




Convene. Strategize. Transform.




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ATF2016

African Transformation Forum

DAY 1: 14 MARCH 2016

1st African Transformation Forum

SERENA HOTEL, KIGALI, RWANDA. 14–15 MARCH 2016

The inaugural African Transformation Forum (ATF) was organized by the African Center for Economic Transformation (ACET) and the Government of Rwanda

The MasterCard Foundation and the Ford Foundation were convening partners
Coca-Cola was the lead sponsor

Introduction

The inaugural African Transformation Forum 2016, jointly organized by the African Center for Economic Transformation (ACET) and the Government of Rwanda, convened 14–15 March 2016 at the Serena Hotel in Kigali, drawing 270 participants from around the world, a diverse group of development leaders unified in their eagerness to accelerate Africa's economic transformation.

The Forum attracted a broad mix of public- and private-sector officials representing almost three-dozen countries across four continents: Africa, Asia, Europe, and North America. Among African attendees, 20 countries were represented. Participants hailed from every major transformation stakeholder group: government leaders, national policymakers, business executives, entrepreneurs, and civil society, as well as international development organizations, global foundations, and leading African institutions.

In addition to top government officials and ministers from Rwanda and other countries, the Forum featured a diverse array of influential African experts, including Carlos Lopes, Executive Secretary of the United Nations Economic Commission for Africa; Makhtar Diop, Vice President for Africa at the World Bank; Antoinette Sayeh, Africa Department Director of the IMF; Ibrahim Mayaki, CEO of the New Partnership for Africa's Development; and Emmanuel Nnadozie, Executive Director, African Capacity Foundation.

K.Y. Amoako, ACET's Founder and President, joined Claver Gatete and Carlos Lopes in opening the Forum by describing the "remarkable consensus, both within and outside Africa, that economic transformation holds the key to sustained growth and prosperity." Transformation is now endorsed by the African Union, African Development Bank, Economic Commission for Africa, and African heads of state and government as the continent's leading development paradigm.

The Forum concluded with the official launch of the Coalition for Transformation in Africa, a broad network of experts who will join forces and work across sectors to drive policy and institutional reforms in support of transformation strategies.

Opening session



Claver Gatete

The Hon. Minister of Finance
and Economic Planning,
Republic of Rwanda

To read the full speech

[CLICK HERE](#)

Summary of speech

Welcoming the delegates, Minister Claver Gatete said the ATF had received the personal endorsement of the President of Rwanda, His Excellency Paul Kagame. "He believes that this event is more than just a forum; it is something that will transform Africa going forward, not just Rwanda," said Gatete.

Setting the tone of the theme of the ATF, the Minister introduced Rwanda's Vision 2020 development plan to the delegates. He said the plan aimed to bring about a structural transformation of all aspects of the economy. Every sector of society would share in the benefits of growth. While reducing poverty on the one hand, Vision 2020 would also generate wealth by developing the rural economy, raising the share of manufacturing in GDP, increasing the volume and value of trade, and enhancing the general application of technology in the economy. This would help in creating quality employment for the country's youth. Accountable governance was built into the plan.

Providing a rapid sketch of Rwanda's economic profile, Minister Gatete said that as a result of structural changes over the last 15 years, the services sector, at 47%, has emerged as the dominant sector of the economy, overtaking agriculture (33%). Rwanda is not an isolated case as many African countries have been growing strongly, he said, but he pointed out that real economic transformation had been slow in coming.

Despite calamities, Gatete said, Rwanda had demonstrated that "we can progress. The indicators agree with us; the foundations are there." The country had relied on its own development strategies, which took into account essential political processes. "Stay on course, reduce the level of uncertainty and money will come to finance your strategies," he advised.



K.Y. Amoako

President of the African Center for Economic Transformation (ACET)

Summary of speech

K.Y. Amoako said the ATF aimed to become a milestone event in pursuit of Africa's economic transformation. He thanked President Kagame for his unwavering support for the event, and commended his leadership, under which "Rwanda has proven to be one of Africa's most inspiring growth and turnaround stories."

The contribution of the Finance Ministry, which had taken the lead on the Rwanda side in organizing the ATF, he said, was a reflection of the "competence and efficiency with which the Rwandan government functions, a model for the continent."

Amoako said the principal aim of the Forum was to stimulate action to accelerate Africa's economic transformation. This was also the main function of the African Center for Economic Transformation (ACET) created in 2008 as a "think and do tank" working to "equip African countries with the knowledge and tools to pursue transformative growth."

He explained that ACET works at three levels: 1) The institutional level—helping policymakers build capacity. In Liberia, ACET assisted the government in creating a new Ministry of Finance and Economic Development; in Rwanda, a national framework was developed for investing in public-private partnerships. 2) The country level—working with government, the private sector and other stakeholders to chart a transformation course and solve country-specific challenges. An example is ACET's recently completed Rural Transformation Report, which is a ground-level study on agriculture value chains in Burkina Faso, Ghana, Kenya, Tanzania, and Uganda. The objective of the research is to identify how to increase smallholder agriculture productivity and incomes in those countries. 3) The continental level—

to provide intellectual leadership and influence the development conversation in support of transformation policies.

Amoako described ACET's inaugural African Transformation Report, published in 2014, which provided, for the first time, a quantifiable definition of economic transformation. The report elaborated ACET's approach to economic transformation, a process entitled "Growth with DEPTH". **DEPTH** is an acronym:

D for diversification of production and exports

E for export competitiveness in international markets

P for productivity increases of all resource inputs, especially labor

T for technology upgrades throughout the economy to make production more efficient and cost-effective

H for human wellbeing improvements such as better jobs and higher incomes.

The report, he said, had provided the impetus for the Forum. In addition, the concept of economic transformation had now been adopted as the principal development paradigm by major institutions such as the Economic Commission for Africa, the African Union, the African Development Bank, the World Bank and the continent's development partners. The majority of African countries have also embarked on their own transformation agendas.

It is now widely accepted that economic transformation holds the key to sustained growth and prosperity; and last year was identified as the first of the six pillars to support Africa's post-2015 development agenda and the UN's SDGs, said Amoako.

He pointed out that recent developments in the global economy, such as the decline in commodity prices and the slowing of the Chinese growth trajectory, had made the need for transformation in Africa all the more urgent as they had again

exposed the vulnerability of most African economies to external factors.

He concluded by announcing that the Coalition for the Transformation of Africa would be launched at this Forum. It will comprise a number of Chapters, each focused on a separate area of economic transformation. The Coalition will thus form a nimble network of like-minded countries, organizations and sponsors who will all share valuable knowledge to improve transformation strategies and techniques. The Chapter members will meet beyond the Forum to explore their area of expertise in depth and report back their findings at the next ATF.

Soundbites

"ATF2016 is not just any conference, because our work will not end here. We are not here to talk, to exchange business cards, to have a few good meals and go on our way. We are here to act. We are here to accelerate economic transformation."

"President Kagame is an outspoken candidate for economic transformation. Under his leadership Rwanda has proven to be one of Africa's most inspiring growth and turnaround stories."

"Transformation cannot take place without committed and ethical leadership."

To read the full speech
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Carlos Lopes

Executive Secretary of the
UN Economic Commission
for Africa (ECA)

Summary of speech

Carlos Lopes emphasized the need for structural transformation in poverty reduction through reallocation of economic activities from the less productive sectors to the more productive ones. He said that the speed with which this is done differentiates development levels across countries.

While the “Africa Rising” narrative has persisted, he argued, Africa’s current growth has not generated sufficient jobs nor been inclusive enough to eradicate poverty. This has made it imperative for Africa to concentrate on the potential offered by industrialization and structural transformation.

He discussed the shift in the concept of structural transformation over time—from a simple reallocation of the economy across three broad sectors (agriculture, industry, and services) to a process characterized by a decline in the share of agriculture in GDP and employment, rapidly increasing urbanization, and the rise of a modern industrial economy. This, he said, was a process that required proactive policies. Lopes referred to his co-authored book *Ownership, Leadership and Transformation* (2003) in providing an understanding of the role of national agencies in relation to transformation.

