SUPPORTING ECONOMIC TRANSFORMATION

LIGHT MANUFACTURING IN AFRICA, 5 JUNE 2017, ADDIS ABABA, ETHIOPIA

Event Report

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INTRODUCTION

On 5th June 2017, the African Center for Economic Transformation (ACET), in partnership with the Overseas Development Institute (ODI) and the Government of Ethiopia, convened the first meeting on Light Manufacturing in Africa as part of the Pan-African Coalition for Transformation (PACT). The chapter is one of eight launched at the first African Transformation Forum (ATF) in Kigali, Rwanda in March 2016.

Africa's experience with manufacturing has been mixed. Despite bursts of growth in the 1960s and mid-1980s, Africa currently has less formal manufacturing than any region of the world. However, opportunities still exist for Africa to grow its manufacturing industry. For Africa to break into the market in low-end, labour-intensive manufacturing, there are several interdependent challenges to overcome. The meeting brought together over 40 industry experts and senior officials from key government ministries, departments and agencies from selected African countries, development partners, civil society organisations, academia and the media to discuss these challenges. The main objectives of the meeting were to:

- Develop a shared understanding of manufacturing in Africa, key challenges and opportunities;
- Explore practical solutions to key issues by learning from country experiences in six countries – Tanzania, Kenya, Uganda, Rwanda, Mozambique and Ghana;
- Introduce the vision and objectives for the PACT Manufacturing Chapter,

Ahead of the meeting, the ODI's Supporting Economic Transformation (SET) programme collaboratively produced a background paper (forthcoming) on 'Factors for Success' for manufacturing in Africa, which was shared amongst the participants for reflection and discussion throughout.

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ACET African Center for Economic Transformation

Event summary

The meeting aimed to:

a) facilitate collaboration among a select number of governments, the private sector and other stakeholders around thematic policy issues;
b) facilitate increased consultation, peer learning, and advocacy among members; and
c) support effective implementation of transformative economic policies.

The meeting provided an excellent opportunity for officials and the private sector to exchange information and best practices on industrial policy. Key points from sessions are outlined below.

SESSION ON THE BIG PICTURE – MANUFACTURING IN AFRICA TODAY

- The manufacturing sector cannot be promoted alone - it needs to be supported by good quality infrastructure (including energy) and accessible and affordable finance which, in turn, needs commitment and long term vision from leaders.
- We must look at industrial policy functions that make economic transformation happen. The quality of the industrial policy is also important, as are conducive trade rules and trade facilitation, effective provision and regulation of Special Economic Zones (SEZ) and industrial clusters, effective investment facilitation and aftercare, local capability building, supportive infrastructure planning, learning with the private sector to address constraints, and selective and conditional support to build firm capabilities. It is also important to experiment, adjust and learn.
- A SET background paper comparing nine African countries suggests Ethiopia, Kenya, Mozambique, Nigeria and Zambia are best placed to attract foreign direct investment (FDI) into export-based manufacturing, but all countries need to improve education and skills development and the quality of the business climate, infrastructure and trade logistics to attract higher levels of investment into export-based manufacturing sectors.
- Effective state-business relations, in which the private sector operates strategically and interacts with the government, are important to support the development of manufacturing capabilities.
- Incentives can play an important role in ensuring sufficient financing is allocated to the real sector.
- There is a need to think strategically about how to encourage the private sector to invest in manufacturing in Africa. Investment incentives can help, but they should be performance based and encourage reciprocity. Better energy and logistics infrastructure will also help to encourage manufacturing investment.
- Dr Arkebe Oqubay, a minister and special advisor to the Prime Minister, who is credited with driving Ethiopia's textile and apparel growth strategy highlighted the successes of Ethiopia’s approach including building infrastructure (particularly for reliable energy), implementing policies and strategies to support industrialisation and focusing on improving labour skills.

