

INDUSTRIALISE AFRICA



AFRICAN DEVELOPMENT BANK GROUP



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Foreword

Industry has always played a vital role in development. It boosts economic activity along value chains, from raw materials to finished products. It lifts productivity by introducing new equipment and new techniques, increases the capabilities of the workforce, and diffuses these improvements into the wider economy.

Industry also tends to generate formal employment, which in turn creates social stability. It improves the balance of trade by creating goods for export and replacing imports. Industrialisation, including the encouragement of manufacturing and processing capability, makes for strong and sustainable economic development, creating wealth in the economy.

It is a prerequisite to Africa's sustainable and inclusive growth, achievable through adding value by processing, packaging and marketing its raw materials. Africa must not miss opportunities for such linkages whenever and wherever they occur.

There is a golden opportunity over the next few years as African economies pick up the pace. Africa is home to 5 of the 10 fastest-growing economies in the world, but this growth is unsustainable and non-inclusive since it is mostly driven by the export of unprocessed commodities with little value addition.

We are starting from a low base. On average, industry generates merely \$700¹ of GDP per capita in Africa, less than a third of Latin America's output (\$2,500 per capita) and barely a fifth of East Asia's (\$3,400 per capita).

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 to build a 21st century Africa ready to take its rightful place in global value chains.

In rural areas the Bank is encouraging the development of 'special agro-industrial zones', enabled with infrastructure such as roads, power and water supply. This will reduce the cost of business, post-harvest losses. The Bank is actively investing in the development of these zones.

Africa is also brimming with potential, a fast-growing market offering enormous opportunities. Consumer spending will double to \$1.4 trillion by 2020 and treble to \$2.1 trillion by 2025. By 2030 demand for food in urban areas will triple to \$1 trillion. In addition, 2 billion people will need food and clothing by 2030, not counting the other goods that we should be then be making, processing, and exporting out of Africa. This means that the infrastructure, the investment, the people for this, must come from and be made in Africa.

¹ '\$' indicates US dollars throughout this text



1. Now is the time to industrialise Africa

20 years of sustained growth

Africa has reached a turning point in its history, when it should capitalise at last on the benefits of 20 years of steady growth, coupled with favourable demographics, growing internal markets, urbanization and technological developments that are accelerating the pace of industrialisation. Africa has been buoyed by plentiful extractive and raw commodities, rapidly growing services (telecommunications, ICT, banking), the retail and manufacturing sectors, and has profited from easier business regulation and better governance. Africa's economic pulse has maintained an average overall rate of 5% GDP growth over the last two decades and the pulse is ready to beat even faster over the next decade.

Sound structural factors

Africa should also capitalise on sound structural factors to maintain and accelerate its economic growth. The factors (see opposite page) offer the continent a great opportunity to industrialise:

The case for industrialising Africa

DEMOGRAPHICS

Africa will have 2 billion people in 2050 – over one fifth of the projected global population, the largest and youngest workforce by 2025 and over 500 million people in the labour market.

Successfully absorbing this workforce in labour-intensive and highly productive activities/sectors (eg manufacturing) holds the key to creating Africa's demographic dividend.

URBANISATION

Africa has the second-highest urbanisation rate in the world and by 2050, 56% of its population will be urban. And in the next 10 years, Africa's 20 biggest cities are expected to grow by 50%. This represents new opportunities in infrastructure development and services.

GROWING MIDDLE CLASS AND INTERNAL MARKETS

With a growing population and rapid urbanisation, a middle class strengthens and becomes more numerous. In 2010, 150 million Africans made up the middle class, a figure that is expected to reach 210 million in 2020 and rise to 490 million by 2040. The rise of the middle class has caused in a shift in consumption patterns with its members preferring consumer goods (finished and manufactured products) as well as buying in supermarkets and larger retail outlets. This is a market worth \$250 billion and it is set to grow at an annual rate of 5% by 2025.

DIGITAL AND TECHNOLOGICAL DEVELOPMENTS

In 2016, mobile technologies and services generated \$110 billion of 'et ligne 6 a 'sub-Saharan' Africa, equivalent to 7.7% of GDP. It is expected to rise to \$142 billion, or 8.6% of GDP, by 2020 as countries benefit from improvements in productivity and efficiency from the increased take-up of mobile services.

The mobile technologies sector employed some 3.5 million people in sub-Saharan Africa in 2016. The number of mobile broadband connections will be 500 million in 2020, double the 2016 figure.

