Industrialize 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. It is why Industrialize Africa is at the heart of the African Development Bank’s High 5 SDGs. To industrialize Africa, the AfDB is committed to mobilizing 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 and food. 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!
No country or region in the world has achieved prosperity and a decent standard of living for its citizens without a robust industrial sector and African leaders have repeatedly emphasized the importance of industrialization for the continent’s inclusive and resilient growth. The role of industrialization 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 national 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 “Industrialization Agenda”. This publication presents a roadmap for implementing flagship programmes to scale up the industrial transformation of Africa. It also summarizes the rationale for: (i) the industrialization of Africa; (ii) making industrialization a current priority; (iii) freeing resources for the industrialization of Africa; and (iv) AfDB’s assistance in the industrialization of Africa.
overall, Africa has enjoyed strong economic growth for almost all of the past two decades but has not seen a commensurate rise in industrialization. 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, favorable commodity prices, urbanization and increasing public and private investment. The persistent lack of industrialization 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, industrialization is a necessity for Africa. When world leaders agreed in 2015 to “build resilient infrastructure, promote sustainable industrialization and foster innovation”, which became Sustainable Development Goal #9, they recognized 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. Industrialization boosts productivity by introducing new technologies and techniques, generates employment, increases the skills of the workforce, supports formalization of the economy, diffuses improvements into the wider economy and tends to underpin social stability. Industrialization can improve the balance of trade by creating goods for export and creating local competition for imports. The challenges of industrialization 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**

- 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

**Source:** Computation based on WTO data (2017)

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

**Source:** Calculations, based on UN data (2016).
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, urbanization and technological developments.

Africa’s economic growth is accelerating fueled by a growing internal market

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

Africa’s Industrial Development Can Capitalize 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 labor market. Successfully absorbing this workforce in labor-intensive and highly productive activities/sectors (e.g. manufacturing) holds the key to creating Africa’s demographic dividend.

**Urbanization**

Africa has the highest urbanization 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 the middle class**

with growing populations and rapid urbanization have come the rise of a middle class. 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 a shift in consumption patterns with its members preferring consumer goods (finished and manufactured products) as well as buying in supermarkets or similar set ups. This is a market worth USD250bn that is set to grow at an annual rate of 5% over the next 8 years.

**Digital and technological developments**

In 2016, mobile technologies and services generated USD 110 billion of economic value in Sub-Saharan Africa, equivalent to 7.7% of GDP. It is expected to rise to USD 42 billion or 8.6% of GDP, by 2020 as countries benefit from improvements in productivity and efficiency brought about by increased take-up of mobile services. The mobile ecosystem accounted for approximately 3.5 million jobs in Sub-Saharan Africa in 2016. The number of mobile broadband connections will reach half a billion by 2020, more than double the number at the end of 2016.
To deliver its contribution to these programs, the Bank will significantly increase its level of funding over the next decade.

How the Bank Will Help Industrialize 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 Industrialize Africa priority.

01 Foster successful industrial policies
- Provide policy advice and technical assistance to governments (regulatory and institutional framework, implementation and monitoring) and funding of key PPP projects

02 Attract and channel funding into infrastructure and industry projects
- Increase and channel funding into GDP-boosting program (infrastructure and industrialisation projects, by public and private operators)
  - Raise own investment
  - Investment by others (domestic and foreign) as strategic investor or mandated lead arranger

03 Grow liquid and effective capital markets
- 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

04 Promote and drive enterprise development
- 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

05 Promote strategic partnerships in Africa
- Link up African enterprises and major projects with potential partners and investors, through promotional activities, including the African Investment Forum
- Facilitate and manage investor relations (e.g. contract negotiations)

06 Develop efficient industry clusters across the continent
- Support governments in developing efficient industry clusters across Africa through technical assistance and funding in implementation and monitoring
The African Development Bank intends to help raise Africa's industrial GDP by 130% by 2025 and drive Africa's overall GDP from USD 2.2 trillion to USD 4.6 trillion.

Achievements under the ‘Industrialize Africa’ priority

The Bank has spearheaded the implementation of the High 5 Industrialize Africa priority by identifying and investing in high value industrial projects which have a catalytic effect on countries’ economies and promote the transformation of African economies.

