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Africa, with a  
highly automated  
manufacturing sector.

Exclusive interview with

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## What does the future of the manufacturing industry in Africa look like?

The last few years have been both exciting and challenging for the industry.

Whilst the manufacturing sector has faced headwinds to its development and realising its full potential, it has recorded noteworthy growth. Unfortunately, the slow pace of industrial growth has seen the continent miss opportunities for economic transformation, and consequently, job and wealth creation which are key for poverty alleviation.

On the bright side, leaders today are becoming more cognizant of the fact that manufacturing is a key pillar, in enabling Africa to achieve its development goals. For instance, it is a key component of Africa's Agenda 2063, on the Africa We Want.

Recently, we have seen leaders developing innovative ways to attract investments. In Kenya, we have Special Economic Zones (SEZs) and Export Processing Zones (EPZs). The continent is also rapidly expanding its infrastructure – from transport, to power. We hope that this shall increase investments in manufacturing, as well as increase intra and inter-continental trade.

In the next 5-10 years, I see an industrialised Africa, with a highly automated manufacturing sector. The volume of trade within the continent is set to increase, with the Africa Continental Free Trade Area (AfCFTA) coming into force.

However, for this to be achieved, the continent still needs to put in more effort, to enable it to reach its full manufacturing potential, and increase its competitiveness and productivity.

We must resolve the challenges that deter our growth – from political instability, policy unpredictability, inefficient transport and logistics systems and barriers to trade.

## What is the current state of the manufacturing industry in Africa?

Global manufacturing output contracted by 6.0% in the first quarter of 2020 and 11.1% in the second quarter. The contraction of manufacturing output in the second quarter of 2020 occurred in all regions, except for China which registered a 3.2% growth in output.

Last year, at the onset of the pandemic, the manufacturing industry in Africa experienced reduced demand and depressed production capacity. The industry also

reported a significant drop in global demand for exports. Additionally, manufacturers faced cash flow constraints, logistics challenges and in many cases, downsized their workforce.

With most countries in the Western continents imposing a ban on international travel, African countries had limited access to international markets for locally produced goods. As a result, this industry incurred a significant drop in revenue and profits, affecting African countries' ability to import essential inputs for domestic production.

This year, these challenges remain with their impact being felt more, since measures put in place to cushion businesses from the impact of the pandemic, have since been rolled back. In as much as some countries are gradually putting in place economic stimulus plans to cushion themselves from the adverse effects of the pandemic, the majority of African countries still lack the capacity to achieve this.

On the bright side, however, African industries became innovative, as countries were forced to locally source for critical essential supplies, to be used in the fight against COVID-19. In Kenya, KAM's Automotive Sector developed the first-ever locally manufactured ventilator. A large number of manufacturers have also moved to e-commerce, to enable them to reach more markets, and to overcome disruptions caused by shocks arising out of the virus.

To achieve double-digit growth rates, governments need to put in place measures to promote economic recovery,

backed by industrialisation. As a continent, let us use the pandemic as a stepping stone towards becoming more industrialised.

## **The biggest challenge in Africa's manufacturing industry.**

Currently, our biggest challenges are unpredictable business environments.

The sector is faced with unpredictable fiscal and regulatory policies that discourage the industry from scaling up their businesses. It also leads to investors seeking more suitable, predictable and secure markets to relocate their businesses.

Unfortunately, the cost associated with policy instability and unpredictability is often passed down to consumers, whose spending power has been crippled by the ongoing pandemic.

Additionally, it is a blow to manufacturers, who are struggling to reduce costs, in a highly uncertain business environment, which has increased the cost of doing business.

Other challenges include the high cost of power, liquidity challenges, illicit trade, inefficient transport and logistics system and regulatory overreach.



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## How will the African Continental Free Trade Area agreement impact manufacturing?

AfCFTA holds a lot of promise for businesses and other stakeholders who are likely beneficiaries of this continental trade agreement. The trade agreement gives us, as a continent, endless opportunities, because of the tangible benefits we hope to reap from trading under preferential terms.

A bold move away from protectionism, AfCFTA gives way to free trade in the continent. This means countries can import and export goods without tariff and non- barriers to trade.

It is set to increase prosperity for participating nations, by allowing consumers to buy more, quality products at lower costs. Additionally, it shall drive economic growth, enhance efficiency and increase innovation due to the liberalised movement of goods, skills and services.

However, a lot still needs to be done, to make the trade pact operational. AfCFTA Member States must continuously sensitise businesses on the status of implementation, for informed investment decisions.

Governments and their agencies, the African Union and other regional trade blocs across the continent need to put in place measures to facilitate trade within the agreement.

They can do so by doing the following:

- AU and AfCFTA need to continue lobbying countries to ratify the agreement, in order to have more countries operating under a liberalised trade regime
- It is critical that the AfCFTA Secretariat shares with stakeholders the customs procedures required for trading under the new trade regime. These include documents such as the certificate of origin for goods; suppliers declarations; authorised signatures and stamp impressions required by state parties
- Concluding the rules of origin negotiations for key tariff lines
- Finalising tariff negotiations
- Use the Africa Trade Observatory Portal that contains information for traders within AfCFTA. Additionally, participating countries need to sensitise businesses on how the platform works
- Finalise setting up the Pan African Payment and Settlement System to enable companies to receive payments in their local currency
- Member states and various Customs Unions need to submit their tariff offers in accordance with the agreed thresholds for review and gazettelement



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Don't miss her session '**Restore - Made in Africa: Manufacture to Recover?**' to discover how Dubai's businesses and investors are responding to new opportunities to support African manufacturing.

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