Lopes pointed out that during the initial stages of structural transformation, while there is usually a pattern of worsening income distribution between rural and urban economies, poverty does not tend to increase. Furthermore, Africa’s unprecedented growth, resilience to global economic crises and its latecomer status have all allowed it to learn from the experience of others. He did note, however, that knowledge cannot simply be transferred. It has to be acquired, reinvented, and practiced.

Looking at countries outside Africa that had undergone economic transformation, he gave the example of Brazil, which transformed its industries between 1950 and 1980 by developing new technologies and expanding its natural resource-processing industries and food production. It had become one of the world’s top three producers of food.

China, he said, was another example of a country that has entirely transformed its economic structure. It focused on agriculture from 1978 to 1983 and then on increasing foreign trade and direct investment from 1981 to 1985. In two decades, it became the largest exporter of manufactured goods in the world.

Lopes added that the UAE was another example of successful transformation in diversifying its economy from reliance on oil to trade, tourism, construction and logistics.

The key point underscoring all these examples was that consistent policy implementation by the state and institutions is essential to continue sustained economic transformation in the face of internal and external factors. Furthermore, scaling up public investment, maintaining macro-stability, coordinating development policies, mobilizing resources, reducing dependence, and securing fiscal sustainability are all critical to bringing about transformation.

Soundbites

“Africa has experienced growth over the past decade and has been resilient to the global economic crisis.”

“Structural transformation is a continuous process which very often encounters challenges.”

“A developmental state is central to the process of accelerated growth and transformation of any country.”

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Reeta Roy

President and CEO of The MasterCard Foundation

Watch Reeta Roy's speech
[CLICK HERE](#)



Darren Walker

President of the Ford Foundation

Watch Darren Walker's speech
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ATF 2016 Convening partners' messages

The heads of The MasterCard and Ford Foundations, the two convening partners of the ATF, were unfortunately unable to attend the Forum. However, they did provide video messages to the participants expressing their belief in the transformation agenda. They encouraged the audience to use the ATF as an opportunity to galvanize more action on economic transformation.

Both speakers stressed that transformation is a process that requires the effort of individuals and institutions in both the public and private sectors—working together collaboratively. They also thanked the participants for their insights, which would help both The MasterCard and Ford Foundations implement their own mandates.

“Far too many people are excluded from participating in the economic lives of their communities and do not have the opportunity to contribute their talent to growth.”

– Reeta Roy

Opening session in brief

- Rwanda's Vision 2020 envisages a country transformed in all aspects of the economy.
- The focus of the Forum will be on essential areas that can unlock rapid and sustained growth for Africa.
- Economic transformation is now urgent due to the recent developments in the international economy.
- Economic transformation has the power to reduce Africa's vulnerability to global economic forces.
- Transformation requires the reallocation of resources from the less productive to the more productive sectors.
- The speed with which economic activities are reallocated differentiates the development levels of various countries.
- Africa's structural economic transformation is key to reducing poverty and generating more employment.
- Introduction to the Coalition for Africa's Transformation.



PLENARY 1

Creating national transformation strategies

Moderator

- **Bonney Tunya:** Presenter, CNBC Africa

Panelists

- **Neway Gebreab:** Economic Advisor to the Prime Minister and Executive Director, Ethiopian Development Research Institute
- **Makhtar Diop:** Vice President for Africa, The World Bank
- **Ibrahim Mayaki:** CEO, New Partnership for Africa's Development (NEPAD)
- **Nkosana Moyo:** Founder and Executive Chair, Mandela Institute of Development Studies

SUMMARY OF PANEL DISCUSSION

In shaping national transformation strategies, it is important to bear in mind that models cannot simply be cut and pasted from one time/space to another with any realistic hope that the outcomes will also transfer.

The physical features, climate, presence or otherwise of natural resources as well as the history, culture, and hard and soft infrastructure at a given point in time vary significantly from country to country. An understanding of the attributes of each country, as well as a clear delineation of national priorities is essential in creating transformation strategies that are likely to work and that are sustainable.

Although the frameworks of successful models from elsewhere can be consulted, national transformation happens by specific design. While learning from others is important, it is essential to be realistic and pragmatic; for example, Senegal is not Singapore and while the latter has valuable lessons to offer, considerable adaptation is required to apply some of the principles to the Senegalese economic, political, and social environment.

While national planning is important in laying out transformation strategies that will impact the wider territorial region, local planning and local empowerment are critical for successful implementation. A government should not promise to do things out of thin air; it should ask citizens what they require as priorities and find ways to encourage ownership of development projects by the citizenry.

Planning must also be conducted within the scope of the national resources available for deployment and the realistic feasibility of implementation. After all, what is the use of a plan if there are no resources or the capacity to implement it?

There should be a strong link between the political class and development technicians, which must be maintained all the way through to implementation and further management of strategies.

The election of political leaders who base their policies on evidence-based research and who are willing to accept analytical advice from experts will go a long way in bringing about transformation.

As we have seen in some aspects of IT, it is possible that African countries may be able to leap-frog over certain »



◀ intermediate steps taken by advanced economies and reap the benefits of current cutting-edge technology. However, this will not happen unless government, the private sector, academia and society in general synchronize their efforts.

In conclusion, the panel felt that the thrust of transformation planning for the foreseeable future should focus on greater commercialization of agriculture; increased investment in agro-processing; expansion of manufacturing, especially for exports; better management of natural resources; greater application of technology in economic activities; the optimum employment of one of the continent's greatest resources, its labor force; and a raising of productivity across the board through higher efficiency.

Plenary 1 in brief

- Transformational strategies are not linear. They vary from state to state.
- Development models can be borrowed but transformation happens by design, voluntarily.
- Implementation is political not just technical, requiring all levels of the political actors to roll up their sleeves to get results.
- It is possible to leap-frog over some intermediate steps but for this to happen, government, the private sector and academia have to work hand in glove.



PLENARY 2

Implementing national transformation strategies

Moderator

- **Yvonne Okwara:** News Anchor/Producer, KTN

Panelists

- **Claver Gatete:** The Hon. Minister of Finance and Economic Planning, Republic of Rwanda
- **Emmanuel Nnadozie:** Executive Secretary, African Capacity Building Foundation
- **Michael Chege:** CEO, New Partnership for Africa's Development (NEPAD)
- **Dirk Willem te Velde:** Senior Research Fellow and Head of the International Economic Development Group, Overseas Development Institute (ODI)

SUMMARY OF PANEL DISCUSSION

Plenary 1 discussed the creation of national transformation strategies; Plenary 2 went into the more difficult aspect of transformation: how to implement agreed strategies.

The first essential in implementing transformation is to establish a robust public-private dialogue and cooperation mechanism. Building this collaboration requires: 1) A strong, specialized public agency that can cut across other ministries and coordinate activities; 2) Public agencies that are embedded in both the formal and informal private sector; 3) A dialogue mechanism that energizes and incentivizes the ordinary people for collective action. Policymaking in Kenya, for example, is now characterized by strong collaboration between the public and private sectors and professional associations—mostly using local technical expertise.

Another case study is the success of the Rwandan Development Bank (RDB). The RDB links the private sector to government and its CEO is a member of the Rwandan Cabinet. This two-way communications lane has made it easier to invest and conduct business in Rwanda.

Implementing a strategy successfully requires political will, direction, and enthusiasm. Economic transformation is neither just a technical nor just an economic issue; it has some non-technical elements that are essential to its success or failure. Countries that are doing well are often the ones that are fortunate enough to have good, visionary leaders who are politically savvy and vigorous implementers.

However, it is in this political dimension (often referred to as political economy) that many African countries face severe challenges. The panel was in no doubt that corruption is often at the root of most ills affecting Africa's development. Corruption is a technical problem that affects entire institutions rather than just being a moral issue. It also undercuts meritocracy—an essential element in efficiency and the successful implementation of strategies. Change begins from the top leadership and works its way down. Conversation flows in both directions and the leadership responds to aspirations from below.

If you don't have moral authority from the top, then it becomes very difficult to end corruption and all the ills associated with it. »



« Transformation should be an across-the-board inclusive process—involving all the members of the society regardless of class or political affiliation. Partisan politics and a constant turnover in the political leadership can hinder long-term development strategies. The solution could be an agreed cross-party, broad-based long-term strategy that any party in power would be committed to implementing. The role of the democratization process in transformation should not be underestimated since a public “buy-in” is an essential ingredient in successful transformation.

