



INDUSTRIALIZE AFRICA

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Africa is industrializing but still lags behind

GDP

- Africa's **GDP increased by 81%** from 2006 to 2016 (\$2.1 tn) (CAGR of 6.1%)
- However continent accounts for **only 2.84%** of global economic output in 2016

INDUSTRIAL OUTPUT

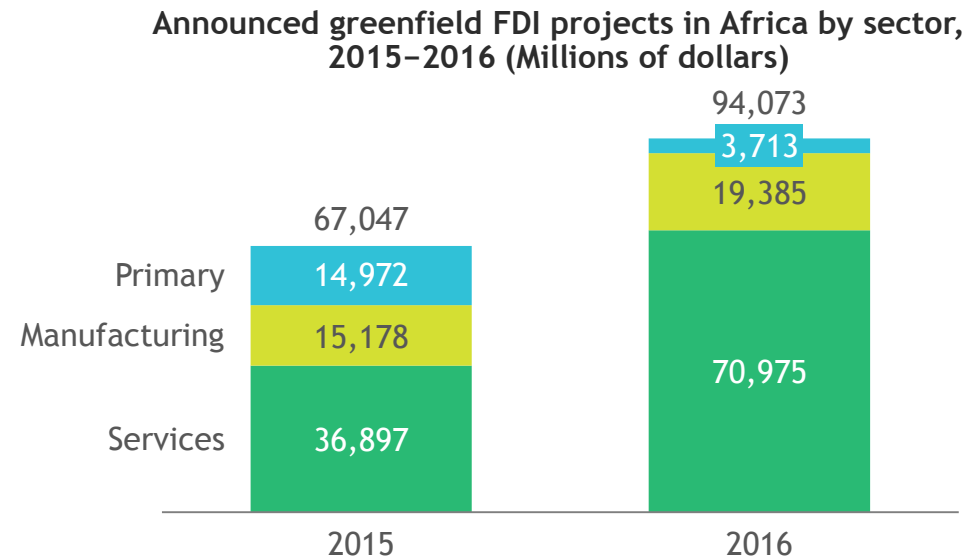
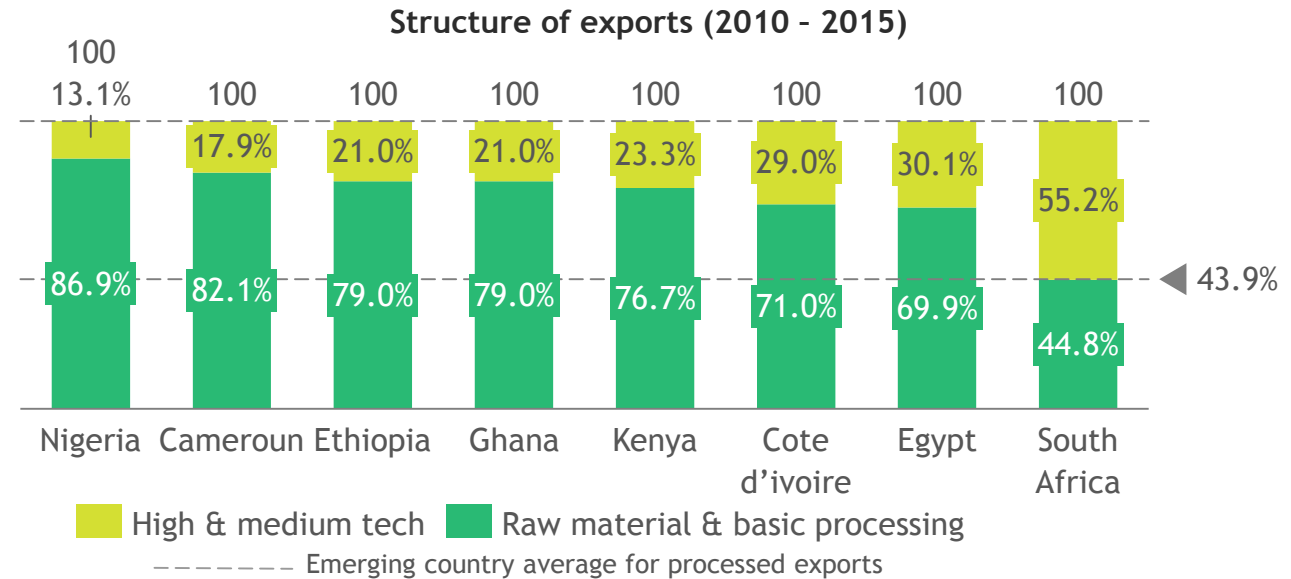
- Africa's **industrial output increased by 24%** from 2006 to 2016 (\$ 553 bn). (CAGR of 2.2%)
- Industrial output accounts for **25.7** of total GDP whilst **manufacturing accounts for 10.2%** of GDP
- Top industry sector growers experienced high real annual growth rate (CAGR) over period: Ethiopia (15.5%), Morocco (2.9%)
- However continent accounts for **only 2.75%** of global industrial output

