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Event Report

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INTRODUCTION AND CHAPTER PROGRESS

On 20-21 June 2018, the [African Center for Economic Transformation \(ACET\)](#), in partnership with the Government of Ghana, convened the second African Transformation Forum (ATF) in Accra, Ghana. The ATF was attended by global thought leaders, key private sector actors, active civil society groups, high-level government representatives including Presidents and Ministers, and intergovernmental organisation representatives. This event report covers a working session on the [Light Manufacturing in Africa](#) Chapter, 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, in partnership with the [Overseas Development Institute \(ODI\)](#).

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

For many years, African countries have sought to reduce poverty and improve the well-being of their citizens with little success in one area critical to development – industrialisation. While some countries (Ethiopia, Kenya, Mozambique, Nigeria and Zambia) are positioning themselves to attract export-based, labour intensive manufacturing foreign direct investment, in many others, investments into export-based manufacturing are lagging. Opportunities still exist for expansion in manufacturing given the existing supply of labour and other factors. But to accelerate growth in manufacturing, African governments must implement forward-looking labour-market policies to invest in human capital, and, most importantly, to create labour-intensive manufacturing jobs that can absorb its ever-growing working-age population.

In June 2017, ACET in partnership with the Overseas Development Institute (ODI) and the Government of Ethiopia, convened the [first consultative meeting](#) of the Manufacturing Chapter in Addis Ababa. The meeting benefited from the presence of Minister Arkebe Oqubay, an expert on industrial policy. In December 2017, a [follow-up Chapter working session](#) was convened in Accra (detailed event reports are available at links above).

The two meetings attracted industry experts, senior government representatives from ministries of trade and industry, development partners, civil society organizations and academia from five African countries – Ethiopia, Ghana, Nigeria, Rwanda and Uganda. Chapter partners included ODI, UK Aid (DFID) and the World Bank. The meetings reached common understanding on core Chapter objectives, regional and country specific issues to underpin Chapter work, and actions and deliverables to be undertaken by each country prior to the African Transformation Forum held in June 2018. Among key issues identified were:

- **Getting the Basics Right:** How can countries continue to improve economic management, the investment climate, infrastructure and skills?
- **Mounting an export push:** What can countries do in the context of their existing strategies to support an export push, paying particular attention to regional trade and integration?
- **Coherence and coordination:** How do countries raise their focus and commitment to manufacturing, and develop a coherent strategy to promote it?

This below event report covers a working session on the Light Manufacturing in Africa Chapter, which was held on 20 June 2018. The meeting objectives were to:

1. Complete Chapter action planning: Sign-off on Chapter objectives, share national action plans of priority policy areas for implementation for the next 1-2 years;
2. Discuss emerging trends in manufacturing and deep dive into one area of interest (to be determined by countries) to address key implementation challenges;
3. In partnership with ODI, discuss digitisation and the future of manufacturing in Africa in the context of worldwide increased digitalisation of economies.



Robert Ahomka-Lindsay: Deputy Minister (Industry) at Ministry of Trade and Industry, Ghana

Event summary

The meeting provided an excellent opportunity for officials and the private sector to continue to exchange information and best practices on industrial policy. **Key points** discussed as per the three issues identified in previous sessions are outlined below.

Getting the basics right

- In order to increase the productivity of firms and attract new investment, countries discussed the basics - the inadequacy of- which currently plague industrialisation of Africa – most notably poor infrastructure and a widening skills gap.
- Reliable **infrastructure** (energy, roads, ports, water, rail etc) is one of the biggest constraints to manufacturing in Africa. Kenya, Rwanda, Ethiopia all have done well in improving primary infrastructure.
- Improving **transport and logistics** and also removing bureaucratic barriers is important: in Rwanda, government has consistently moved trade barriers by harmonising trade laws, saving on costs of trading. One-stop border posts also have also been established.
- Training in relevant **skills** to close the skills gaps and skills mismatch is important. Rwanda has set up an innovation system centre which serves as a hub for academia, science and technology.
- **Energy governance** is important for industrialisation, Ethiopia has very low cost of energy due to heavy investment in renewable energy. Other countries need to explore the renewable energy production and utilisation.
- Strong **government commitment** is needed to move industrial transformation forward amid good industrial policies, as in Nigeria (signing of executive orders favouring the manufacturing sector), Ethiopia, Rwanda (restrictions on the importation of second-hand clothing).
- **Manufacturing policy** should be grounded in research, there can be established units for sector specific research to advance policy recommendations. This sectoral expertise needs to be housed in the ministries overseeing industrialisation to ensure the private sector facing element is married with policy-making in that sector