It was suggested by the panel that seamless coordination across different African financial institutions in different sub-regions to create giant capital markets instead of the current smaller, more fragmented ones, would release large volumes of investment capital for domestic (African) entrepreneurs and would also be attractive to foreign direct investors.

The process of transformation is messy and involves making mistakes—whether in the dialogues across sectors or when implementing strategy—but learning and reinventing is a necessary part of the process.

But all talk about transformation is meaningless unless both public and private sectors can develop the human and technical capacity to carry through implementation that yields results. The issue of mindset is far more important than we had thought in the past. People have to believe in themselves to begin the process.

Plenary 2 in brief

- It is important to involve all in the process of transformation—not just experts, and not just the ruling party of the time.
- Partisan politics and constant turnover in the political leadership can hinder long-term development strategies.
- The shared vision of transformation is the hardest challenge. If this can be tackled, it is possible to transcend electoral cycles.
- Corruption and the perception of corruption are among the most serious obstacles to Africa's economic transformation. An unethical attitude among civil servants feeds a culture of corruption and inefficiency.
- By linking together different financial institutions across sub-regions, it is possible to create giant capital markets that can unlock investment capital and attract FDI.

BREAKOUT 1

Developing youth skills and employment

Moderator

- **James Mwangi:** Executive Director, Dahlberg Group

Panelists

- **Patrick Awuah:** Founder and President, Ashesi University
- **Amini Kajunju:** President and CEO, Africa-American Institute
- **Steve Cumming:** Manager of Learning, The MasterCard Foundation
- **Solomon Assefa:** Director, IBM Research – Africa
- **Kelvin Balogun:** President, Coca-Cola Central, East and West Africa

SUMMARY OF PANEL DISCUSSION

Africa has the fastest rising youth population in the world, creating a workforce that is expected to be younger and larger than that of China or India by 2050. The implications of this trend for the labor market are enormous: promising, if the skills match the jobs available, alarming if not. This session explored different ways in which countries could invest in Africa's youth to develop skills, create productive jobs, and retain future generations of African talent.

By 2020, three out of four people in Africa will be under 20 years of age. Most of this demographic is poorly educated with few if any technical or vocational skills. Some 40 million youth are currently unemployed and the number is increasing every year.

The majority of educational institutions in Africa seem to have a negative attitude towards science-oriented subjects in general and vocational training in particular. There is little teaching on agriculture at basic or secondary level, yet agriculture is the mainstay of most African economies and the industrial commercialization of agriculture is perhaps the most promising source of new jobs. There is thus a substantial mismatch between the knowledge sets on offer and the needs of economies in transition.

Apart from a handful of tertiary educational institutions, mainly in South Africa, few other institutions possess world-standard research and development departments although mastery of technology and innovation is essential if Africa's young workforce is to emulate the success of their Asian counterparts. The panel emphasized the critical urgency of raising skills levels not only through formal systems but also, probably more crucially, through the private sector.

The proportion of African entrepreneurs in the formal sector is by far the lowest of any region but the

continent has its fair share of informal entrepreneurs who often employ highly innovative and original approaches to their trades. The segment of small and medium enterprises (SMEs) provides on average about 80% of all jobs in urban Africa. A well-structured formalization of this segment will unlock finance and could boost growth and generate jobs, as it has done in other emerging economies.

As things stand, youth unemployment is not only distressing for the individuals and their families, but it also constricts the consumer market as this segment of the population should form the most enthusiastic customer base. Low purchasing power leads to lower demands for goods and services, which in turn is reflected in fewer vacancies appearing in the labor market—a downward spiral.

The feeling of alienation and hopelessness caused by long-term unemployment is also making it easier to recruit young people into criminal gangs and terrorist cells. Unemployment is also the strongest factor in African youth risking their lives in often dangerous attempts to reach the West.

The panel added that the lack of skills also impacts the performance of the private sector in terms of cost efficiency and imposed constraints on expansion plans, thus often negating the sorts of economies of scale enjoyed by industry in other emerging markets. ►



« The panel discussed some novel, technology-oriented approaches to knowledge and skills development among African youth but it was felt that a systemic improvement in formal educational structures was the most effective and sustainable way forward.

Initiatives for action

Transforming the education system so that it is fit for purpose and can deliver the “greater good” for the nation. The system has to be flexible enough to adapt to changing times and sufficiently forward-looking to be relevant to circumstances when the need arises in the future. (Singapore has done this very successfully and India has also been successful particularly in electronic engineering and computer sciences.)

The emphasis has to switch from a focus on numbers being put through the system to the quality of education and its impact on youth. For this to happen, there will have to be well-considered coordination between governments, education experts, the

private sector, and civil society to deliver syllabuses that are relevant to the needs of each country at its particular level of development.

Companies, such as Coca-Cola, can use their networks and resources in training youth and in creating platforms such as Coca-Cola’s YES Program (Youth Empowered for Success), which currently connects 25,000 youth to the jobs that are available and aims to scale this up to 500,000 by 2020. The MasterCard Foundation is working to change perceptions of agribusiness and vocational training among the communities that they work with.

Moderator James Mwangi summarized by stating: “We live in a rapidly changing world. We need to build a system geared towards where the ball is going to be rather than where the ball was, a challenge that requires all our collective effort.”

Summary paper on this topic

[CLICK HERE](#)





BREAKOUT 2

Promoting financial inclusion

Moderator

- **Bonney Tunya:** Presenter, CNBC Africa

Panelists

- **Amolo Ng'weno:** East Africa Regional Director, Bankable Frontiers Associates
- **Henry Kerali:** Country Director for Ghana, Liberia and Sierra Leone, World Bank
- **John Rwangombwa:** Governor, Central Bank of Rwanda
- **Mawuli Ababio:** Director and Partner, PCP Capital Partners

SUMMARY OF PANEL DISCUSSION

This breakout session tackled the thorny issue of financial exclusion and the consequent lack of access to financial services.

In virtually all countries SMEs form the backbone of the economy and provide most of the employment. This is true even of heavily resource-based economies; while the resources generate high incomes, the SME sectors still provide most employment, particularly in towns and cities. This

sector also constitutes the largest market for consumer goods and services. The more dynamically this sector performs, the healthier the economy as a general rule, and in the large majority of cases real national GDP growth derives from this sector.

Hence the worry that the Africa Rising narrative of strong growth has not been accompanied by a commensurate expansion of gainful employment. While Africa's SME sector (including smallholder farmers) provides 70–90% of all employment most of it is informal and it remains weak, inefficient and under-resourced. The expansion of the informal SME sector has not been the outcome of real growth but the result of a rising tide of immigration from rural or peri-urban areas to metropolises. The consequence is a dilution of income rather than wealth creation.

The panel argued that clearly Africa's SME sector holds tremendous potential as a catalyst for Africa's evolution to industrialized status; but it can only achieve this if it becomes dynamic, organized and much more productive. The biggest obstacle standing in the way of this is lack of access to financial services, particularly loans or lines of credit from formal institutions. This has a severe impact on the pace of doing business and puts a brake on any expansion ambitions. It also raises the cost of borrowing to breaking point as small

businesses often have to resort to informal and sometimes criminal loan sharks to maintain essential cash flow.

The problem set before the panel was how to break this cycle without compromising traditional credit safeguards. The sobering history of many bank failures in SSA is warning enough.

While many financial institutions have come up with several original and even ingenious solutions to extend financial services to those considered "unbankable", far too large a proportion of those who most need the services remain outside the loop.

The biggest breakthrough has in fact come from mobile phone operators such as Safaricom and Airtel whose money transfer and even deposit and loan systems have brought financial services to millions across the continent. Organizations such as The MasterCard Foundation also work to provide financial inclusion to vast numbers who would otherwise be excluded from the fold.

But admirable as these systems are, they are not primarily the sort of banking services that are needed by Africa's SMEs and smallholders. Grameen types of financial support, especially in rural areas, are helping but it is not enough.

The panel believed that African governments, working with continental financial institutions, international donors, development finance experts, ▶



bankers and final customers, should work out practical methods of providing essential financial support to SMEs and smallholders. The Chinese and other Asian economies, faced with a similar situation, have done so successfully.