2. Industrialise Africa: How?

The African Development Bank's approach: focus on the six flagship programmes

The African Development Bank has adopted an industrialisation strategy for Africa 2016–2025, which focuses on areas where the Bank can best leverage its experience, capacities and its financial support. The “Six Flagship Programmes” form the basis of the Bank’s Industrialise Africa High 5.

FOSTER SUCCESSFUL INDUSTRIAL POLICIES

The Bank can provide policy advice and technical assistance to governments (regulatory and institutional frameworks, implementation and monitoring) and funding of key PPP projects.

1

ATTRACT AND CHANNEL FUNDING INTO INFRASTRUCTURE AND INDUSTRY PROJECTS

The Bank can contribute new and additional funding for programmes that boost GDP (infrastructure and industrialisation projects – by private or public operators). It can assist operators to raise their own investment or receive investment from others (domestic or foreign) as strategic investors or mandated lead arrangers.

2

GROW LIQUID AND EFFECTIVE CAPITAL MARKETS

The Bank can help to improve access to market finance for African enterprises by advising governments, stock exchanges and regulators on how to develop liquid capital markets or invest directly in capital markets to increase liquidity.

3

PROMOTE AND DRIVE ENTERPRISE DEVELOPMENT

The Bank can contribute to the development of large, small and medium enterprises (SMEs) and increase investment and financing to SMEs. It can also provide technical assistance to strengthen SME-focused entities, and establish linkages of SMEs to domestic projects or companies, and provide training to increase management capacity.

4

PROMOTE STRATEGIC PARTNERSHIPS IN AFRICA

The Bank can link African enterprises and major projects with potential partners and investors through promotional activities, including the Africa Investment Forum. It can also assist in the facilitation and management of investor relations (e.g. contract negotiations).

5

DEVELOP EFFICIENT INDUSTRY CLUSTERS ACROSS THE CONTINENT

The Bank can support governments in developing efficient industry clusters across Africa through technical assistance and funding of implementation and monitoring.

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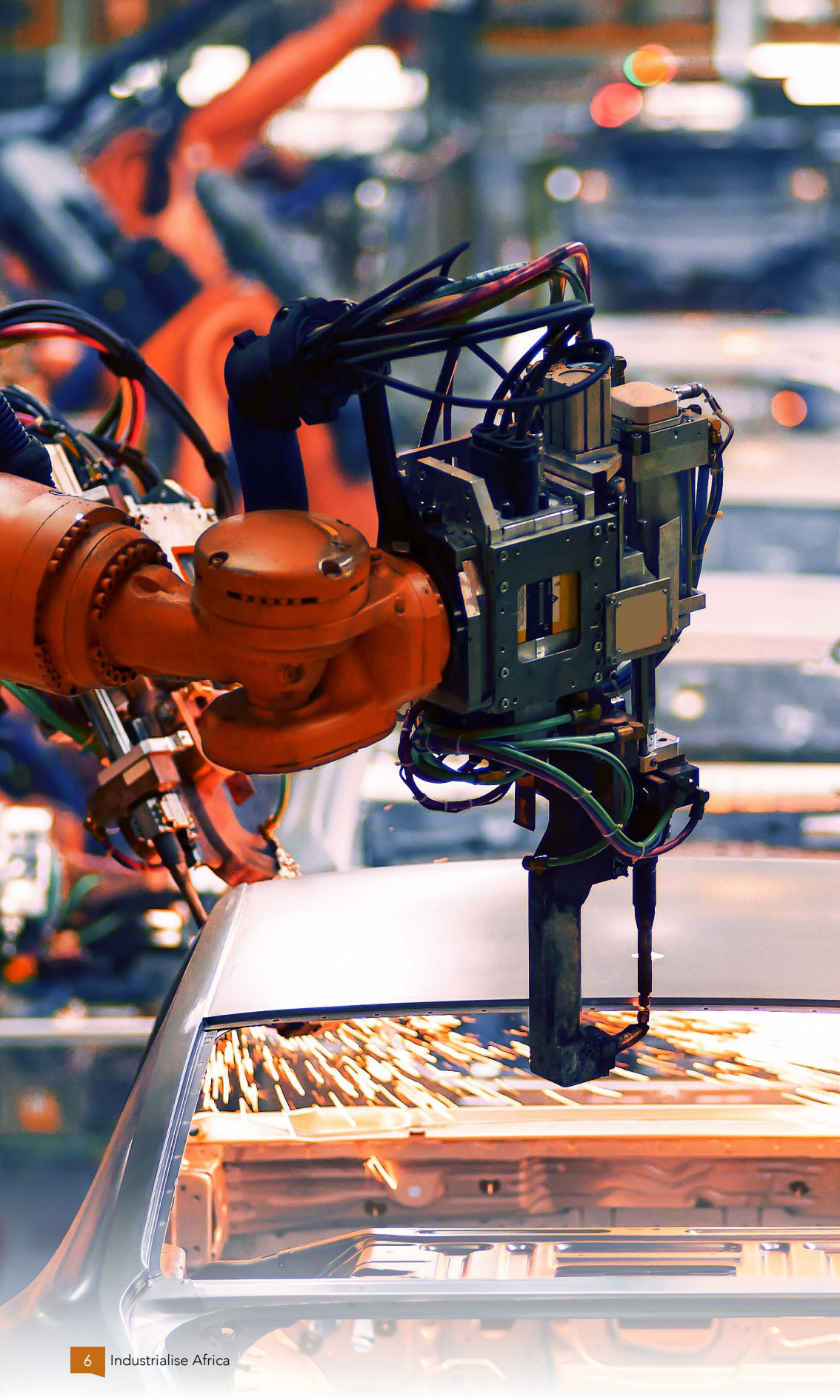
3. The Bank's support for industrialisation

