





Industrialize Africa

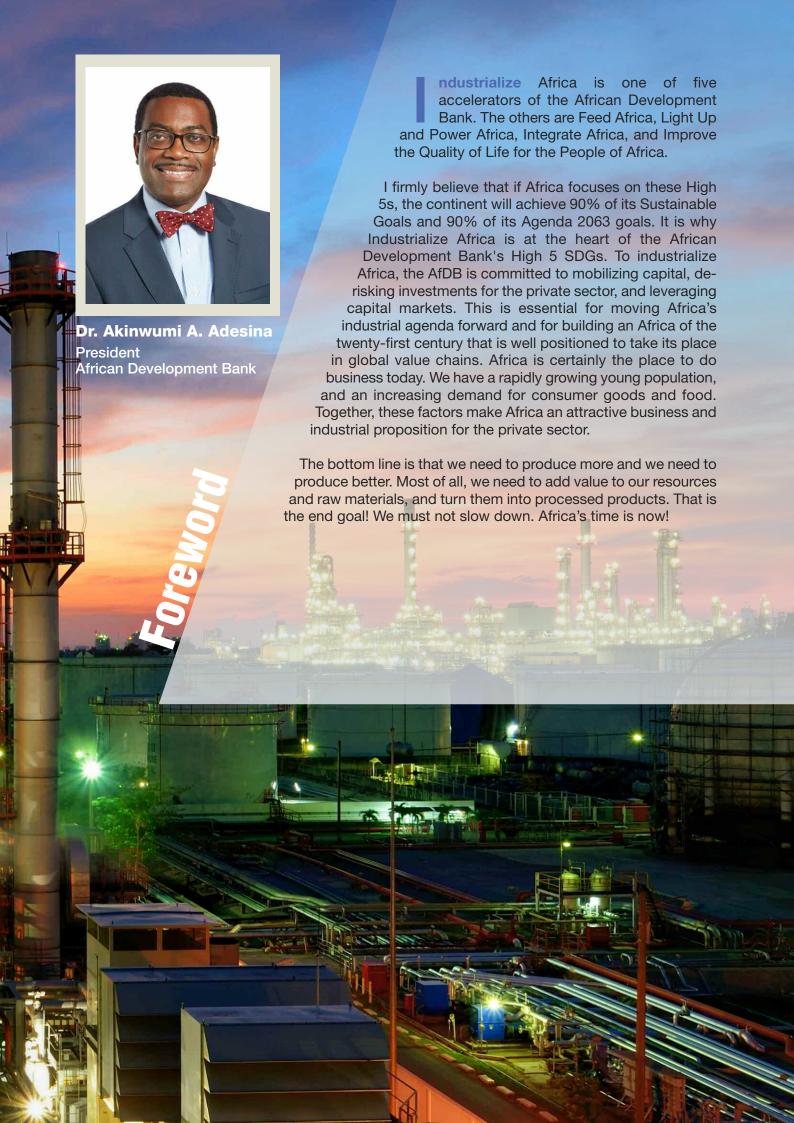




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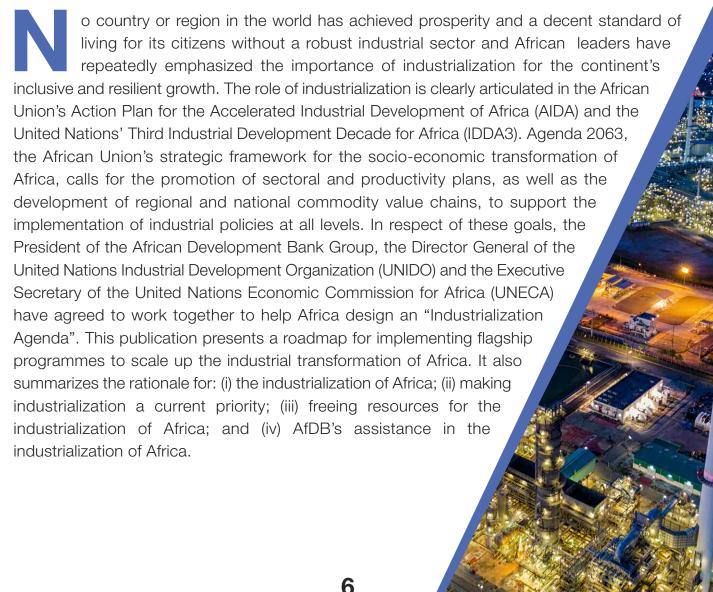














