


“Leapfrogging Africa” : Challenges and Opportunities in the Era of COVID-19 Concerning Structural Transformation through Promoting Digitalization, Industrialization, and Diversification



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Introduction

This presentation tries to address;

- Africa's industrialization
- The Challenges of Industrialization in Africa
- The Opportunities at hand
- Possible solutions and recommendations in the era of COVID-19



I. Africa's Industrialization

- Africa's industrialization hasn't been a successful story so far, even though there are isolated success stories.
- There are a number of factors explaining the slow pace of industrialization in Africa.

II. Factors that affected the Process of Industrialization in Africa

A. structural Factors;

There are structural factors explaining the slow pace of industrialization in Africa.

- ▶ The global and historical division of labor, and Africa's late comer entrance to the global system as provider of raw materials.
- ▶ The lack of bold political commitment, continuity problem and suitable industrial policy making
- ▶ Weak infrastructure within and among African countries
 - Electricity, Poor transportation and logistics system,

B. Unmet global and regional Promises/ commitments

- ▶ Same of the vision and mission to Industrialize Africa adhere to UNIDO's mission and Agenda 2030 of the UN:
- ✓ UNIDO mission 1979; Promote industrial development in developing countries
- ✓ Lima declaration article 2; 20 13; Inclusive and sustainable industrial development in developing countries and specially in Africa
- ✓ SDG 9; 2015; inclusive and sustainable industrialization the world agreed

C. Population pressure with low productivity and high unemployment

D. Climate Change: high cost of development

E. COVID-19 common challenge for the world with worst impact to developing nations


III. Nonetheless, Africa remains to be the Next Frontier of industrialization;

1. Population and abundant natural resources;

- ✓ Africa is the continent of the future. It is filled with a large and growing number of capable energetic youth with the potential for innovation.
- ✓ By 2050, Africa's total population is projected to reach 2.5 billion, 1/4th of the World population. By 2030, young Africans are expected to make up 42 percent of the world's youth.
- ✓ Abundant natural resources, a rapidly growing consumer market, and innovative start-ups that attract attention from all over the world.
- ✓ In terms of minerals, Africa contributes 9.6% global Oil output, 90% Platinum, 90% Cobalt, 50% of Gold, 2/3 of Manganese, 35% Uranium, and 75% of Colten supply of share of the World.
- ✓ Africa holds more than 60% of the world's arable land, of which more than 1.73 billion acres is uncultivated.
- ✓ **Aquaculture**, Africa shares 2.7% (2.2 Million tons) of the 82.1 Million tons of the global total aquaculture production of aquatic animals.

2. Abundant Market and new opportunities:

- The adoption of inter-African single market of goods and services, African Continental Free Trade Agreement (AfCFTA), poised to be the world's largest free trade agreement in terms of the member countries. By aiming to create a single, competitive, and richer African market, the agreement could foster regional integration and intra-African trade that will spur industrialization.
- The COMESA Free Trade area
- Favorable location – proximity to Europe and the Middle East
- Duty free and quota free access to the US (AGOA) and EU (EPA)



3. Policy and Institutional Reforms in various African countries;

- ▶ The recent political, economic and legal reforms in African countries have increased prospects for economic growth and the mitigation of risk often associated with investing in emerging African markets.
- ▶ Ethiopia's airline connectivity and hub to manufacturing, Industrial Parks and Incentives
- ▶ Rwanda's Special Economic Zone and sophisticated telecommunication
- ▶ Togo's agri-business, and Namibia's logistical hub to mention few.

4. Regional Economic Integration and Infrastructural initiatives

- ▶ Regional Integration Initiatives and Infrastructure links: Africa is linking itself within. Examples in East Africa is the rail network between Addis Ababa and Djibouti, the road linking Addis to Nairobi, the One Stop Border posts between Kenya and Ethiopia, Kenya and Uganda, Uganda and Rwanda, etc.
- ▶ Ethiopian Airlines is the only air transport service between Narita and Addis Ababa. Approx. 3.5 billion people live within 8 hours of flight from Addis Ababa.
- ▶ There are also massive achievements in terms of free movements of people, goods, and services between EAC member countries, and between other regional Economic communities

5. Commitment to diversification: -

- ▶ Governments across the continent enact measures to foster entrepreneurial ecosystems conducive for the growth of SME's,
- ▶ The private sector itself is playing an active role in driving diversification as well.
- ▶ A variety of incentives are available to help develop and expand an environment conducive for the private sector.

