

Unlocking industrial potential

Support for the private sector is essential to unlock Africa's productive potential. The Bank's private Africinvest fund enabled Tunisia's Eleonetech to become a leading electro-mechanical firm.

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Chapter 3
Industrialise Africa

Accelerating transformative industrialisation in Africa promises to facilitate structural economic transformation, promote inclusive growth, and create more secure, higher-paying job opportunities. To achieve this, African countries must prioritise the development of robust industrial policies, infrastructure, access to finance, partnerships, and industry clusters. These interventions will also foster entrepreneurship, enhance connectivity, and drive technological advancement, ultimately accelerating Africa's industrial development and economic integration. In 2023, the Bank contributed to supporting enterprises with access to finance, thereby fostering economic growth and job creation. It also successfully facilitated trade finance activities and supported infrastructure development.

Africa's progress towards industrialisation

Despite the negative impact of global challenges such as the COVID-19 pandemic and Russia's invasion of Ukraine[1], Africa's industrial sector has demonstrated remarkable resilience.

Accelerating the African manufacturing sector's growth

Despite recent setbacks, the **value added to Africa's manufacturing sector rebounded to $315 billion in 2023**, surpassing pre-pandemic levels. On the other hand, a decrease in **gross fixed capital formation from the private sector from 15.4% of GDP in 2019 to 15.1% in 2023** in Africa suggests a decline in the proportion of private sector investment, indicating a lack of structural transformation. Although foreign direct investment has returned to pre-COVID levels, remaining at $45 billion in 2022, it has not seen significant growth from 2018 to 2019. While some African countries have achieved progress in diversifying their economies and advancing industrial development,[7] overall performance remains relatively low. Many African economies still rely heavily on unimproved primary commodities, exposing them to global market uncertainties. In terms of job creation, the manufacturing sector contributes less than 10% to total employment. Manufacturing employment accounted for 7.7% of Africa's total employment in 2000 (approximately half the world's average of 14.6%). In 2021, this share declined to 7.4% (against a global average of 13.6%).

The African Continental Free Trade Area (AfCFTA) holds immense potential to increase investment flows, leveraging economies of scale for enhanced competitiveness and productivity gains. Forecasts suggest a rapid surge in intra-African trade, particularly in manufacturing, by 2035, contingent upon effective implementation of the AfCFTA alongside trade facilitation measures.

Improving the business climate and promoting financial inclusion for Africa's industrial future

African economies must create an environment conducive to private sector and enterprise development to drive industrialisation and economic transformation. This entails implementing sound industrial policies, promoting private sector growth, improving access to finance, harnessing technological innovation, accelerating continental integration, and pursuing resource-based industrialisation and diversification.

> *African economies must foster private sector development to drive industrialization*

Addressing critical infrastructure bottlenecks is paramount. Infrastructure enhancements are critical for Africa's economic competitiveness. Existing gaps, however, hinder participation in global value chains. Notably, the Bank's Africa Infrastructure Development Index reveals progress in narrowing these gaps between 2021 and 2022. Sustaining these gains promises to further enhance Africa's economic growth by facilitating trade and job creation.

However, Africa faces a significant challenge in its industrialisation journey. Despite increased financial accessibility, persistent disparities impede enterprise and industrial development. While Africa leads in leveraging technology for financial services, with innovations in payments, credit, savings products, and insurance, the continent lags in financial inclusion. While **access to finance has improved since 2019, it stands at 49% of the adult population in Africa**, below the global average of 76%. Countries such as Chad, the Democratic

7 A small number have developed advanced manufacturing sectors (e.g., Algeria, Botswana, Gabon, Mauritius, Namibia and South Africa), and others show promising signs (e.g., Ethiopia, Rwanda and Morocco).

Table 5 **Industrialise Africa (progress in Africa)**

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2019	Latest 2023	Baseline 2019	Latest 2023	Baseline 2019	Latest 2023
Gross fixed capital formation, private sector (% of GDP)	15.4 (2019)	15.1 (2023)	16.4 (2019)	15.6 (2023)	15.0 (2019)	14.2 (2023)
Industrial gross domestic product (constant 2015 $ billion)	759 (2018)	863 (2022)	196 (2018)	219 (2022)	75 (2018)	74 (2022)
Economic diversification (Index, 1 low–0 high)	0.63 (2018)	0.64 (2022)	0.65 (2018)	0.65 (2022)	0.66 (2018)	0.67 (2022)
Value added of the manufacturing sector ($ billions)	311	315	82	76	32	23
Access to finance (% of adult population)	37 (2017)	49 (2021)	16 (2017)	20 (2021)	10 (2017)	12 (2021)

Improvement compared to the baseline Regression compared to the baseline

Republic of Congo (DRC), Sierra Leone, and Sudan have even lower rates, with only 40% of the population having access to finance, while in Burundi and Niger, 90% of the population remains excluded. Tackling these disparities is crucial to unlocking Africa's industrial potential and fostering inclusive economic growth. Furthermore, domestic credit to the private sector in Africa has declined, dropping from 35% of GDP in 2018 to 33% in 2022. This is due to a decline in economic activity and increasing debt levels, underscoring the need for adequate infrastructure, expanded market access and enhanced skills development.