Mounting an export push

- Exports to regional and global markets will spur growth in manufacturing, the agro-industry and in tradeable services, however individual firms face high barriers to entry.
- **Regional markets** - Africa needs bigger markets to take advantage of economies of scale.
- Africa needs to adopt the **regional value chain** approach if it wants to take advantage of economies of scale. Some suggested prioritising intra-African trade.
- **Backward integration** is necessary to increase local production for export.

Coherence and Coordination

- Discussion focused on how countries can raise their focus and commitment to manufacturing and developing a coherent strategy to promote it.
- Consistently **engaging the private sector** is key to ensuring private sector buy-in to government policies on industrialisation as in the case of Rwanda which is ranks second on the Ease of Doing Business in Africa index.
- Establishing a **coordinating agency** to drive all institutions involved in manufacturing, for example the Ethiopian Investment Commission coordinates all manufacturing and investment related activities, and is reflected by the success of [Hawassa Industrial Park](#).

Other important issues discussed at the sessions include:

- The importance of manufacturing to job creation should not be underestimated, and we need to be aware of 'mega-trends' such as the increasing anti-migration rhetoric in the developed world.
- The importance of knowledge sharing, and peer review was highlighted throughout the day.
- The PACT Chapter approach is working, as examples were shared amongst the group, such as differences amongst co-ordination/commitment/leadership/sector focus amongst Ethiopia, Kenya and South Africa; differences amongst energy governance for industrialisation in Ethiopia, Tanzania and Kenya; skills development in Rwanda, and many others.

Next steps for the Chapter

At the end of the session, it was recommended that the Chapter develops a lessons learned report to document country experiences. Such exchange of experience can offer practical ways for countries to approach issues such as the following which were highlighted during the day:

- **Getting the basics right:** country leaders need to gain a better understanding of energy governance (look at Ethiopia versus Kenya/Ghana) and skills development for industrialisation (Rwanda for example is strong in this area).
- **Mounting an export push:** continue to discuss and share experiences around the links between trade and industrialisation in practical terms (e.g. in Nigeria)
- **Coherence and co-ordination:** good examples include Ethiopia and Rwanda's co-ordinated actions for industrialisation, progress in Kenya co-ordinating action within the Presidency, and successes from the sector focus in South Africa.
- There were also individual issues raised by participants that can be followed up in the coming months including: watching the **implementation of the growth and recovery plan** in Nigeria, more **co-ordinated action in Ghana** (now that the macro-economic situation is under control) and understanding the impact of the recent **budget in Tanzania**.
- The Chapter will also develop a monitoring and evaluation plan to track country level progress

WELCOME BY ROBERT AHOMKA-LINDSAY: DEPUTY MINISTER (INDUSTRY) AT MINISTRY OF TRADE AND INDUSTRY, GHANA

Honourable Robert Ahomka-Lindsay opened the session and shared some background of the development of Ghana since independence. He stressed the need to create value and value chains, to create wealth and growth. Exporting gold and cocoa is not enough in Ghana. He also discussed some pillars of Ghana's industrial policy including: competitiveness of existing industry, the one district, one factory approach (as per resource endowment), and strategic industries e.g. looking to export aluminium and attracting businesses e.g. Boeing. Following this, Buddy Buruku, country programme manager for Ghana at ACET discussed key issues in the Chapter, as per the Chapter progress section above.

MODERATED Q&A CHAIRED BY DR DIRK WILLEM TE VELDE, ODI

Several issues were discussed by the various country and private sector representatives. Table 1 below summarises the key points raised.