SESSION ON MANUFACTURING SUCCESS STORIES

- A country needs to have good infrastructure, policies, and a high level of commitment from the national government to building and supporting industrial parks to attract foreign manufacturers.
- Ethiopia has created a ‘one-stop’ institutional environment and services to attract investors, administer incentives and provide investor ‘aftercare’. Investors are attracted by strong institutions, rather than just incentives.
- Ethiopia uses land, which is provided free to industrialists, as a means to facilitate structural transformation.
- Rwanda has focused on developing technical skills through the introduction of technical schools and collaborative arrangements in which graduating students are provided opportunities to work in companies and in which SMEs are supported by large companies.

- Mauritius introduced a range of measures - including a masterplan and national export strategy, schemes to support manufacturing enterprises, and incentives to attract manufacturing investment to support its export-oriented manufacturing sector in the wake of external shocks.

SESSION ON INSTITUTIONAL AND REGULATORY FACTORS THAT AFFECT MANUFACTURING

- Inefficiencies in the energy sector are critical constraints to manufacturing. Concerted regional and national efforts are required to address high costs, distribution challenges and monopolies.
- Governments must be careful not to hamper local manufacturing as they increase FDI. Investment must be aligned to the national growth strategy and incentives targeted to achieve growth objectives.
- The investment structure and ownership of SEZs is key, and governments must have a stake in them, providing the framework and an enabling environment.

SESSION ON THE ‘HOW TO’ OF PROMOTING SUCCESSFUL MANUFACTURING

- Effective coordination is crucial, within both government and the private sector (as there can be a wide range of subsectors with differing interests) and between the public and private sectors.
- Trust and reciprocity between the state and businesses is key.
- It is important to have effective mechanisms in place to facilitate public-private dialogue around industrialisation.
- Performance contracts can help to ensure implementation.
- Policies need to be context specific.
- Cost-competitive and reliable energy provision is crucial to support manufacturing

NEXT STEPS

- ACET will contact participants to follow-up on their views of the meeting and ideas for action, and will ask them to confirm membership and ‘champion’ in their home countries.
- SET will update and publish the background paper for this meeting with the outcomes of the meeting ahead of the next African Transformation Forum in 2017.

Panel at PACT Manufacturing Chapter Meeting, Photo by SET Programme

WELCOME AND OPENING REMARKS BY DR ARKEBE OQUBAY, MINISTER AND SPECIAL ADVISOR TO THE PRIME MINISTER OF ETHIOPIA

Minister Arkebe Oqubay opened the meeting, providing his thanks to the participants and organisations involved. His comments can be summarised as follows:

- Economic transformation is very important in Africa where growth dynamics over the last 15 years have been supported by commodity prices. The current growth dynamics in Africa are not sustainable. With recent declines in commodity prices, many African economies are now facing challenges owing to a lack of diversification. Africa has made good progress in governance but not in economic transformation. There has been only moderate growth over the last 15 years - countries need to catch up, which will require a minimum of 7-8% growth annually.
- Alongside high growth, longer periods of sustained growth are required to achieve transformation in Africa. Transforming the structure of the economy is the most important issue; not simply whether countries are classified in the lower or middle income categories.
- Economic transformation takes us back to industrial policy – Ethiopia, for example, has had unique challenges, but has also made major progress in its industrial policy.
- We need to understand the shifts in the global economy and their impacts on 1) global value chains, which need to be understood for each sector from the start; 2) climate issues – particularly given the need for energy and transport for light manufacturing; 3) the policy space – the World Trade Organisation and many other institutions are linked to this area; and 4) the supply of skilled workers.

