



United Nations
Economic Commission for Africa

21st Intergovernmental Committee of Experts

Transformative Growth in Eastern Africa: *Catalysts and Constraints*

Venue: Moroni, Union of Comoros

Dates: 7-9th November 2017.

**Infrastructure Development and Industrialization in
Eastern Africa**

I. Background

In recent years, UNECA has actively advocated for a resurgence of industrial strategy in Africa for structural transformation. In its 2013 Economic Report on Africa, it demonstrated that sound economic growth performance did not generate enough economic diversification and job growth, and recommended the design and implementation of industrial strategies to tap on the commodity and natural resource base of Africa, including through “boosting” infrastructure.¹ Through the 2014 report on dynamic industrial policy in Africa, the pursuit of industrial policy by addressing the “missing input” such as infrastructure was recommended.² In its 2015 economic report on Africa, industrialization through trade was widely discussed, with recommendation to invest in infrastructure for better integration of Africa to the global value chains.³ The report in 2016 advocated greening Africa’s industrialization, and recommended building “system-wide infrastructure in order to ensure secure supplies of water, food and energy.”⁴ In further exploring the links between urbanization and industrialization, UNECA’s latest report recommended infrastructure investment to leverage urban development and industrialization links, and called for coordination especially with the energy sector.⁵ It is, therefore, imperative to look deeper into the infrastructure and industrialization linkage, particularly energy, and address key policy issues.

At a development framework level, the African Union’s Agenda 2063 calls for an Africa-centered economic transformation agenda, including based on industrialization and modernization, and through leveraging finance for infrastructure development. The Sustainable Development Goals converge with Agenda 2063 on the industrialization agenda. SDG Goal #9 particularly calls for building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation.⁶ Therefore, given the convergence of policy and development priority in Africa on infrastructure development and industrialization, it is pertinent to examine key issues to better support the industrialization agenda through a partly industry-sensitive infrastructure development.

In Eastern Africa, industrialization, as a pathway to economic transformation, is also gaining policy momentum. One such demonstration is the development of an industrialization strategy by the East African Community, encouraging Partner States to actively pursue industrial policies.

¹ UNECA, 2013. “Making the Most of Africa’s Commodities: Industrializing for Growth, Jobs and Economic Transformation.” UNECA, Addis Ababa, Ethiopia.

² UNECA, 2014. “Dynamic Industrial Policy in Africa.” UNECA, Addis Ababa, Ethiopia.

³ UNECA, 2015. “Industrialization through Trade.” UNECA, Addis Ababa, Ethiopia.

⁴ UNECA, 2016. “Greening Africa’s Industrialization.” UNECA, Addis Ababa, Ethiopia.

⁵ UNECA, 2017. “Urbanization and Industrialization for Africa’s Transformation.” Addis Ababa, Ethiopia.

⁶ These frameworks are supplemented by prior efforts under the third Industrial Development Decade for Africa (IDDA III), the Accelerated Industrial Development for Africa (AIDA), UNIDO’s Programme for Country Partnerships (PCP) and other programs for supporting industrial development in the continent.

Other member States are among the countries pursuing ambitious strategies for industrialization, such as in Ethiopia and Kenya. Industrial development in the region, however, is not without its constraints. A lack of implementation of policy frameworks, poor access to credit, skills, infrastructural deficits and highly competitive markets are among the key challenges to industrialization.⁷

Regionally, the infrastructure gap is consistently a major constraint to rapid industrialization. Under the Programme for Infrastructure Development in Africa (PIDA) framework, a continental infrastructure investment need of \$360 billion between 2011 and 2040 was envisaged, with investment of \$7.5 billion per year in priority projects. Current levels of investment in infrastructure are not adequate to meet these goals. PIDA estimates further indicate investment requirement of \$93 billion/year, of which 44% are on energy projects. The Africa Peer-Review Mechanism (APRM) Major Bottlenecks Facing Africa report calls for an infrastructure investment level by 2020 of 10% of GDP.

Development and financing of infrastructure in Eastern Africa will therefore continue to be crucial for strengthening the case for industrialization. For example, UNECA (2017)⁸ assesses that energy demand in Africa will rise from 125 GW in 2010 to 700 GW by 2040, with significant increases in Eastern Africa at a rate above 10% per year. Addressing these growing infrastructure requirements in a policy environment poised for pursuing rapid industrialization remains a key challenge that require rigorous policy consideration and implementation.

Thus without a persistent focus on infrastructure development, industrialization in the region will face serious constraints. Major country and regional initiatives, such as large capacity power projects in Ethiopia and DRC, infrastructure development under the North and South Corridors in East Africa, and the integrated Lamu port and land infrastructure projects, are initiatives in the right direction. But infrastructure challenges will need within country and joint cross-border planning.

The focus of the panel discussion on Infrastructure Development and Industrialization in Eastern Africa, at the 21st Intergovernmental Committee of Experts meeting in Comoros, will be on deepening understanding on the infrastructure and industrialization linkages, and tabling for discussion key recommendations on financing infrastructure and complementary policies.

⁷ UNDP and UNECA, SRO-EA, 2017. "The ABC of Industrialization in Uganda: Achievements, Bottlenecks and Challenges." UNDP and UNECA, SRO-EA, Kampala, Uganda.

⁸ UNECA, 2017. "Urbanization and Industrialization for Africa's Transformation." Addis Ababa, Ethiopia.

II. Objectives of the Session

The objective of this session is to discuss the infrastructure-industrialization nexus in Eastern Africa, particularly the following key issues:

- a. Review the current state of infrastructure development in the context of the industrialization aspirations of member States;
- b. Discuss the investment and finance challenges for infrastructure development, including cross-boundary infrastructure finance and risks;
- c. Share insights from country experiences;
- d. Review the key recommendations from UNECA's "Promoting Infrastructure Development for Africa's Industrialization" study; and
- e. Identify key recommendations for follow-up.

III. Participation

The session will be conducted in a Plenary Session attended by experts from Eastern Africa member States, as well as participants from the private sector, Regional Economic Communities, Inter-Governmental Organizations, the private sector and other stakeholders.

Focal Person for the Session

The session will be coordinated by:

Mr. Yohannes Hailu

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IV. Provisional programme

9:00 – 11:00

Infrastructure Development and Industrialization in Eastern Africa

Presentation by Yohannes Hailu – Infrastructure Development (Energy) and Industrialization in Eastern Africa

Panellists:

- Mr. Abiot Ashagre, Manager of the Huajuan Industry Zone, Ethiopia.
- Mr. Adeyinka Adeyemi – Senior Inter-Regional Advisor, Head of Regional Integration and Infrastructure Cluster (NEPAD Focal Point), Capacity Development Division, UNECA
- Mr. Andre Kabwe Bibimbwe, Deputy Permanent Secretary, Ministry of Energy and Water Resources, the Democratic Republic of Congo
- Mr. Mr. David Niyonsenga - Infrastructure Expert, East African Community
- Ms. Fabienne Pehuet Lucet, Energy, Industry and Infrastructure Expert, Marketing and International Development, International Consultant

References

UNECA, 2013. "Making the Most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation." UNECA, Addis Ababa, Ethiopia.

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