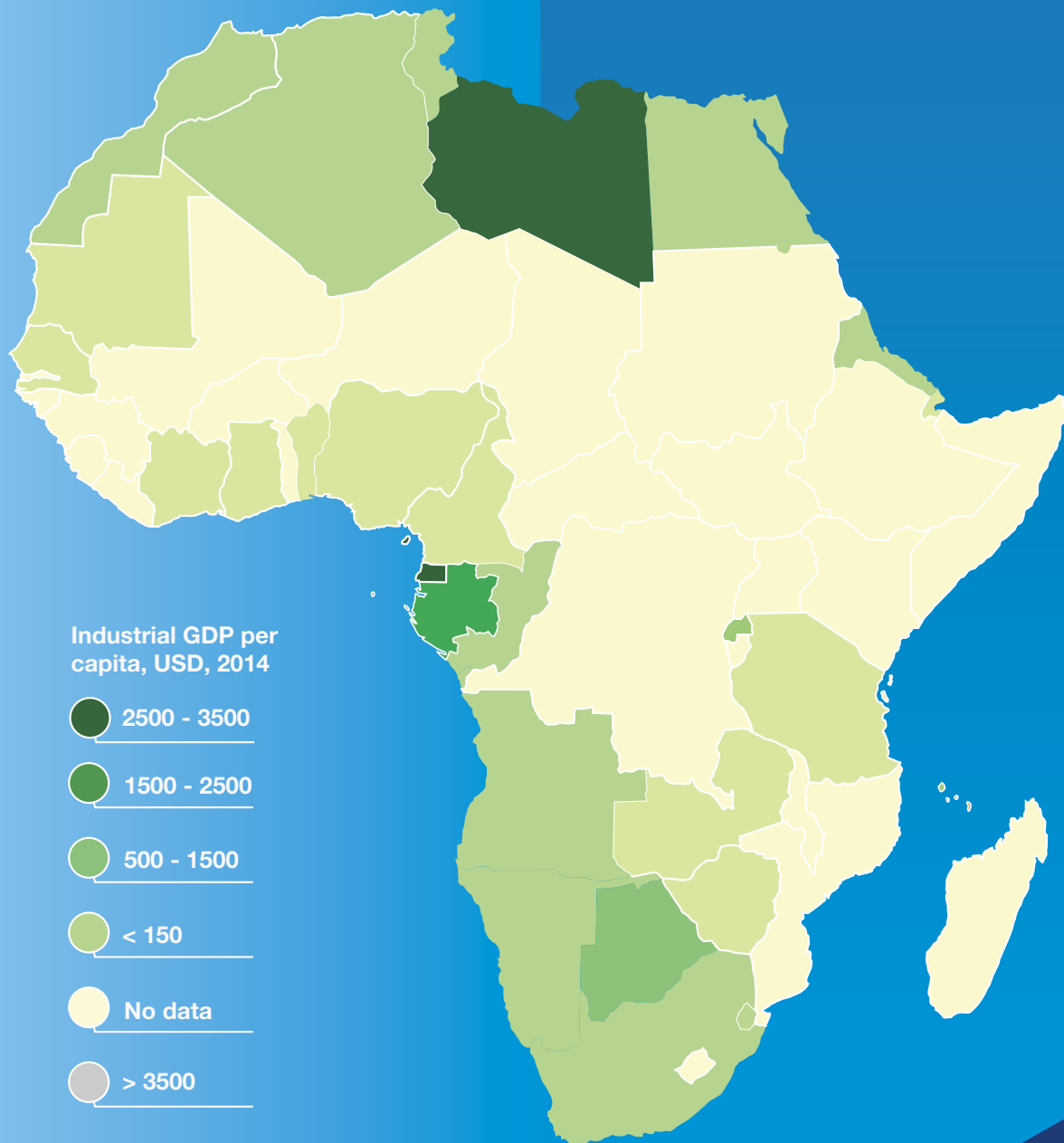
African economies strongly rely on commodities and mainly import manufactured goods

- Commodities make up more than 60% of African exports
- Manufactured goods account for more than 50% of imports

Industrial GDP remains very low across Africa and the structure of manufactured exports is still resource-based and low-tech