Minister Arkebe Oqubay, Photo by SET Programme

- Light manufacturing is: 1) labour intensive and characterised by high levels of job creation in production of, for example, leather, food and beverages or shoes; 2) linked with agriculture (complementarity); 3) export-oriented; and 4) linked with tradeable goods – as they can move across borders easily.
- Ethiopia faces considerable challenges due to being landlocked. The country is primarily reliant on agriculture and it must focus on transforming agriculture if it is to be successful in light manufacturing.
- Manufacturing cannot be promoted alone. It needs to be supported by good quality infrastructure (including energy) and accessible and affordable finance which, in turn, needs commitment and long term vision from leaders. Ethiopia is focusing on developing infrastructure to support the manufacturing sector (e.g. through the construction of railways).
- Policies and strategies to support industrialisation are also important. Smart industrial policy is required to be successful. The late industrialisers need to catch up by learning.
- Long term investment in skills, education and infrastructure is required to develop manufacturing capabilities and to drive economic transformation. Manufacturing should be considered separately to the broader industrial sector – manufacturing is about value-added and needs skills. Ethiopia has focused on education, especially by increasing the numbers of technical schools. In the past, there has been too much focus within tertiary education on the social sciences, whereas the country needs more engineers and graduates with technical skills to develop manufacturing and industrialise.

SESSION 1: THE BIG PICTURE – MANUFACTURING IN AFRICA TODAY

PRESENTATIONS:

In this session ODI presented research and analysis of manufacturing issues in six African countries. Detailed slides can be downloaded from the SET website.

Dr Dirk Willem te Velde (Head, International Economic Development Group and SET Programme Director) highlighted differences between countries and the positive results from the studies. He emphasised that SET research looks at industrial policy functions, and not only forms. Following this, he discussed 'how to' make economic transformation happen with respect to industrial policy:

- The quality of the industrial policy *process* is important
- Conducive trade rules and trade facilitation, pro-actively resisting ill-thought-out protectionism
- Effective provision and regulation of SEZs and industrial clusters/hubs
- Effective investment facilitation and aftercare
- Local capability building
- Supportive infrastructure planning
- A commitment to learning with the private sector to address initial and emerging constraints
- Selective, conditional support to build firm capabilities (see slide 23). Finally, he emphasised the need to experiment, adjust and learn, the importance of which is highlighted in Minister Oqubay's recent book, *Made in Africa: Industrial Policy in Ethiopia*.

Dr Neil Balchin (Research Fellow, International Economic Development Group) discussed detailed findings of SET research on the preparedness of a selection of African countries to attract investment in manufacturing, pointing out some countries perform well on certain measures and less favourably on others. Kenya, for example, is doing relatively well on the quality of infrastructure and product complexity, but scores relatively poorly on education, electricity provision and recent manufacturing performance. Ethiopia boasts a large domestic market (as does Nigeria), comparatively low manufacturing wages and low electricity costs, but labour productivity is low. Tanzania has comparatively low unit labour costs, but manufacturers face a challenging business environment; whereas the business climate in Rwanda is good and there is relatively high-quality infrastructure.

Dr Balchin explained that among nine countries considered, the overall SET analysis suggests Ethiopia, Kenya, Mozambique, Nigeria and Zambia are best placed to attract FDI into export-based manufacturing; but all countries need to improve education and skills development and the quality of the business climate, infrastructure and trade logistics to attract higher levels of investment into export-based manufacturing sectors.

QUESTIONS & ANSWERS WITH PARTICIPANTS:

Questions from specific participants included the following:

- Anzetse Were, a development economist from Kenya, asked about the position of small enterprises in industrialisation plans.
- Gituro Wainana, the Former Head of the Kenya Vision 2030 Secretariat raised a point about the need to keep the cost of electricity down, and asked Minister Oqubay how costs were kept low in Ethiopia.
- Frank Dafa from the Confederation of Tanzania Industries asked for views on the need to extend industrial clusters and parks to other industries. He also, asked why the SET background paper stated that the private sector is not influential in Tanzania.
- Masarrat Quader from the UK Department for International Development asked if any analysis had been undertaken through a regional lens, particularly since regional integration was a major driver of success in East Asia. She also emphasised that different countries have different comparative advantages and it is important to harness these advantages in a regional context.
- Peter Kaddu from the Uganda Manufacturers Association asked about more experiences of where countries have successfully improved their business environment.

