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Annex II

**ACTION PLAN FOR THE ACCELERATED INDUSTRIAL
DEVELOPMENT OF AFRICA**

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I. BACKGROUND

1. Africa is the least developed region of the world in terms of industrialization. It accounts for a negligible share of global industrial output and manufactured exports. Only in a few of the countries is the manufacturing value added/GDP ratio above 20 percent. In a large number of African countries, the manufacturing sector's contribution to GDP is less than 15 per cent and in some cases lower than 5 per cent. The output of the sector is heavily concentrated on low technology products such as food, textiles, clothing, footwear, etc. The majority of African countries are yet to be involved in any significant sense in the medium- and high- technology segments of global manufacturing that have been characterized by dynamism and rapid growth in recent years. The African economy is heavily dependent on the production and exports of primary products and consequently suffers from the associated risks of this dependence. The continent must take advantage of new opportunities offered by globalization by preparing enterprises, putting in place policies for upgrading, developing human resources, strengthening its capacities for innovation, by accepting the facts of industrialization.

2. Industrialization is a critical engine of economic growth and development. Indeed, industrialization is the essence of development. That Africa remains the poorest region of the world, where 34 of the 50 least developed countries are located and in which poverty is on the increase, is a reflection of its low level of industrialization and marginalization in global manufacturing. There exists a strong linkage between industrial productive capacity, economic growth, and level of development. The developing regions and countries that are sharing in the benefits of globalization, making progress towards the attainment of the Millennium Development Goals (MDGs), and moving up on the ladder of development are the rapidly industrializing ones. Africa has not benefited much from the process of globalization and risks not meeting the MDGs in spite of its richness in natural resources.

3. African Heads of State and Government have in recent years taken a number of major initiatives, to meet the challenges of development, to reverse the marginalization of Africa in the global economy and polity, and to claim the 21st Century for the peoples of the continent. These include the establishment of the African Union (AU) and the adoption of the New Partnership for Africa's Development (NEPAD) as the strategic programme of the Union.

4. Among the key objectives of the AU, as set out in Article 3 of the Constitutive Act of the Union, are the establishment of the necessary conditions that will enable Africa to

play its rightful role in the global economy; the promotion of sustainable development at the economic, social, and cultural levels, as well as the integration of African economies; and the promotion of cooperation in all fields of human activity to raise the living standards of African peoples. The experience of the developed countries of the North and some of the emerging powers of the South has shown that playing a constructive role in the global economy, attaining sustainable development, and increasing living standards cannot be achieved on a weak industrial base. Africa requires an acceleration of industrial development and diversification of the economy to meet the challenges of development and achieve the Millennium Development Goals (MDGs) as well as the socio-economic objectives of the AU.

5. This document highlights the main elements of an Action Plan for the acceleration of Africa's industrial development. The Plan provides a continental framework for addressing the root causes of Africa's low industrial development. It takes account of Africa's past experiences with industrialization, the rich endowment of the continent in natural resources especially agricultural resources, as well as some recent initiatives aimed at promoting industrial development. The Action Plan draws on a number of sources including the recommendations of a series of Expert Meetings organized jointly by the AU and UNIDO in preparation for CAMI, the inputs from the policies and strategies of the regional economic communities, private sector and other stakeholders, as well as from the Industry Experts of Member States.

II. MAJOR PRIORITIES FOR THE ACCELERATION OF AFRICA'S INDUSTRIALIZATION

6. There are a number of critical priorities that need to be addressed at national, regional, continental, and international levels to promote the coherent industrial development of Africa. The major ones include:

- i) Policy on Product and export Diversification, Natural Resources Management and Development;
- ii) Infrastructure Development;
- iii) Human Capital Development and sustainability, Innovation, Science and Technology;
- iv) Development of Standards and compliance;
- v) Development of Legal, Institutional and Regulatory Framework;
- vi) Resource Mobilization for Industrial Development

Activities and measures that are effectively and efficiently targeted at the industrial development of Africa need to be developed and implemented in each of the above areas of priority.

7. Africa is abundantly endowed with natural resources, including many industrial minerals and agricultural resources. The continent remains poor in spite of its richness in resources because they are exported mainly in primary form, with little or no local value addition and processing as well as minimum local inputs. Dependence on primary products has exposed resource-rich African countries to the vagaries of global markets, and the cycles of commodity booms and busts. While Africa's natural resources have powered industrial growth and rising prosperity of other countries/regions, poverty in the continent has remained severe and concentrated, and the economy structurally shallow and heavily dependent on the primary sectors: mining and agriculture.

