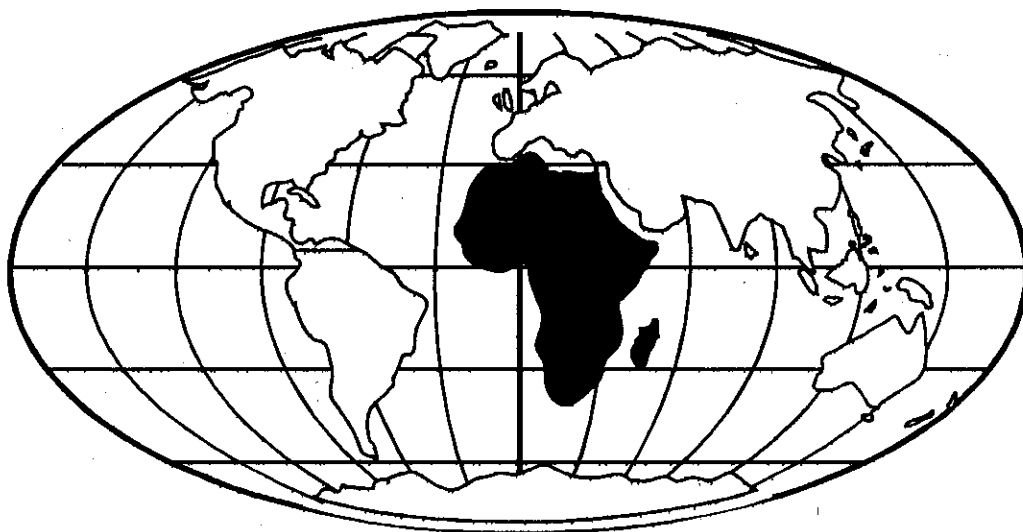


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United Nations  
Economic Commission for Africa

# Focus on African Industry



**BUILDING CRITICAL CAPACITIES  
FOR THE ACCELERATED GROWTH AND  
SUSTAINABLE INDUSTRIAL DEVELOPMENT  
IN AFRICA INTO THE 21ST CENTURY**

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## Editorial

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Among the academics there was a time when a fundamental message to those who wanted to remain in their respective field was, "publish or perish". As we enter the twenty first century, building critical capacities for the accelerated growth and sustained industrial development in Africa is no less telling. Perhaps what should be added at the very outset is that, as Africa is the least developed among all the regions of the world, action is called for and time is a matter of essence.

The recent changes in the global economy are unprecedented. They have brought about liberalization of global trade as a result of the Uruguay Round Agreements, the deregulation and privatization of economic activities, the formation of new free trading blocks, and the global integration of financial and capital markets. These changes are fuelled by the increasing technological acceleration and innovations reflected in rapid product development and obsolescence, which are increasingly required to take into account energy and environment concerns, compliment the framework within which trade, industrialization and dynamic technological change is taking place and where increasingly technology based goods and services account for the fastest growing share. These changes pose enormous challenges to developing countries, particularly those lower on the scale, most of which are in Africa; as they have widened the range of products and industries involving competitiveness in innovations as apposed to conventional price competition.

Despite this transformation of the global industrial fabric and the far-reaching changes taking place, assistance to the developing countries and particularly Africa to accelerate and sustain their industrial development and benefit from contemporary changes, has not been sufficiently focused in the global agenda. Yet, smooth and harmonious industrial progress continues to be an essential element of socio-economic development and has a

pivotal role to play in creating jobs, increasing incomes and improving living standards.

Experience of industrialization in other developing countries and regions has many lessons to offer Africa. The countries of East Asia and Latin America have tended to keep pace with rapid developments in industry, while many African countries risk being marginalized by global advances in industry and technology. Several of the economies in transition, which were in a crisis just a few years ago, are in a position to take major leaps forward.

