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**EXECUTIVE COUNCIL
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Addis Ababa, ETHIOPIA**

EX.CL/379 (XII)

**REPORT OF THE FIRST EXTRAORDINARY SESSION OF THE
AU CONFERENCE OF MINISTERS OF INDUSTRY (CAMI)
24 – 27 SEPTEMBER 2007**

**AUC Report on the First Extraordinary Session of the Conference of
AU Ministers of Industry (CAMI), Midrand, South Africa, 24 - 27
September 2007.**

The Conference of African Ministers of Industry (CAMI) was instituted in 1971 by the United Nations Industrial Organization (UNIDO) as the highest forum where the leaders of Africa can deliberate on issues of industrial development in the continent. Since its inauguration, CAMI has been meeting every two years under the aegis of UNIDO. With the establishment of the AU and the greater focus on the promotion of industry in its mandate, the AUC and UNIDO signed, during CAMI-17 which was held in Cairo in 2006, a Memorandum of Understanding (MOU) that defined the areas of cooperation between the two organizations for the accelerated industrial development of Africa. The MOU assigned to the AUC the leadership role for organizing future CAMI meetings.

Given the fact that the AU Summit of January 2008 has as its central theme the industrialization of Africa, and in order to ensure adequate preparation for this Summit, the Trade and Industry Department of the AUC has organized, in close collaboration with UNIDO, a number of activities. These activities include several consultative meetings, two Expert Group Meetings as well as the first meeting of CAMI-17 Bureau. The Expert Group Meetings deliberated on two main thematic issues that are essential for articulating a coherent industrial development strategy for Africa, namely, "Standards Compliance and Conformity Assessment for the Development of Sustainable Trade in Africa" and "Investment Platform for African Productive Capacity". The outcome of the two Expert Group Meetings was fed into the deliberations of the First Extraordinary Session of CAMI and provided valuable inputs for the Plan of Action for the Industrialization of Africa.

As part of the preparation for the January 2008 Summit, the First Extraordinary Session of the Conference of AU Ministers of Industry (CAMI) was organized jointly with UNIDO and hosted by the Republic of South Africa in Midrand, from 24 to 27 September, 2007. The main objective of this Session was to formulate an industrial strategy for Africa and a Plan of Action. The Conference was attended by representatives of forty-eight Member States, including thirty-one African Ministers. Also in attendance were thirteen delegations/representatives from regions, institutions and United

The Senior Officials meeting which preceded the Ministerial Meeting was held on 24-25 September 2007. It considered seven key items, namely, the Reports of the Expert Group Meetings; The Conclusions and Recommendations of the Big Table 2007 on Natural Resources; Production Diversification from Natural Resources to Manufactured Products; Powering Industrial Growth: The Challenge of Energy Security for Africa; Innovation, Science and Technology for Industrialization; The Development of a Comprehensive Continental Industrial Strategy; and a Draft Action Plan.

The Senior Officials observed that Africa's potential short to medium term comparative advantage lies in its huge natural resources endowments, namely, agriculture, minerals, energy, forestry, fishing and aquaculture. These resources provide immediate exploitation opportunities as well as a platform for Africa to develop a competitive advantage in the longer term through resources processing (downstream value-addition) and the development of resources inputs industries (upstream value-addition). The meeting supported the formulation of a coherent resource-based and forward-looking strategy for Africa's industrialization, taking into account Africa's Science and Technology Consolidated Plan of Action adopted by the AU Summit and which contains priority R&D flagship programmes to address Africa's major challenges.

The First Extraordinary Session of CAMI took the form of an open debate. The debate was structured into two main sessions. The first session was on Production Diversification from Natural Resources to Manufactured Products while the focus of the second session was on the development of a comprehensive Continental Industrial Strategy and implementation. The Conference considered the Reports submitted to it by the Senior Officials. During the deliberations underscored the importance of accelerating the pace of Africa's industrialization for meeting the challenge of development in the continent. The need for a resource-based industrial strategy and cooperation among countries and regions in the implementation of the strategy was stressed. The various elements of the strategy as well as an Action Plan for the implementation were discussed.

At the end of its deliberations, the Conference of African Ministers of Industry adopted its Report and a Resolution. It also considered the Drafts of an Action Plan and a Summit Declaration on Africa's Industrial Development and recommended both documents for adoption by the Assembly of AU Heads of State and Government at the January 2008 Summit. The Republic of South Africa reiterated its offer to host the 18th Ordinary Session of CAMI at a date to be fixed after consultations.

I have the honour to submit for your consideration the Reports, Resolution, Action Plan, and Draft Summit Declaration of the First Extraordinary Session of the Conference of AU Ministers of Industry (CAMI).

REPORT OF THE FIRST EXTRAORDINARY SESSION OF THE AU CONFERENCE OF MINISTERS OF INDUSTRY

INTRODUCTION

1. The First Extraordinary Session of the AU Conference of Ministers of Industry was convened at the level of Ministers from 26 to 27 September 2007 at Gallagher Estate Midrand, South Africa. The opening ceremony was presided over by Hon. Eng. Rachid M. Rachid, the Minister of Trade and Industry of the Arab Republic of Egypt in his capacity as Chairperson of the Conference. The guest of honour was H.E. Hon. Mandisi Mpahlwa, Minister of Trade and Industry of the Republic of South Africa.

ATTENDANCE

2. The meeting was attended by the following countries:

Algeria, Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central Africa, Chad, Comoros, Congo (Republic), Congo, (Democratic Republic), Côte D'Ivoire, Djibouti, Egypt, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Saharawi Democratic Republic, Senegal, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

3. The following Regional Economic Communities (RECs) participated in the meeting: the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the West African Economic and Monetary Union (UEMOA).