The panel also felt that governments have failed to see the wealth-generating potential in their SME sector. The economies of Denmark and Sweden received a boost following decisions to step up support for SMEs, and Nigeria rose to the top of the African economic ranking when its SME (including Nollywood) income was factored in.

But currently, the allocation of resources to the SMEs sector is negligible. SMEs in Africa are generally not financially literate and the commercial banks see SMEs as high risk, rather than as a viable business opportunity. Commercial banks want fixed assets as collateral for loans. The discussion proposed that movable assets should also be considered as collateral.

Initiatives for action

The informal sector needs business education. Creation of credit information bureaus can help SMEs or individuals get loans.

Women are some of the most dynamic entrepreneurs in Africa but they often face even greater hurdles than men in accessing finance, despite their excellent record in repaying loans. A change of attitude here would be beneficial not only to the women themselves but to the financial institutions as well.

Governments need to encourage the growth of SMEs and their ability to raise capital by scrapping onerous rules and regulations. Simple business registration regulations, including fixed addresses would help in the release of finance.

Currently young people have the least financial or social capital and experience. They have ideas, but lack the necessary experience to venture into business. Venture capital funds could unlock entrepreneurial talent.

The total annual amount of remittances from the diaspora exceeds total Official Development Assistance. Most of this is used by family members to meet day-to-day expense but the money can be pooled to finance commercial projects.

Summary paper on this topic

[CLICK HERE](#)



BREAKOUT 3

Facilitating trade and regional integration

Moderator

- **Eveline Herfkens:** Former Minister of Development Cooperation, The Netherlands

Panelists

- **Richard Newfarmer:** Country Representative, International Growth Centre
- **Richard Sezibera:** Secretary General, East African Community
- **Matthew Rees:** Deputy Coordinator, Trade Africa, USAID

SUMMARY OF PANEL DISCUSSION

In most regions of the world intra-regional trade often forms the most significant proportion of total trade; for example, in the European Union, on average, 62% of all trade is between member states. Some 80% of Canadian and Mexican trade and 30% of US trade is between members of the North American Free Trade Agreement (NAFTA). Trade within the Association of Southeast Asian Nations (ASEAN), currently at around 24%, is expected to reach 30% of total trade for its members by 2020.

This reflects the numerous compelling economic and commercial

advantages of free trade areas. Economies deriving from scale, from uniform regulatory regimes, from ease of logistics and from tariff-free movements of goods and services among many other advantages, has resulted in an unprecedented explosion in productivity and raised the living standards in these areas well above those of states outside the communities.

Statistics show that the loss of customs duty revenue to the government exchequer is negligible compared to the revenue gained from increased licencing fees, value-added taxation and vastly increased personal income and business taxation that comes with higher productivity and a faster pace of economic activity. Economic blocks are also more powerful than individual nations in negotiating deals and carry greater weight in global organizations such as the WTO. Economic blocks are able to raise vast amounts of capital for infrastructure and other developments (including poverty reduction where this is needed), and can spread recurrent regulatory and other costs over the entire membership. They are also more resilient to downturns in the economic cycle than individual nations.

Africa, however, has by far the lowest level of intra-regional trade at less than 13%, which is itself a considerable improvement from around 4% a decade ago. This is a

paradox given the relative proliferation of various regional bodies on the continent.

These include: The Common Market for Eastern and Southern Africa (COMESA); East African Community (EAC); Economic Community of Central African States (ECCAS/CEEAC); Economic Community of West African States (ECOWAS); Southern African Development Community (SADC); Economic and Monetary Community of Central Africa (CEMAC); West African Economic and Monetary Union (UEMOA); Southern African Customs Union (SACU); Community of Sahel-Saharan States (CEN-SAD); Arab Maghreb Union (UMA); and the giant Tripartite Free Trade Area, which is an umbrella organization grouping COMESA, the ECA, and SADC. This grouping contains half of Africa's population.

Given the plethora of such economic blocks and the enormous potential presented by Africa's 54 countries, the panel discussed why intra-regional trade is still the lowest of any region in the world. There was a suggestion that one of the problems is perhaps too many organizations with overlapping memberships, some existing in name only.

Why is African intra-regional trade as low as it is, despite considerable efforts to increase it? The panel offered several reasons: many neighbouring countries produce similar



« goods, reducing the need for trading; the main markets for commodity and natural resource producers are outside the continent rather than within it; a protectionist mentality throws up barriers in the free movement of manufactured goods between African countries; poor road and rail infrastructure and delays and ad hoc “customs duties” imposed by border officials mean that the cost of transporting goods within Africa is higher than moving goods from the rest of the world to African destinations; many African currencies are inconvertible and, the panel suggested, there is a lack of political will to make agreements work.

This lack of political enthusiasm has meant that Africa on the whole has the highest tariffs in the world and the cost of moving goods between African countries is also, on average, the highest in the world. These costs are passed on both to intermediate agencies such as manufacturers, builders and retailers, and to the final customers.

Citizens of the poorest continent often have to pay the highest prices in

the world for virtually any item that has to cross a border legally. However, some economists believe that the actual volume of intra-African trade is far higher than the official figures indicate, as there is a massive amount of “informal” cross-border trade. However, until regional integration becomes a reality on the ground rather than simply in the form of pieces of legislation, most African national markets will remain too small to attract investment for industrial projects on a scale that can truly transform economies and make the continent of Africa a competitive force in the world.

Landlocked countries have often taken the lead in pushing for greater regional trade and better facilitation of trade. For example, Rwanda, which is a member of the East African Community, has increased its share of intra-regional trade from 10% to 26% in less than a decade.

The East African Community is in fact one of the most successful examples of regional integration. Over the last 10 years trade costs have fallen 40–60% relative to what they were in 2006; waiting time in the



port of Mombasa has dropped from 13.5 days to 5.8 days; and transit times from Kenya have been halved from four to two days. But trade costs are still among the highest in the world.

Efforts are now being directed to improving the cost efficiency of services within the community. Services are becoming increasingly central to the overall productivity of the economy and trade. Tourism, for example, according to the World Trade and Travel Council, can contribute 10–13% to GDP and generate many jobs. In a bid to attract more tourists to the region three out of the six member countries now require visitors to purchase only a single visa to visit all three countries.

There is no doubt that more integrated regional markets that facilitate trade rather than hinder it would open new windows of opportunity to African enterprises, would spur them to boost production and hire workers, and would attract more foreign direct investment.

Africa is heavily dependent on trade with countries outside the continent but the global environment is changing rapidly.

We are seeing the emergence of value chains that bypass Africa and that are diverting trade preferences at the expense of Africa—so there is no time to lose, the panel concluded. Facilitating trade is not just what happens at the border but is intrinsically linked to Africa's economic transformation: its impact on industrial and agricultural output, on productivity and on competitiveness, is profound.

Initiatives for action

There should be a concentration on executing the deals that have been agreed instead of negotiating new deals. Trade negotiations require a lot of skills and Africa has a lot to do in terms of capacity-building in this area.

But the biggest challenge is that the markets are not open to each other; barriers to the free movement of goods, services, and people need to be removed. It is estimated that free movement across borders will create an additional 2.3 million jobs by 2032.

Trade facilitation should be seen as a strategy rather than a product. The real objective is to reduce the time and cost of getting goods into and out of markets, as well as harmonizing standards.

While governments should finance these initiatives, the private sector should take the lead of advancing intra-regional trade.

The public and private sectors need to build trust—that the public sector will make good on its promises, and that the private sectors will not take undue advantage of low tariffs.

Regional integration works when people start making money from it.

Summary paper on this topic

[CLICK HERE](#)



BREAKOUT 4

Transforming agriculture

Moderator

- **Yaw Ansu:** Chief Economist, African Center for Economic Transformation

Panelists

- **Dina Umali-Deiniger:** Practice Manager for East Africa, the World Bank
- **Alemayehu Konde Koira:** Program Manager, Economic Opportunities for Youth/Agriculture, The MasterCard Foundation
- **M.D. Ramesh:** President and Regional Head, South and East Africa, Olam
- **Dede Amanor-Wilks:** Development Specialist/Consultant, ECA
- **Kenneth Quartey:** Managing Director, Sydal Farms

SUMMARY OF PANEL DISCUSSION

Africa has nearly 60% of the world's arable, uncultivated land, yet less than 5% is irrigated. About 70% of those employed in Africa work in agriculture but agriculture generates only a quarter of GDP in sub-Saharan Africa as a whole. Also, over 63% of sub-Saharan Africa's total population lives in rural areas where agriculture

remains the largest source of income and employment.