IV. Challenges COVID-19 posed on African Industrialization

Africa is experiencing an unprecedented economic crisis due to the COVID-19 pandemic.

- ▶ Though most African countries are not reintroducing the strict lockdown measures, economic activity remains severely curtailed by a reliance on the global economy and external demand.
- ▶ It made workers in the informal sector extremely vulnerable and created a gap between supply and demand of skilled labor for the emerging markets.
- ▶ Service industries, including Tourism and hospitality, as well as natural resource extraction, are the most affected, though manufacturing also remains particularly exposed via global trade linkages.
- ▶ International trade has declined by 9% decline in 2020. (WTO)
- ▶ African manufacturers have faced a decline in output of around 10% in 2020, threatening their survival and leading to long-lasting consequences in the sector.
- ▶ In Ethiopia, industrial park firms, largely focused on producing light garments, were severely affected by the pandemic.
- ▶ Around 10% of those surveyed had to close, and over three quarters experienced a decline in sales and production (Krishan et.al, 2020). Foreign investment into Africa declined in 2020. UNCTAD have reported a 21% decline in inflows during the first half of the year, with resource-intensive economies suffering a larger drop.

V. In spite of challenges opportunities remain High in the continent

- The Covid-19 crisis has significantly impacted Industrial development in Africa, but there are also reasons to believe there has been a positive structural response.
- The African Development Bank recommends to scale up active labor market policies to retool the labor force and accelerate structural transformation through digitalization, industrialization, and diversification.
- National governments in Africa have introduced policies to assist business during the pandemic, including finance, liquidity, and tax support. In Ethiopia, for example, there is greater support to those exporting firms in industrial parks. Such support will be crucial for the survivability of the sector, and in Ethiopia's case, critical to ensure continued progress as part of its industrialization agenda.
- Retaining and reskilling the labor force will flexibly facilitate workers' transition from low productivity, obsolete sectors, and jobs into new and emerging ones that these three pillars are set to create in Africa.

VI. Possible solutions and Recommendations

1. Strengthening Global Collaboration

- ▶ Increased FDI
- ▶ **Financing:** External parties can help to support African manufacturing through aid, finance and trade.
- ▶ The African Industrialization Plan was launched by the G20 in 2016, but it has yet to be completely executed. The G20 could be doing more by providing additional liquidity.
- ▶ For example, through supporting an increase in Special Drawing Rights with part of these resources reserved to supporting the private sector
- ▶ Support for liquidity and sustainability facility could help a green industrial recovery.
- ▶ External actors Should commit to undertaking deep trade and investment deals over time that are consistent with African integration efforts. In the meantime, trade barriers such as tariffs should not be increased towards Africa, especially after Brexit on 1 January 2021, or in any move to phase out the African Growth and Opportunity Act after 2025.



2. New Growth Initiatives

- ▶ New Initiatives geared towards breaking the structural challenges to African Industrialization could help leapfrog challenges
- ▶ Examples; TICAD 8 could help provide new initiatives, could provide incentives for Japanese companies to effectively involve in African Industrialization
- ▶ Japanese and African policy decisions to help reduce the risk averse behavior of Japanese industries

3. Technology

- ▶ Africa's youth provides easily trainable human resources
- ▶ Investing in creation of value chains; The successful experience by Japan which lifted the industrial structure in South East Asia by creating strong value chains.
- ▶ New technological advances can help accelerate the Industrialization process in Africa
- ▶ Kaizen is an important tool for Japanese investment in Africa, its wider introduction can help attract Japanese investment.
- ▶ Joint venture with African private and public is critical to develop the existing enterprises to operate at their full capacities.



4. Digitalization/Industry 4.0

- ▶ Digital transformation of manufacturing, ports, mines, utilities, railways, airports, logistics, intelligent highways and smart cities.
- ▶ By bypassing outdated processes and immediately applying contemporary digital solutions, Africa may leapfrog existing industrial bottlenecks, resulting in a long-term sustainable solutions.
- ▶ Building joint execution capacity in a collaborative spirit.

5. Synergy

- ▶ Resolving the problem of coordination
- ▶ Fostering Institutional collaboration among domestic, regional and International actors

VII. What Japan can do to help Africa Industrialize?

- Work culture, quality orientation, and maintain its own culture
- Knowledge transfer and Value Chain creation
- Finance and Technology transfer digitalization
- Bridging the infrastructure gap
- Global market networking



Arigato Gozaimasu!

Thank you!