TRADE

- Africa's total merchandise exports for 2017 was \$413 bn which is **only 2.4%** of global merchandise exports
- Africa's export structure reflects a large share for commodities and a low level of technological development

FDI

- Annual FDI inflows to Africa increased by 36%** from 2006 (\$43 bn) to 2016 (\$60 bn). In 2000, FDI to Africa was \$ 10.9 bn
- However continent accounts for **only 3.4%** of global FDI inflows



Source: The African Development Bank; World Development Indicators, UNCTAD



EU's involvement in trade and investment with Africa

TRADE

EU is Africa's biggest trade partner

Account for 37% of African exports (EUR110 billion)

35% of African imports (EUR 133) in 2017

Africa only constitute 9% for EU's export and 8% for EU's imports

EU's Initiative to Facilitate African Trade and Investment

Crowding in Investment
Via blending and guarantees

Facilitating Trade Integration

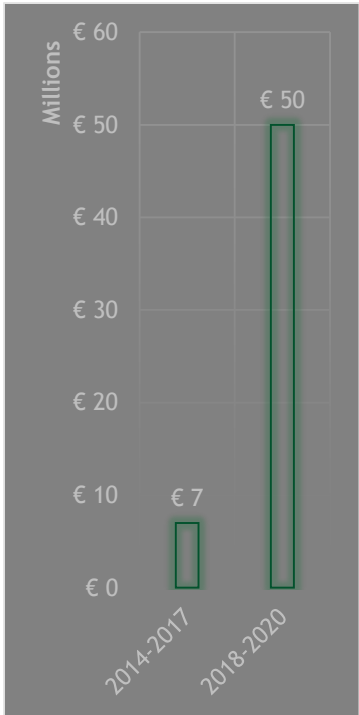
Improving Business Environment

INVESTMENT

Total FDI Stock EUR 291 billion

Currently not showing a strong upward trend

South Africa, Kenya, Egypt, Nigeria, and Morocco constitute 58% of total FDI from EU in 2016