Agriculture thus represents the most promising growth opportunity in Africa, ahead of mining and metals. However, despite the rapid growth of many African countries over the past decade the continent lags behind other regions when it comes to agriculture.

Agriculture remains the Achilles heel of Africa's development success story. Low levels of productivity trap millions of farmers in poverty, act as a brake on growth, and weaken links between the farm and non-farm economy—links that were crucial to development breakthroughs in Bangladesh, India, and Vietnam.

African countries spent \$35 billion on food imports (excluding fish) in 2011. The share accounted for by intra-African trade was less than 5%. If Africa's farmers increased their productivity and substituted these imports with their own produce, this would provide a powerful impetus to reducing poverty, enhancing food and nutrition security, and supporting a more inclusive pattern of growth.

The first shortcoming that characterizes the agricultural sector in the majority of SSA is the exceptionally low crop yield per hectare in comparison with other developing regions. Between 2000 and 2010 average grain yields remained at around one-third to one-half of the world's average (1.1–1.5 metric tonnes

per hectare versus 3.2 tonnes per hectare). Sub-Saharan Africa could double or even treble its productivity for some of the more basic food staples if more farmers could access available knowledge, technologies, and smarter use of inputs such as fertilizer.

The average farmer in Ghana uses only 7.4 kg of fertilizer per hectare, while in South Asia fertilizer use averages more than 100 kg per hectare. Unsurprisingly, output per hectare in Africa falls far below the levels registered in other parts of the world. When farmers plant the same fields without using fertilizers they literally mine the soil: an estimated 8 million tonnes of nutrients are depleted annually in Africa.

Farmers in Nigeria and Senegal pay three times more for fertilizer than their counterparts in Brazil and India. It costs only slightly less to produce fertilizer in Thailand than in Mozambique and Ghana, but transport costs nullify the advantages of local production. However, where investment has gone hand in hand with smart agricultural innovations the results have often been astonishing. Average cereal yield in Rwanda has increased by 7% and it rose by 11% in Malawi following a national fertilizer usage campaign.

Several African nations have the potential to become global players in bulk commodity production. For example, only 3.5 million hectares of the 240 million suitable for wetland rice ➤

◀ cultivation have been exploited. In addition, countries such as Ghana, Mali, Senegal, Mozambique and Tanzania, to name a few, have large bread-basket areas that could feed regional populations, displace imports, and generate exports. With the right approach Africa's productivity levels could easily double within five years.

In addition, the bulk of Africa's population will live in town and cities in less than a decade. This huge urban population, and the steady rise of the African middle class, is already increasing demand for food and other agriculture-related products, and demand is likely to continue rising. This provides an excellent opportunity for greater investment in African agriculture.

The World Bank predicts that African agriculture will generate 1 trillion dollars by 2030 and produce 10% of the global food supply—provided the sector is transformed, becomes more efficient, productivity is raised to global levels, and post-harvest losses currently running at around 40% are drastically reduced.

In the meanwhile, one of the panelists said, “dumping” from foreign sources is destroying the local markets. For example, in Ghana, imported beef and poultry are sold 50% cheaper than those produced locally. Often farmers simply cannot compete with imported products. In many countries it is often cheaper and more profitable to trade in food than to produce it.

Another major issue hindering the development of agriculture is the lack of financing for the sector. Banks are reluctant to lend to the agriculture sector because they view it as very risky. This view will need to change through concerted public and private effort.

Initiatives for action

Enhance agricultural productivity through yield improvement; upgrade value chains; improve infrastructure and access to

energy; and exploit local, regional and international demand.

Increase use of modern technology; encourage innovation; introduce new skills and consistently upgrade skills levels; and vastly expand knowledge-sharing outreach to bring African farmers up to speed with their counterparts elsewhere in the world.

Promote effective and innovative financing, and stimulating private participation.

Restructure the sector as a business opportunity to attract youth who currently tend to shun it as a dead end. The sector has the potential to create eight million new jobs by 2020—14 million if transformation is accelerated.

Encourage and empower women to take leadership positions in agriculture. They form the backbone of agriculture labor but their ability to progress is severely hampered by prejudice against them.

Reform land tenure systems where these are providing stumbling blocks, and discourage cultural traditions that lead to the fragmentation of family and communally owned plots.

Improve post-harvest storage to avoid losses from spoilage and vermin; set up commodity exchanges where these do not exist, and vastly improve access to markets.

Provide financial and management education to farmers and their families; extend information about local and foreign markets and export regulations; share the latest techniques about packaging, refrigeration and freezing of agriculture products for transport to both local and foreign markets; and carry out campaigns to popularize locally produced foods to increase demand.



FEATURED ADDRESS

DfID and Africa's Transformation



David Kennedy

Director General, Department for International Development (DfID), United Kingdom

SUMMARY OF ADDRESS

The UK's Department for International Development (DfID) collaborated with ACET in producing some of the background papers that accompanied the African Transformation Forum in Kigali.

David Kennedy said his department had been intimately involved in Africa's development for several decades and that it not only had every intention of continuing its support for the continent but was in fact also looking to making an even more significant contribution in future.

Britain, he said, had committed £2.6 billion (\$3.8 billion) to economic development in Africa in 2014. A cardinal aim of British support is to make growth inclusive, which means "leaving nobody behind".

The private sector has been the engine for growth in the world, and it can and should play the same catalytic role in Africa. DfID works with governments to help improve the national investment climate and create business-friendly environments. Partnerships with donors, international banks, and other bilateral and multilateral institutions can help stimulate more investments into African economies.

DfID's support for economic transformation in Africa focuses on the following activities:

- Commercializing agriculture and developing agriculture supply chain given Africa's dependency on land.
- Increasing export-based manufacturing.
- Building transport-related infrastructure for development.
- Supporting private-sector investment in energy.
- Encouraging "good urbanization"—one that generates wealth and creates jobs.
- Assisting service-sector growth.
- Campaigning for female economic empowerment.
- Advising on climate-smart technologies to mitigate adverse effects of climate change.
- Working to ensure good governance—an essential ingredient for national success.



ATF2016

African Transformation Forum

DAY 2: 15 MARCH 2016

1st African Transformation Forum

SERENA HOTEL, KIGALI, RWANDA. 14–15 MARCH 2016

The inaugural African Transformation Forum (ATF) was organized by the African Center for Economic Transformation (ACET) and the Government of Rwanda

The MasterCard Foundation and the Ford Foundation were convening partners
Coca-Cola was the lead sponsor



KEYNOTE ADDRESS

His Excellency Paul Kagame President of the Republic of Rwanda

BACKGROUND

One of the highlights of the ATF was the much-anticipated keynote address by Rwanda's President Paul Kagame. He has gained the reputation of speaking straight from the shoulder, eschewing platitudes and clichés, cutting to the nub of the matter and emphasizing action and practicality.

He was unable to open the Forum on the previous day because he and his ministers were attending the government's annual retreat in the eastern district of Gabiro. Finance Minister Claver Gatete explained to the Forum delegates that this was not a leisure break for ministers but a no-holds-barred grilling, conducted by Kagame, of their performance over the year.

How many annual targets had been achieved and with what social and economic results? How many had been missed or partially completed? Why? Who had done well and who had not? What was the next set of targets? How could the performance of ministers and their departments be improved? Where could efficiency gains be made? Were all the activities dovetailing and on track to achieve the overall national 2020 transformation plan or were there digressions and diversions?

Thus even before Kagame had uttered one word, this insight into Rwanda's governance machinery spoke volumes. It explained how Rwanda had pulled off the "transformation miracle" of the 20th century, why it led the World Bank's Most Reformed Country rankings for so many years, why it had moved so rapidly from the lowly 150+ rankings in terms of the World Bank's Ease of Doing Business index to the mid-30s rankings (usually the preserve of developed nations), and why it was becoming a model for other developing countries to emulate.