Dirk Willem te Velde, ODI

Table 1: Summary of key issues

Countries	Challenges	Actions/successes	Future plans and other lessons shared
Kenya (KAM and Gituro Wainana)	<ul style="list-style-type: none"> - Low value addition - Employment growth mostly in low cadre jobs - Challenges of competitiveness - Loss in market access - Increase in illicit trade. 	<ul style="list-style-type: none"> - Ambitious plans under Big Four agenda, at high level - Expenditure in enabling environment, technology upgrading. 	<ul style="list-style-type: none"> - Need innovation and technological diversification - Need market access and predictive stable policy environment.
Rwanda (RDB and RAM)	<ul style="list-style-type: none"> - Need for skills, financial support for up-skilling - Higher costs of logistics and transport, raw materials. 	<ul style="list-style-type: none"> - Environment for private sector growth and FDI - Enabling infrastructure, costs of transport lowered - Development of SEZ, development of single window. - Eight SEZs planned and Kigali SEZ has 200+ companies, 2000 jobs already generated. 	<ul style="list-style-type: none"> - Growth in manufacturing from a low base. - Future plans for innovations, skills (high and low level) and financing in Kigali innovation centre - Look at resources before planning GVCs.
South Africa (Nigel Gwynne-Evans, Department of Trade and Industry South Africa)	<ul style="list-style-type: none"> - Scaling up production - Increasing market share/creating big markets - Corruption - Big industries have had lots of issues. 	<ul style="list-style-type: none"> - Policies to reduce energy costs - Reduction in corruption - Private sector collaborations in increasing productive capacity - Promoting regional value chains - Alignment of government. - 200,000 jobs created in the automobile sector - Clear sectoral strategies exist for automobile, clothing and textile 	<ul style="list-style-type: none"> - Pushing for free trade and energy governance for industrialisation - Need a focus on things like energy costs at a high level (such as in Kenya) - Sectoral focus worked well, in clothing and automotives.
Nigeria (NESG and MAN)	<ul style="list-style-type: none"> - Recovery after recession due to oil shock - Lack of sectoral policies - Large skills gap. - High cost of energy 	<ul style="list-style-type: none"> - Unified national plan for recovery and growth, targeting local employment and production of goods, generating and preserving foreign exchange, increasing domestic market, 	<ul style="list-style-type: none"> - Develop and invest in resource discovery, and commercial value of resources - Need a policy to give access to forex (don't just reduce access) - Backward integration is important

		reductions on dependence on imports.	<ul style="list-style-type: none"> - Support locally manufactured goods to drive manufacturing - Tertiary education syllabus same as 10 years ago. NAM now partnering with institutions.
Ethiopia (EIC and Ethiopian Ambassador)	<ul style="list-style-type: none"> - Industrial skills - Unemployment rate - Infrastructure - Labour retention at the industrial parks 	<ul style="list-style-type: none"> - Targeted policies, industrial parks with one-stop shops is attracting high FDI - Advanced coordination, EIC reports directly to PM - Fast-tracked policy reform through direct communication channels - Investment in basic infrastructure is high. 	<ul style="list-style-type: none"> - Power is key to manufacturing, needs to be developed - EIC access to high level is good for coordination - form doesn't matter, more about functions to drive industrialisation (like Singapore, Japan). Also, companies like having 'account holders' in commissions who they can liaise with directly if they have a problem. - Want to transform agriculture.
Tanzania (CTI)	<ul style="list-style-type: none"> - Domestic supply constraints - Productive capacity in less competitive firms - VAT challenges. 	<ul style="list-style-type: none"> - Effective private-public collaborations to address challenges. - Improving business environment – reforms and CTI was consulted - Existing mechanisms which CTI benefit from, e.g. National business council - Promising signs in budgets, but more to be done. 	<ul style="list-style-type: none"> - Reviewing common external tariffs to increase tariffs where Tanzania has potential to produce domestically (e.g. edible oils). - Reducing import duties on materials basic for production such as packaging material for toothpaste.

Common lessons

Common issues, and other points raised by the audience include:

- Coordinated functions are needed, with good commitment and leadership. This is visible in Rwanda and Ethiopia.
- It is important to boost implementation of regional integration and mount an export-push of locally manufactured products.
- A distributed value-chain approach needs to be pursued for industrialisation and regional trade.
- Up-skilling remains an important challenge, both industrial and technical.
- Energy governance and diversity is highly important to manufacturing – cheap power is not enough, need to prevent outages.