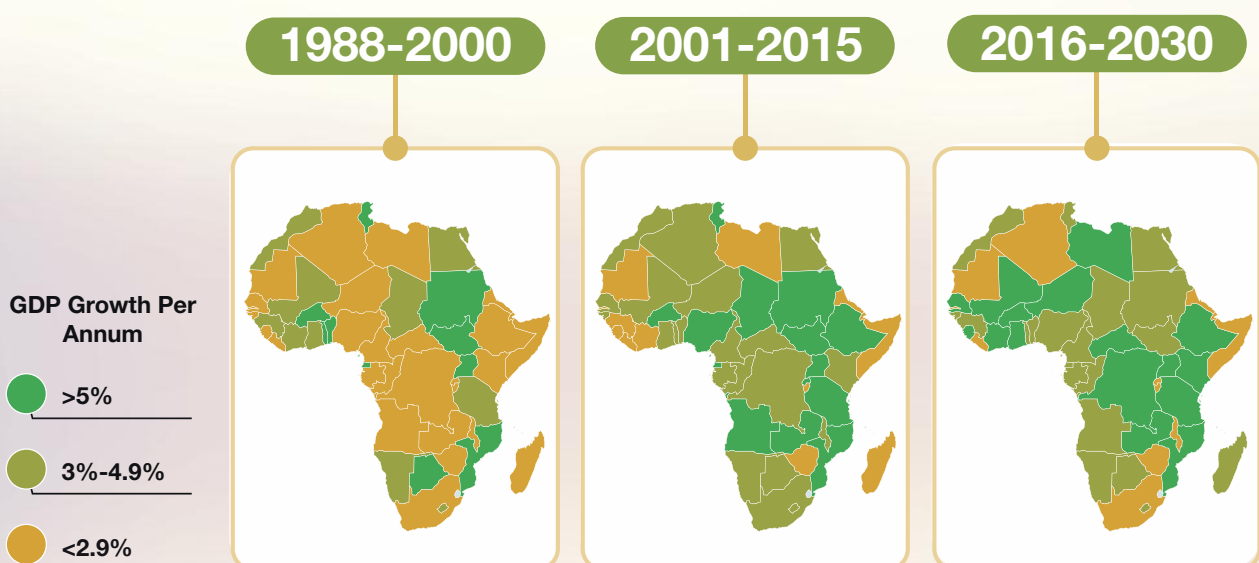
■ Medium & High technology ■ Resource-based & Low technology — Emerging countries' average share of RB-LT