4. The following African and international organizations, as well as NGOs were also represented at the meeting: UNECA, DAPAD, ACBF, UACCIAP, ARSO, NEPAD, UNIDO, UNCTAD, MINTEK, ECOWAS Bank. The full list of participants is attached as Annex I.

PROCEEDINGS

Agenda item 1: Opening of the Meeting

Welcome Address by Chairperson, H.E. Eng. Rachid M. Rachid

5. In his statement, the Chairman of CAMI 17, H.E. Hon. Rashid Mohamed Rashid, Minister of Trade and Industry of Egypt, expressed his appreciation to the South African Government for hosting the meeting and highlighted the importance of this extraordinary session of CAMI in the light of preparation for the upcoming AU Summit to be held under the theme of Industrialization. He further recalled the challenges facing industry in Africa despite its huge economic potential. He stressed the need to revisit

Africa's priorities to enable it to address the scourge of poverty in the continent in order to achieve the MDGs. He stated that today's world had become extremely competitive and that actions had to be taken immediately to address the challenges of smaller economies: hence the need to integrate regionally in order to face the challenges of economies of scale. He enumerated a number of challenges and exhorted the Ministers to intensify efforts in intra-African cooperation especially in industrial development as a basis for a meaningful integration into the world economy.

6. He also drew attention to the rising political power of Africa on the international arena, whereas its economic power is still not commensurate with this role. Africa has to maximize value addition in its own products. Industrial development is the start for accessing markets. He reiterated the need to not only focus on production but also build productive capacity that takes into account quality requirements of international markets. He further stressed the need to intensify cooperation in training and sharing of technology amongst African countries. He announced the ATTI Initiative that aims to build capacity in technological development. Finally, he reiterated Egypt's commitment to support Africa's development in its struggle against poverty.

Statement by Mr. Kandeh Yumkella, Director General of UNIDO

7. In his address, the UNIDO Director General, Dr. Kandeh Yumkella, commended the African Union Commission for placing industrial development top on the African development agenda. He acknowledged the strong leadership of the Government of Egypt as Chair of CAMI and the support of the governments of South Africa, Ghana and Tunisia who hosted the preparatory activities leading to the extraordinary CAMI.

8. The UNIDO Director General then gave a summary of some of the actions undertaken by his organization as a follow-up to the last CAMI meeting held in Cairo, Egypt. These actions covered sub-regional and country programmes in the areas of trade capacity building, quality infrastructure, testing, metrology and standardization, industrial upgrading, livelihood recovery, vocational training, fruit and vegetable processing and strengthening cotton, textile and garment value chains.

9. Dr. Yumkella informed the meeting that four expert group meetings were co-organized by UNIDO, the AU Commission, ECA and NEPAD with a view to identifying the key issues for discussions by Ministers. A set of programmes to implement the Plan of Action has also been developed in five critical areas, namely: upgrading productive and trade capacities, investment promotion, productive, decent and sustainable work for youth; energy security, and industrial innovation systems.

10. UNIDO in cooperation with the AU Commission and the Government of Brazil has also launched the process of consultations on bio-energy in July 2007. To promote South-South cooperation, two new initiatives on "Light Up Africa" and "One-village-One-Product" are being developed with the support of the Governments of China and Japan respectively.

11. Dr. Yumkella then raised some issues for consideration by the Ministers:

- Deepening Poverty in the face of Growth and Commodity Boom;
- From Commodities to Higher Value Products;
- Growth Poles;
- Honest Benchmarking of Progress;
- Competitiveness and Innovation; and
- Job creation through labour-intensive manufacturing.

12. He concluded by stating that in the next few decades, Africa's endeavour should be focused on using manufacturing as a dynamic force in propelling the wheels of economic transformation of its natural and human resources.

Statement by Mrs. Elisabeth Tankeu, AU Commissioner for Trade and Industry

13. The AU Commissioner for Trade and Industry, Mrs. Elisabeth Tankeu, welcomed all the delegations on behalf of the chairperson of the Commission. She commended the Government and the people of South Africa for their hospitality and for the excellent facilities provided to ensure the smooth conduct of the deliberations. She also commended the Ministers for the high level of their participation.

14. Referring to some of the decisions taken during the 17th session of CAMI held in Cairo in 2006, she mentioned specifically the decision which conferred on the African Union Commission the mandate to convene CAMI sessions as well as the decision inviting the Commission and UNIDO to jointly organize experts' meetings. The reports of these meetings were considered by the Senior Officials' Meeting in the lead up to the current Ministerial Session which would examine recommendations and a draft plan of action tabled before it.

15. The Commissioner dwelt at length on the commitment of the AU political leaders to the industrialization of the continent in the short term, as evidenced by their decision to dedicate the January 2008 Summit to the theme: the industrialization of Africa. She said that through industrialization the continent would put itself firmly on the path of development which should imperatively lead to the processing of raw materials locally, thereby giving the latter the much needed added value to create wealth and fight poverty, as well as paving the way to the realization of the Millennium Development Goals (MDGs).

16. The Commissioner then enumerated the main conditions that should be fulfilled to set the industrialization process in motion, placing special emphasis on training, professional skills and productive capacities. In this connection, she called on UNIDO to implement Africa's productive capacity initiative from funds allocated under the industrialization decade of Africa, even though the continent would need a more far-reaching programme in order to take advantage of market access opportunities offered within the context of the WTO and EPAs. Referring to the other prerequisites for setting in motion the industrialization process, she invited the Ministers to analyse them in-depth when considering the draft plan of action.

