

Regional meeting on “Innovations for Infrastructure Development and Promoting Sustainable Industrialization”, in the margins of the AU/ECA Joint Conference of African Ministers of Finance, Planning and Economic Development in Dakar, Senegal, 26 March 2017

Concept Note

I. Background

Industrialization and infrastructure development have been key aspirations of development planning and policy making in Africa and most of the developing world for more than half a century, but implementation of various development plans has resulted in varying degrees of success across countries and regions. African leaders have at various times stressed the need to transform the structure of their economies and to create decent jobs, promote productivity, enhance incomes and achieve sustainable growth and development. Sustainable industrialization is viewed as integral to this objective, with infrastructure development as a necessary enabler. The third Industrial Development Decade for Africa (IDDA III) UN resolution, the New Urban Agenda adopted by the UN Conference on Housing and Sustainable Development (Habitat III) in 2016, Africa’s Agenda 2063 and the Sustainable Development Goals (SDGs) emphasize the role of infrastructure and industrialization in meeting their objectives.

The enduring paradox, however, is the lack of progress to achieve these aspirations, a situation that has given rise to the constant search for innovative ways of facilitating infrastructure development and harnessing sustainable industrialization. The African Union (AU) and the United Nations Economic Commission for Africa (UNECA) have, since the turn of the century, dedicated significant efforts in advocating for innovative financing and policies for infrastructure and industrial development as key elements of Africa’s Structural Transformation.

In recent years, a number of developing countries have made considerable progress in the development and maintenance of critical infrastructure, but progress in countries in special situations, namely LDCs, LLDCs and SIDS, has been slow. In Africa, enhanced South-South cooperation, undertaken out of solidarity and mutual benefit, has led to the construction and upgrading of vital road networks, railways, airports, seaport terminals and pipelines - all of which have contributed positively to the continent’s economic outlook. In the context of development cooperation, there are ongoing discussions on how South-South cooperation could be further strengthened. The potential role of Public Private Partnerships, including blended finance, to promote industrialization and infrastructure development has become a prominent issue in multilateral discussions. There are important lessons that can be learned from the unique and different infrastructure development models that are emerging from these arrangements.

In his inaugural address, the President of ECOSOC proposed to dedicate sufficient time during its 2016-2017 cycle, on innovations for infrastructure development and promoting sustainable industrialization. The planned Special Meeting of ECOSOC on “*Innovations for Infrastructure Development and Promoting Sustainable Industrialization*” at UN

Headquarters, New York, on 31 May 2017, aims to significantly support sustainable development aspirations of developing countries, and particularly those in Africa.

The President's proposal seeks to enhance high level advocacy for effective support to ensure that developing countries meet the global Sustainable Development Goals agreed in 2015. It is important, therefore, to undertake wider consultation to gather concrete ideas and proposals that could be discussed at the Special ECOSOC meeting in New York. It is imperative that the outcomes of these meetings reflect grass root-driven issues, priorities and responses, and provide a clear pathway to the desired changes – structural transformation and sustainable development.

The President of ECOSOC has therefore proposed to hold two preparatory meetings in Africa in the run-up to the ECOSOC Special Meeting at UN Headquarters on 31 May 2017, which will contribute to the effective engagement of national and regional actors in the discussions and actions undertaken by ECOSOC on the theme. The first preparatory meeting, under the theme of *Industrialization and Infrastructure* will take place in Dakar, Senegal on 26 March 2017 in the margins of the joint ECA/AU African Ministers of Finance, Planning and Economic Development, scheduled to be held from 23-28 March 2017. The second preparatory meeting to be held in Victoria Falls, Zimbabwe (24-26 April 2017) will focus on agriculture and agro-industry.

2. Objectives

The objectives of the first preparatory regional meeting will include:

- Engaging actors and knowledge networks to share experiences and expertise to develop regionally driven recommendations for accelerating industrialization in Africa and countries in special situations at national and regional levels, including through discussing potential solutions and strategies for the achievement of SDG-9 of Agenda 2030; Aspiration 2 of Agenda 2063; and implementation of IDDA III, PIDA, AIDA and the New Urban Agenda;
- Highlighting infrastructure gaps facing the continent and focusing on implementation strategies, including improved harmonization and regulatory frameworks for the achievement of SDG-9;
- Generating consensus on new norms and standards which ECOSOC could promote to strengthen and develop innovative approaches towards building infrastructure networks and promoting industrialization;
- Identifying trends, progress and opportunities to leverage development cooperation, including traditional ODA, South-South, triangular, regional and sub-regional cooperation, as well as multi-stakeholder partnerships and public-private partnerships, to strengthen infrastructure networks, industrialization and innovation in Africa, LDCs, LLDCs and SIDS.

- Supporting efforts by AUC and its member States to implement the Continental Free Trade Area (CFTA) as a means to fostering Africa's industrialization and regional integration.

3. Key issues in infrastructure development and industrialization in Africa

Africa needs massive investment in building its productive capacity and job creation to ensure its long-term sustainable development. With its increasingly youthful population, rapid urbanization and vulnerable growth, Africa needs to increase its creation of decent jobs to address growing youth unemployment and improve productivity in various sectors for increased incomes and the diversification of production, exports and sustainable inclusive growth sources. This should include the creation of strong rural-to-urban value chains where new livelihoods can be built, and existing ones enhanced and made more resilient. While industrialization has been identified as critical for decent work and improved incomes, the inadequacy of infrastructure, among other significant factors, has held back its potential to support poverty eradication and sustainable development.