The Bank has been spearheading the implementation of the Industrialise Africa priority by identifying and investing in high value industrial projects, which have a catalytic effect on countries' economies and foster the transformation of African economies.

In 2018, the Bank approved a minimum of \$300 million in loan facilities in favour of projects with high economic and catalytic effects. Prominent amongst the Industrialise Africa operations are:

- The Boke Mine and Port project in Guinea, to which the Bank provided \$100 billion. The project contributes to the strengthening of Guinea's position as a world-leading producer and exporter of bauxite while contributing to the development of core transport infrastructure. When completed, it will contribute \$400 million to Guinea's GDP, and \$300 million to the country's trade balance annually during the operational phase. It will create over 4,000 jobs during the construction phase and 700 permanent and 1,500 temporary jobs during the operational phase.
- TEKCIM in Morocco: the Bank provided a €50 million loan to partly fund the construction and operation of a greenfield cement factory with a capacity of 1,4 million tons of cement per year. When completed, it will increase the share of the industrial sector in the country's GDP by 23% by 2020; increase regional exports of cement by at least 25% by 2025, create at least 150 temporary jobs in 2018, and employ not less than 150 total full time workers by 2025.
- The new Kotoka Airport terminal 3 in Ghana will handle 6.5 million passengers per year. An automated baggage handling system processes 3,500 bags an hour. The project, funded by the African Development Bank with a \$120-million facility, will improve air transport in the country. The improvement and expansion of an outer ring road for the Kenyan capital has significantly reduced travel times and road congestion, providing access to residential and industrial zones in the east and north of Nairobi, and to the Thika and Mombasa roads.
- The Kazungula bridge links the town of Kazungula in Zambia with Botswana, and will transform surrounding communities, counties and cities, boosting road travel and business within SADC, the EAC and COMESA.





The Bank has succeeded in delivering on key transformative projects such as:

Compagnie Agricole de Saint-Louis integrated rice production project in Senegal, where the Bank provided a €15.7 million loan to reduce food insecurity by enhancing local production of rice, reducing food imports and creating jobs.

The project created over 9,000 jobs during construction, 300 permanent jobs and 169 long-term contract jobs upon completion of the project. It also led to 330,200 farmers participating in Indorama out-grower schemes (including 99,060 female beneficiaries; and 231,140 smallholder farmers).

A loan in 2011 helped the OCP Group (Morocco) to compete globally in phosphate and fertiliser production. A second loan of \$200 million helped to expand production and storage facilities. Thousand of jobs were created.

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Derba Cement in Ethiopia (\$77 million), leading to a 75% reduction in cement prices, major savings in foreign exchange and creating over 700 jobs.

The Bank approved \$100 million senior loan to Nigerian firm, Indorama Eleme Fertiliser & Chemicals Limited, to transform 1.4 metric tons per year of natural gas into urea fertiliser.

Most production from the new plant targets export markets and improves inadequate fertiliser utilisation, one of the main constraints to agricultural growth and development in Nigeria.

A \$4 million funded line of credit to local banks will provide liquidity to small and medium enterprises in Liberia, and a \$8 million risk participation agreement will allow local banks to confirm letters of credit issued by businesses.