The challenge facing Africa is to transform the economy from a resource-dependent one to a dynamic, diversified industrial economy. The natural resource richness of the continent should provide a foundation for its accelerated industrialization. Policies and measures have to be introduced and implemented to maximize revenue derivable from the exploitation of natural resources to enhance the investment that is required for industrial development, and to increase local processing and value addition of natural resources to increase local inputs into production and integrate African enterprises into relevant global value chains.

8. Investment in infrastructure (energy, communications, transport, water, etc) is critical to the promotion and sustenance of industrial development in Africa. There is a lack of basic infrastructure in Africa. For example, energy that is needed for powering industrial growth is grossly inadequate, with electrification rates as low as 1 percent in parts of rural Africa. It has been estimated that under current trends of energy supply, it would take decades to electrify Africa! The continent cannot harness its comparative advantage of using natural resources as the cornerstone of industrial development, converting comparative advantages into competitiveness, without adequate energy and other infrastructure. Competitiveness in the production of industrial goods (consumer, intermediate and capital, low-medium-high technology) depends on the availability of efficient infrastructure. The development of infrastructure at national, regional and continental levels has to be accorded high priority in Africa's Action Plan for accelerating industrial development.

9. Africa's industrial development must be anchored also on human capacity building: investment in health, education and training. In the current knowledge-based global economy, industrialization is increasingly driven by science, technology and innovation. The ability to develop, acquire, upgrade, and adapt technologies is a key

element for competing effectively in the global market. The industrialization of Africa can only be accelerated and sustained on a solid technological base. Programmes and policies have therefore to be designed and implemented to enhance the science, technology and innovation capacity of African countries. There must be continuous flows of scientific discoveries, the development and adaptation of technologies to ensure improvement in productivity and competitive production of industrial goods in Africa. In this regard, the role and appropriate linkage of the university and tertiary sector, as well as R and D institutions, is critical in enhancing adaptive capabilities and commercialization of new knowledge. Also important are measures to upgrade entrepreneurial skills and increase the availability of higher quality personnel in the African industrial sector. Human capacity building is necessary for African countries to benefit from the outsourcing and externalizing of activities that have become important features of global manufacturing. A strategy can only succeed if it includes elements for its effective implementation. In this connection, the enterprise must be at the core of Africa's industrial strategy. Nevertheless, the Government, in consultation with all other stakeholders in particular the private sector, will lead the implementation of the Action Plan in order to ensure its success. Given that the lack of qualified human resources in particular at the level of company management, constitutes a major hindrance to Africa's industrial and economic development, special emphasis in human resource development should be placed on the training of company managers through the creation of management skills and institutes that provide quality training.

10. Standards and Conformity constitute one of the key ingredients of successful industrial development in a globalized world. The ability to meet international standards and norms is a key element of global competitiveness. The building of capacity to improve, certify and assure the quality and standards of industrial products is important for taking advantage of access to the global market and for sustaining the process of industrialization. The inability of African countries to meet sanitary, phyto-sanitary and technical standards set by the developed countries has been a barrier to taking advantage of the benefits of market access for processed and manufactured goods. Adequate standard setting and participation in international standards setting exercises is also important for the promotion of African industrial development in another sense. The dumping of sub-standard but cheap manufactured goods on the African market has sometimes led to the collapse of local industries and served as a major disincentive to industrial development. Standards capacity building must be aimed not only at improving the quality and enhancing the access of African products to the markets of developed countries but also at preventing the influx of sub-standard and injurious products into the African market.

11. The establishment of appropriate industry-related policy, institutional and regulatory frameworks at the national, regional and continental levels must also be a key element of Africa's Action Plan for the promotion of industrial development. Such regimes are part of the conducive environment that is necessary for domestic and foreign private sector to play its expected role in the process of industrialization.

Investment is an act of the investor. To attract investment, mechanisms must be created to provide incentives and support services to African industries; to build the skills base for the development, absorption, diffusion and adaptation of technology; and to reduce the costs of doing business.

12. Financing is another key issue in the promotion of Africa's industrial development. Africa currently attracts a negligible fraction of the rapidly growing global flows of investment. The bulk of the limited investment attracted to the continent goes into a few countries for the extraction of mineral resources. Making Africa to be an attractive place for local and foreign investment, and the establishment and strengthening of financial and capital market institutions must therefore be accorded high priority in Africa's Action Plan for the acceleration of industrialization. Much of financing of industrial development must be mobilized first in Africa. This will include the tapping of new sources such as pension funds, remittances of Africans in Diaspora and revenue from the reform of tax system.