In his introductory remarks welcoming the President to the Forum, ACET President K.Y. Amoako said transformation needed a committed and ethical leadership, and that it could not come about without the partnership and collaboration of government and the private sector. "Transformation is about the people," he said. "How do you galvanize the people and how do you keep the people accountable for the results?" He pointed out that transformation was a long-term process, and that it was vital to share best practice and learn from each other. "We talk about Africa," he concluded, "but we are a sum of different countries ... every country can move at its own speed but we need to push together collectively."

SUMMARY OF SPEECH

President Kagame's opening sentence set the tone for the rest of his address: "Everything starts with a clear and even very simple vision for the future that everyone understands and agrees on."

The emphasis was on clarity of vision for the future, and two-way communication with the people to ensure inclusiveness and collective enthusiasm for the national transformation project.

He took a swipe at what is being described as Africa's "talking-shop industry"—the series of conferences, most of which seem to repeat old ideas but fail to produce effective action plans. "A wish list is not a strategy for getting things done," he said. "It is a recipe for an infinite loop of conferences and declarations."

He said that while we all want a prosperous, stable and equitable Africa as soon as possible, making it actually happen was much more difficult but, "it can become reality within our lifetimes" as long as there is the will to implement what needs to be done. "So if we know where we want to go and what has to be done to get there, then why do we seem stuck on implementation?" he asked.

"You and I do not implement the transformation agenda," he told the ►



« delegates, “Everyone does, collectively, even without necessarily being coordinated.” He argued that beyond a certain level of complexity, “we really only have two strategic tools ... One, let’s change how people think. Two, shape how resources are allocated and later on utilised.”

Transformational change, he pointed out, happens at the level of mindsets. “This challenge is not technical; it is political and social because it is about people,” he said. It involves creating a “mindset of urgency, ownership, responsibility, and service as well as quite frankly the mindset of money-making and long-term investing.”

Citizens, he pointed out, bear most of the risk of transformation. “They have to be included in the decisions and understand the benefits because success comes from what they do every day.”

Referring to Rwanda’s transformation over the two decades after the genocide, he said that the country’s very survival was at stake and everything was a priority.

“We figured it out by doing it, because we had no choice. ... We had to start with our own resources and ideas, and in fact our desire to get out of the mess and chaos our country was in,” he said. “This taught us some important things. You don’t need to have all the answers or all the funds to get started.” Constantly assess and correct course, he advised, “but don’t wait for perfection or rescue.”

On the respective roles of the state and markets in economic transformation his advice was that in the African context, “we can grow very old waiting for the invisible hand of the market to work its magic. Government very often must lead, catalyse, support, and invest by bringing together partners to fix market failures and mitigate risk.”

Touching on the African predilection for preferring everything foreign, including ideas and products, he said, “we actually already have much of what we need right here in Africa. We will never win by discounting the quality of our own products

and our people.”

He suggested that Africa should not worry about the decline in aid but rather be concerned about how it was invested when it was available. He said that while aid had helped many needy people, it had also created dependency that had perpetuated the problem. “So the decline of aid is a paradox: a very bad thing but also a very good thing. Let me rest my case there.”

He thanked ACET for developing the Coalition for Africa’s Transformation concept, which he said promised to be an innovative outcome of the Forum, but advised the organizers that one way to avert the danger of it becoming “a venue for more talking among like-minded elites is to build in an element of outward-facing service to the work of each Chapter.”

For more information on the
Coalition for Transformation
in Africa
[CLICK HERE](#)

To read President Kagame’s
speech in full
[CLICK HERE](#)



PLENARY 3

Mobilizing and utilizing resources for transformation

Moderator

- **Bonney Tunya:** Presenter, CNBC Africa

Panelists

- **Claver Gatete:** Minister of Finance, Rwanda
- **Mona Quartey:** Deputy Finance Minister, Ghana
- **Antoinette Sayeh:** Director, African Department of the IMF
- **Jean-Louis Sarbib:** Development Gateway
- **Akbar Noman:** Senior Fellow, Initiative for Policy Dialogue, Columbia University

SUMMARY OF PANEL DISCUSSION

With the international development aid landscape changing and the shift from the MDGs to the more comprehensive SDGs, it has become clear that African nations will have to raise far more financial resources domestically than they have hitherto done.

Although there has been considerable progress in domestic resource mobilization over the past few years—for example, tax revenue in SSA as a ratio of GDP has increased from 10% in 2011 to 15% in 2013—the full potential has hardly been touched.

High-income countries typically have tax-to-GDP ratios of 25–45%; the average for Latin America is 22%, and for East Asia and Pacific 32%. Taxes on income and profits, and on goods and services, remain the workhorses for tax regimes in high-income countries where reliance on international trade taxes are sharply in decline. This is in contrast to many low-income countries where taxes from trade are still relatively high.

Assuming that savings, foreign direct investment and development aid remain at their current level, the AU and ECA estimate that additional annual financial resources required to reduce

poverty by half range between \$48 billion and \$246 billion (to halve poverty and inequality simultaneously) between now and 2030.

Under the SDGs between 50% and 80% of infrastructure financing will have to come from domestic resources. According to the African Development Bank (AfDB) only in 12 African countries does ODA exceed domestic resources, so most African countries are financing their own development. But much more can be done.

According to the AU-ECA, Africa's total tax revenue increased from \$331 billion in 2009 to \$527.3 billion in 2012. But there are many leakages and gaps, and a huge amount is lost through illicit financial flows. The IMF estimates that an additional 4% of taxation per year will raise tax revenue by \$68 billion. McKinsey believes there is potential for an additional \$300 billion from taxation in Africa.

But, as research by ACET has shown, this will require an overhaul of the current taxation structures in most SSA countries where tax bases are narrow, taxes are barely progressive, exemptions are widespread, the capacity of tax administration is weak, and there is a preponderance of “hard-to-tax” economic activities because of



◀ the large size of the informal sector. These features together create room for rampant tax evasion and a vicious cycle of low tax collection.

In SSA weak tax administration not only fails to capture the full tax potential, it also encourages illicit financial flows (IFFs). Recent estimates by the High Level Panel on IFFs led by Thabo Mbeki puts the continent's loss of revenue at about \$850 billion from 1970 to 2008; an estimated \$217.7 billion came out of Nigeria and \$81.8 billion from South Africa. Other revenue-loss channels include corruption, poor regulatory compliance, tax exemptions, tax holidays, transfer pricing, and the difficulties in taxing multinational corporations in general and resource companies in particular.

Encouragingly, local capital markets are becoming a significant source of financing in some African countries. Ghana raised \$196 million on the back of a five-year local bond, with considerable resources flowing from the private sector to fund infrastructure projects. Rwanda has initiated the Agaciro Development Fund in addition to pension and insurance funds to support the finance sector. The introduction of technology in tax collection has resulted in higher revenues and greater compliance.

It was recommended that African countries should re-examine the value of tax incentives and exemptions, which greatly reduce tax revenues. Some 80% of countries rely on tax holidays to attract foreign investment but it is quite possible that many of these investors would have set up their operations even without such incentives.

Other promising sources of tax revenue are property taxation, which is very poorly developed in Africa, and increasing the pace of formalizing Africa's huge and very active informal sector.

Taxation from natural resources has also still not been optimized, and it was suggested that a system to track commercial mobile and other digital money transfers could yield considerable revenue.

Plenary 3 in brief

- While ODA is still important, Africa will need to fund 50–80% of its infrastructure development from domestic resources.
- Despite improvements in recent years, Africa's tax revenues are still the lowest of any region. There is considerable room for improvement.
- Africa's current tax base is very narrow, inefficient, and highly vulnerable to corruption. Revenue losses from illicit financial flows can amount to \$50 billion per year.
- Tax reform schemes are needed to tap taxes from the informal sector as a way of mobilizing funds for development.
- Local capital markets are playing an increasingly important role in raising financing for infrastructure.





PLENARY 4

Young entrepreneurs: key drivers of transformation

Moderator

- **Ibrahima Cheikh Diong:** Founder and CEO, Africa Consulting and Trading

Panelists

- **Yaw Owusu:** Managing Director, Gateway Innovations Ltd
- **Kristine Ngiriye:** Founder, The Entrepreneurium

SUMMARY OF PANEL DISCUSSION

Considerable international attention has been focused on the development of young entrepreneurs across the globe. With the intensification of globalization in the production and distribution of goods and services, and with the increasing tilt towards knowledge-based industries, the traditional pattern of employment has been changing rapidly.