- Need to encourage trade and need more trade shows in Africa. Shouldn't travel far to advertise locally made goods.
- Think about communication of standards. Need a function of coordinating relevant texts such as country fact sheets which can be helpful for investors.

PANEL ON KEY ISSUES IN MANUFACTURING, CHAIRED BY TONY OTENG GYASI, MANAGING DIRECTOR, TROPICAL CABLES AND CONDUCTORS

Tony Oteng Gyasi:

- There are mega-trends which cannot be ignored when talking about manufacturing and industrialisation policy. For example, migration policy in the developed world is increasingly closed, which is a challenge for the exodus of young people from Africa.
- Protectionism is also an issue, and the WTO is quiet. All this means we need more jobs for young people within own economies. Low prices are not enough to keep young people here – they want to create income. This needs to be priority – not just keeping low prices because people are poor.
- Industry needs money which we don't have - but is it that we don't know how to harness money? In many countries informal sector is bigger than formal. Need innovative ways to harness money.
- Need to find ways to fund and build large heavy manufacturing companies.
- We need new skills, smart skills, technology – old factory jobs not attracting young people. Education needs to work with industry.
- Is creating an enabling environment sufficient? Do we need more policies and government intervention in markets? Should policy support manufacturing rather than trading?
- Light manufacturing is not enough – African countries need value chains with heavy manufacturing.
- Continental free trade area without infrastructure is unrealistic – need to work together.
- Expats – bringing in people from India, Philippines etc. cost more than local people but brings in many more skills. Make skills training relevant.
- Export value addition is key though taxes escalate. Trade ministers should negotiate better.
- SME funding - banks need to allocate an amount to SMEs.
- Lots of focus on China, but India is also good for learning lessons on industrialisation.



Tony Oteng Gyasi, Managing Director Tropical Cables and Conductors

Alphonse Kwizera (Rwanda Association of Manufacturers, RAM):

- Transport is critical. Sending a container from China to Mombasa costs 1000 USD, but from Mombasa to Rwanda costs 4000 USD.
- We have a Business Development Fund for young people to encourage them to join private sector.
- It is the private sector which creates business, but it is the government that creates the environment for business to succeed.

Gituro Wainana (Former head of Kenya's Vision 2030):

- Government needs to create policies which are predictable. Bring industry to people.
- Visa free Africa should be a goal.

Emmanuel Hategeka (Rwandan Development Board, RDB):

- Develop African markets for African products by:
 - Thinking about how we achieve scale - there should be incentive for selling regionally.
 - Scope- We need to diversify our production, currently, production bases are narrow.
 - Sophistication- We need to move into global value chains to profit from manufacturing
- Need better connectivity and distributed value chains across Africa.

Hanna Zemichael (Ethiopian Investment Commission, EIC):

- How do countries identify ways of delivering?
- Need focussed intervention.

Audience comments:

Nigerian Economic Summit Group (NESG) and Nigerian Association of Manufacturers (NAM):

- Challenge idea of skills gap. Young people are driven by technology and skilled people look for where their skills will be used. Youth don't think nationally – they think globally.
- Africa needs to identify global trends – what do young skilled people want to do? Lots of doctors leaving for Canada in Nigeria for example, as their skills are not relevant to Africa.
- Pay attention to consumers perception not just trade gains. Consumers are choosy and focus on price when deciding to buy.
- In Nigeria, banks see SMEs as volatile (only want to lend to big companies), but manufacturing needs **long term** funding.



Olusegun Akin Omisakin, Chief Economist, (NESG)

Dirk Willem te Velde:

- Need to deal with non-tariff barriers.
- Think about the demographic challenges – 30,000 jobs need to be created each day in Africa to keep up with population growth.

Other audience members:

- Protect local industry and local talent. If there is a profit to be made, business community will solve by providing skills etc.
- Willpower of leaders is important – we need competent leadership. Leaders gave away all our power in liberalising.
- Trading blocs need to negotiate harder and leaders need to be better.
- Ease of doing business – need to transfer into lower cost, not just a ranking. Lots of issues with way it is measured.
- Government needs to appoint a coordinating ministry. Too many ministries involved leads to competition. Successive govts want to drop previous policies – should have laws to protect policies that work.
- SMES and large companies have different needs. Need compromising policy recommendations.