III. SPECIFIC ACTIONS AND MEASURES TO PROMOTE AFRICA'S INDUSTRIAL DEVELOPMENT

13. The acceleration of Africa's industrialization requires the adoption and implementation of specific measures and actions at the national, regional, continental and international levels. National governments, in collaboration with the private sector and civil society, will have to take the lead in Member States for the initiation and implementation of the activities. The Regional Economic Communities should serve as the main agents for the promotion of industrialization at the regional level while the African Union and its Strategic Programme-NEPAD- should, with the support of UNECA and ADB, play a similar role at the continental level. Africa's industrial development will also require actions at the international level that will involve international organizations including UNIDO, the World Bank, and WTO as well as Africa's development partners. Specific Actions and Measures required for the promotion of Africa's industrial development include:

Actions at the National Level

- Promotion of good political, economic, and corporate governance: subscription to and implementation of the NEPAD APRM; macroeconomic stability; democratic governance; rule of law; and greater transparency and accountability.
- Establishment, enhancement and maintenance of an investment-friendly, effective and industry-supportive policy and institutional environment:

I. Industrial Development and Investment Promotion Agencies

- II. Investment Promotion Strategies based, inter alia, on information on investor expectations and behaviors such as provided by UNIDO African Investment Promotion Agency Network
 - III. Standards, Quality Control, Assurance and Certification Agencies
 - IV. Mechanisms for Consultations and Partnerships between Science and Technology Institutions/Universities/ Government and the Private Sector and institutions of civil society
 - V. Small-scale and Rural Industries Development Agencies
 - VI. Policies for the removal of bureaucratic, administrative impediments to trade and investment
 - VII. Simplification of business laws
 - VIII. Industrial restructuring, maintenance and getting companies to international standards.
- Mainstreaming industrialization into National Development Strategies.
 - Integration of industrialization in national development policies especially in poverty alleviation strategies.
 - Development and implementation of an industrial policy with priority accorded to maximizing the use of local productive capacities and inputs, adding value to and local processing of the abundant natural resources of the country, and to the development of small-scale and rural industries, including the informal sectors well as intermediate and capital goods industries with high linkages to other sectors of the economy as potential sources of employment creation.
 - Improvement of Investment and Mining Codes to support local processing of mineral resources
 - Setting aside, by mineral resources- rich countries, of a portion of their earnings from commodity price surges for investment in programmes/projects of economic diversification and industrial development
 - Mainstreaming private sector development into national development strategy
 - Enhancement of investment in infrastructure and strengthening of public-private partnership in infrastructure development
 - Promotion of Research and Development with an allocation of at least 5 per cent of national budgets or at least “1 per cent of GDP”
 - Establishment/Strengthening of Technology Development and Adaptation Centers
 - Upgrading of existing technologies to make industries more productive and competitive

- Enhancement of human capital investment, especially in technical education, science and technology, R and D and entrepreneurship development
- Establishment of facilities to train technical, managerial and financial personnel in companies
- Provision of incentives to African Diaspora Experts in Science and Technology to contribute to national industrial development
- Establishment of strong linkages between Industry, and National and Regional Science and Technology Centers of Excellence and Research Institutions.
- Support for start-up companies to exploit R&D outputs of National and Regional Centers
- Facilitation of intra-regional flows of goods, services, labour, capital and technology; and the establishment of cross-border industrial enterprises to take advantage of potential economies of scale in the regional market
- Promotion of socially responsible industries.
- Taking maximum advantage of Africa's Partnerships, especially with the Newly-Industrializing and Emerging Powers of the South, for the development and transfer of technology, for the establishment of joint industrial enterprises in Africa, and for greater market access for African manufactured products
- Establishment/Strengthening of capital and financial markets (including innovative financial intermediaries) and improvement of business finance, especially for small-scale and rural industries
- Enhancement of trade and industry capacity building as well as capacity to negotiate
- Formulation of technology transfer policy that encourage increase local value addition
- Undertaking of studies including industrial survey, value chain analysis and preparation of integrated industrial sectoral programme.