17. The Commissioner drew the attention of the participants to the need to take advantage of the high demand for Africa's raw materials by the emerging countries of the South and to conclude with the latter strategic partnerships that take due account of Africa's priority interests.

18. Concluding, the Commissioner called on African countries with a relatively solid industrial base to serve as the engine for the continent's overall industrialization process. She thanked UNIDO for its support and hoped that African countries would encourage the latter to increase its role on the continent.

Address by the Guest of Honour

19. In his statement, H. E. Hon. Mandisi Mpahlwa, Minister of Trade and Industry of South Africa expressed his honour to welcome all guests to South Africa and his privilege to host the Conference. He pointed out that Africa's success rested with Africa itself. He stressed the importance of expanding business and changing Africa's geopolitical situation. He underscored the need to be self-sufficient. He further stressed that strategic partnerships should be built at two levels: at the African level through the deepening of intra-African cooperation and at the global level within South-South cooperation. He urged Member States to learn from the Asian experience and other partnerships and adapt their technologies and know-how to Africa's needs. He concluded by exhorting the Conference to formulate a continental industrial strategy that is doable and realistic and to use the regions as platforms for policy planning and implementation of issues. Finally, he declared the First Extraordinary Session of CAMI formally open.

Agenda item 2: Adoption of the Agenda

20. The agenda was adopted without amendment.

Agenda item 3: Organization of work

21. The meeting adopted the following hours for its work:

Morning; 09.00 – 11.00

Afternoon: 14.30 – 19.00

Agenda item 4: Consideration of the Report of Senior Officials

22. In considering the Report of Senior Officials, which was presented by Lesotho, Rapporteur for the Conference, the Ministers expressed satisfaction at the fact that their Senior Officials had participated both in the discussions and in the drafting of the Report. They therefore took note of the Report.

Agenda Item 5: Interactive Session and Exchange of Views on:

- a) Production Diversification from natural Resources to Manufactured Products, including consideration of recommendations of the Big Table 2007 on Natural Resources
- b) Development of Comprehensive Continental Industrial Strategy and implementation, including empowering Industrial growth, the African Technology and Innovation initiative, investment platform and building quality infrastructure.

23. Following brief presentations made by resource persons on the two above-mentioned thematic areas as requested by the Ministers, the latter initiated a frank debate on the main issues which emerged from the presentations.

24. On Production Diversification from Natural Resources to Manufactured Products, including consideration of recommendations of the Big Table 2007 on Natural Resources the following issues were raised and recommendations made by the Ministers:

25. The Ministers took note of the outcome of the 2007 Big Table on Natural Resources Management and observed that Africa's natural resource endowments are assets that can propel growth and development on the continent. They further noted that value addition through resource-based industries was critical. In this regard, they underscored the need to deepen regional integration, pool resources together, reinforce RECs, and mobilize collective action at the regional level to realize larger markets, reduce transaction costs, and build economies of scale.

26. The Ministers noted that expanding Africa's manufacturing capacity through resource value addition would require substantial financial resources. To address this challenge, they recommended that consideration should be given to refocusing Africa's financial resources (e.g. AfDB, UEMOA, etc) to finance value addition on the continent. They also recommended the use of pension funds, and other innovative mechanisms.

27. Ministers noted that the Asian boom confronts Africa with common challenges and threats. To address these challenges Africa requires common positions and strategies. They also observed that Africa needs concerted actions to address the challenges and maximize the developmental benefits offered by the global resource boom. The success of OPEC could inform Africa's strategies. In this regard, Africa needs to identify key developmental dimensions (infrastructure development, resource value addition, skills transfer, local employment, local procurement, etc) for smart partnerships with resource importing countries. However, the Ministers noted that resource value addition is often dominated by large transnational companies. To strengthen Africa's bargaining power and negotiation position, they recommended that African member States should take collective action and formulate common positions. This would likewise apply to negotiations with emerging global players. The AUC should lead this process.

28. The Ministers observed that although mineral resources currently generate high rents, these often flow out of Africa due to inappropriate mining and fiscal regimes. In this respect, there was a call for African mining codes and fiscal regimes to be reviewed to allow African countries to better capture their share of resource rents and windfall rents. In addition, the Ministers suggested that the AUC should develop model African natural resources extraction regimes, codes of conduct, and guidelines that could be used by member States.

29. Ministers also emphasised that Africa needed to expand its natural resources industries whilst simultaneously diversifying into manufacturing industries. This called for holistic and integrated approaches to development. In developing a resource-based industrialization strategy, the Ministers noted that the realisation of Africa's huge agricultural resources, with enormous employment potential, is severely constrained by its lack of infrastructure (high logistics costs), lack of agri-inputs (fertilisers), lack of finance to farmers, lack of water systems (irrigation), lack of information systems (extension services) and low agri-rents (OECD agri-subsidies). Ministers noted that governments had an important role to play to address these market failures through development corridors such as the NEPAD SDP. They considered the SDP as a valuable tool to expand Africa's infrastructure. They further noted that African countries were at different stages of development. This necessitated that any continent-wide strategy should take into consideration the learning curves and specific contexts and endowments of each country.

30. Ministers also noted that Africa's industrial development strategy should be aligned with its trade policies and agreements, including WTO issues, EPAS, and TRIMs that might hinder market access for value added products.

31. The Ministers noted that although the realisation of African mineral potential through DFI (direct foreign investment) has short-term advantages, foreign dominance of Africa's mineral wealth is not politically sustainable in the long-term. Therefore, Africa needs to facilitate the development of indigenous mining capital through licensing conditionality and the creation of dedicated mineral exploration DFIs (development finance institutions) to assist local JRCs (Junior Resource Companies).

