Central Africa: Governments urged to fully coordinate fund-sourcing for industrialization

Yaounde, 24 September 2018 (ECA www.uneca.org/sro-ca) – From Chad to the Democratic Republic of Congo, the economies of Central Africa must fully industrialize to survive. But to do this, member States should systematically take a coherent set of steps and coordinate a broad range of actors in gathering the resources required, and in the most innovative, practical and business-enabling ways, said delegates to the 34th session of the Intergovernmental Committee of Experts (ICE) of Central Africa that has ended in the Chadian capital.

The session was convened by the UN Economic Commission for Africa (ECA) in association with the Government of Chad.

For four-days, experts from the public and private sectors brainstormed together with development partners on practical ways of raising funds for financing industrialization, including the use of Central Africa’s natural resource endowments to industrialize and leveraging the right mix of infrastructure to overcome binding constraints.

**Pivotal role of the public sector**

The experts identified that industrialization requires clear visions, strong institutions, predictable legal and regulatory frameworks, sound macro-economic environment and a purposeful leadership to steer action for transformational change. The public sector through its power to coordinate, inform, train, allocate resources for public goods and create the right enabling environment can be the catalyst for the productive sectors to soar.

The ICE attendees said the public sector must provide timely information to stakeholders on ways to improve the mobilization of national savings (which remains low in the sub-region), guiding citizens on the different channels through which they can grow the revenues needed for industrial businesses.

They reckoned that public sector actors must render the necessary level of support to Central Africa’s nascent private sector including the use of procurement laws, local content provisions and other performance requirements to ensure that especially small and medium-scale enterprises can enter the value chain. Dormant capital can be channeled to the productive sector if citizens understand better how, when and where to save money that can support industrial ventures, they maintained.

Governments were identified as the loci for developing industrialization masterplans while the private sector and all other actors classified as those to breathe life into such plans. It was noted with satisfaction that an industrialization masterplan, which elaborates on internal and external financing ecosystems, has already seen the light of day in Cameroon. There was equal satisfaction with the efforts being made in DRC to utilize cobalt to promote resource-driven industrialization.

Participants urged governments to promote and sustain dialogue with the private sector and other stakeholders to ensure greater ownership of national visions and strategies for industrialization.
In terms of taxation, the States were asked to massively inform the citizenry about the tax systems in force and work toward broadening their tax bases. Simplified tax systems (for instance the use of flat rates) would capture some resources from the formals sector, the experts, maintained.

Member States should also open their eyes to the opportunities of rapid urbanization. Governments can for instance, “tax capital gains realized by individuals who acquire real estate properties that subsequently gain value because of infrastructure (roads etc.) that are constructed over time by the State," they said, in the outcome statement.

It was made clear that a savvier corps of tax administrators, would help with more tax resource mobilization, hence States should capitalize on training these administrators.

In all these, “the public sector must ensure the maintenance of favorable taxation policies for investment by local businesses, as it is well known that “too much tax kills taxes,” said the session’s outcome statement.

**Leveraging innovative financing and adapting what works elsewhere**

Several global and regional forums have raised broad points on financing for development but now is the time to laser-focus on getting things done. Agreed on this, stakeholders posited that pension funds, Islamic funds, both local and foreign private investment funds, and guarantee funds (for SMEs) were some cutting-edge sources of the quick cash needed to grow industries in Central Africa.

Kenya’s Nairobi-Nakuru tollgate motorway, which is undergoing expansion, is a text book example of innovating financing. This project, which is gulping huge investments from 12 private parties including pension funds and insurance companies, the delegates learnt, could inspire the subregion in its pursuit for the funding of industrial projects.

**Harnessing resources and infrastructure for Industrialization**

Securing funding for industrialization is not only about chasing money but also about countries in the subregion using their natural-resource comparative advantages to bargain for value addition or transformation on the ground that would anchor them in regional and global value chains. This was made abundantly clear during the ICE debates, where some countries shared noteworthy experiences.

Gabon, for instance, has outlawed the exportation of raw timber and has developed 87 wood transformation centers that apply at least a ‘first transformation’ to all wood products before they leave the country’s shores. It is also processing its manganese before exportation, in line with the Africa Mining Vision.

In the same light, countries of the subregion were advised to take advantage of non-traditional foreign sources of finance to leverage resource-based industrialization. China’s $60 billion pledge for financing development in Africa in the next three years, could be a good opportunity to tap from, but with strong local arguments, they said. The Democratic Republic of Congo’s (DRC) announcement that it will establish special economic zones to leverage the exploitation of cobalt (it holds 60% of world production) to push for the manufacture of batteries and even electric cars on the ground, was a shiny illustration of how such funding can profit the subregion.
The conference also called on countries of the subregion to piggy-back on their existing infrastructure to make industrialization work.

“Infrastructure development should be seamlessly aligned with industrial development,” Mr. Antonio Pedro told journalists at the end of the meeting, citing for instance “Ethiopia’s industrial parks where investors are given the platforms to produce with the necessary levels of competitiveness to be well positioned in global value chains” in sectors such as textile and apparel, leather products, pharmaceuticals and agro-processing, with strong support from the Ethiopian Investment Board chaired by the country’s Prime Minister himself.

Playing out a theory of change for the subregion

Discussions of the 34th session of the ICE have also prodded ECA’s Subregional Office for Central Africa to steadfastly pursue its theory of change for economic diversification hinged on industrialization in the subregion, as spelt out in the Douala Consensus.

“The level of awareness about the importance of economic diversification as a pathways to getting out of the cycle of booms and bursts in Central Africa is evident, as illustrated by the fact that country after country are requesting our services to help them formulate their economic diversification strategy,” Said Mr. Pedro.

“This is a monumental task, and so our efforts also involve bringing various partners to the table. Today, our colleagues of the CEMAC commission have indicated that they would like to collaborate with us in pursuing this agenda.”

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