

Yes, African industry can be competitive!

By Benjamin Romain and Gagan Gupta | 01/23/2020, 6:03pm | 708 words

Benjamin Romain, Managing Partner at Okan, and Gagan Gupta, CEO at ARISE, Africa Head at Olam. (Credits: DR.)

How to spark off industrialization, which could create jobs for 10 million Africans entering the job market each year?

Karl Marx wrote: "The history of industry is an open book of the human faculties" ... In Sub-Saharan Africa, players are decisively embarking on writing this book to show that industrialization is possible. Because 80% of Africans live in countries where mass unemployment coexists with a manufacturing value added rate below 100 dollars per capita (vs. 600, 800 and 3,000 dollars per capita in Brazil, China and Great Britain). But this is not a curse!

The social and economic take-off of Africa would not be possible without the two engines: agriculture and industry, agriculture being, in part, a source of supply for industry (supplying timber, grains, fruit and vegetables). But how to spark off industrialization "at scale" and create jobs for 10 million Africans entering the job market each year?

A great tool for industrial development is creating economic zones. This is evidenced by the factory towns surrounding Shenzhen and Canton in China, but also the spectacular development of the industrial zones of Tanger-Med in Morocco (75,000 jobs), Hawassa in Ethiopia (30,000 jobs), Nkok in Gabon (10,000 jobs), Filatex in Madagascar (7,000 jobs). The success of these economic zones is underpinned by a few categorical imperatives.

The client is king

These industrial parks should be built and operated to meet the needs of demanding industrial customers (*customer-centric*). Companies are looking for a secure environment, efficient logistics, reliable and cheap energy, a favorable ecosystem

(subcontractors, common services, etc.). Ideally, industrial parks should provide accommodation, recreation and financing (working capital and finance lease).

People are core

Industrial zones should be developed in the heart of densely populated areas boasting competitive and qualified workforce pockets. Thus, five million people live within a 40 km radius from the Hawassa Park developed in Ethiopia in partnership with Chinese companies. Technical training centers and universities should be set up progressively to produce local managers and foremen.

The State must play its full role and nothing but its role

These zones cannot flourish without deep involvement of the State, which should provide a transparent, stable and even incentivizing (free zones) legal and fiscal framework and an efficient administrative single window. In addition, the developers of these parks - even if public (TMSA in Morocco) or a PPP (GSEZ in Gabon) - should function as private, flexible and entrepreneurial-minded actors to adapt to the *client king*.

To have flames, you need wood and wind

Viable industrial parks require competitive raw materials and long-term funding. Nkok focuses on timber transformation. A new zone being launched in Benin aims to transform local agro-industrial products (cotton, cashew). The Ethiopian industrial parks are specialized in leather (and textile) transformation, abundant in a country of animal breeding. Each of these parks is operated by developers investing long term (State, sovereign funds, development institutions like the African Development Bank or Africa Finance Corporation).

The developers of these areas should also avoid certain traps, such as having sumptuous but useless *white elephants*. One has to build the zone frugally, *avoiding offering a Rolls Royce when a Toyota is enough*. One should strive to be self-sufficient in energy, while not neglecting the CSR allowing to maintain a *social license to operate*. One should at all costs avoid building a “trash” zone, suitable only for welcoming high pollution industries that the authorities of developed countries and China wish to relocate.

Yes, Africa is not condemned to be an unindustrialized desert. The continent's industry can be competitive. “Think big, be frugal and go fast” is the challenge for public authorities and private operators, who have the responsibility of propelling Africa into the 21st century.