In 2017, the Bank approved loans in favor of three projects with high economic and catalytic effects to the value of USD 148,102,216:
Boké Mine (Guinea)

Project description
A USD 1.4 billion project, which will improve Guinea’s position in global markets as an exporter of premium quality bauxite while contributing to the development of core transport infrastructure in the country.

The African Development Bank’s contribution
The Bank provided USD 100 million through its private sector window.

Economic effects and benefits
• Upgrade to the existing multi-user rail system linking Boké to the Port of Kamsar and development of a quay and container terminal have boosted traffic and unlocked trading and agricultural potential in the region.
• Boost in job creation in the region during the construction and operation phases.

Société nationale d’industrie minière (SNIM), Mauritania

Project description
Expansion of the Guelb El Rhein mine (Guelb II), operated by SNIM, through construction and start-up of a new iron ore enrichment plant to produce an additional 4 million tonnes per year of concentrates.

The African Development Bank’s contribution
Estimated project cost is USD 771 million; the Bank provided a USD 175 million 15-year senior limited-recourse loan (including 4 years grace).

Economic effects and benefits
• 600 jobs created during the 3-year construction phase from 2013 and 340 permanent jobs created during its operations.
• SNIM is expected to generate an additional USD133 million per year for the government through corporate taxes (USD86 million) and dividends (USD 47 million) from 2013 onwards.
Project description
The project involves the mining of the Derba-Mugher limestone deposit and its treatment in a cement plant with a capacity to recover 5,600 tonnes per day clinker and 7,000 tpd cement as a finished product.

The African Development Bank’s contribution
Its estimated total cost at inception was USD 350 million and the Bank provided a long-term senior loan of USD 55 million. The Bank also played a key role in attracting debt financing needed to realize the project and convincing all financiers to provide the 10-year funding needed to ensure a solid cash flow structure for the project.

Economic effects and benefits
- 2000 jobs created during the construction phase. The project currently employs 739 permanent workers of which 17% are female.
- Due to its high-power consumption, a 5 MW plant was built by the sponsor during the construction phase, making 40% of its energy available to the local community.
How to work with the African Development Bank

Economic operators in the private sector wishing to work with the Bank should meet the eligibility criteria and follow the application procedure described below.

Maximum Bank participation cannot exceed 33 per cent of total project cost for Greenfield projects; however, it can be higher for projects that include the expansion of existing facilities.

Evidence of strong integrity, good reputation and adequate financial standing.

Investment size determined by Single Obligor Limit and other prudential considerations.

An enterprise/project must be majority-owned (more than 50 per cent) by private-sector investors, or publicly owned with strong financial standing and proven managerial autonomy.

Projects for the establishment, expansion, diversification and modernization of productive enterprises (i.e. CAPEX).

Eligibility criteria
Application procedure

To enable the Bank to promptly assess the eligibility of a project for investment, interested enterprises are required to submit a preliminary application covering, in general, the following information:

- Description of the project (sector, location, production volumes, etc.)
- Sponsors, including financial and managerial background
- Cost estimates, including foreign exchange requirements
- Financing plan, indicating the amount of AfDB financing desired
- Key technical and environmental features
- Feasibility indicators
- Business climate, market prospect, including proposed marketing arrangements
- Implementation plan, including the status of required licenses, permits, certificates, etc.

Having determined the eligibility of a project financing application, the Bank will initiate a full application review. To facilitate this, the Bank will require the following:

- Feasibility study
- Business plan
- Environmental and social impact assessment (depending on the nature of the project)

The private sector at the African Development Bank

Financial instruments

- **Senior Debt**
  - Adapated maturities (up to 15 years)
  - Up to 5 years grace period
  - Foreign or local currency loans
  - Up to 1/3 of total project cost
  - Syndication co-financing platform

- **Guarantees**
  - Partial risk guarantee
  - Partial credit guarantee

- **Technical Assistance**
  - Grants for feasibility studies
  - Capacity building support
  - SME linkages programs
  - Advisory Services

- **Subordinated Debt**
  - Local currency
  - Foreign currency
  - Quasi equity products similar to senior debt

- **Equity**
  - Indirect, through private equity funds
  - Direct, maximum of 25%
The High 5 Agenda

Five priority actions for the African Development Bank and for Africa. The High 5 Agenda is the African Development Bank’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 5 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 5 are: Light up and power Africa; Feed Africa; Industrialize Africa; Integrate Africa; Improve the quality of life for the people of Africa.