- Honita Cowaloosur from Enterprise Mauritius asked for clarification on what was being referred to in terms of SEZs and whether they would be open to domestic manufacturers.

The main responses from the presenter, chair and other participants are summarised below.

Dirk Willem te Velde – effective state business relations are important. You need a private sector that can operate strategically, and interact with government. You can see successful examples of this in Asia, you need good interaction. Export processing zones (EPZs) are different from SEZs. The former tends to be just an incentive scheme, but the latter is about fencing off an area – clustering, so that firms learn and help each other. The movement should be going *from* EPZ *to* SEZ. In some sectors, SEZs are an engine for transformation, and any incentive needs to be part of an overall support package. On regional aspects – we need to think about both regional and global. Studies show regional exporters are more productive than domestic firms. In Tanzania, we supported the Planning Commission in the preparation of the Second Five Year Development Plan and are continuing to assist with implementation. Other work has also revealed that financing is an important issue. Commercial bank lending tends to go to real estate, public sector and consumer debt, not the real sector or manufacturing. Incentives are required to overcome market failures and ensure finance is allocated to the real sector. For example, in Ethiopia the share of finance going to manufacturing is higher than Nigeria or Kenya. It is clear the market on its own is not sufficient and requires further coordination. Often a lead agency is needed to discipline and coordinate others.

Minister Arkebe Oqubay – I am delighted with SET's excellent in-depth study and welcome ODI to discuss further. The small enterprises are generally in the services sector. They need support in production and in integrating with existing manufacturers; we need to bring the two together. We must primarily focus on exporters within the manufacturing sector, including through support in industrial parks. Incentives should be based on performance and the basic principle of reciprocity. There is a need for flexibility and to measure and assess whether incentives are functioning effectively. Sector-based incentives are easier to measure. We need to think how we can encourage the private sector to invest in the manufacturing sector, and to link to export sectors. On the issue of regional aspects, logistics costs and infrastructure are important in trade, and the challenge in Africa is connectivity. On the point about the cost of electricity, Ethiopia is reliant on hydropower which is the cheapest way to generate electricity and as the size of hydropower grows we benefit from economies of scale. Private sector involvement is allowed in power generation, but transmission is under the control of the state and the state subsidises transmission for manufacturing.

Dr Edward Brown (ACET) – Commenting on the need to think in a regional context, we should consider that Africa has 15 landlocked countries, and so regional aspects are critical. African countries need to broaden and increase access to regional markets.

Dr Edward Brown, ACET, Photo by SET Programme

SESSION 2: PANEL DISCUSSION: MANUFACTURING SUCCESS STORIES

CHAIR:
Dr Edward Brown, ACET

PANELISTS:

- Honita Cowaloosur, *Head of Africa Division, Enterprise Mauritius*
- Belachew Fikre - *Deputy Commissioner, Ethiopian Investment Commission*
- Sello Tebogo Makube - *South African Department of Trade and Industry*
- Claudine Mukeshimana - *Executive Director, Rwanda Association of Manufacturers*
- Pan Li - *COO*, *Made in Africa Initiative*

This session continued the discussion on the key issues identified in the presentation in Session 1. Panellists were invited to reflect on the issues presented and asked to offer practical examples of how countries overcame and addressed key issues.

PANEL REMARKS

Sello Tebogo Makube: We must support the manufacturing sector which is facing challenges. We have an industrial plan in South Africa where we designate sectors for local content and do not buy imported goods. We also have a tailored programme on the steel industry.