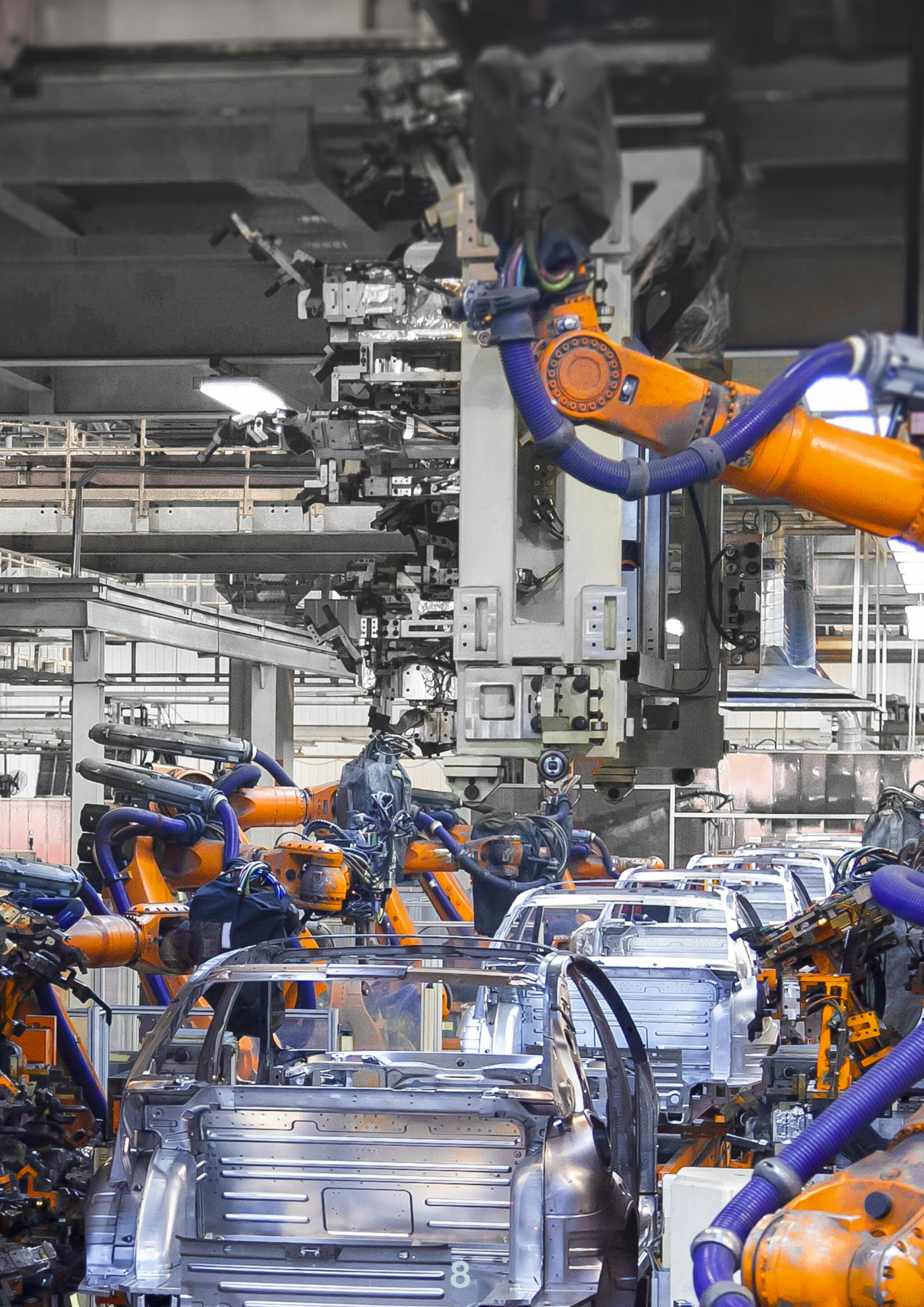




Now Is the Time to Industrialise Africa

Africa has benefited from two decades of steady economic growth sustained by commodity exports and increasingly by structural factors such as demographics, growing internal markets, urbanisation and technological developments.