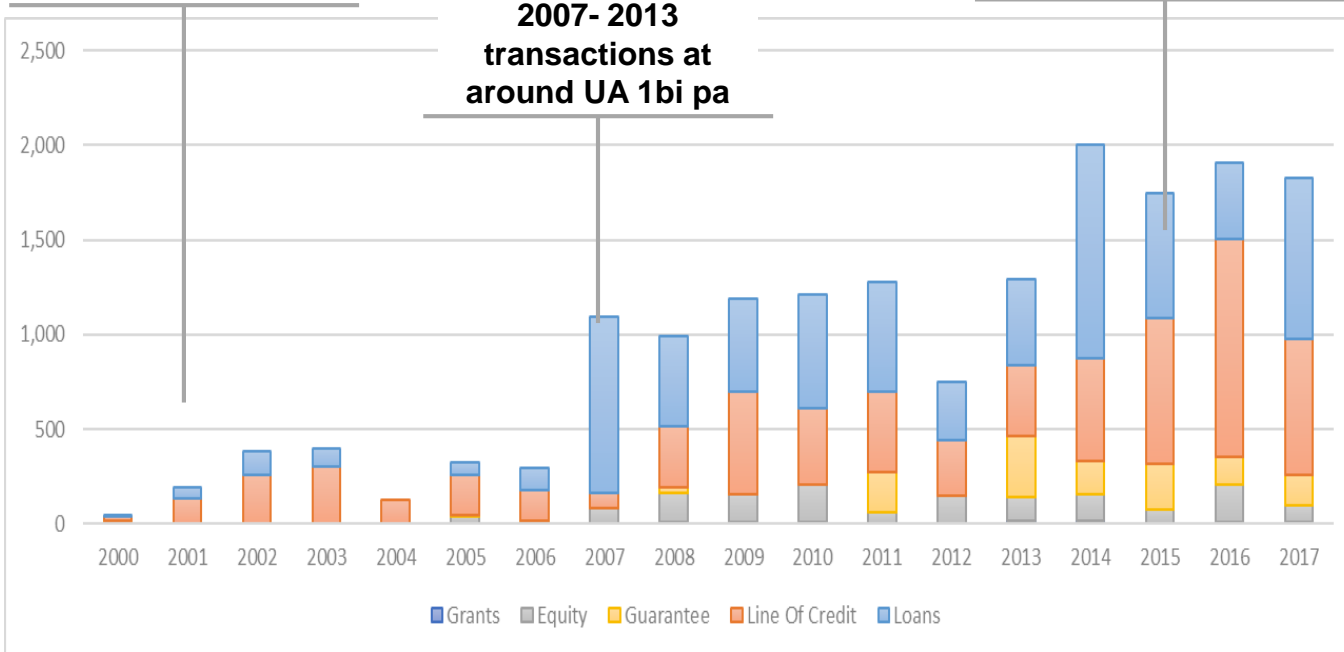
Overview of Non Sovereign Operations

Evolution of Non-Sovereign Operations: Annual Approvals in UA million (2000-2017)

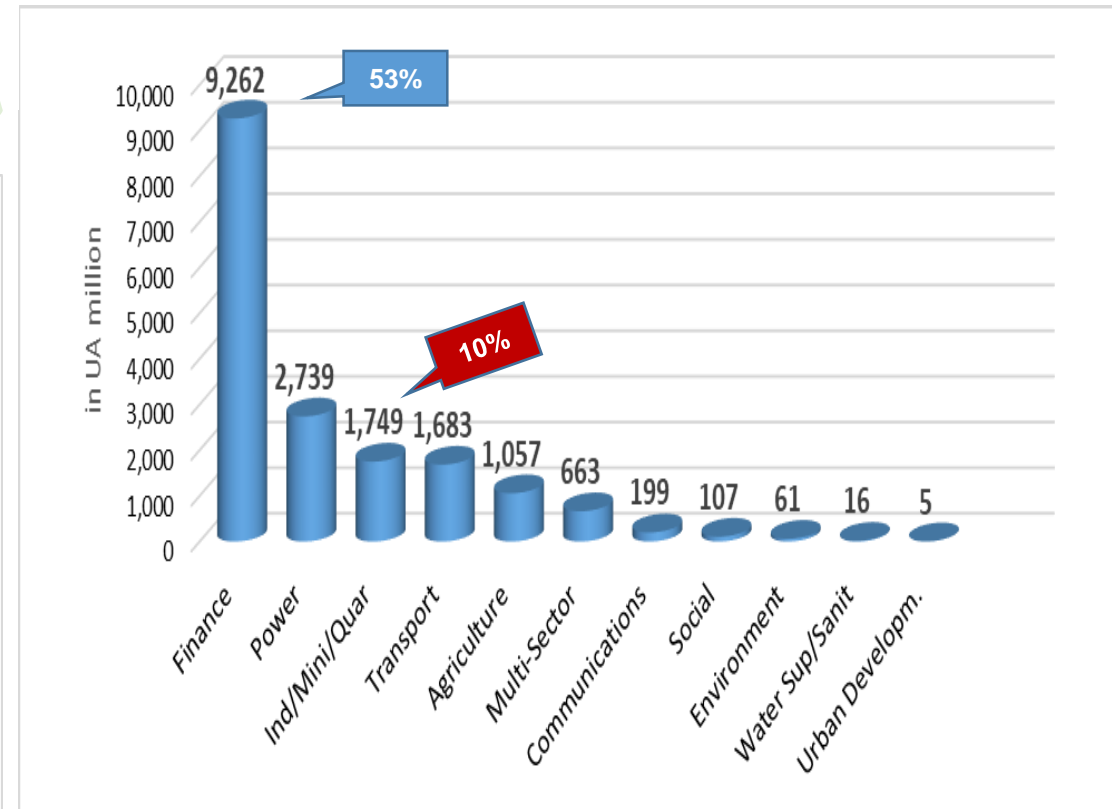
2000- 2006 from 4-5 transactions per year, < UA 350 million pa