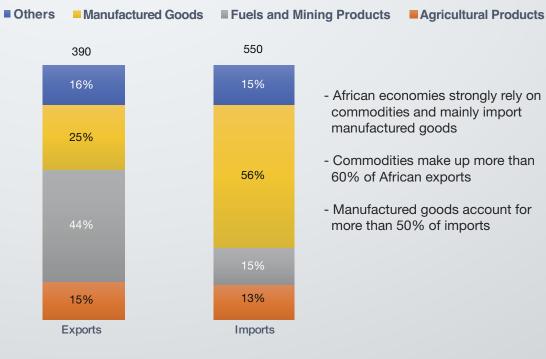
overall, Africa has enjoyed strong economic growth for almost all of the past two decades but has not seen a commensurate rise in industrialization. Growth has been on the basis of expanding domestic markets supported by a burgeoning middle class, improving business environments that include better macro-economic management, favorable commodity prices, urbanization and increasing public and private investment. The persistent lack of industrialization is a brake on African economies, which remain largely dependent on agriculture and unprocessed commodities that add relatively little value. On average, African industry generates merely USD 700 of GDP per capita, which is less than a third of the same measure in Latin America (USD 2 500) and barely a fifth of that in East Asia (USD 3 400).

In addition, African exports consist of low technology manufactures and unprocessed natural resources, which represent more than 80% of exports from Algeria, Angola or Nigeria, for example. Since industrial growth has a positive influence on overall GDP and productivity, industrialization is a necessity for Africa. When world leaders agreed in 2015 to "build resilient infrastructure, promote sustainable industrialization and foster innovation", which became Sustainable Development Goal #9, they recognized this.

Industry plays a vital role in development because it increases the value created in an economy by generating activity further along value chains, from raw materials to finished products. Industrialization boosts productivity by introducing new technologies and techniques, generates employment, increases the skills of the workforce, supports formalization of the economy, diffuses improvements into the wider economy and tends to underpin social stability. Industrialization can improve the balance of trade by creating goods for export and creating local competition for imports. The challenges of industrialization are many, but the benefits are wide and within reach.

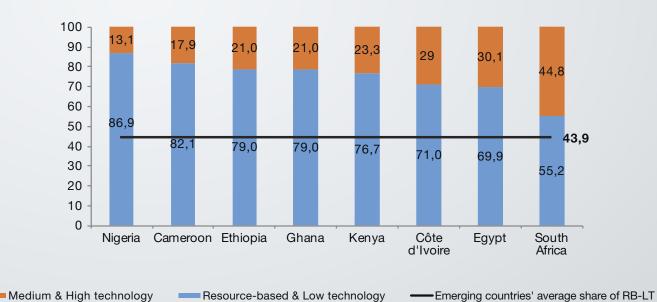
African economies strongly rely on commodities that account for more than 70% of Africa's exports

African Merchandise Trade



Source: Computation based on WTO data (2017)

Industrial GDP remains very low across Africa and the structure of manufactured exports is still resource-based and low-technology



Source: Calculations, based on UN data (2016).



frica has benefited from two decades of steady economic growth sustained by commodity exports and increasingly by structural factors such as demographics, growing internal markets, urbanization and technological developments.

Africa's economic growth is accelerating



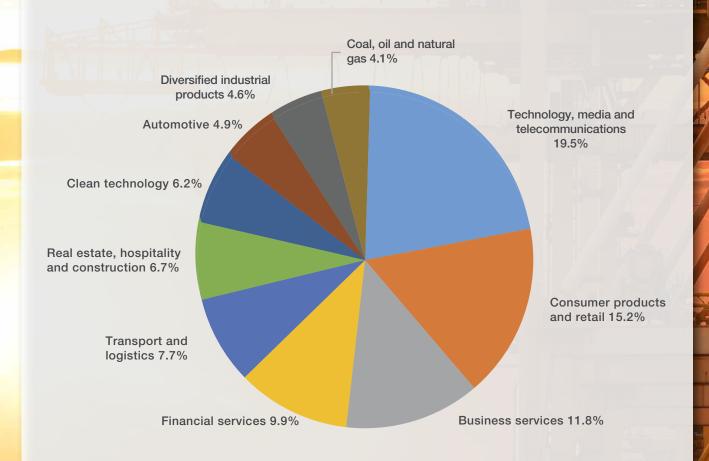
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Africa is the second-largest FDI destination behind the Asia-Pacific region. FDI inflows to Africa have risen from approximately USD 10 billion in 2000 to over USD 55 billion in 2015.