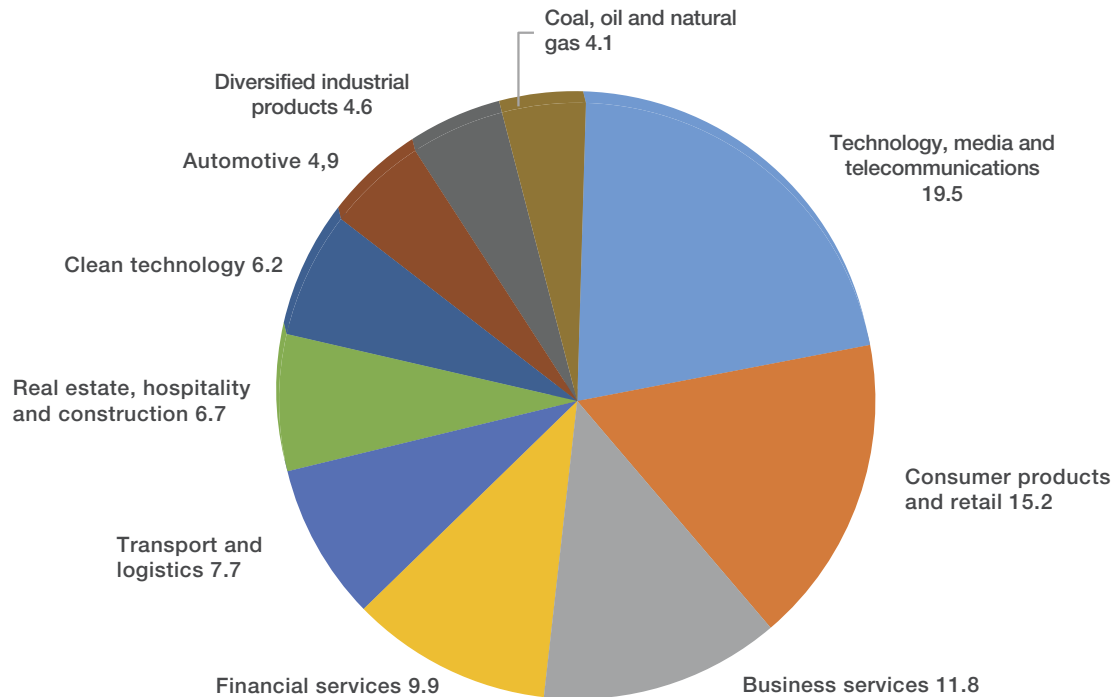




Africa is the second-largest FDI destination

behind the Asia-Pacific region. FDI inflows to Africa have risen from approximately USD 10 billion in 2000 to over USD 55 billion in 2015.

FDI Projects in Africa are diversifying beyond the extractives sector



Source: EY Attractiveness Program Africa, May 2017 / Oxford Economics



Africa's Industrial Development Can Capitalise on Sound Structural Factors

- **Demographics:** Africa will have 2 billion people in 2050, one fifth of the global population, the largest and youngest workforce by 2025 and over 500 million people in the labour market.
- **Urbanisation:** Africa has the highest urbanisation rate in the world. About 40% of the population already live in urban areas and the 20 largest African cities are expected to grow by 50% in the next 10 years. This represents opportunities in infrastructure development and services.
- **Growing internal markets and middle class:** 150 million Africans made up the middle class in 2010. This is set to increase to 210 million by 2020 and to 490 million by 2040. Internal markets are growing by more than 5% annually.
- **Digital and technological developments:** Africa is the fastest-growing digital consumer market with 600 million internet users. The continent will have 720 million smartphone users by 2020. Currently, 31% of Africans are within reach of internet connectivity.

A photograph of an industrial facility at night. Several tall, cylindrical smokestacks are visible, some with bright blue flames or smoke rising from them. The structure is illuminated by various lights, including red safety lights on a platform. The background is a dark, clear night sky.

What Will it Take to Industrialise Africa?

Structural transformation is needed to ensure sustainable, inclusive and shared growth in Africa. This is not possible without industrialisation with which to facilitate a move from low- to high-productivity activities.

African Development Bank's goal is to help Africa move from agriculture to agro-industries, from raw natural resource exports to high-value semi-processed or processed exports and, hence, to curb high unemployment rates and lay the groundwork for greater diversification of

economies. This industrial revolution must be underpinned by technological progress, reallocation of new investments into high-return emerging markets and by offering Africa opportunities to leapfrog over its development gap.

Stakeholders acting on the industrialisation agenda of the continent estimate that structural transformation requires industrial GDP to grow by an average of 11.5% per year (corresponding to a cumulative growth of

130% by 2025), while GDP per capita growth would have to almost double to 4% per annum. The experience of other industrialising economies would seem to indicate that Africa can realistically achieve these objectives by increasing industrial GDP in the next ten years from USD 751 billion to USD 1.72 trillion within the next decade. This would raise continental GDP to USD 5.62 trillion and African GDP per capita to USD 3 368 by 2025.

For this to happen, there is a need for a comprehensive and resolute continental industrial policy that is country-adjustable to local contexts and that can be aligned with the country's development goals. This will require vision and commitment from political leaders but also from the African Development Bank

and the broader development community called upon to provide support through technical assistance, capacity building, continuous dialogue and advisory services.

Lessons from the experiences of the African Development Bank, UNIDO, UNECA and other development organisations highlight five key enablers that have been common to almost all countries that have rapidly industrialised their economies.

In successful industrialising 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.