2014-2017 15-25 transactions per year ~ UA > 1,7 billion in 2017

2007- 2013 transactions at around UA 1bi pa



Cumulative Approvals by sector 2000 to 2017 (UA Million)



On average USD 150 million per annum in Industry lending (2008-2017)



The African Development Bank High5s Priorities

AfDB "High 5" goals



Light up & power Africa



Feed Africa



Industrialize Africa



Integrate Africa



Improve quality of life

AfDB industrialization objectives

Play a **leading and pivotal** development role in Africa

Support **global trade integration** and **regional value chains**

Grow co-financing and mobilize private sector investment

Foster the emergence of **regional champions**

Create **sustainable jobs** and increase **productivity**

Key principles of AfDB industrialization strategy

Impactful

- Focus on areas where AfDB can deliver highest economic, social and environmental impacts

Catalytic

- Be a renown leader in Africa & a pulling force for additional investments and partners

Differentiated

- Adopt a differentiated sector and country approach with a variety of intervention tools

Actionable

- Push pragmatism in project identification, pursue concrete opportunities & clear roadmap

Fact-based

- Analyze value chains to identify opportunities and bottlenecks

Note: Infrastructure is covered primarily under Light Up and Power Africa (Energy) and Integrate Africa (Transport)



6 Flagship Programs Within The Industrialization High 5

Supportive policy, legislature and institutions



Foster successful industrial policies

1

Policy Advise 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 Bank funding and channel other funding into catalytic programmes (by public and private operators)

- Infrastructure Development
- Industrialisation

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 (AIF)

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 clusters across Africa, through Technical Assistance and funding in implementation and monitoring



Prioritization: Industry and Services sectors with highest impact

Agro - processing ★

Top priority → Feed Africa [led by the Agricultural Finance & Rural Development Dept]

Staple Crop Processing
soft & hard infrastructure to private sector investment

15 addressable sectors

Filtering process criteria

Differentiated approach

ICT ★ Building materials Hospitality

Fertilizers Transport and logistics ★ Consumer Goods

Mining Textile Retail

Pharma-ceuticals ★ Automotive Machinery & Equipment

Metals manufacturing Consumer Durables Chemicals & Petrochemicals

Additionality of AfDB and link with other 'High 5'

Ability to play and to foster "champions"

- Starting point / competitive advantage
- Potential regional champions

Alignment with countries policies and priorities

Catalyst impact and ability to trigger the development of other sectors

Macroeconomic impact

- Job creation potential
- Revenue creation potential
- Impact on Trade balance
- Sustainability of future trends

1 "Tier 1" sectors: aggressive business development

- Investigated in detail
- To address in priority

2 "Tier 2" sectors: proactive monitoring

- Open to financial deals
- To monitor

3 "Tier 3" sectors: addressed opportunistically

- Industry snapshot & long list of companies
- To address reactively

★ Sectors in which AfDB will have a systemic approach - including through sectoral reform.



Examples of private industrial projects financed by the Bank 1/2

DERBA CEMENT ETHIOPIA (2012)

Project's total cost: USD350m

AfDB contribution:

- USD55m long-term senior loan

- Mobilized additional financial partners
- Advised on Environmental & Social matters



Project consists in the exploitation of the Derba-Mugher limestone deposit to produce 8 tons per day of cement and 2,5 million tons per year

Economic Impact

- ✓ 2 000 jobs created during the construction phase and 700+ permanent jobs
- ✓ 75% decrease in the local price of cement
- ✓ From net importer to net exporter of cement
- ✓ Improvement of Ethiopia's balance of payments & foreign currency earner
- ✓ Boost to the construction industry across the country

GAC BAUXITE GUINEA (2017)

Project's total cost: USD 1.4 billion

AfDB's contribution: -

- USD 100m long-term senior loan



Exploitation of a new bauxite mine, construction of a container terminal in the port of Kamsar, and rehabilitation of a 143 km-long railway

