



Statement Delivered

By

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and Minerals**

At the

**Joint Meeting of the Senior Official of Ministries in charge of Industry and
Economic Diversification in Preparation of the 17th Extraordinary Session of the
Assembly of the African Union on Industrialization and Economic Diversification**

Held in

Niamey, Niger

On

3rd November, 2022

Your Excellency Mrs. Gourouza Magagi Salamatou, Minister of Industry and Youth Entrepreneurship of the Republic of Niger;

Your Excellency Hassan Mohammed Moalin, State Minister in the Ministry of Industry of the Federal Democratic Republic of Ethiopia;

Distinguished Senior Officials in Charge of industrialization and economic diversification;

Strategic Partners;

Ladies and Gentlemen.

I greet each and every one of you.

I am, regrettably, unable to be with you physically in Niamey. This is due to exigencies of duty related to the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration.

I will, however, be physically be with the Ministers when they meet from 6-7 November.

I am very happy that you could attend this Joint Meeting of the African Union Senior Officials of Ministries in charge of industrialization and economic diversification in preparation of the 17th Extraordinary Session of the Assembly of the African Union Heads of State and Government focused on industrialization and economic diversification that is scheduled to be held on 25th November, 2022, in Niamey, Niger.

Although I am not physically in the meeting, I am very confident that our host, the People and Government of the Republic of Niger have accorded each and every one of you, warm welcome and gracious hospitality. This is their landmark tradition.

In this connection, I think I speak for everybody in this meeting when I request Her Excellency, Minister **Gourouza Magagi Salamatou** to convey our sincere gratitude to His Excellency M. Mohammed BAZOM, President of the Republic Niger, the Government and the People of the Republic of Niger for the distinctively warm welcome, hospitality and conducive environment for the conduct of business of the Senior Officials in this Joint Meeting.

Many strategic partners played key and diverse roles for this meeting, the upcoming meeting of Ministers and the Extraordinary Session itself.

I would like, in this respect, to thank the United Nations Industrial Development Organization (UNIDO), the United Nations Economic Commission for Africa (UNECA), the Office of Special Adviser on Africa (UN-OSAA), the African Export Import Bank (Afreximbank), the African Union Development Agency (AUDA-NEPAD), the Arab Bank for Economic Development in Africa (BADEA), the African Trade Insurance Agency (ATI), the African Development Bank (AfDB), the Islamic International Finance Corporation and the Afro-Champions Initiative for contributing in various ways, to the successful preparations for this meeting, the Ministerial segment and the Assembly itself,

As I turn to your agenda and programme, my initial observation is that you have strategic issues before you. I call on you to interrogate all the issues and recommendations before you. In this connection, I also call on you to use this opportunity to ask the right questions and find the right answers to the challenges and opportunities of transforming Africa from a producer and exporter of raw materials to one with a thriving industrial and diversified economy.

The results of the processes of industrialization and economic diversification in Africa show that our efforts in leveraging these since from the time our countries attained independence show that we have not generated the outcomes we want.

In a majority of our countries, the share of manufacturing in the gross domestic product, as well as employment from the manufacturing sector are very low. The same is with the share of manufacturing in the export baskets of most of our countries.

As a result, our economies face, among others, low productivity, low rates of economic growth, progressive decline in Africa's share of global trade, continued heavy reliance on external borrowing and aid to finance our development, periodic debt crises and continued poverty.

Against this background, productive transformation, an issue that will come up in your deliberations, becomes a key task for all our countries.

And this productive transformation is business unusual. **LET ME STRESS: BUSINESS UNUSUAL.** We have, in this connection, to differentiate our new efforts with those of the past by being more innovative.

The first innovation we have made is to establish the African Continental Free Trade Area. It is a huge and reliable platform for the development of regional and continental value chains.

For example, the development of agricultural value chains will rebalance Africa's foreign trade and thus reduce her huge dependency on imports which amount to approximately US\$ 115 billion dollars per year, and rising.

The development of our agribusiness industry in a regional and continental value chain approach will also contribute to feeding Africa's population and make the continent become food secure. Ethiopia has demonstrated this by, within three seasons, meeting domestic demand for wheat and has now started exporting wheat to neighbouring countries.