Pan Li: In Hawassa Industrial Park (Ethiopia) we are producing socks using imported machinery from China, and then selling to Germany. This simple example shows the restructuring underway in global manufacturing: materials and machinery imported from China are used to produce socks in Africa in order to export, sometimes duty free (e.g. to the United States under the African Growth and Opportunity Act). Ethiopia was chosen due to the cheap labour costs and because Hawassa was the first modern industrial park which offered a range of incentives and quality infrastructure. A country needs to have good infrastructure, effective policies, and a high level of commitment from the national government to building industrial parks and support manufacturing.

Belachew Fikre: Ethiopia is trying to focus on projects which make the greatest impact. We also created an effective 'one-stop' institutional environment and services in Ethiopia to attract investors, administer incentives and follow up on policy related issues. Nigeria has also created a one-stop service by putting key ministries in one location. Investors are mostly attracted by strong institutions, rather than just financial incentives. To address coordination failures, we have built robust coordination between the Ethiopian Industrial Park Development Coordination and other key agencies. Land management is very

Hawassa Industrial Park, Photo by SET Programme important. The Ethiopian Government considers land as a means to facilitate structural transformation in the country. Land is thus provided for free to investors and industrialists. Energy is also provided at a subsidised rate to support investors in manufacturing. It is also important to improve human capital and you need backward linkages to agriculture to support manufacturing.

Claudine Mukeshimana: Rwanda's focus is to create SMEs based on innovation, by giving access to quality information, accessibility to finance and support in business development. To drive innovation, the government has created a centre where SMEs can come to develop their products. They also work with technical schools and universities to identify students with potential products/businesses for development. Companies in our association also come to the school, we identify students that meet their requirements. Once a student finishes studies, they stay and work in the company. This reinforces access to finance for students who do not have means. Once a student is ready to launch a product or project, he or she is given start-up capital to start a company. There is also a programme to help SME's; there is complementarity between SMEs and big companies - for example a larger beer company sources inputs from local maize producers to support the local economy. Once a year public institutions and companies go on a retreat to assess the attainment of objectives. Once the student completes, the government has a program to assists the student with capital and banks assist with the business plan.

Honita Cowaloosur: With the expiry of the Multi-Fibre Arrangement, garment factories in Mauritius were closed and jobs were lost. Mauritius' response involved continued support to promote SMEs and exports through a 10-year masterplan and a national export strategy. The masterplan looks at which areas of the economy can be developed – key sectors include the ocean economy, agro-processing, wine and jewellery. The government is focusing on the sectors which have high potential. Institutions have been established to support manufacturing enterprises and specific schemes were introduced to sustain the existing community of exporters (including subsidies on containers for exports and on freight costs). Significant efforts have also been made to attract manufacturing investment, including through the provision of incentive packages (e.g. flat tax rate of 15% for exporters, three-year appropriation of profits and dividends). Specific mechanisms were also put in place to facilitate consultation between the public and private sectors.

Ed Brown: African countries need to take advantage of manufacturing potential whilst they can. SMEs need support – Mauritius did this very well. We must also ask: how is that being sustained?

QUESTIONS & ANSWERS WITH PARTICIPANTS

After the panellists had made their initial remarks, individual participants raised the following questions:

- Anzetse Were – different countries have different strategies and the tension between regional cooperation and individual countries' industrialisation strategies is fuelling competition. Kenya is trying to reserve production for domestic economies – how do we improve?
- Rose Banchi, representative from Cote D'Ivoire – how do you cover the cost of moving companies to industrial parks in Ethiopia?
- João Godinho Agapito Jose, representative from Mozambique – regarding land for investors,

Anzetse Were, Photo by SET Programme

sometimes locals claim land is theirs. Who pays the compensation to relocate them? Most industrial parks are only successful when managed by the private sector.

- Eyob Tolina from Schulze-Global, a private equity firm – has there been any assessment of the effectiveness of investment incentives provided in Ethiopia? There are many kinds of incentives, which are most successful? Are any incentives being abused? In Mauritius, who is driving the collaboration between the public and private sectors?
- Gituro Wainana made the point that free movement of people is important for trade.
- Andrew Parker from CDC Group provided an international investor's perspective, saying the biggest incentive is long term predictability (around administrative support, taxes etc.). He indicated he would like to hear more from the panel on what 'aftercare' is provided for investors.