Advancing Africa's industrial landscape

Recent trends underscore Africa's role in driving digital innovation, with 633 African technology start-ups raising a record $3.3 billion in 2022.[8] Enhancing access to reliable electricity, high-speed internet, and finance is crucial to unleashing the full potential of innovation and entrepreneurship, particularly for youth employment in Africa's digital economy driven by its youthful population. In response to these needs, the Bank champions the development of strong industrial infrastructure. This includes promoting industrial zones with common services and technology parks that foster collaboration among innovators to propel Africa's digital advancement.

> *The continent stands uniquely positioned to lead in green and renewable technologies*

Additionally, Africa possesses abundant renewable energy and critical minerals, presenting a significant opportunity for economic diversification and integration into regional and global value chains. Embracing resource-based industrialisation and manufacturing diversification is critical to accelerating structural transformation and positioning Africa as a leader in green technologies. In addition, Africa's potential to participate in the global battery and electric vehicle value chain, estimated at $8.8 trillion by 2025, underscores its role in sustainable industrialisation, driving economic growth continent-wide.

Furthermore, the pharmaceutical sector holds immense promise. The Bank is, therefore, actively supporting Africa's pharmaceutical industry through initiatives like the African Pharmaceutical Vision and Action Plan 2030. For instance, the African Pharmaceutical Technology Foundation (APTF), launched in 2022, aims to enhance Africa's access to technologies essential for manufacturing medicines, vaccines, and other pharmaceutical products.

Finally, the establishment of Special Agro-Industrial Processing Zones (SAPZs) marks a significant milestone in agricultural transformation. These zones integrate smallholder farmers into value chains by providing essential infrastructure and facilitating connections with agro-industrial processors and markets. By attracting investment and promoting industrial growth in food processing and value addition, SAPZs drive economic diversification, agribusiness development, and rural employment. The Bank is currently supporting SAPZs in Mozambique, Nigeria, and Liberia.

The Bank's support to Africa's industrialisation

The Bank's Industrialisation Strategy for Africa 2016–2025 encompasses six key focus areas: industrial policies, infrastructure development, capital markets, enterprise development and access to finance, strategic partnerships, and industry clusters. Additionally, the Bank places a strong emphasis on facilitating regional integration and trade, aiming to expand market access and foster industrialisation across the continent. In 2023, the Bank's operations provided **access to finance for 443 510 enterprises** across various sectors, with nearly 53% being women-owned, contributing significantly to economic growth, industrialisation efforts, and job creation. Moreover, the Bank supported trade finance activities totalling $840 million (including intra-African trade; see Chapter 4: Integrate Africa), vital in bolstering the continent's economic growth and global connectivity. The Bank also contributed to the

8 The African Tech Startups Funding Report, Disrupt Africa (2022).

Table 6 **Industrialise Africa (the Bank's contribution to development)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Planned	Actual	Achievement rate	Planned	Actual	Planned	Actual
● Enterprises supported with access to finance (number)	111 209	443 510	399%	82 675	111 621	25	27
● —*of which, women owned*	76 948	232 955	303%	71 175	17 345	25	27
● Roads constructed (km)	396	352	89%	292	248	72	28
● Feeder roads built (km)	1 471	971	66%	1 291	702	62	-

● Indicator reached 85% or more of the anticipated target ● Indicator achieved below 70% of the anticipated target

construction or rehabilitation of 352 km of roads and 971 km of feeder roads, strengthening transportation infrastructure vital for industrial development. The target for feeder roads was not achieved due to the cancellation of components of a multinational agriculture project in the Sahel attributed to budgetary mismatches during project design. Additionally, 33 817 new agri-businesses were supported, driving agricultural productivity and contributing to the continent's industrialisation goals (see Chapter 2: Feed Africa).

