Dr. Kandeh Yumkella, Director-General of the United Nations Industrial Development Organization (UNIDO), addresses the 10th Ordinary Session of the Assembly of African Union Heads of State and Government on the theme of “The Industrial Development of Africa”.

Dr. Yumkella thanked the AU Commission for devoting this session to the theme of the Industrial Development of Africa and for giving him the opportunity to address the session on this theme. Stressing that he wanted to speak frankly as a son of the soil rather than as a UN diplomat, Dr. Yumkella noted that he wanted to give a frank review of some of the broad issues related to industrial development, focusing not on what is, but rather on what could or ought to be.

Dr. Yumkella began by emphasizing that there was no contradiction between the goals that the African Leaders were currently seeking to achieve in the political sphere, including the establishment of a United States of Africa, and the goals of economic integration, economic growth and industrial development. On the contrary, he expressed the view that the former depended critically on the latter for their sustainability.

In this connection, he cited the persistent poverty prevailing in Africa, and the challenges posed by such pressing demographic trends as population growth, both in overall terms and of the youthful age groups in particular, and urbanization. He referred to the costly political and socioeconomic externalities of the urban poverty that would arise if such urbanization were to take place without an accompanying structural transformation of African economies. Against this background, he argued for the need to convert the apparent challenge of youth unemployment into an opportunity based on a skilled labor force that could be deployed for productive activities in viable modern economies that could create decent jobs and lift people permanently out of misery.

The achievement of real long-term poverty reduction required private wealth creation based on robust economic transformation and rapid economic growth driven by manufacturing, production diversification, and trade. This had been shown by some Asian countries, including China, which had succeeded in moving over 500 million people out of poverty within the past 30 years, not by aid and budget support alone but through a determined and sustained effort to become private-sector-led industrial producers or efficient and competitive service providers.

In looking forward as to how Africa could also embark on such a process and speed up the development of a vibrant private sector, Dr. Yumkella argued in particular for the need to build up the so-called “missing middle” of small and medium-sized enterprises (SMEs) in Africa to fill the gap between the few large, often state- or foreign-owned enterprises on the one hand, and the vast number of micro-enterprises on the other. Quoting evidence from global economic research, he noted that SMEs often make the most effective contributions to employment creation, income generation, and economic and trade growth.
In achieving these goals, he stressed that Africa did not have to follow the polluting industrialization patterns of the past. Noting also that in the present global context competitiveness can be created or acquired, he pointed out that industrialization did not have to be based on natural comparative advantage. With production now being fragmented along split value-chains, it was possible for countries to specialize in specific tasks or the production or assembly of individual components.

Against this background, Dr. Yumkella suggested the following specific approaches towards industrial development in Africa:

1. **Diversification into higher-value products** for domestic, regional and international markets.
2. **Breaking away from the “Garden-of-Eden Syndrome”** and the complacency generated by the commodity boom to invest the commodity windfall in the creation of SMEs in other productive areas or services, including agribusiness development, supply-chain development and linking farmers to markets.
3. **Overcoming bottlenecks in energy and infrastructure**, through cross boarder partnerships and regional projects where appropriate, and supported by complementary measures to reduce bureaucratic red tape, in order to lower the cost of doing business.
4. **Capitalizing on the strong performance of women in agribusiness**, who account for 60-70 percent of processing and marketing operations in most African countries, and should therefore be provided with the technology, skills and institutional support they need to commercialize their activities.
5. **Innovation and application of new technologies**, including greener or energy efficient technologies, to enhance productivity, competitiveness and environmental sustainability.
6. **Deepening financial sector reform** to allow lending for medium- and longer-term private investment projects.

In concluding his statement, Dr. Yumkella reiterated his view that it would not be possible to realize the political solidarity and unity of Africa if they were not built on the foundation of economic integration, rapid economic growth and sustainable industrial development, and the corresponding growth in employment and wealth creation. He therefore called upon the African countries to ensure that the new trade partnership agreements currently under negotiation do not reinforce commodity dependence and allow for flexible rules of origin that permit industrial cooperation among countries. He closed his statement by assuring his audience that UNIDO was committed to strengthening its ongoing partnership with the AU, the Regional Economic Commissions and member countries in helping them to reach their development objectives.