The main responses from the panellists are summarised below.

Honita Cowaloosur: Developing regional value chains and accessing each other's markets is crucial. There is a need for harmonisation of standards. There are also a lot of agencies and organised groups which are engaged. An idea could be to put a zone under the authority of a management framework.

Ed Brown: Some countries have industrial policies anchored in protectionism. Having similar endowments and similar goods does not mean companies should not be competitive. Trade facilitation is needed.

Pan Li: We need to think about what a country has, and what it wants. Ten years ago, China's goals were to employ more people and foreign exchange generation. Now Ethiopia is in this positon. When a country has a lot of raw materials, it should upgrade, add value and sell to global markets. Governments need to incentivise foreign manufacturers to come to their countries, and build new zones. Industrial and urban development come together. The latter can make money, whereas the former cannot – people living in towns around a zone can benefit and contribute. The biggest companies will relocate to the cheapest countries. In labour intensive areas, you cannot expect a company to stay for more than 10 years. Becoming part of a global value chain is key.

Belachew Fikre: Incentives need to be linked to effectiveness. There should not be a blanket holiday. It helps to bring in investment quickly. The effectiveness of incentives must be reviewed as not all are fully effective. Government needs to build basic infrastructure. Industrial parks are unique spaces to try new policies and approaches.

Sello Tebogo Makube: You can't force the private sector to buy local manufactured goods. In rail, the government uses local rolling stock, but the condition is to allow local original equipment manufacturers to be located. Free movement of people is an issue that needs to be looked at. We have also established an entity called Invest South Africa to deal with financial and non-financial incentives.

Claudine Mukeshimana: We need to work together and have conversations about collaborating on issues such as banning second hand clothes and shoes, or asking how can Rwanda benefit from cotton from Tanzania for example.

SESSION 3 BREAKOUT 1: INSTITUTIONAL AND REGULATORY FACTORS THAT AFFECT MANUFACTURING

This session focused on key points identified by representatives of the countries present – Ghana, Mauritius, Mozambique, Rwanda, South Africa, Tanzania and Uganda. Of the factors addressed earlier in the plenary, participants identified energy infrastructure, FDI and public-private collaboration amongst other factors as significant constraints to manufacturing. A common thread was the need for these key elements in the development of SEZs:

- **Infrastructure (Energy, Transport)**: Issues identified included high costs of energy, lack of coordination between production, transmission and distribution entities, and the presence of monopolies perpetuating these inefficiencies. Solutions proposed included the need for concerted regional and national efforts to remove inefficiencies in the sector, in some cases unbundling and privatising these functions. Governments also need to be flexible and be able to assess energy needs and create the right energy mix. In South Africa, for instance, despite a well-meant push to increase renewables in the sector, recent economic setbacks drove up costs of renewables and forced companies to go back to coal energy. This has now had a negative impact on renewable energy companies in the sector. It was also noted that some companies take advantage of incentives and lower power costs provided within SEZs, so governments should conduct periodic investment analyses to ensure value for money. Countries also highlighted the impact of poor transport infrastructure on logistics and trade.

- **FDI**: This discussion addressed the challenges faced as governments seek to balance the need for increased investment with their growth strategies. In some cases, increasing FDI displaces and crowds out local manufacturing industries instead of creating linkages to them. The discussion also addressed the need for government involvement in the investment structure of SEZs to provide structure and create the enabling environment for investors. In the example of Ethiopia and Rwanda, government intervention in providing land, visa and export services and other soft infrastructure has made it easier to attract investors and see to it that industrial policy objectives aligned to these parks are being met. Incentive packages should also be based on the countries needs and targeted towards addressing these needs.