The internet is revolutionizing business: electronic commerce, including retail shopping for everything from groceries to tickets for space journeys, has surpassed transactions in physical premises in many countries. It has opened up a vast global market that never sleeps.

It has also created opportunities for niche and specialized businesses, often carried out from home, to thrive—for example in catering, tailoring, speciality products, bed and breakfast accommodation and scores of other activities. A small internet-based cup-cakes venture in Nairobi, started by a young lady who could not find employment after finishing school about two years ago, has now expanded into a major franchise all over the country.

The conditions worldwide, as well as in Africa, have never been more favourable for entrepreneurship to thrive. While some are born entrepreneurs, many more can be trained and, with some support, become viable businesspeople. As a class, entrepreneurs are by nature innovative and risk-takers; they are the main creators of wealth in society, and the largest employers.

By and large, Africans are natural entrepreneurs and very inventive, but the lack of formal training and support systems means that their enterprises remain small and often hand to mouth. However, it's clear this is the class that can actually deliver the sort of growth that will generate jobs for Africa's young population. There have been several initiatives recently to encourage more young people to become entrepreneurs: for example, there was an overwhelming response to US President Barack Obama's Global Entrepreneurship Summit in Nairobi in 2015; and the Tony Elumelu Foundation, set up by one of Nigeria's most successful businessmen, aims to train 1,000 of Africa's top future entrepreneurs. Similarly, several banks and major companies have schemes to train budding entrepreneurs and walk them through the early stages; and »

◀ Google helps young e-commerce start-ups to gain a foothold.

Nevertheless, in relative terms, support for African entrepreneurs is still far short of that provided in other emerging regions, such as Asia and Latin America. Many more incubation centers are required, and there is a severe shortage of mentors to help explain business models and procedures to young entrepreneurs. Acquiring business management skills is still an expensive exercise and lack of the necessary financial support prevents many talented young entrepreneurs from achieving their full potential.

Plenary 4 in brief

- Globalization and the rise of e-commerce is changing all aspects of production, distribution and marketing. This has created excellent opportunities for young entrepreneurs to start and run their own business successfully.
- Africans are naturally entrepreneurial and innovative but lack of formal training and support has curbed their potential.
- Entrepreneurs in any economy are the only class that are risk-takers as well as wealth and job creators.
- There have been several initiatives to encourage and support the growth of entrepreneurs in Africa but response to need in this area still falls far short compared to other emerging economies.
- Young entrepreneurs with exciting ideas need mentorship from their more experienced peers, as well as financial and managerial support.





BREAKOUT 5

Seizing opportunities in manufacturing

Moderator

- **Tony Oteng-Gyasi:** Former President of the Association of Ghana Industries

Panelists

- **François Kanimba:** Minister of Trade and Industry, Republic of Rwanda
- **Phyllis Wakiaga:** CEO, Kenya Association of Manufacturers
- **Yaw Ansu:** Chief Economist, African Center for Economic Transformation

SUMMARY OF PANEL DISCUSSION

A cardinal plank of economic transformation is the shift away from basic agriculture to manufacturing as part of the overall industrialization process without which it is virtually impossible to deliver prosperity to the majority.

All human societies have been involved in manufacturing to some extent or other—from basic stone and iron tools and pottery to machines that can explore other planets in the outer reaches of our solar system.

The ability to manufacture a never-ending cornucopia of products endowed many nations with unprecedented wealth and power although they were otherwise poor in terms of natural resources. The manufacturing giants continue to dominate the world.

Manufacturing has also been the “golden path” for the emerging nations of Asia and Latin America to shake off their centuries-old crust of poverty and achieve remarkable prosperity for their citizens in record time.

Manufacturing, which includes agro-processing and food preservation, easily provides the bulk of international trade. It generally provides better jobs and higher incomes for labor. It creates markets and it serves the markets, leading to an ever-expanding productivity ripple. Its extraordinary multiplier effect reaches into and stimulates all sectors, spawning hosts of allied industries and activities.

Perhaps the most profound effect of a strong manufacturing sector on society is that it provides an active connection to the wider world and a natural exchange of knowledge, systems, and procedures. Virtually all manufacturing today is based on science—even for basic agricultural inputs such as fertilizer. This need plugs the workforce into the global scientific matrix and automatically raises awareness and skills. Japan began its reconstruction after World

War II by understudying American manufacturing, imitating it, matching it, and then in many areas surpassing it. China is very much on the same path.

Hence the evolution from basic agriculture to manufacturing is at the core of economic and social transformation. However, despite encouraging progress in some countries such as South Africa, Ethiopia, Kenya, Nigeria, and Ghana, Africa as a whole starts from a very low base. The continent’s share of global manufacturing is only 1%—compared to 40% for Asia. Most of these Asian countries started on the same footing as their African comparators, or worse, some six decades ago but while they went on to develop their manufacturing (mainly for export), Africa failed to keep pace.

However, the panel believed that negative perceptions of Africa as a poor destination for manufacturing investment have been changing. Most countries are now politically stable and security has improved; the legal systems are largely independent and conform to international standards; fairly sophisticated financial systems are in place; logistics both within and without Africa generally work very well; the power supply—while still largely problematic as a rule—is undergoing a major upgrading and should reach emerging nation levels in the near future; and industrial supply chains are well organized in some countries, with ►

◀ even world-class component providers in countries such as Tunisia.

In addition, Africa has many special attractions for manufacturing investment. Agro-processing, usually the first logical step up in the industrialization drive, is still underdeveloped and offers tremendous commercial opportunities. Africa, unlike the other regions of the world, still possesses vast tracts of uncultivated arable land, opening up opportunities for major composite farm-to-table enterprises.

Initiatives for action

Africa can help satisfy the growing demand for food and other agricultural products worldwide. Internally a similar demand from the growing middle class and urban populations is also developing rapidly. Supermarket chains in African cities are now prepared to match or even surpass prices offered for horticultural products by overseas chains. Africa's economic communities and regional trading blocs provide large markets and very considerable economies of scale.

Africa also enjoys preferential tariff regimes with the European Union as well as the US, making its manufactures highly competitive in these prime markets. This has attracted scores of Chinese and other Asian textiles and leather-goods manufacturers to set up operations in Special Economic Zones in countries like Ethiopia, Kenya, Mauritius, Rwanda, and Senegal.

Currently, on average, manufacturing forms less than 10% of Africa's GDP. Industrialization plans for countries like Ethiopia involve growing the manufacturing sector by around 10% annually to achieve a figure of 25% of GDP by 2025 or earlier. This may be a step too far for countries that do not have a manufacturing culture or that lack a coherent industrial strategy, but it is a target that can be achieved by states that

already have a solid manufacturing base.

Some technical and financial support to SMEs could rapidly boost manufacturing output in most African countries. The key is to identify potential star performers and help scale them up. The link between the large and small enterprises is also critical; informed sub-contracting allows the larger organizations to make efficiency gains while helping to secure the smaller ones. Clustering of industries ensures clear supply lines and can generate considerable economies.

The main challenge is how to finance manufacturing and secure markets. In the first place, according to the panel, a little, in terms of finance, can go a long way: it is no longer necessary to create vertically integrated factories as there are now more profitable niche markets available. But the cost of borrowing is a critical factor. If bank interest rates are around 30% it becomes virtually impossible for any manufacturer to make money.

Asians are no longer as aggressive in attacking markets as they once were, so it is possible to win that space.

The African advertising, marketing, and branding industry has grown by leaps and bounds and has become a major tool in attracting and retaining markets, both domestically and internationally. A scaling up of these efforts would yield considerable positive results.

Summary paper on this topic

[CLICK HERE](#)



BREAKOUT 6

Managing extractives for transformation

Moderator

- **Ibrahima Cheikh Diong:** Founder and Chief Executive Officer, Africa Consulting and Trading

Panelists

- **Jean-Louis Sarbib:** CEO, Development Gateway
- **Evođe Imena:** Minister of State for Mining, Republic of Rwanda
- **Kojo Busia:** Senior Mineral Sector Governance Advisor, Economic Commission for Africa
- **Joe Amoako-Tuffour:** Director of Research, African Center for Economic Transformation

SUMMARY OF PANEL DISCUSSION

It is one of the great ironies that in a continent blessed with an abundance of natural resources the chief concern is how to avoid “the resource curse” that has blighted so many well-endowed nations. With the exception of Botswana and South Africa, most resource-rich countries have failed to use their natural gifts to develop or diversify their economies, reduce poverty or generate wealth for their citizens.