FDI projects in Africa are diversifying beyond the extractives sector



Source: EY Attractiveness Program Africa, May 2017 / Oxford Economics

Africa's Industrial Development Can Capitalize on Sound Structural Factors

Demographics

Africa will have 2 billion people in 2050 – one fifth of the global population, the largest and youngest workforce by 2025 and over 500 million people in the labor market. Successfully absorbing this workforce in labor-intensive and highly productive activities/sectors

(e.g. manufacturing) holds the key to creating Africa's demographic dividend

Urbanization

Africa has the highest urbanization rate in the world. About 40% of the population already live in urban areas and the 20 largest African cities are expected to grow by 50% in the next 10 years.

This represents opportunities in infrastructure development

and services.

Growing internal markets and the middle class

with growing populations and rapid urbanization have come the rise of a middle class. In 2010, 150 million Africans made up the middle class, a figure that is expected to reach 210 million in 2020 and rise to 490 million by 2040. The rise of the middle class has caused a shift in consumption patterns with its members preferring consumer goods (finished and manufactured products) as well as buying in supermarkets or similar set ups. This is a market worth USD250bn that is set to grow at an annual rate of 5% over the next 8 years.

Digital and technological developments

In 2016, mobile technologies and services generated USD 110 billion of economic value in Sub-Saharan Africa, equivalent to 7.7% of GDP. It is expected to rise to USD 42 billion or 8.6% of GDP, by 2020 as countries benefit from improvements in productivity and efficiency brought about by increased take-up of mobile services. The mobile ecosystem accounted for approximately 3.5 million jobs in Sub-Saharan Africa in 2016. The number of mobile broadband connections will reach half a billion by 2020, more than double the number at the end of 2016.

How the Bank Will Help Industrialize Africa

The African Development Bank plans to place a stronger focus on areas where it can best leverage its experience, capacities and its finances to support countries through six 'Flagship Programs', which are at the core of the Bank's Industrialize Africa priority.

To deliver its contribution to these programs, the Bank will significantly increase its level of funding over the next decade.

Foster successful industrial policies

Attract and channel funding into infrastructure and industry projects

Grow liquid and effective capital markets

 Provide policy advice and technical assistance to governments (regulatory and institutional framework, implementation and monitoring) and funding of key PPP projects

- Increase and channel funding into GDP-boosting program (infrastructure and industrialisation projects, by public and private operators)
 - Raise own investment
 - Investment by others (domestic and foreign) as strategic investor or mandated lead arranger

- Improve access to market finance for African enterprises
 - Advise governments, stock exchanges and regulators on development of liquid capital markets
 - Invest directly in capital markets to increase liquidity

Promote and drive enterprise development Promote strategic partnerships in Africa Develop efficient industry clusters cross the continent

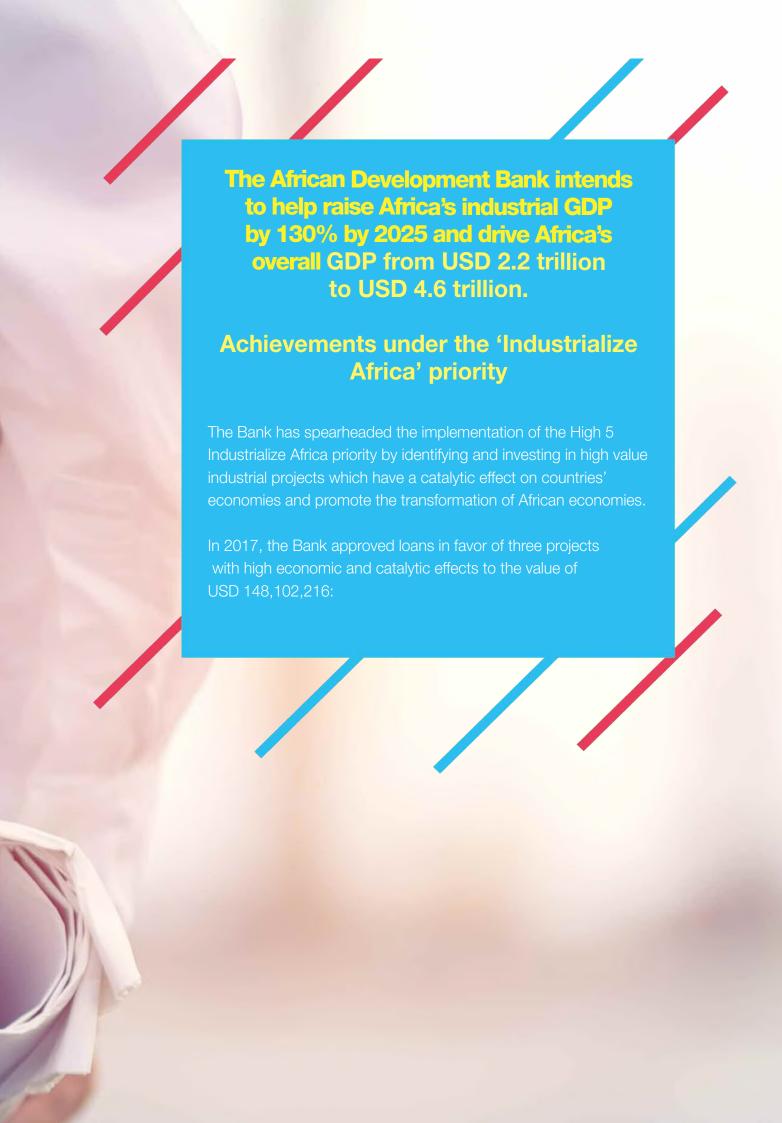
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- Drive enterprise development (large, small and medium businesses)
- Scale-up investment and financing to lend to SMEs
 - Technical assistance support to strengthen SME-focused entities
 - Establish linkages of SMEs to domestic projects/companies and provide training of a strong talent pool