Economic Impact

- ✓ Project to contribute \$400m to the country's GDP & \$300m to the country's trade balance
- ✓ 4000 jobs created during the construction phase
- ✓ 700 permanent jobs et 1500 fixed-term jobs to be created during the exploitation phase
- ✓ Upgrading of country's transport infrastructure
- ✓ Opening of a proprietary single-user rail line to multi-user and multi-purpose line



Indorama I (2012)

Total cost: USD 1.2 billion - **Bank contribution – USD 100 million senior Loan**

Approved in 2012 and completed in 2016, the first line of Indorama is currently running near full capacity and delivering strong financial results:

- ✓ **over 9,000 jobs generated** during the construction period
- ✓ **\$285 million in foreign exchange savings** from reduced fertilizer import (\$69 million) and new exports (\$216 million)
- ✓ **300 permanent jobs** (including 147 expatriates) and **169 long term contract workers** upon completion of the project
- ✓ **330,200 farmers participated in Indorama out-grower schemes (incl. 99,060 female beneficiaries; 231,140 smallholder farmers)**
- ✓ Establishment of various small-scale businesses
- ✓ Community development: 5,000 youths empowered; construction of modern markets, chapel halls, water and sanitation, school buildings, electricity projects, medical centres, access roads, police posts; and, entrepreneurship trainees & scholarship projects.

Indorama II (2018)

Total Cost: USD 1.1 billion - **Bank Contribution: USD 100 million senior loan**

The project is the expansion of the Line I at Indorama Eleme Fertilizer & Chemicals Limited (IFL) which consisted in the construction and operation of a 1.4 MTPA gas to urea fertilizer plant to be located in Port Harcourt (Nigeria). The production will be exported to Latin America, South Africa, West Africa, and USA.

Economic and social impact

- ✓ **Double the current capacity from 1.4 MMTPA to 2.8 MMTPA**
- ✓ **4,030 additional jobs created during construction and 620 new permanent jobs including 295 skilled jobs**
- ✓ social services to local communities
- ✓ Training and Youth empowerment: average of 85 training programs per year
- ✓ Reduce bottlenecks of supply chain distribution of fertilizer products
- ✓ Create temporary jobs during construction, and direct and indirect jobs during operations
- ✓ Generate growth & tax revenues: earn foreign exchange through the export of goods and services

What We Must Do to Accelerate Industrialization in Africa



Improve Investment Climate

In 2017 Doing Business report, 34 out of 48 countries in SSA had at least one significant business regulatory reform in the previous year.

To attract more investment, efforts must be made to accelerate policy and regulatory reforms.



Open up Markets through Regional Integration

Africa is made up of 54, mostly small and often fragmented markets. Intra-African trade increased from 13% (2012) to 17% (2016), lower than any other region (EU: 68.5%, Asia: 52.3%, North America: 50.2%, as at 2015).

Continental & regional trade agreements must be implemented to expand markets and attract more investment.



Support Intra-African Investment

In 2016, intra-African investment into greenfield operations were valued at USD 10 billion [16.8% of total FDI to Africa over period]

We need to drive and support African Champions and create incentives for African companies to invest more in countries outside of their home



Africa Investment Forum (AIF)

A Partnership Platform

Johannesburg, Nov. 7-9, 2018



Africa's Premier Investment Market Place

SPECIFIC OBJECTIVES

- Catalyse private investment into Africa
- Attract new investors, incl. institutional investors
- Support and Facilitate project preparation & financing

HOW

Building project pipeline

- Invite partners to share their project pipeline
- Selection of transactions
- Coordination of project preparation facilities

Project preparation

- Increase financing for project preparation
- Coordination of project preparation facilities
- Streamline and harmonise processes

Project Financing

- Market place for financiers
- Platform for co-guarantee

Policy environment

- Regulatory reforms needed to make project happen



Thank you for your attention





ANNEX -Private sector at African Development Bank

NON-SOVEREIGN OPERATIONS, CLIENTS

1. Private companies: Mostly debt (also guarantees and equity)
2. Private equity funds: equity
3. State-owned enterprises: Debt, guarantees
4. Regional Development Financing Institutions: Debt and equity

NON-SOVEREIGN OPERATIONS FINANCIAL INSTRUMENTS

1. Equity
2. Subordinate
3. Senior Debt
4. Guarantees
5. Technical Assistance