Similarly, the development of regional and continental pharmaceutical value chains can end the current situation of Africa's health marginalization, an issue I will come back to later in my statement.

As part of promoting regional and continental value chain development, African countries will also need to work together to align their industrial policies in a coordinated manner, and, in the process, build specialized production hubs in specific and complementary sectors, and, consequently, reap benefits of a dynamic industrialization process across the continent.

The next innovation is for all our countries to develop the skills of our people for the production of intermediate and final goods of high quality to promote the development of intra-African trade, in addition to increased exports of manufactured goods to the rest of the world. In this connection, partnership with the private sector will be promoted because it is instrumental in addressing the huge skills mismatch and also promote productivity in manufacturing processes.

As part of the process of investing in people, there is need to equip them with the skills required for industrialization and economic diversification. Aligning skills with the changing priorities of competitiveness for an inclusive and sustainable industrial development calls for an enhanced university-industry cooperation to strengthen innovation, technology development and management capacities.

At the level of the African Union Commission, we are recommending to you, the Ministers and the Assembly to approve that we embark, starting with a feasibility study, on the process of establishing an African Manufacturing Institute with campuses in each of the five regions of Africa.

Right now, Africa faces the urgent task of development skills in two key areas. The first one as earlier mentioned is in the manufacture of intermediate goods to add value to her vast agricultural and mineral resources. The second one is in the area of the Fourth Industrial Revolution which is critical to Africa leap-frogging her sustainable development process.

Still on innovation, this, furthermore, demands promoting industrial research and development as well as industrial design, which are all critical to enabling us to continuously upgrade our industrialization processes.

Currently, Africa is mainly relying on transfer of technology through foreign Direct Investment to industrialize. Though welcome to build initial capacities, it is in the long run, not sustainable. There are, and, will always be, intellectual property barriers.

This is currently demonstrated by the concept note and draft decision before you from the African Group of Ambassadors in Geneva.

The 12th Ministerial Conference of the World Trade Organization held in Geneva this year, among others, came up with a decision on waiver of intellectual property rights to cover the production of COVID-19 diagnostics and therapeutics to remove Africa's and other developing countries' health marginalization. Outstanding work on the waiver is expected to be concluded by 17th December this year. The draft decision calls for an extension because a lot of work still needs to be done.

In several other aspects of transfer of technology, including value addition in strategic and green minerals, Africa and other developing countries will also encounter intellectual property barriers, hence the need to start innovating.

As part of the process of innovation, we are also developing the Made in Africa standard. This will improve quality, safety, competitiveness as well as removal of technical barriers to trade in the African Continental Free Trade Area.

As you go through the documents before you, I am sure you will recall that our continental industrial policy document is the Action Plan for the Accelerated Industrial Development of Africa (AIDA) and that it has been hailed by both academics and policy experts as being sound. With this in mind and having sampled the tasks before us, the next task is to reaffirm our ambition to industrialize Africa, inclusively and sustainably. This must be followed with effective and timely actions to transform our ambition into results that clearly show that Africa is progressively industrializing.

In this respect, we must invest in implementing our policy documents.

A key component of that is mobilization of investments anchored on transforming Africa from a data deficit region to a data rich region.

One of the steps we have done in this direction is to highlight the demand for industrial products in Africa as a major opportunity for manufacturing on the Continent.

Our 2019 *Africa's Development Dynamics Report* which we co-publish annually with the Development Centre of the Organization for Economic Cooperation and Development, captures this, by noting that Africa's domestic demand, anchored on a young and growing population, is the most important driver of the continent's growth performance because it accounted for 69% of annual growth between 2002 and 2018.

This demand is now shifting towards more processed goods and is growing 1.5 times faster than the global average.

The publication goes on to show that demand for many other products such as motor vehicles, manufactures of metals and industrial machinery is also expanding faster than the global average. Recent data from the Automotive Industry Export Council complements the foregoing by showing that Africa has the world's lowest motorization rate, which 40 cars per 1,000, far below the world average which stands at 180 per 1,000.