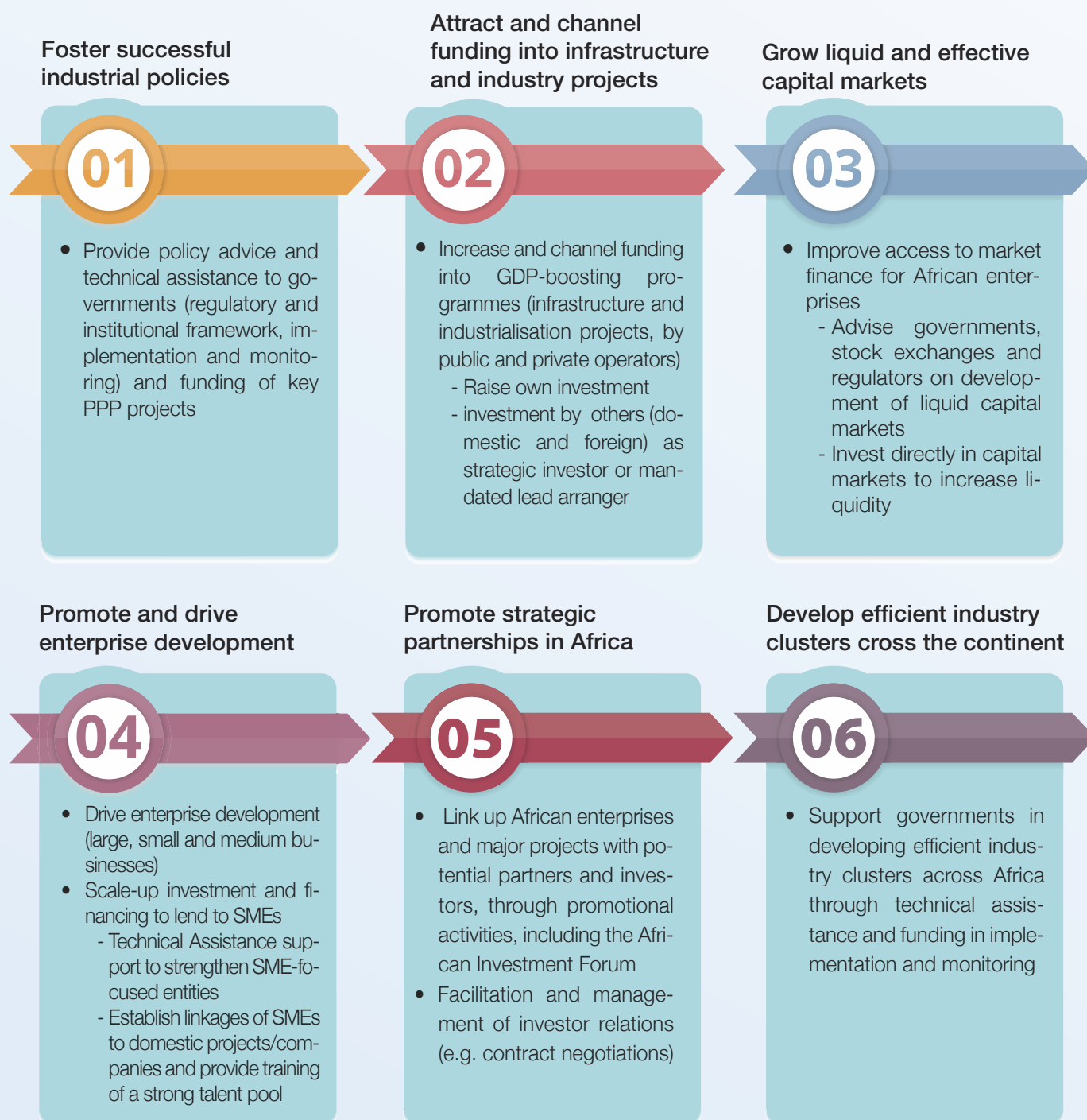
Industrialisation Enablers

- Supportive policies, legislation and institutions.
- Conducive economic environments and infrastructure
- Access to capital
- Access to markets
- Regional integration and addressable markets
- Competitive talents, capabilities, and entrepreneurship.

How the Bank Will Help Industrialise Africa

The African Development Bank plans to place a stronger focus on areas where it can best leverage its experience, capacities and its finances to support countries through six 'Flagship Programs', which are at the core of the Bank's Industrialise Africa priority.