32. Ministers noted that African resource-based industries needed to be globally competitive and a key constraint in this regard is the high cost of logistics in Africa. This could be addressed through integrated development corridors that provide cost-effective infrastructure to natural resource potential (NEPAD SDP).

33. Furthermore, the Ministers observed that although resources development embodies huge opportunities for Africa, it also carries significant threats, in the form of the well-known "Resource Curse". They noted that Africa had made positive gains in the area of collective and individual governance in the form of numerous continental and multilateral initiatives, such as the APRM (African Peer Review Mechanism) and the Kimberley Process.

34. However, these initiatives need to be broadened across Africa and enhanced to address Africa's particular needs. The meeting noted that one of the most effective ways of sustaining good governance is collective self-reliance through greater economic and political integration, by the deepening of integration in the RECs. Improvement of Africa's governance systems was considered key to maximising the benefits of natural resources exploitation. The increased participation of parliamentarians and other oversight bodies in the governance of the natural resources sector was also seen as critical.

35. In concluding the debate, the Ministers noted that there is need to develop resource extraction strategies that balance local and national interests, promote greater share of benefits to communities directly affected by natural resources exploitation and to put emphasis on local processing of mineral resources as well as the development of value chains critical for economic growth and development.

36. On the Development of Comprehensive Continental Industrial Strategy and implementation, including empowering Industrial growth, the African Technology and Innovation initiative, investment platform and building quality infrastructure the following points were highlighted:

- The need to develop an implementation strategy for WTO rules and to take inspiration from practices in developed countries so as to take maximum benefit there from.
- The issue of the protection of intellectual property as an integral part of the continent's industrial development strategy.
- The need for strengthening and developing the manufacturing sector according to the specificities of every country and region.
- The need for the private sector to play a more important role in the development of the industrial sector.
- In the process of developing human resources, a move away from white collar job oriented graduates should be emphasized in order to develop human resources with skills to support industry and attract investment.
- It was observed that cross-border subcontracting and outsourcing could in a way support sharing of resources among countries and promote technology transfer.
- The need to combine short term and long term programmes.
- The need for countries to draw on UNIDO's and other appropriate agencies' role in the implementation of the strategy.

- The need for the strategy to take into account on-going programmes, for example, those of NEPAD and RECs.
- The need for countries to pool their resources in the area of productive capacities in order to improve their negotiating positions.
- The promotion of SMEs as a catalyst for industrialization.
- The need to engage parliamentarians in the allocation of resources for the implementation of the strategy.

37. The following recommendations were then made:

- Establish a common structure for resource management, share natural resources, skills and experiences in order to create a regional industry capable of competing at international level and benefiting from economies of scale. Encourage complementarity among countries and regions.
- The Egyptian Initiative on African Technology Transfer Initiative (ATTI) was recommended as a valuable platform for Africa's industrialisation and promotion of technology transfer and innovation.
- Promote intra-African trade.
- Request the AU to develop a reference code for mining at regional and continental levels and governance indicators to serve as reference points for African countries.
- Request the AU to coordinate and harmonize industrial policies at regional and continental levels by drawing inspiration from successful experiences in some African countries.
- Prioritize the establishment of basic electrical power infrastructure.

Agenda item 6: Consideration of the Draft Action Plan

38. The draft Action Plan was considered and amendments made.

Agenda item 7: Consideration of the Draft Resolution of the 1st Extraordinary Session

39. The draft Resolution was considered and minor amendments were made.

Agenda item 8: Consideration of Draft Summit Declaration

40. The draft Summit Declaration was examined and amended.

Agenda item 9: Adoption of Report / Action Plan / Resolution / Draft Summit Declaration

41. The Conference adopted its Report, Action Plan, Resolution and Draft Summit Declaration.

Agenda item 10: Date and Venue of the 18th Ordinary Session of CAMI

42. The Republic of South Africa reiterated its offer to host the 18th Ordinary Session of CAMI. The dates will be fixed following consultations.

Agenda item 11: Any Other Business

43. No issue was raised under this item.

Agenda item 12: Closure of the meeting

44. The Minister of Trade and Industry of South Africa brought the meeting to a close.

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EX/CL/379 (XII)
Annex I

**DRAFT AU SUMMIT DECLARATION ON AFRICA'S
INDUSTRIAL DEVELOPMENT**

**DRAFT AU SUMMIT DECLARATION ON AFRICA'S
INDUSTRIAL DEVELOPMENT**

We, the Heads of State and Government of the Member States of the African Union, meeting at the 10th Ordinary Session of our Assembly in.....,on ...January 2008 on the theme of African industrialization:

Recalling the objectives set for the accelerated and sustainable socio-economic development of Africa in the Treaty Establishing the African Economic Community, the Constitutive Act of the African Union, the NEPAD Programme and the Strategic Plan of the AU Commission;

Re-affirming our commitment to claim the 21st Century as a century of rapid change for Africa and to eradicate poverty and improve the living conditions of our peoples by 2015;

Mindful of the imperative of resolving the paradox of widespread poverty in Africa in the midst of the rich endowment of our continent in natural resources;

Aware of the strong link between industrialization and rapid economic growth and development;

Desirous of transforming Africa from a primary commodity producing economy to a value adding industrial economy;

Taking note that in spite of the efforts made so far, Africa's share in global manufacturing is still less than one percent;

Further taking into consideration the NEPAD Spatial Development Programme (SDP);

Eager to draw useful lessons from the experiences of the newly industrializing and emerging economies;

Hereby:

Endorse the Action Plan of the 1st Extraordinary Session of CAMI on the industrial development of Africa, and

Commit ourselves to:

- Accelerate the pace of Africa's industrial development, especially the conversion of natural resources to higher value-added products;
- Adopt policies and programmes for natural resource processing and greater value addition in Africa;