At this critical juncture in the evolution of industry, Africa must rededicate itself to more determined courses of action if the region has to avoid remaining backward. The ability of Africa to compete in the industrial sector should not be expected only from its access to reservoirs of cheap labour and natural resources. The future of Africa's competitiveness especially in the industrial sector will have to be the development of a variety of widely spread skills. The development of the critical capacities for the accelerated and sustainable growth will require concerted participation of policy makers, industrialists and academics, representing abroad spectrum of current economic thinking in order to map out where to go, and how to get there.

In the current issue of Focus on African Industry, articles have been presented to explore the various facets of industry's development. Africa's industrialization in the twenty first century will have to benefit from cooperative approaches and economic integration in the region. Africa, however, cannot ignore the North nor the potentials existing through South/south cooperation. The peoples' creative capabilities through private investment and complemented by resource mobilization is central to the changes that should come. However, ultimately the single suffocating bottleneck to which African countries must focus their efforts is the building of critical capacities and capabilities.

# I. ECONOMIC COOPERATION AND INTEGRATION

## Progress Report on the Establishment of the Abuja Treaty

### Introduction

The Treaty Establishing the African Economic Community (AEC) and its Protocols better known as the Abuja Treaty became operation on 12 May 1993 when it was ratified by thirty seven African countries or two thirds of its membership.<sup>1</sup> It would be recalled that the Abuja Treaty was signed in Abuja, Nigeria on 3 June 1991 by the OAU Heads of States and Government. They have requested the three foremost African institutions namely the OAU, the ECA and the ADB, to pool their resources together in order to implement the Treaty.

### Progress

The OAU General Secretariat has established two important Organs of the African Economic Community i.e. the Economic and Social Council (ECOSOC) and the specialized technical committees. The ECOSOC of the AEC was scheduled to meet for the first time during the first quarter of 1995 to adopt the Draft Rules of Procedure of the Organ.

The Secretariat has drawn up modalities for the establishment of the African Economic Community over thirty four years sub-divided into six stages of varying durations. The first four stages concern the strengthening, coordination, harmonization and integration of the activities of Regional Economic Communities (RECs), such as ECCOWAS, EC-CAS, PTA, SADC and the Arab Maghreb Union (AMU). It is not yet clear if the refusal by the Secretary General of the AMU to attend a consultative meeting convened by the OAU Secretariat is an indication of the future participation of this REC in the activities of the AEC.

The activities during the first four stages are intended to lead to the establishment of a Free Trade Area and a Customs Union within the Regional Economic Communities.

The question that comes to mind is whether the successful establishment of a Free Trade Area and a Customs Union will indeed serve to more African produced goods across national boundaries or will

only serve as a facilitator in the movement of goods manufactured outside the continent. One only needs to look closely at the days-functioning UDEAC - the Customs Union of Central Africa. The objectives of this regional grouping were to facilitate the movement of goods and persons between Cameroon, Chad, Congo, Central African Republic, Equatorial Guinea and Gabon. However the boundaries of these countries a firmly closed to other nationals of the customs union and tariff vary from national boundary to national boundary.

The above observations suggest that there is still much work to be done for the AEC to attain its objectives. There should be sustained efforts to increase industrial production so that the goods moved across borders are from the Community. This becomes even more important in light of the fact that the Regional Economic Communities form the pillars of the African Economic Community.

### Prospective for joint OAU, ECA, ADB implementation of the treaty

The Organization of African Unity in its present form is responsible for Africa's political preoccupations. As such the OAU has its hands full, given the political malaise in the continent: Civil wars and democratisation, just to name those two. The economic Commission for Africa on the other hand is mandated to provide leadership in the economic problems of the continent. Thus, with the collaboration of the African Development Bank, ECA should assist the OAU to carry out the activities of the Specialized Technical Committees of the AEC, once these Committees are established. Of particular interest to readers of "Focus on African Industries" is the Protocol on Industry, which outlines the measures to be undertaken for integrating African industrialization. The Protocol on Industry (1) identifies priority areas for industrial co-operation and integration (2) outlines strategies for promoting industrial development by re-examining the stature of the African Industrial Development Fund and establishing the African Centre for Industrial Development (3) Promote the acceleration of industrial capacity building. (4) Promote the development of