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







AfDB Intends to help raise Africa's
industrial GDP by 130% by 2025

and drive overall
GDP from USD 2.3 trillion
to USD 5.6 trillion





AFRICAN DEVELOPMENT BANK GROUP
Communication and External Relations Department

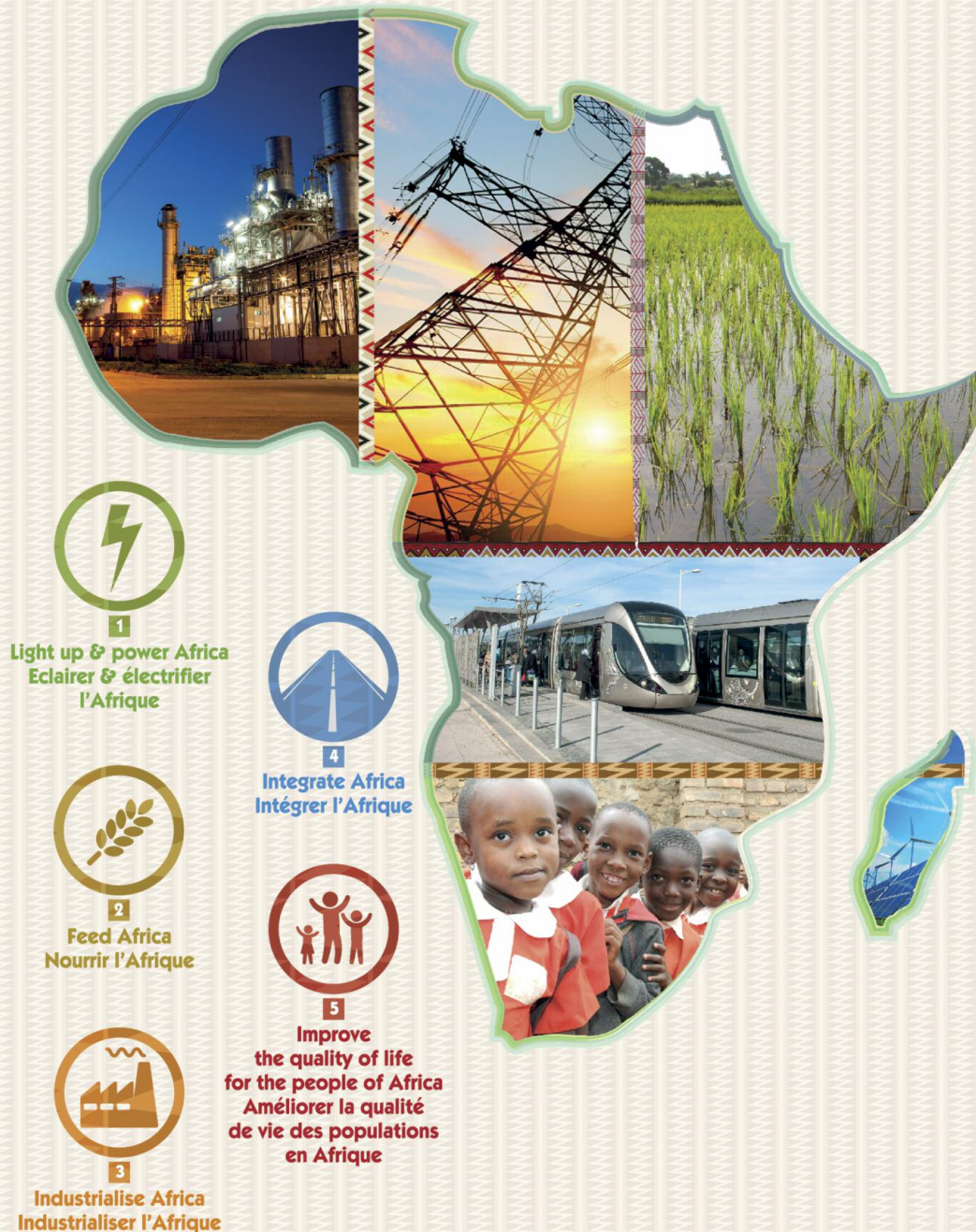
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The High 5 for transforming Africa pour transformer l'Afrique



The High 5s Agenda

Five priority actions for the African Development Bank and for Africa. The High 5s Agenda is 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.

Les High 5

Ce sont les cinq grandes priorités de la Banque africaine de développement et de l'Afrique. La BAD en fait un levier pour renforcer et étendre la mise en œuvre de sa stratégie décennale 2013-2022 visant à transformer l'Afrique aux plans social et économique.

Les High 5 poursuivent le double objectif de cette stratégie décennale : une croissance inclusive partagée par tous et une transition progressive vers une croissance verte.

Les High 5 déclinent les 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.