Promoting enterprise development through access to finance

Improving access to finance and fostering financial inclusion are pivotal components of the Bank's industrialisation strategy. As a key example, the Bank allocated €120 million in financing for the Support Programme for Financial Inclusion, Entrepreneurship, and Micro-enterprises for Economic Recovery in Morocco. This initiative facilitated crucial reforms, such as enhancing the micro-finance sector's legal and regulatory framework and bolstering micro-finance institutions' capacity to cater to a broader customer base with a comprehensive range of micro-finance services tailored to the needs of vulnerable populations. Furthermore, the implementation of a decree aimed at enhancing SMEs' access to the stock market resulted in a 15% increase in the volume of financing mobilised through this platform. Ultimately, the programme extended financial assistance to over 31 000 entrepreneurs, generating 50 000 jobs, with 20% specifically benefiting women.

Acknowledging the crucial role of finance in economic growth and industrialisation, various initiatives have been implemented in Africa. For example, Nigeria's Federal Government established the Development Bank of Nigeria (DBN) to tackle financing obstacles, especially for Micro, Small, and Medium Enterprises (MSMEs), which account for approximately 80% of employment in the country. The Bank supported DBN with a $450 million loan and $50 million equity investment to facilitate its operations and enhance access to finance across various sectors of the Nigerian economy. Leveraging long-term funding from the Bank and other development finance institutions,[9] DBN has extended tenure loans to private finance institutions. This has enabled them to offer similar financing options to 300 000 MSMEs across various sectors, focusing on trade and commerce, including first-time borrowers, start-ups, and youth-led businesses. This initiative further expands access to finance, fostering entrepreneurship and job creation.

In 2024, the Bank launched its first **ADER Learning Series**, focusing on financial sector interventions. The objectives of the ADER Learning Series are to provide a forum for in-depth discussion of performance trends and lessons learned, to inform decision-making, and to refine ADER results measurement and reporting. Key priorities have been identified to enhance performance and maximise the development impact of financial sector interventions. These included identifying and addressing monitoring and evaluation capacity gaps in financial institutions, leveraging digital tools such as the Bank's Results Reporting System to improve the quality of project supervision, and setting clear beneficiary targeting criteria in its loan agreements. In addition, the Bank is refining its methodology for the 'trade finance-supported' indicator to enable more accurate planning and assessment of trade finance effectiveness and to identify any operational shortcomings.

Expanding connectivity infrastructure

The Bank has supported the construction of transport infrastructure, including roads, railways, air and seaports, helping to integrate companies into supply chains and improve their competitiveness. Faced with the challenges of rapid urbanisation, the Government of Ghana initiated the Accra Urban Transport Project, supported by the Bank with a $83.9 million financing. The project entailed the construction of a modern 4-tier highway interchange in Accra – the first of its kind in West Africa – which has led to significant reductions in travel time and vehicle operating costs (see Box 6). Additionally, the project included the construction of 15 kilometres of urban roads and the protection of the 3-hectare Gua Sacred Forest, a historic site contributing to CO_2 emission reduction. The project facilitated the establishment of modern ICT laboratories in 14 primary schools, benefiting over 10 000 children by equipping them with essential digital skills. Finally, it provided skills

9 Including the European Investment Bank (EIB).

Box 6 **Driving urban transformation and industrialisation: The Pokuase Interchange in Accra**

The Pokuase Interchange in Accra is a testament to transformative urban mobility solutions. This innovative four-tier interchange has been a game-changer for the Accra-Nsawam section of the Accra-Kumasi Highway, efficiently managing over 50 000 vehicles daily. It has significantly reduced travel time from 2 hours to just 30 minutes, contributing to a 40% decrease in road accidents. Beyond its impact on transportation, the interchange has become a catalyst for economic growth, fostering opportunities for local businesses and serving as a vital trade link connecting Accra with neighbouring regions. In recognition of its excellence, the project was honoured with the prestigious 'Most Commendable Project of the Year' award at the International Federation of Consulting Engineers ceremony in November 2022. This infrastructure project aligns with broader efforts to drive urban transformation and advance industrialisation, showcasing Ghana's commitment to sustainable development.

enhancement opportunities and business support for 250 women, thereby promoting inclusive economic growth and social development.

Technology parks as catalysts for innovation

In line with its commitment to drive Africa's industrialisation, the Bank supported the Cabo Verde Technology Park Project with €31 million in Bank financing. This visionary project recognises technology's crucial role in amplifying Africa's industrial growth. Designed to serve as a centre of innovation, the Cabo Verde Technology Park brings together infrastructure connectivity and fosters collaboration among innovators. Its state-of-the-art facilities include data, business support, and incubation centres, along with a training facility. Establishing key partnerships with global entities like Microsoft, Massachusetts Institute of Technology, Samsung, and others underscores the park's potential as an economic catalyst and a hub for technological advancement. The park is now fully open and operating at maximum capacity. The next phase of the park will focus on leveraging its facilities to drive job creation, wealth generation, and start-up growth. With continued support from its partners, the park is poised to accelerate Africa's technological transformation. ■