- Enhance public-private sector partnership, particularly in the areas of heavy infrastructure development;
- Increase investment in Science and Technology, Human Capital Development, with emphasis on technical training, to enhance Africa's industrial productivity and competitiveness;
- Pool resources and share knowledge and know-how in the area of industrial technology, planning and production management;
- Establish and strengthen the legal and institutional frameworks for the promotion of African industrial enterprises at national, regional, continental and international levels;
- Strengthen African Industrial Research and Development Institutions and Agencies to develop innovative approaches and programmes for the accelerated industrial development of Africa;
- Encourage Africans in Diaspora to increase their contribution to the industrial development of Africa;
- Speed up the establishment of the African Investment Bank and the promotion of African regional and continental capital markets;
- Achieve the harmonization of African business laws;
- Take necessary measures at the national level to implement the Action Plan.

Request the AU Commission, Regional Economic Communities and development partners, to take necessary measures towards effective implementation of the Action Plan;

Re-affirm our strong commitment to the principles of good governance, democracy, rule of law, accountability, sound macro-economic management, which are necessary for the accelerated development of our countries;

Reiterate our commitment to the promotion of regional markets that are necessary for the attainment of economies of scale in the production of competitive industrial products in Africa;

Undertake to develop and enhance Africa's industrial cooperation and partnership with the emerging industrial economies for the mutual benefits of both sides;

Call upon our development partners to adopt policies and measures to encourage their companies to increase investment in local processing within Africa of the continent's natural resources;

Request Member States to pay their contribution to UNIDO and the international community to strengthen UNIDO mandate and means to enable it serve as an effective agency for the accelerated industrial development of Africa;

Call on UNIDO to strengthen its visibility in Africa by implementing a programme that is regionally balanced and more focused towards Africa;

Direct the AU Commission, in collaboration with the relevant agencies, to prepare and submit for our consideration every two years, Progress Reports on the State of Industrialization in Africa and the Implementation of the Action Plan.

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**ACTION PLAN FOR THE ACCELERATED INDUSTRIAL
DEVELOPMENT OF AFRICA**

ACTION PLAN FOR THE ACCELERATED INDUSTRIAL DEVELOPMENT OF AFRICA

I. BACKGROUND

1. Africa is the least developed region of the world in terms of industrialization. It accounts for a negligible share of global industrial output and manufactured exports. Only in a few of the countries is the manufacturing value added/GDP ratio above 20 percent. In a large number of African countries, the manufacturing sector's contribution to GDP is less than 15 per cent and in some cases lower than 5 per cent. The output of the sector is heavily concentrated on low technology products such as food, textiles, clothing, footwear, etc. The majority of African countries are yet to be involved in any significant sense in the medium- and high- technology segments of global manufacturing that have been characterized by dynamism and rapid growth in recent years. The African economy is heavily dependent on the production and exports of primary products and consequently suffers from the associated risks of this dependence. The continent must take advantage of new opportunities offered by globalization by preparing enterprises, putting in place policies for upgrading, developing human resources, strengthening its capacities for innovation, by accepting the facts of industrialization.

2. Industrialization is a critical engine of economic growth and development. Indeed, industrialization is the essence of development. That Africa remains the poorest region of the world, where 34 of the 50 least developed countries are located and in which poverty is on the increase, is a reflection of its low level of industrialization and marginalisation in global manufacturing. There exists a strong linkage between industrial productive capacity, economic growth, and level of development. The developing regions and countries that are sharing in the benefits of globalization, making progress towards the attainment of the Millennium Development Goals (MDGs), and moving up on the ladder of development are the rapidly industrializing ones. Africa has not benefited much from the process of globalization and risks not meeting the MDGs in spite of its richness in natural resources.

3. African Heads of State and Government have in recent years taken a number of major initiatives, to meet the challenges of development, to reverse the marginalisation of Africa in the global economy and polity, and to claim the 21st Century for the peoples of the continent. These include the establishment of the African Union (AU) and the adoption of the New Partnership for Africa's Development (NEPAD) as the strategic programme of the Union.

4. Among the key objectives of the AU, as set out in Article 3 of the Constitutive Act of the Union, are the establishment of the necessary conditions that will enable Africa to play its rightful role in the global economy; the promotion of sustainable development at

the economic, social, and cultural levels, as well as the integration of African economies; and the promotion of cooperation in all fields of human activity to raise the living standards of African peoples. The experience of the developed countries of the North and some of the emerging powers of the South has shown that playing a constructive role in the global economy, attaining sustainable development, and increasing living standards cannot be achieved on a weak industrial base. Africa requires an acceleration of industrial development and diversification of the economy to meet the challenges of development and achieve the Millennium Development Goals (MDGs) as well as the socio-economic objectives of the AU.

5. This document highlights the main elements of an Action Plan for the acceleration of Africa's industrial development. The Plan provides a continental framework for addressing the root causes of Africa's low industrial development. It takes account of Africa's past experiences with industrialization, the rich endowment of the continent in natural resources especially agricultural resources, as well as some recent initiatives aimed at promoting industrial development. The Action Plan draws on a number of sources including the recommendations of a series of Expert Meetings organized jointly by the AU and UNIDO in preparation for CAMI, the inputs from the policies and strategies of the regional economic communities, private sector and other stakeholders, as well as from the Industry Experts of Member States.