The presence of extractive resources has often led to the neglect of other productive sectors of the economy, to civil conflict and wars, and to wholesale corruption. Another irony is that over the past 15 years many countries without substantial natural resources have outperformed resource-rich states not only in terms of growth but also in inclusive growth.

With this in mind, the panel analysed the situation in Africa today and set about looking for solutions to turn the resource curse into a resource bounty.

Historically, many petroleum and mining sectors in Africa have operated as enclaves cut off from the rest of the country’s economy. As such they have been more beholden to international operators than to the citizens of the countries where they are situated. Few, if any, have developed any linkages to the wider economy beyond basic services such as catering, cleaning, and local logistics.

Initiatives for action

Although most African countries have well-articulated local content legislation, this rarely translates into real local content beyond labor and a few sub-contracts. Local content should include managerial training and responsibility; local ownership, technical knowledge transference and training; substantial sub-contracting; local manufacture of at least some equipment; local refining

and value addition; reinvestment of some profits locally; employment and other benefits to communities around mining and extraction sites; adequate compensation to communities and individuals affected by extractive activities; making good any environmental damage caused by extractive activities; and a general improvement of the lives of the people living near the sites as well as the nation as a whole.

It is no secret that African countries often get a raw deal when negotiating contracts with international companies. Often Africans are “blinded with science” because they do not understand the processes involved or even the value of their own resources. To avoid this Rwanda opened its first university department in mining three years ago when it established the School of Mining and Geology, under the College of Science and Technology at the University of Rwanda. Nevertheless, there is still too much opacity in the deals involving African countries and international companies. Campaigns such as “Publish what you pay”, set up by Norwegians, are helping to make such deals more transparent.

Rwanda has followed in the footsteps of Botswana and South Africa, both of which run advanced mining-related training facilities. Botswana also has a thriving diamond-cutting industry and in 2013 pulled off the “coup of the century” when it ➤

◀ persuaded De Beers to shift its diamond sorting, valuing and selling operations from London to Gaborone.

Rwanda has also established a sovereign wealth fund, the Agaciro Development Fund, which invests a portion of the mining royalties received by the government in local communities. Several other resource-rich countries including Nigeria, Angola, Gabon, and Ghana have resource-based sovereign wealth funds. Some of these funds, using models established by Norway and Alaska, aim to ensure funding for future generations.

Resource-rich African countries must acquire expertise in the extractive industries in terms of operations as well as in the commercial aspects in order to be able to negotiate better deals. This knowledge should be shared among various African countries and supplemented by information from advanced nations such as Norway.

Bad contracts should be renegotiated and terms redefined in a global context of social responsibility, which would benefit companies that want to improve their image. All mining, oil and gas contracts have to be made public.





BREAKOUT 7

Managing and financing energy infrastructure

Moderator

- **David Ofosu-Dorte:** Senior Partner, AB & David

Panelists

- **James Musoni:** Minister of Infrastructure, Republic of Rwanda
- **Tutu Agyare:** Managing Partner and Chief Investment Officer, Nubuke Investments LLP
- **Mark Carrato:** Chief, Office of Economic Growth and Power Africa, Kenya Team Leader

SUMMARY OF PANEL DISCUSSION

"Without power, there will be no prosperity [in Africa]. It's as simple as that." This was the view of Jeff Immelt, CEO of General Electric during a magazine interview. GE is the largest electricity company in the world with a presence in over 170 countries, so Immelt knows what he is talking about. GE's commitment to Africa has gone from \$500 million in 2001 to \$6 billion in 2016. This covers investments in only eight African countries and provides an accurate picture of the scale-of-power deficit in Africa today.

The picture is indeed grim. According to a report in *African Business* magazine, it is estimated that some 621 million people in Africa, roughly two out of every three people, have no access to electricity. SSA's entire installed capacity is 90 GW, roughly equal to that of Spain. Africans outside South Africa consume 162 KWh per year, compared to an average of 7,000 KWh elsewhere in the world.

To compound matters, the report says, there are huge losses in distribution networks due to poor maintenance, the technology is outdated, and there is outright theft. State utilities have no money, bills are not paid by government entities, and there is no money to reinvest.

The power deficit has not only applied brakes to development in Africa, but economists blame it for perpetuating poverty on the continent. It has become a major political issue across Africa, uniting all classes in expressions of anger at the prevailing situation. The rich and the middle classes have to pay small fortunes to maintain generators, the SMEs struggle to survive and be competitive, while the poor do not have power for basic fundamentals such as education and health. The sight of schoolchildren sitting under public lamp posts or outside shops to study is common throughout the continent.

The panel was in no doubt that economic transformation is impossible without a profound revolution in the generation and distribution of electricity. But an estimated \$850 billion is needed to provide universal power in Africa by 2030. This is a staggering challenge, not to raise the necessary finance but also in terms of the capacity to generate, distribute, maintain, and charge for electricity.

What is encouraging is that an increasing number of governments are taking the power deficit seriously and are actively examining alternatives, including partnerships with the private sector and renewables. Ethiopia's giant Renaissance Dam, the largest in Africa, is due for completion in 2017. It will generate 6000 MW of power. This, the government believes, added to the current generation capacity, will be sufficient for the country's transformation into a middle-income industrial nation by 2025 and will still leave sufficient power volume to export to neighbouring countries.

There are several other multinational projects aimed at eating into the continent's power deficit. These include US President Barack Obama's Power Africa project; the AfDB's New Deal on Energy; and the UK's Energy Africa.

Obama's Power Africa project ("bringing light where currently there ►



«is darkness») perhaps comes closest to the “Big Bang” theory suggested by some power experts. This would involve a sustained, accelerated campaign matched by large injections of capital in an effort to tackle the continent’s power situation once and for all. Power Africa has committed to installing an extra 30,000 MW of power and 60 million connections by 2030.

Power Africa has been described as a “one-stop shop” where more than 120 development partners can raise capital, discuss regulatory concerns and make deals. It is believed that some \$43 billion in funding has already been raised. Will the project work and deliver as promised? The management has admitted that huge challenges remain, not the least of which is political will.

The AfDB has committed \$12 billion over the next five years for projects in several countries, including the \$2.1 billion Medupe Power Station in South Africa, and projects in Mozambique and Malawi.

The debate on the role of the state in the future management of national

power systems continues to rage. In many countries, corruption and mismanagement by state entities has been the major cause of the problems, and many private-sector organizations want as little of the state involved in the system as possible.

Others ask if governments should adopt the European model and build the infrastructure with private companies taking on distribution. This would entail raising very large sums of money and require enormous administrative capacity, which at present is lacking. Or should government concern itself only with regulation, and leave both generation and distribution to private operators?

For Africa’s hard-pressed electricity consumers it is not important what approach is taken as long as it works and does so quickly.

Initiatives for action

Africa is very well endowed with renewable sources of electricity and this seems the most appropriate source of power for the foreseeable future. However, there

is considerable diversity in the form of renewables—ranging from hydro to methane (for example in Rwanda), to solar in north Africa, or wind in Kenya.

There is increasing discussion about off-grid solutions. Rwanda, for example, is planning to use off-grid renewables to connect 80% of the rural population (22% of total population) by 2018.

In addition to building more energy infrastructure, governments must provide transparent legal frameworks and procurement processes.

Strong disciplinary measures to prevent losses and theft on the distribution networks will ease the pressure on current power supply.

Affordable pricing, accurate billing, and efficient revenue collection are critical to the smooth generation and distribution of power. Private companies offering competitive deals to customers seems to be the best option.

Too many state entities do not pay their electricity bills in time, creating administrative bottlenecks and revenue

losses. Punitive fines can help reduce the problem.

In some countries, vested interests either sabotage national power distribution systems or block legislative reforms. This tendency must be identified and made a crime against the nation, as is done elsewhere.

Since many countries are integrating their economies it makes sense to factor in power pools at early planning stages.

Setting up mini grids at strategic locations, in urban as well as in rural settings, could provide distribution solutions.

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