The success of Africa's industrialization program will require the creation of an enabling environment that enhances domestic capacity with respect to physical and social infrastructure, human capital, financial systems, research and development (R&D), technology and governance. It also involves strengthening the capacities of cities as economic engines underpinning these activities. The ability of African countries to establish a competitive industrial sector and promote greater industrial linkages has been hindered by poor infrastructure (energy, transport, communication, etc.), which has resulted in high production and transaction costs. This is further complicated by Africa's current large infrastructure deficits that can impact future production capacities and lead to higher costs in the long run.

Despite protracted considerations of these critical issues on the continent, progress has been slow and concerted efforts are required to step up progress in addressing them. It will be important to flesh out the issues surrounding this lack of progress and identify initiatives and strategies for addressing them to improve the possibility of achieving the SDGs by 2030. Some of the key issues for consideration in preparation for the 2017 Special Meeting of ECOSOC include:

3.1 Inadequate infrastructure to support industrialization

Infrastructure needs in Africa have been well documented since the independence of most countries in 1960s. Industrialization, another development area Africa has been grappling with since independence, requires infrastructure for viability and contribution to spatial economic growth and diversification of production and exports to ensure sustainable inclusive growth. For example, industrialization is made easier by adequate energy supplies; more spatially inclusive when the movement of inputs and outputs from sources to markets is reliable; and more sustainable and inclusive when based on green principles. Although a range of initiatives have been implemented, significant gaps persist.

3.2 Promoting sustainable industrialization

The experiences of many African countries and countries in special situations have highlighted a number of obstacles that need to be tackled. While Africa is well endowed with natural resources and some factors of production, critical gaps persist and limit progress in a range of areas, including for example, commodity based industrialization.

Significant gaps exist in the financing of industrialization, including the creditworthiness of industrialization-championing entities; Africa's high risk perception; low financial sector development in member States; and inadequate availability of long-term financing for long-gestation industrial enterprises. While Africa has a clear comparative advantage in particular industries, the potential to grow in other industries is high if requisite public investment is made. Strategic industrial development is often low on the priority list of international investors, indicating the need for Africa to mobilize domestic investment funds and capacity to participate in such industries.

Local private sector participation would be a natural response, but its capacity in Africa needs to be developed including nurturing Small and Medium Enterprises (SMEs) which are critical for inclusive economic transformation in Africa. South-South cooperation can offer strengthened capacity and financial support to countries that lack adequate resources to pursue more sustainable industrialization. Providing effective assistance to Africa's SME sector to participate in the high-value chain development, especially in the manufacturing sector, could result in a number of development gains – economic diversification; lower production costs; an increase in the beneficiation of the local products; employment creation for its youth bulge; and a growing middle class, among others. Furthermore, enhanced South-South cooperation in Africa has the potential to efficiently provide investment, guidance and capacity support for more sustainable industrialization.

4. Format and participation

The meeting in the margins of the Conference of Ministers will be held in two segments on the same day. The first segment will comprise a detailed technical discussion of selected critical issues in infrastructure development and industrialization nexus spelt out in the background technical Issues paper and make recommendations to be presented to Ministers in the second segment. The second segment will comprise of a Ministerial session of the conference focussed on—but not limited to—a discussion of salient issues and recommendations that emerged in the first segment. Outcomes of both sessions will feed into the President's address to the Conference of African Ministers of Finance, Planning and Economic Development. The President's address will be captured in the ministerial resolution which will feed into the discussion of the ECOSOC Special Meeting to be held in New York on 31 May 2017.

Participants will include representation by Ministers attending the Conference of Ministers, as well as those responsible for Industry and infrastructure development; representatives from agencies responsible for investment promotion ; representatives from the AU recognized

African RECs¹, Civil Society² and Private Sector Representatives³, UN Agencies⁴, Donors⁵ and Development partners⁶.

Participants will engage with one another in an open and dynamic multi-stakeholder format, geared toward knowledge sharing, mutual learning and generating actionable recommendations. Key resource people, including from private sector, academia and non-governmental organizations (NGOs), will present their perspectives on particular issues and experiences and stimulate discussion by the participants. The moderators of various sessions will appropriately steer discussions towards harvesting recommendations and innovative approaches to addressing infrastructure development and industrialization leading to the Structural transformation of Africa.

4. Outcome

The recommendations and conclusions of the meeting will feed into the Ministerial Statement at the Conference of Ministers in Dakar and inform the ECOSOC Special Meeting on 31 May 2017 at UN Headquarters. Outputs from the meeting will also feed into the periodic progress report on the implementation of IDDA III as required by UN General Assembly resolution A/RES/70/293, and will inform the ongoing preparations for the 2018 High-level Meeting of ECOSOC's Development Cooperation Forum.

¹ SADC, EAC, ECCAS, IGAD, ECOWAS, AMU, COMESA, CEPGL and CEN-SAD.

² SEATINI, Trademark, Northern Transport Corridor Authority, Central Transport Corridor Facilitation Authority

³ Such as the Pan-African Chamber of Commerce and Industry (PACCI), the East African Chamber of Agriculture, Commerce and Industry (EACACI), Corporate Council on Africa (CCA), the SADC Chamber of Commerce, Industry and Agriculture, the Kenya Private Sector Foundation, AZAM (TZ), and Dangote Group.

⁴ UNCTAD, UNDP, UNECA, UNIDO, UNDESA, OHRRLLS, OSAA, FAO, OSESG-GL, WIPO.

⁵ China, South Korea, Japan, Switzerland (SECO), EU, AFD, IRD, DfID, USAID, Canada (CIDA) India, Russia, Brazil and Australia.

⁶ AfDB, AU/NEPAD, Infrastructure Consortium.