II. MAJOR PRIORITIES FOR THE ACCELERATION OF AFRICA'S INDUSTRIALIZATION

6. There are a number of critical priorities that need to be addressed at national, regional, continental, and international levels to promote the coherent industrial development of Africa. The major ones include:

- i) Policy on Product and export Diversification, Natural Resources Management and Development;
- ii) Infrastructure Development;
- iii) Human Capital Development and sustainability, Innovation, Science and Technology;
- iv) Development of Standards and compliance;
- v) Development of Legal, Institutional and Regulatory Framework;
- vi) Resource Mobilization for Industrial Development

Activities and measures that are effectively and efficiently targeted at the industrial development of Africa need to be developed and implemented in each of the above areas of priority.

7. Africa is abundantly endowed with natural resources, including many industrial minerals and agricultural resources. The continent remains poor in spite of its richness in resources because they are exported mainly in primary form, with little or no local value addition and processing as well as minimum local inputs. Dependence on primary products has exposed resource-rich African countries to the vagaries of global markets, and the cycles of commodity booms and busts. While Africa's natural resources have powered industrial growth and rising prosperity of other countries/regions, poverty in the continent has remained severe and concentrated, and the economy structurally shallow and heavily dependent on the primary sectors: mining and agriculture.

The challenge facing Africa is to transform the economy from a resource-dependent one to a dynamic, diversified industrial economy. The natural resource richness of the continent should provide a foundation for its accelerated industrialization. Policies and measures have to be introduced and implemented to maximize revenue derivable from the exploitation of natural resources to enhance the investment that is required for industrial development, and to increase local processing and value addition of natural resources to increase local inputs into production and integrate African enterprises into relevant global value chains.

8. Investment in infrastructure (energy, communications, transport, water, etc) is critical to the promotion and sustenance of industrial development in Africa. There is a lack of basic infrastructure in Africa. For example, energy that is needed for powering industrial growth is grossly inadequate, with electrification rates as low as 1 percent in parts of rural Africa. It has been estimated that under current trends of energy supply, it would take decades to electrify Africa! The continent cannot harness its comparative advantage of using natural resources as the cornerstone of industrial development, converting comparative advantages into competitiveness, without adequate energy and other infrastructure. Competitiveness in the production of industrial goods (consumer, intermediate and capital, low-medium-high technology) depends on the availability of efficient infrastructure. The development of infrastructure at national, regional and continental levels has to be accorded high priority in Africa's Action Plan for accelerating industrial development.

9. Africa's industrial development must be anchored also on human capacity building: investment in health, education and training. In the current knowledge-based global economy, industrialization is increasingly driven by science, technology and innovation. The ability to develop, acquire, upgrade, and adapt technologies is a key element for competing effectively in the global market. The industrialization of Africa can only be accelerated and sustained on a solid technological base. Programmes and

policies have therefore to be designed and implemented to enhance the science, technology and innovation capacity of African countries. There must be continuous flows of scientific discoveries, the development and adaptation of technologies to ensure improvement in productivity and competitive production of industrial goods in Africa. In this regard, the role and appropriate linkage of the university and tertiary sector, as well as R and D institutions, is critical in enhancing adaptive capabilities and commercialization of new knowledge. Also important are measures to upgrade entrepreneurial skills and increase the availability of higher quality personnel in the African industrial sector. Human capacity building is necessary for African countries to benefit from the outsourcing and externalizing of activities that have become important features of global manufacturing. A strategy can only succeed if it includes elements for its effective implementation. In this connection, the enterprise must be at the core of Africa's industrial strategy. Nevertheless, the Government, in consultation with all other stakeholders in particular the private sector, will lead the implementation of the Action Plan in order to ensure its success. Given that the lack of qualified human resources in particular at the level of company management, constitutes a major hindrance to Africa's industrial and economic development, special emphasis in human resource development should be placed on the training of company managers through the creation of management skills and institutes that provide quality training.

10. Standards and Conformity constitute one of the key ingredients of successful industrial development in a globalised world. The ability to meet international standards and norms is a key element of global competitiveness. The building of capacity to improve, certify and assure the quality and standards of industrial products is important for taking advantage of access to the global market and for sustaining the process of industrialization. The inability of African countries to meet sanitary, phyto-sanitary and technical standards set by the developed countries has been a barrier to taking advantage of the benefits of market access for processed and manufactured goods. Adequate standard setting and participation in international standards setting exercises is also important for the promotion of African industrial development in another sense. The dumping of sub-standard but cheap manufactured goods on the African market has sometimes led to the collapse of local industries and served as a major disincentive to industrial development. Standards capacity building must be aimed not only at improving the quality and enhancing the access of African products to the markets of developed countries but also at preventing the influx of sub-standard and injurious products into the African market.

11. The establishment of appropriate industry-related policy, institutional and regulatory frameworks at the national, regional and continental levels must also be a key element of Africa's Action Plan for the promotion of industrial development. Such regimes are part of the conducive environment that is necessary for domestic and foreign private sector to play its expected role in the process of industrialization. Investment is an act of the investor. To attract investment, mechanisms must be created to provide incentives and support services to African industries; to build the skills base

for the development, absorption, diffusion and adaptation of technology; and to reduce the costs of doing business.

12. Financing is another key issue in the promotion of Africa's industrial development. Africa currently attracts a negligible fraction of the rapidly growing global flows of investment. The bulk of the limited investment attracted to the continent goes into a few countries for the extraction of mineral resources. Making Africa to be an attractive place for local and foreign investment, and the establishment and strengthening of financial and capital market institutions must therefore be accorded high priority in Africa's Action Plan for the acceleration of industrialization. Much of financing of industrial development must be mobilized first in Africa. This will include the tapping of new sources such as pension funds, remittances of Africans in Diaspora and revenue from the reform of tax system.