- Other factors discussed briefly included the need for ongoing **public-private dialogue, capacity building for SMEs, skills development** and the need for countries to understand their own **comparative advantage** in the context of industrial policy. Other issues discussed included the need to consider the economic and social impacts of industrial parks e.g. are people being displaced, are conflicts increasing, etc.

SESSION 3 BREAKOUT 2: THE 'HOW TO' OF PROMOTING SUCCESSFUL MANUFACTURING

This session aimed to discuss what is already known about how successful manufacturing came about, with a focus on institutional factors such as ministerial co-ordination, leadership and public-private collaboration. It also asked participants what gaps exist.

At the outset of the breakout session, the following topics of interest were raised by participants, from which a few were selected (those in bold font) for in-depth to discussion:

- **Land compensation / policy**
- SEZs
- **State-business relations (public-private dialogue)**
- Local manufacturing investment
- General industrial policy
- Connectivity (and gaps)
- Incentives
- Financial mechanisms
- Leather sector support
- Policy coordination and advocacy
- **Cost of energy**
- Balancing foreign and local investor interests

Breakout Session 2 at PACT Manufacturing Chapter Meeting, Photo by SET Programme

On the topic of state-business relations a number of country examples were discussed:

- In Tanzania, mechanisms are in place for public-private dialogue and the public and private sectors are starting to coordinate better. Studies (including by ODI/SET) have been used to inform the process. There has been consultation on policy reforms (e.g. a task force on tax reforms), but the government is still prone to making unpredictable policy decisions.
- In Mauritius, formal business associations play an important role. There is a systematic process which takes place involving structured and formal public-private dialogue in which formal business associations are systematically part of public discussions and decisions, and from which policy propositions are presented *before* a budget is tabled and action is taken on specific issues. This has facilitated, for example, decisions on freight rebates. The Mauritius example highlights the importance of trust and long standing mechanisms to support state-business relations. There is also an important element of reciprocity, wherein proposals by the private sector are taken on as actions by the public sector.
- The Kenyan economy is much more diverse, meaning that different associations have different priorities and varying degrees of influence in discussions. But this can have positive implications, for example by creating opportunities for prominent business associations to exert real influence in areas such as the preparation of the five-year plan.
- Uganda has positive consultation around policies (involving both the private sector and civil society) but finds implementation a challenge, particularly when there is confusion on government rules and mandates. The latter creates problems for the private sector when dealing with different ministries. There is thus an urgent need for improved coordination.
- Ethiopia benefits from strong leadership from the top, with leaders dealing with investor concerns directly. However, there are also some concerns that this may be unsustainable in the long term.
- In Rwanda, business associations are key, and in Ghana associations have been pro-active in presenting ideas on a vision for industrialisation.

Other key points raised in this discussion included:

1) Coordination within government is important to liaise with the private sector and for implementation. Similarly, coordination across the private sector is necessary, particularly in cases where there are several subsectors with different interests.
2) Trust and reciprocity between the state and business are key.

3) It is important to have effective mechanisms in place to facilitate public-private dialogue.
4) It can be difficult to balance representation from the formal and informal sectors and SMEs versus large firms with dominant interests. It was suggested that the government could, in certain instances, serve as a voice for SMEs or the informal sector.
5) Performance contracts for ministers and civil servants can help to ensure implementation.
6) Government leadership is key.

A range of land issues were discussed in the session, including the following:

- There are different approaches to compensation for land acquisition – compensating all in a lengthy process, or taking a more direct approach as in China and Ethiopia. Is there a middle ground?
- The approach adopted in Mauritius has been to try to reach a consensus, and to recognise winners and losers in order to obtain buy-in.
- Ghana is being proactive in addressing land availability issues through the Investment Promotion Centre (GIPC). For instance, the GICP has encouraged land owners to register on a database and provide information on their asking price for acquiring their land, which is useful for investors.
- In Ethiopia, one participant argued that land can be acquired relatively quickly (typically within 5 months to 2 years), but the group was unsure whether or not this was actually a short timeframe relative to other countries.