- Link up African enterprises and major projects with potential partners and investors, through promotional activities, including the African Investment Forum
- Facilitate and manage investor relations (e.g. contract negotiations)

• Support governments in developing efficient industry clusters across Africa through technical assistance and funding in implementation and monitoring







Boké Mine (Guinea)

Project description

A USD 1.4 billion project, which will improve Guinea's position in global markets as an exporter of premium quality bauxite while contributing to the development of core transport infrastructure in the country.

The African Development Bank's contribution

The Bank provided USD 100 million through its private sector window.

Economic effects and benefits

- Upgrade to the existing multi-user rail system linking Boké to the Port of Kamsar and development of a quay and container terminal have boosted traffic and unlocked trading and agricultural potential in the region.
- Boost in job creation in the region during the construction and operation phases.





Société nationale d'industrie minière (SNIM), Mauritania

Project description

Expansion of the Guelb El Rhein mine (Guelb II), operated by SNIM, through construction and start-up of a new iron ore enrichment plant to produce an additional 4 million tonnes per year of concentrates.

The African Development Bank's contribution

Estimated project cost is USD 771 million; the Bank provided a USD 175 million 15-year senior limited-recourse loan (including 4 years grace).

Economic effects and benefits

- 600 jobs created during the 3-year construction phase from 2013 and 340 permanent jobs created during its operations.
- SNIM is expected to generate an additional USD133 million per year for the government through corporate taxes (USD86 million) and dividends (USD 47 million) from 2013 onwards.







Derba Midroc Cement Project (Ethiopia)



Project description

The project involves the mining of the Derba-Mugher limestone deposit and its treatment in a cement plant with a capacity to recover 5 600 tonnes per day clinker and 7 000 tpd cement as a finished product.

The African Development Bank's contribution

Its estimated total cost at inception was USD 350 million and the Bank provided a long-term senior loan of USD 55 million. The Bank also played a key role in attracting debt financing needed to realize the project and convincing all financiers to provide the 10-year funding needed to ensure a solid cash flow structure for the project.