III. SPECIFIC ACTIONS AND MEASURES TO PROMOTE AFRICA'S INDUSTRIAL DEVELOPMENT

13. The acceleration of Africa's industrialization requires the adoption and implementation of specific measures and actions at the national, regional, continental and international levels. National governments, in collaboration with the private sector and civil society, will have to take the lead in Member States for the initiation and implementation of the activities. The Regional Economic Communities should serve as the main agents for the promotion of industrialization at the regional level while the African Union and its Strategic Programme-NEPAD- should, with the support of UNECA and ADB, play a similar role at the continental level. Africa's industrial development will also require actions at the international level that will involve international organizations including UNIDO, the World Bank, and WTO as well as Africa's development partners. Specific Actions and Measures required for the promotion of Africa's industrial development include:

Actions at the National Level

- Promotion of good political, economic, and corporate governance: subscription to and implementation of the NEPAD APRM; macroeconomic stability; democratic governance; rule of law; and greater transparency and accountability.
- Establishment, enhancement and maintenance of an investment-friendly, effective and industry-supportive policy and institutional environment:
 - I. Industrial Development and Investment Promotion Agencies
 - II. Investment Promotion Strategies based, inter alia, on information on investor expectations and behaviors such as provided by UNIDO African Investment Promotion Agency Network

- III. Standards, Quality Control, Assurance and Certification Agencies
- IV. Mechanisms for Consultations and Partnerships between Science and Technology Institutions/Universities/ Government and the Private Sector and institutions of civil society
- V. Small-scale and Rural Industries Development Agencies
- VI. Policies for the removal of bureaucratic, administrative impediments to trade and investment
- VII. Simplification of business laws
- VIII. Industrial restructuring, maintenance and getting companies to international standards.

- Mainstreaming industrialization into National Development Strategies.
- Integration of industrialization in national development policies especially in poverty alleviation strategies.
- Development and implementation of an industrial policy with priority accorded to maximizing the use of local productive capacities and inputs, adding value to and local processing of the abundant natural resources of the country, and to the development of small-scale and rural industries, including the informal sectors well as intermediate and capital goods industries with high linkages to other sectors of the economy as potential sources of employment creation.
- Improvement of Investment and Mining Codes to support local processing of mineral resources
- Setting aside, by mineral resources- rich countries, of a portion of their earnings from commodity price surges for investment in programmes/projects of economic diversification and industrial development
- Mainstreaming private sector development into national development strategy
- Enhancement of investment in infrastructure and strengthening of public-private partnership in infrastructure development
- Promotion of Research and Development with an allocation of at least 5 per cent of national budgets or at least “1 per cent of GDP”
- Establishment/Strengthening of Technology Development and Adaptation Centers
- Upgrading of existing technologies to make industries more productive and competitive
- Enhancement of human capital investment, especially in technical education, science and technology, R and D and entrepreneurship development
- Establishment of facilities to train technical, managerial and financial personnel in companies

- Provision of incentives to African Diaspora Experts in Science and Technology to contribute to national industrial development
- Establishment of strong linkages between Industry, and National and Regional Science and Technology Centers of Excellence and Research Institutions.
- Support for start-up companies to exploit R&D outputs of National and Regional Centers
- Facilitation of intra-regional flows of goods, services, labour, capital and technology; and the establishment of cross-border industrial enterprises to take advantage of potential economies of scale in the regional market
- Promotion of socially responsible industries.
- Taking maximum advantage of Africa's Partnerships, especially with the Newly-Industrializing and Emerging Powers of the South, for the development and transfer of technology, for the establishment of joint industrial enterprises in Africa, and for greater market access for African manufactured products
- Establishment/Strengthening of capital and financial markets (including innovative financial intermediaries) and improvement of business finance, especially for small-scale and rural industries
- Enhancement of trade and industry capacity building as well as capacity to negotiate
- Formulation of technology transfer policy that encourage increase local value addition
- Undertaking of studies including industrial survey, value chain analysis and preparation of integrated industrial sectoral programme.

Actions at the Regional Level

- Promotion of Regional Stability and Security
- Speedy implementation of NEPAD Infrastructure Projects to enhance productive capacity and intra-regional and continental connectivity
- Development and Implementation of a Regional Industrial Strategy and Potential Economic Corridor, based on NEPAD Spatial Development Initiative (SDI), involving the promotion of large scale economic, sectoral and inter-related infrastructure and heavy industry investment to take advantage of the region's natural resources
- Implementation of the industrial component of NEPAD, APCI
- Facilitation of joint cross-border industrial enterprises and intra-regional trade within the framework of value chains

- Mobilization of Resources for Regional Infrastructure and heavy industries; establishment of an industrial development fund for infrastructure and heavy industries
- Establishment/Strengthening of Regional Chambers of Commerce and Industry
- Strengthening of Regional industrial complementarities and forward and backward linkages
- Development of Regional Financial and Capital Markets
- Review and Upgrading of the Existing Regional Centers of Technology
- Mobilization of African Diaspora in Science and Technology for the building of technology design, innovation and adaptation capacity
- Promotion of exchange of industrial technology experiences
- Filling of the current gaps in Regional Technology Development and Adaptation Infrastructure through the establishment of Regional Centers of Excellence in Science and Technology to accelerate scientific discoveries, knowledge production, technology development and innovation in major areas (e.g. bio-fuels and other renewable energy sources, and industrial energy efficiency, equipment and machinery for processing natural resources, and improving competitiveness of SMEs etc) that can trigger Africa's accelerated industrialization avalanche of Africa's industrialization
- Establishment/strengthening of Regional Centers and Laboratory Facilities for standards setting, quality control, assurance and certification to assist African products in meeting technical regulations and international standards as well as to prevent sub-standard and dangerous products from being dumped on the regional market.
- Assistance to Member States in upgrading skills and capacities for mastering new technologies
- Support for the creation of technology incubators, technology parks and prototyping activities in the region
- Establishment of centers of cleaner production
- Establishment of regional observatory of competitiveness and labor employment
- Development of technology information centers
- Harmonization of national industrial policy
- Harmonization of investment code