Private consumption in Africa is also driven by a fast-growing middle class, presently estimated at 350 million, and, projected to reach 600 million by 2030, eight years from now.

However, these opportunities are largely ignored by the global investment community because Africa is seen as a high-return but also high-risk investment destination. As a result of this, it is estimated that over US\$ 10 trillion currently sits in negative yield bonds in developed country capital markets, ignoring Africa's high returns because of the perceptions of high risk.

Since perception is not reality, this then leads us to the task of imbedding manufacturing and investment data as additional windows in the Africa Trade Observatory as well as developing a strategy on inclusive growth and sustainable developed aimed at positioning Africa grow at 7-10% on a sustained basis. These will greatly contribute to removing the data deficit of Africa.

Let me now dwell on the issues related to green industrialization. Decarbonization is critical to promoting green industrialization. Consequently, demand for green energy in Africa will rise, not just for industrial operations but to meet household demand as well.

To put this in context, let me say that currently, 970 million people in Africa lack to access to clean energy for cooking. In addition, 600 million people in Africa lack access to electricity. Furthermore, as a result of energy shortages, some industrial operations in Africa face perennial low capacity utilization.

I would like to add more to the challenge of climate change by saying that estimates by the African Development Bank show that although the African continent only contributes to 3% of global emissions, Africa has been losing 5 to 15% of her per capita Gross Domestic Product growth because of climate change and its related adverse impacts of heat waves, floods and droughts.

As part of the process of positioning Africa to move towards green manufacturing, we are undertaking a survey on the practice of Environmental and Social Governance (ESG) among the Africa Private Sector. Through it, we aim to assess the African Private Sectors' capacities to integrate ESG and climate change considerations in their business strategies and operations. This survey, which is supported GIZ will serve as the basis for a side event we are organizing on the margins of the COP 27 on Decarbonizing African Industry as well as the side meetings to be held from 20-24 November, 2022 in the run up to the 17th Extraordinary of the Assembly on 25th November.

Beyond this, it is also becoming an imperative for environmental sustainability to produce locally, instead of exporting commodities and importing finished products. The carbon footprint of transportation in this type of global trade can be significantly reduced with localized production. I urge you to make recommendations to Ministers on this important issue.

I would like at this stage to turn on the opportunities offered by the Fourth Industrial Revolution and simply call on you to ensure that it is fully factored in the documents going to Ministers and Heads of State and Government.

As I come to the end of my statement, let me make four points.

Firstly, there is need to re-galvanize political leadership for accelerated inclusive and sustainable industrialization. In this regard, the Commission proposes the nomination of an African President as Champion of Industrialization and Productive Transformation. The Champion will provide political leadership, awareness and ensure follow up of inclusive and sustainable industrial development commitments within the continent to achieve Africa's transformation under Agenda 2063: The Africa We Want. He will also spearhead the continental institutional coordination mechanism for resource mobilization with the support of the African Union Commission and other relevant institutions which facilitate implementation of programmes and projects of Agenda 2063.

Secondly, there is need to develop a continental financing platform that support industrialization and economic diversification. The Champion of the African Union Financial Institutions, His Excellency the President of the Republic of Ghana is leading us in this process.

My third point is the need to invest pro-actively in youth start-ups. In this connection, we shall start developing model legislation on youth start-up operations which Member States can use to develop national start-up legislation in order to avoid major divergencies across the continent. If this is achieved, we would be better placed to in future transform the model law into a protocol as we did with our initial work on investment which is now being transformed as a protocol on investment as part of the legal instruments of the African Continental Free Trade Area.

My fourth and final point is to recall that in the 1960s, South Korea was called a bottomless pit. With ambition to industrialize, resolve, hard and smart work, South Korea has today a dynamic industrial base with flagship products like televisions, cellphones and, among others, motor vehicles.

In the 1990s, The Economist newspaper labelled Africa a hopeless continent. This label has now been retracted. The point is that it is within our power to dynamically industrialize and diversify the African economies. Let us do it.

I will end by wishing you fruitful deliberations and thanking you for your kind attention.