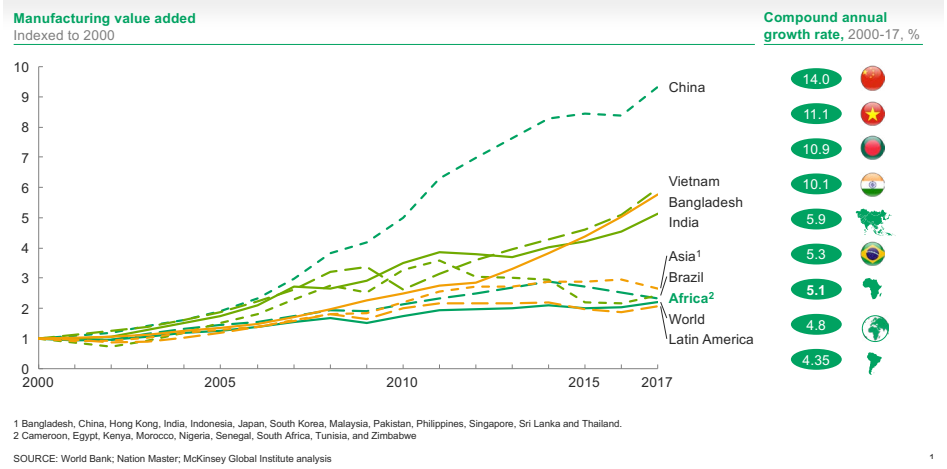
4. Partnerships

The African Development Bank makes partnerships with key stakeholders to accelerate Africa's industrialisation. In May 2018, the Bank and the UN Industrial Development Organisation (UNIDO) agreed to step up collaboration to boost Africa's industrialisation.

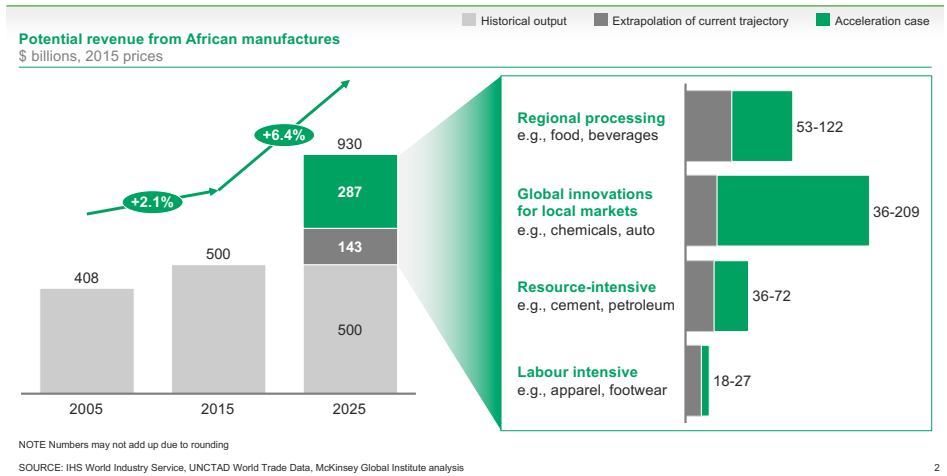
The agreement will facilitate cooperation between the Bank and UNIDO on joint activities of shared interest in areas such as agro-industry development, circular economy, eco-industrial parks, investments in innovation and technology, enterprise development, trade and capacity-building, and access to finance, among others.

5. Manufacturing in Africa

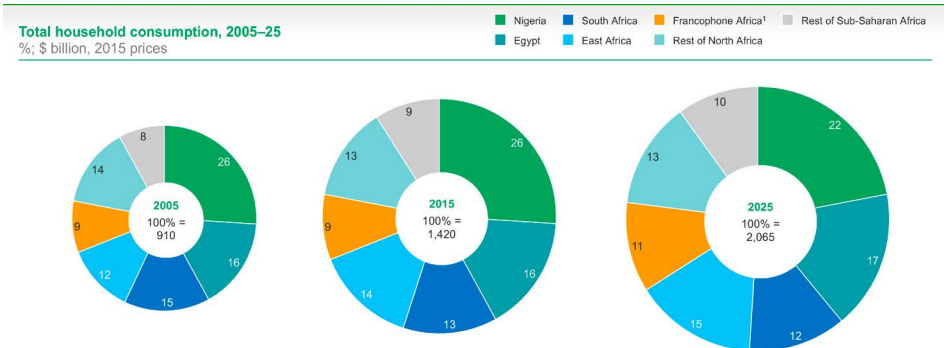
Africa's manufacturing value-added growth has lagged behind that of emerging Asian champions



... but Africa has an opportunity to double its manufacturing output and triple historical growth rates



... thanks to population growth, which will push total household consumption above \$2 trillion by 2025





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The High 5 for transforming Africa



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Improve the quality of life
for the people of Africa



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