Actions at the Continental Level

- Harmonization of regional industrial policies and strategies
- Strengthening of the regional industrial innovation systems
- Development of Model African Investment and Mining Codes

- Harmonization of Africa's Business and Investment Laws
- Support for the establishment of Regional Centers of Excellence in Science and Technology and technology transfer
- Establishment/Strengthening of Continental Standards Organization and the Harmonization of Standards
- Development of a database/electronic platform on critical variables for the industrial development of Africa (eg. Natural resources, science and technology and the modern industrial application of science and technology to natural resources)
- Adoption of an African Technology Innovation Initiative (ATII), including the establishment of:
 1. Network of African Design Centers/Centers of Excellence
 2. Network of African Testing and Certification Centers
 3. Network of African Business Support Service Centers and
 4. Network of African Environmental Compliance Centers
 5. Network of African technology transfer centers / Universities' chairs of innovation
- Periodic Review of the State of Industrialization in Africa in collaboration with regional institutions to generate indicators of industrialization every two years.
- Preparation of an Annual African Industrial Competitiveness Report
- Mobilization of international technical and financial support for the implementation of the Action Plan for Africa's industrial development
- Development and Strengthening of Africa's Partnerships with the Traditional Partners of the North and the Emerging Powers of the South for acceleration of Africa's industrial development
- Promotion of intellectual property as a tool for industrial development
- Establishment of African suppliers and subcontracting network based on UNIDO and other surveys.
- Fast tracking the establishment and operationalization of the African Investment Bank
- Support the development of an African investment platform based on UNIDO and other surveys.

Actions at the International Level

- Technical and Financial Support for the building of industrial productive capacity and the removal of constraints on Africa's industrial development

- Provision of investment incentives and other assistance to national companies for the establishment joint industrial enterprises and for the processing of natural resources within Africa/ outsourcing of products to companies in Africa
- Facilitation of transfer of technology to Africa through international assistance for enhancing the capabilities for the acquisition, assimilation, adaptation, adaptation, learning and innovation
- Enhancement of market access for African manufactured products and related services, particularly through South-South cooperation in research, transfer of technology and investment promotion.
- Greater priority to multilateral trade negotiation “ WTO and EPA” to industrial development as one of the pillars of Africa’s development
- Mobilization of the international community to support the Action Plan.

IV. FOLLOW-UP MECHANISM

14. The acceleration of Africa’s industrialization requires the solid commitment of Member States, their cooperation at regional and continental levels, and the support of Africa’s development partners for the effective implementation of the Plan of Action.

15. As a follow-up to the principal tenets indicated in the Action Plan, relevant Implementation plans and programmes will be developed at the national, regional, continental and international levels. National and regional meetings, involving the participation of private sector and civil society should be organized for the development of implementation plans including timeframes and budgets as well as the identification of main actors.

16. At the level of each region, a high level panel on sustainable industrial development and diversification representing Heads of State and Government is to be established as the principal mechanism for monitoring the progress of implementation of the Action Plan and reporting to the AU Summit every two years.

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RESOLUTION OF THE 1ST EXTRAORDINARY SESSION

RESOLUTION OF THE 1ST EXTRAORDINARY SESSION

We, the African Ministers of Industry, gathered at our 1st Extraordinary Session of the Conference of African Ministers of Industry, 26-27 September 2007 in Midrand, South Africa at the kind invitation of the Government of South Africa,

Recognize that the global industrial setting has changed dramatically and that most African countries continue to be marginalized in the process of globalization,

Further recognize that growth triggered by commodity boom is not a sustainable source of economic development and express our concern about over dependence on primary products,

Commend the decision of the AU to dedicate its 8th Summit of Heads of State and Government to address the centrality of sustainable industrial development and production diversification as the essence of development,

Recall the decisions, recommendations and resolutions taken at our previous meetings and AU/NEPAD conferences addressing the issue of productive capacity and industrialization and particularly our declaration adopted in Cairo, Egypt, in June 2006.

Reiterate our commitments and pronouncements enshrined in our Cairo Declaration of 21 June 2006, especially those underlining the desire to collectively and individually:

- i) Strengthen and diversify our productive capacity particularly in manufacturing and service industries;
- ii) Overcome supply-side constraints;
- iii) Develop and exploit economies of scale through regional integration, and;
- iv) Develop and exploit our export potential in higher value products.

Support the political leadership of the African Union (AU) in driving the process to achieve the goals set in the various industrial development programmes at the national, regional, continental and international levels;

Recommend the Action Plan to the Heads of States and Governments of Africa for consideration and endorsement at their 8th. Summit in January 2008;

Appreciate the programme by UNIDO to support the implementation of some aspects of the Plan of Action, namely:

- Upgrading productive and trade capacities;
- Investment promotion, facilitation and economic governance enhancement;
- Creating productive, decent and sustainable work for youths;

- Promoting energy security and powering industrial growth; and
- Strengthening regional industrial innovation systems.

Call on other development partners, to develop appropriate programmes to support relevant aspects of the Plan of Action, in accordance with their mandate.

Thank the Government and the people of the Republic of South Africa for their warm hospitality and for all facilities put at our disposal which facilitated the successful proceeding of our work.

Adopted this 27th day of September 2007, Midrand, South Africa

2008

Report of the First Extraordinary Session of the AU Conference of Ministers of Industry (CAMI) 24 – 27 September 2007

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