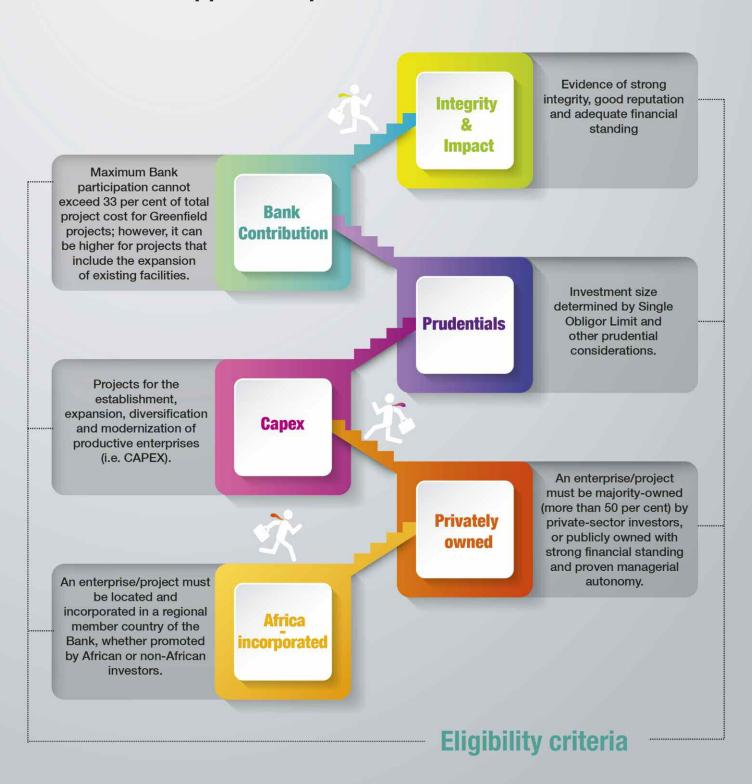
Economic effects and benefits

- 2000 jobs created during the construction phase. The project currently employs 739 permanent workers of which 17% are female.
- Due to its high-power consumption, a 5 MW plant was built by the sponsor during the construction phase, making 40% of its energy available to the local community.



How to work with the African Development Bank

Economic operators in the private sector wishing to work with the Bank should meet the eligibility criteria and follow the application procedure described below.



Application procedure

To enable the Bank to promptly assess the eligibility of a project for investment, interested enterprises are required to submit a preliminary application covering, in general, the following information:

- Description of the project (sector, location, production volumes, etc.)
- Sponsors, including financial and managerial background
- Cost estimates, including foreign exchange requirements
- Financing plan, indicating the amount of AfDB financing desired
- Key technical and environmental features
- Feasibility indicators
- Business climate, market prospect, including proposed marketing arrangements
- Implementation plan, including the status of required licenses, permits, certificates, etc.

Having determined the eligibility of a project financing application, the Bank will initiate a full application review. To facilitate this, the Bank will require the following:

- Feasibility study
- Business plan
- Environmental and social impact assessment (depending on the nature of the project)

The private sector at the African Development Bank

Financial instruments

Senior Debt

- Adapted maturities (up to 15 years)
- Up to 5 years grace period
- Foreign or local currency loans
- Up to 1/3 of total project cost
- Syndication co-financing platform

Guarantees

- Partial risk guarantee
- Partial credit guarantee

Technical Assistance

- Grants for feasibility studies
- Capacity building support
- SME linkages programs
- Advisory Services

Subordinated Debt

- Local currency
- Foreign currency
- Quasi equity products similar to senior debt

Equity

- Indirect, through private equity funds
- Direct, maximum of 25%





for transforming Africa











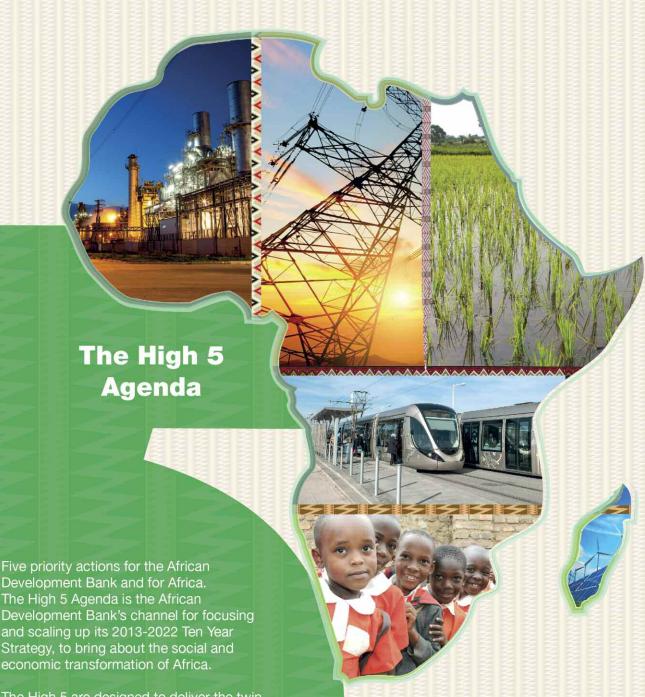
1 Light up & power Africa

2 Feed Africa

3 Industrialise Africa

☐ Integrate Africa

Improve the quality of life for the people of Africa



Development Bank's channel for focusing and scaling up its 2013-2022 Ten Year Strategy, to bring about the social and economic transformation of Africa.

The High 5 are designed to deliver the twin objectives of the Ten Year Strategy: inclusive growth that is shared by all; and the gradual transition to green growth.

The High 5 are: Light up and power Africa; Feed Africa; Industrialize Africa; Integrate Africa; Improve the quality of life for the people of Africa.