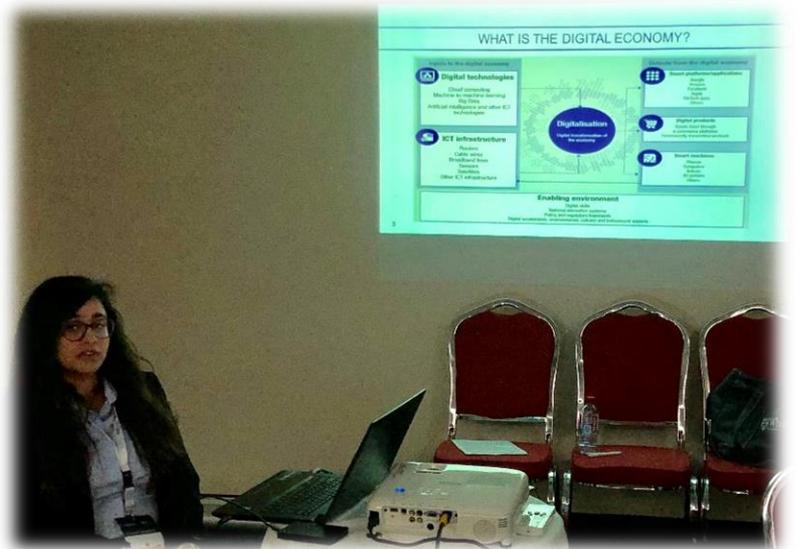
Buddy Buruku, Director of ATF and Ghana Country Program Manager, ACET

PRESENTATION ON DIGITALISATION AND THE FUTURE OF MANUFACTURING IN AFRICA – KARISHMA BANGA (ODI)

Karishma Banga presented key findings from a recently published paper on [digitalisation in Africa](#). The full presentation can be viewed online [here](#). The key message was that African countries need to take a two-pronged approach: boost traditional manufacturing and then digitalise at same time. Furthermore, hubs such as Kumasi in Rwanda enables spillovers which are useful. If African countries *don't* take appropriate actions for a digital future, there will be an increased threat of re-shoring of manufacturing tasks from Africa.

Audience members asked a range of questions: How does the digital economy fits in the demand structure and what drives a producer to go digital? Do all firms really *need* a website? Some may not be interested in global or local. How do we address those differences? How will this be financed?

Karishma responded with the example of Tech4trade charity in the UK which is giving resources and connecting with funders. As well as giving software, they also give hardware, training to use robotics etc.



Karishma Banga, Senior Research Officer, ODI

Some financing is also done through digitalisation itself e.g. crowd-funding. Currently the challenge is that there is not enough credit (in Kenya there are tax subsidies).

Digitalisation creates jobs elsewhere. It is about tasks, not jobs. You may lose jobs in one area, but people can move to different task. Digitalisation can help diversify commodities.

FINAL REMARKS AND WAY FORWARD BY NIGEL GWYNNE-EVANS AND DIRK WILLEM TE VELDE

- African countries need to look at future of manufacturing and stay agile and adapt. Justin Lin said millions of jobs can go from China to Africa and many Chinese firms are automating. Some jobs are going to Ethiopia, but some tasks will be cheaper to be done by robots. This does not mean you will lose all jobs – related jobs will be created.
- Megatrends and demographics are hugely important for jobs – see them as an opportunity, not a challenge.
- Scale is fundamental. Currently there are too many micro firms which can't scale = the 'missing middle' challenge in Africa.
- Small firm challenges need to be addressed – quality, cost of doing business, difficulties with certification, importing packaging etc – need to reduce barriers. 'Red tape guillotine' is an important term used today – red tape kills small businesses and must be cut.
- Need strong and responsive government - Rodrik talks about embedded government officials.
- Need specialists in public sector and 'smart bureaucracies'. Governments need to be more like private sector – more nimble and flexible.
- Going forward, we need more understanding of nuances. How did Ethiopia get such strong leadership from the top? There are many lessons and examples around Africa – we must unpack the issues in a focussed way.



Nigel Gwynne-Evans, Chief Director African Industrial Development, Department of Trade & Industry South Africa

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