Theme:

“Financing Africa’s Industrialization: the Role of DFIs”

Official Record of the 2017 Annual Workshop

Mahatma Mandir Conference Center,
Ahmedabad, Republic of India,
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43rd ORDINARY GENERAL ASSEMBLY WORKSHOP

Theme: “Financing Africa’s Industrialization: the Role of DFIs”

Date: Monday 22nd May, 2017,

Venue: Mahatma Mandir Conference Center, Ahmedabad, Republic of India

A. Introduction

1. The 2017 Annual Workshop of the 43rd Ordinary General Assembly of the Association of African Development Finance Institutions (AADFI) was held on the theme: “Financing Africa’s Industrialization: the Role of DFIs” at the Mahatma Mandir Conference Center, Ahmedabad, Republic of India. The Workshop was jointly organized with the African Development Bank (AfDB) and hosted by the Export-Import Bank of India.

2. The Workshop was attended by 74 participants comprising Chief Executives and Senior Management Staff from African National, Regional and Sub-Regional DFIs, as well as officials from DFIs in India, Government Ministries, International Development Organisation and Entrepreneurs. The participants came from the following 26 countries: Benin, Botswana, Burundi, Cote d’Ivoire, DRC Congo, Egypt, Germany, Ghana, India, Kenya, Liberia, Morocco, Madagascar, Mauritania, Mozambique, Nigeria, Rwanda, Senegal, Seychelles, South Africa, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

3. The objectives of the workshop were to examine the challenges hindering Africa’s industrialization, benchmark and learn from the India’s experience in promoting industrialization, and come up with expected role of African DFIs and other stakeholders in scaling-up their commitment to industrialization in the continent.

B. Opening Ceremony

4. The Opening Ceremony was attended by the following dignitaries: Mr. David Rasquinha, Managing Director, Export-Import Bank of India; Mr. Vijay Kalantri, President, All India Association of Industries (AIAI); Mr. Dumisani Msibi, AADFI Regional Representative for Southern Africa & CEO of FINCORP Swaziland, who represented the AADFI Chairman, Mr. Patrick Dlamini, and Mr. P. Guislain, Vice President, Private Sector, Infrastructure & Industrialization of AfDB.

5. Mr. David Rasquinha, Managing Director, Export-Import Bank of India, in his welcome address, emphasized the need for industrialization given its job multiplication effect and the need to create jobs for the growing population in Africa, as well as India. He was of the opinion that Africa needs industrialization given its rich natural resource endowment (about 30% of world mineral reserves, 10% of petroleum oil reserves and 8% of natural gas resources etc.) which have not been fully exploited. According to Mr. Rasquinha, the abundance of these natural resources with no value addition had led most African nations to heavily depend on commodity based exports for generating growth and revenue, and are, therefore, susceptible to global commodity price fluctuations.
6. While acknowledging the importance of manufacturing to development, Mr. Rasquinha, stated that “Africa currently accounts for just 1.9% of global manufacturing, and over 80% of its workforce was in the low productivity sector”. He suggested that, “Africa can move up the value chain, and thus have a sustainable growth, by focusing on the manufacturing sector, particularly agribusiness, textile and garments, automobile assembling and pharmaceuticals. These sectors have potential to cater to the growing African market, as well as, serve as an export base, making it attractive to international investors “and are in particular potential areas where India can assume a development partnership role to facilitate growth in Africa’s manufacturing sector.

7. Mr. P. Guislain, Vice President, Private Sector, Infrastructure & Industrialization of AfDB, in his Keynote Address on “Africa’s Quest for Sustainable Development: Responding through Industrialization”, reiterated that industrialization of Africa was one of the High 5s priorities of the African Development Bank (AfDB), and acknowledged that the challenges of Africa in industrialization was as a result of the focus on export of primary commodities.

8. Therefore, he suggested the need to shift emphasis to value addition to local natural resources, and ensuring that treaties and agreement among the African nations and regions are enforced to be effective as this could support trade and industrialization, and using the power of more organized private sector to create the desired market to make the continent investible.

9. On relationship between African DFIs and AfDB, he acknowledged the needed to develop more complementarity in a more structured approach, leveraging one another to increase financing for industrialization and other elements of the High 5s.

10. Mr. Dumisani Msibi, AADFI Regional Representative for Southern Africa, in delivering the AADFI Chairman’s address thanked Mr. P. Guislain, Vice President African Development Bank for his presence and for the partnership between AADFI and the African Development Bank. He also expressed appreciation to Mr. David Rasquinha, Managing Director of the Export-Import Bank of India for the Bank’s support to the programme.

11. The AADFI Chairman adduced to the fact that, the conversation on the need for Africa’s industrialization has been a long issue and is still ongoing dating back to post-colonial era in Africa countries. According to him, respective African governments adopted various industrialization strategies after attaining independence, but noted that much progress has not been made since then, rather the continent was witnessing de-industrialization in many countries.