Actions at the Regional Level

- Promotion of Regional Stability and Security
- Speedy implementation of NEPAD Infrastructure Projects to enhance productive capacity and intra-regional and continental connectivity
- Development and Implementation of a Regional Industrial Strategy and Potential Economic Corridor, based on NEPAD Spatial Development Initiative (SDI), involving the promotion of large scale economic, sectoral and inter-related infrastructure and heavy industry investment to take advantage of the region's natural resources

- Implementation of the industrial component of NEPAD, APCI
- Facilitation of joint cross-border industrial enterprises and intra-regional trade within the framework of value chains
- Mobilization of Resources for Regional Infrastructure and heavy industries; establishment of an industrial development fund for infrastructure and heavy industries
- Establishment/Strengthening of Regional Chambers of Commerce and Industry
- Strengthening of Regional industrial complementarities and forward and backward linkages
- Development of Regional Financial and Capital Markets
- Review and Upgrading of the Existing Regional Centers of Technology
- Mobilization of African Diaspora in Science and Technology for the building of technology design, innovation and adaptation capacity
- Promotion of exchange of industrial technology experiences
- Filling of the current gaps in Regional Technology Development and Adaptation Infrastructure through the establishment of Regional Centers of Excellence in Science and Technology to accelerate scientific discoveries, knowledge production, technology development and innovation in major areas (e.g. bio-fuels and other renewable energy sources, and industrial energy efficiency, equipment and machinery for processing natural resources, and improving competitiveness of SMEs etc) that can trigger Africa's accelerated industrialization avalanche of Africa's industrialization
- Establishment/strengthening of Regional Centers and Laboratory Facilities for standards setting, quality control, assurance and certification to assist African products in meeting technical regulations and international standards as well as to prevent sub-standard and dangerous products from being dumped on the regional market.
- Assistance to Member States in upgrading skills and capacities for mastering new technologies
- Support for the creation of technology incubators, technology parks and prototyping activities in the region
- Establishment of centers of cleaner production
- Establishment of regional observatory of competitiveness and labor employment
- Development of technology information centers
- Harmonization of national industrial policy
- Harmonization of investment code

Actions at the Continental Level

- Harmonization of regional industrial policies and strategies
- Strengthening of the regional industrial innovation systems
- Development of Model African Investment and Mining Codes
- Harmonization of Africa's Business and Investment Laws
- Support for the establishment of Regional Centers of Excellence in Science and Technology and technology transfer
- Establishment/Strengthening of Continental Standards Organization and the Harmonization of Standards
- Development of a database/electronic platform on critical variables for the industrial development of Africa (eg. Natural resources, science and technology and the modern industrial application of science and technology to natural resources)
- Adoption of an African Technology Innovation Initiative (ATII), including the establishment of:
 1. Network of African Design Centers/Centers of Excellence
 2. Network of African Testing and Certification Centers
 3. Network of African Business Support Service Centers and
 4. Network of African Environmental Compliance Centers
 5. Network of African technology transfer centers / Universities' chairs of innovation
- Periodic Review of the State of Industrialization in Africa in collaboration with regional institutions to generate indicators of industrialization every two years.
- Preparation of an Annual African Industrial Competitiveness Report
- Mobilization of international technical and financial support for the implementation of the Action Plan for Africa's industrial development
- Development and Strengthening of Africa's Partnerships with the Traditional Partners of the North and the Emerging Powers of the South for acceleration of Africa's industrial development
- Promotion of intellectual property as a tool for industrial development
- Establishment of African suppliers and subcontracting network based on UNIDO and other surveys.
- Fast tracking the establishment and operationalization of the African Investment Bank
- Support the development of an African investment platform based on UNIDO and other surveys.

Actions at the International Level

- Technical and Financial Support for the building of industrial productive capacity and the removal of constraints on Africa's industrial development
- Provision of investment incentives and other assistance to national companies for the establishment joint industrial enterprises and for the processing of natural resources within Africa/ outsourcing of products to companies in Africa
- Facilitation of transfer of technology to Africa through international assistance for enhancing the capabilities for the acquisition, assimilation, adaptation, adaptation, learning and innovation
- Enhancement of market access for African manufactured products and related services, particularly through South-South cooperation in research, transfer of technology and investment promotion.
- Greater priority to multilateral trade negotiation " WTO and EPA" to industrial development as one of the pillars of Africa's development
- Mobilization of the international community to support the Action Plan.

IV. FOLLOW-UP MECHANISM

14. The acceleration of Africa's industrialization requires the solid commitment of Member States, their cooperation at regional and continental levels, and the support of Africa's development partners for the effective implementation of the Plan of Action.

15. As a follow-up to the principal tenets indicated in the Action Plan, relevant Implementation plans and programmes will be developed at the national, regional, continental and international levels. National and regional meetings, involving the participation of private sector and civil society should be organized for the development of implementation plans including timeframes and budgets as well as the identification of main actors.

16. At the level of each region, a high level panel on sustainable industrial development and diversification representing Heads of State and Government is to be established as the principal mechanism for monitoring the progress of implementation of the Action Plan and reporting to the AU Summit every two years.