The issue of energy provision to support manufacturing was briefly discussed, with the most pressing issue being how to reduce the cost of energy in African countries. It was mentioned that variation in endowments means that some countries are better positioned to produce cheaper electricity. For instance, Ethiopia benefits from significantly more abundant opportunities for hydro-power compared to Rwanda. Certain countries, such as Ethiopia and Mauritius, provide subsidies to reduce the cost of electricity.

In summarising the discussions during the break-out session, Dr Neil Balchin emphasised two key cross-cutting points: 1) policies need to be context specific and 2) effective coordination is crucial (both within government and within the private sector, and between the public and private sectors).

CONCLUDING SESSION AND NEXT STEPS FOR PACT

In this session, ACET introduced PACT as a platform to carry forward the outcomes of the meeting. PACT was launched as a mechanism for governments and local policymakers to gain information and support as they design and implement innovative policies related to economic transformation. The Coalition's overall objectives include:

- Bringing about collaboration among a select number of governments, the private sector, and other stakeholders around a particular policy issue
- Facilitating increased consultation, peer learning, and advocacy among members
- Supporting effective implementation of transformative economic policies

PACT will be implemented at three levels - continental, regional and national levels - and is intended to facilitate lessons learned and catalyse policy implementation at the country level. At the regional level, stakeholders will meet a few times a year at chapter meetings to address practical implementation challenges. At the continental level, ACET will convene PACT chapters at future ATF meetings – a bi-annual gathering of stakeholders to share lessons learned across thematic chapters.

This meeting served as the first consultation of the manufacturing chapter, after which ACET will engage stakeholders to ascertain interest in membership of the manufacturing chapter. Following this, countries will be asked to bring to the chapter tangible and key priority issues that need to be addressed on the ground.

KEY QUESTIONS AND CONCLUDING REMARKS FROM PARTICIPANTS

- *What is the role of Pan-African institutions and other regional economic constitutions?* PACT is a collective effort and is an informal platform that offers opportunities for information sharing and learning. It will require the engagement of all of these institutions, some of whom have already been engaged e.g. organisations like United Nations Economic Commission for Africa and Africa Mining Vision have been engaged in the extractives chapter, the African Development Bank and World Bank have also expressed interest in the Resource Mobilisation Chapter, and ODI have been involved in the manufacturing chapter. PACT is intended to be a catalyst working within the framework and supporting the mandates of existing regional and continental bodies.

- *At the national level, various chapters may not fit into sectoral and institutional categories, how does the country select representation?* Countries are responsible for deciding which institutions are represented at the chapter level.
- *The key to transformation lies in the practicality of it.* PACT deals with how countries achieve transformation, and how countries deal with changes in their individual contexts. It requires sharing of these experiences and developing knowledge products to document these lessons.
- *To what extent will ACET as a secretariat provide support in terms of technical expertise, monitoring etc.?* ACET will facilitate the process to ensure that various technical partners can support as needed, and will offer technical support as far as it is able to do so. ACET will track country commitments and action plans and countries will report on these at future ATFs.
- *Drivers for manufacturing (e.g. skills and energy) seem to be coming in the next phase, what is the rationale for this?* Phase 1 chapters were selected due to funding, timing and other constraints.

As an immediate next step ACET and ODI will:

- Finalise the proceedings of the event and share final results of the study and
- Invite stakeholders to confirm membership in the chapter

Participants at PACT Manufacturing Chapter Meeting, Photo by SET Programme

MEDIA COVERAGE

How Kenya can develop its light manufacturing sector - [Anzetse Were, Business Daily Africa, 11 June 2017]

Nation's manufacturing sector wins kudos - [The Reporter Ethiopia, 10 June 2017]

Ethiopia: Structural Change - Looking Beyond Economic Growth – [All Africa, 15 June 2017]