12. He acknowledged that sustainable economic growth and development required investment in manufacturing which was key in the process of economic transformation required to create wealth, growth, job opportunities and sustained development. However, the share of manufacturing in Africa’s GDP has been decelerating over the years particularly in sub-Sahara Africa, where its contribution went down from 19% in 1975 to 11% in 2014 and hoovering below 11% in 2015 despite the huge resource endowment of the continent. He hoped that the workshop will provide opportunity to come up with innovative ideas on how to improve industrialization in Africa.
C. Plenary Session (Presentations and Panel Discussion)

13. The plenary session 1, was moderated by Mr. Manoj Mittal, Deputy Managing Director, Small Industries Development Bank of India (SIDBI). Mr. Vijay Kalantri, President of the All India Association of Industries (AIAI) & Vice Chairman, World Trade Center Mumbai, delivered lead presentation at the session on “Industrialization in India: Lessons for Africa”. There was also Panel Discussion on “what enabling environment would be required to fast-track industrialization in Africa and what specific roles for DFIs and other stakeholders in achieving this?” with the following discussants: Ms. Kanayo Awani, Managing Director Intra-Africa Trade Initiative, Afreximbank; Mr. Mohan Vivekanandan, Group Executive Strategy, DBSA, and Mr. Vijay Kalantri.

14. The session 2, presentation was delivered by Mr. Debasish Mallick, Deputy Managing Director, EXIMBANK of India, on “Facilitating Cross-Border Financing in Promoting Africa’s Industrialization: the EXIMBANK India’s perspective”. The session was chaired by Mr. Dumisani Msibi, CEO of FINCORP Swaziland.

D. Conclusions and Recommendations

15. Based on the deliberations, the following conclusions and recommendations were reached:

I. It was acknowledged that Africa is richly endowed with natural resources, however, the continent remained heavily dependent on the production and exports of primary commodities which are highly vulnerable to external shocks.

II. The recent sharp deterioration of economic growth in various African countries was driven by the collapse of commodity prices and the weakening in traditional markets (Europe and China). This has demonstrated the urgent need for structural transformation of African economies from predominantly agrarian- to industrial-based.

III. It was a consensus that many African countries particularly within the sub-Saharan region are facing major obstacles in their efforts to promote industrialization mainly as a result of infrastructure deficit. Therefore, structural transformation and industrialization in Africa will require adequate infrastructure to power economic activity, fuel industrialization, connect producers to markets, enhance intra-African trade and foster regional integration. The lesson from India showed that infrastructure development (ports, roads, rail etc.) was key factor in fast-tracking industrialization and would be pivotal in Africa’s quest for industrialization.

IV. Africa’s infrastructure and development need was estimated to be short by about US$ 50 billion per annum of the amount currently being spent. Besides, current government budgetary resources are not sufficient to meet the infrastructure funding requirements. Therefore, the challenges of availability of long-term finance on feasible terms to support infrastructure development need to be addressed and supported by strengthening international funding and delivery architecture.
V. Sustainable development will assist in dealing with the numerous environmental and socio-economic challenges facing Africa today. DFIs are well placed to ensure that sustainability becomes the key to investments in Africa through implementation of Environmental, Social and Governance (ESG) standards.

E. Recommendations

1. DFIs should collaborate in pushing the agenda of Africa’s industrialization forward, and should improve partnership with other key stakeholders. The complementarity among African DFIs, Regional and Multilateral DFIs including AfDB should be in a more structured approach in order to put Africa on industrialization path.

2. DFIs should upscale commitment to capacity building, technical assistance, project preparation and mobilization of long term finance required for infrastructure development.

3. Governments should create conducive business environment including enacting enabling law, simplifying procedures, custom regulation, incentive packages, and fiscal incentives among others, in order to enhance private sector participation in promoting industrialization.

4. African governments should work to ensure that the various treaties and agreement among African nations are enforced to be effective. This will have effect in creating regional markets, increasing cross border trade both within Africa and with the rest of the world, and in galvanizing the private sector to play the desired role in the industrialization of the economies.

5. The Private Sector is also encouraged to play significant role by attracting capital investment, technologies, and management skills in helping to build local manufacturing capacity.

F. Closing Remarks and Appreciation

16. The workshop came to an end with closing remarks by Mr. David Rasquinha, Managing Director, Export-Import Bank (EXIM Bank) of India.

17. The Workshop expressed appreciation to the Government and People of the Republic of India, and the EXIM Bank of India for the hospitality extended to the delegates. It also thanked the African Development Bank for the support in organizing the workshop.

18. Furthermore, it appreciated the contributions from the Guest Speakers and Panelists for sharing their wealth of knowledge, and to all delegates for attending the workshop.

Dated in Ahmedabad, India. May 24, 2017

The AADFI Secretariat