<sup>1</sup> Angola, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, The Comoros, Cote d'Ivoire, Egypt, Ethiopia, Ghana, The Gambia, Guinea, Guinea Bissau, Kenya, Liberia, Libya, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Saharawi Arab Democratic Republic, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, the Sudan, Tanzania, Uganda, Zambia, Zaire and Zimbabwe.

industrial research. (5) Encourage the establishment of African multinational and transnational enterprises. (6) Promote the exchange of industrial information.

### Input from CAMI-12

During the twelfth Meeting of the Conference of African Ministers of Industry held in Gaborone, Botswana from 28 May to 6 June the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa discussed at length, the document entitled "Progress report on the establishment of the African Economic Community" (CAMI.12/10,ICE/1995/10). Emphasis was placed on the Protocol on Industry that was submitted to the Committee for consideration.

The Committee took particular note of the draft protocol on industry and congratulated the secretariat on the quality of the progress report on the establishment of the African Economic Community as well as the draft protocol on industry annexed thereto.

They promised to send by September 1995, their observations, comments and amendments to the OAU secretariat. Participants felt that the draft protocol should be placed within a long-term perspective and that consideration should be taken of the economic and technological advances at the national and international levels. To this end, the protocol should not go into detail or make premature choices which might undermine the whole process rather than promote it. Accordingly, it should be enriched and reviewed with particular focus on the following areas:

- The creation of African multinational enterprises should be preceded by the definition of criteria of mechanisms, policies and guidelines;
- Both the African industrial development fund and the African industrial development centre should be established only after their viability and effective mode of operation have been ascertained;
- The private sector should be associated with the drafting of the protocol on industry and one of its articles should spell out the role of the private sector in the industrialization of African countries;

- One article should be devoted to the establishment and development of small and medium enterprises;
- Also worth considering in the draft protocol are the issues of creating and nurturing an African industrial culture and spirit of enterprise and the challenge of competition among industrial enterprises; and
- The need to compile an inventory of existing industries in order to evaluate their comparative advantage and financial viability.
- The Committee felt that comprehensive study should be conducted and realism built into the stages to be planned for industrial integration and setting of priorities.

The Committee was also of the view that, to the extent feasible, the subregional economic communities should be involved in the drafting of the protocol and be depended on to implement the protocol once it has been ratified by the competent organ of the Community.

The Committee felt that the draft protocol on industry should also stress and take the following into account: the globalization of the world economy, the Uruguay Round Agreement, the issue of intellectual property and the contribution of donors to African industrialization programmes.

### Conclusion

The coming into effect of the African Economic Community is by itself a major feat. However, there is still much to be done by the secretariat in order that the Economic and Social Council of the AEC should be able to put into effect the mandate of the Community. It is clear that the ECA will take on important responsibilities in actualizing the technical activities of the AEC. The joint OAU, ECA and ADB Secretariat should start streamlining activities and assigning responsibilities to the three continental institutions. The urgency is exacerbated by the desire of the new leadership in ECA to adopt a more focused approach to work programming. The next progress report on the Abuja Treaty should entail concrete assignment of responsibilities to OAU, ECA and ADB. A good standing point is the focus areas outlined by the CAMI-12 experts.

## **Regional Strategy for Rational Location of Industries in the Context of the Abuja Treaty**

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### **Objectives of the Abuja Treaty**

The Abuja Treaty was signed on 3 June, 1991 with the objective of establishing an African Economic Community (AEC) as an integral part of the Organization for African Unity (OAU).

The major aim of the Abuja Treaty is to create an African Economic Community designed, among others, to enhance regional and continental economic integration and to expand trade in industrial products and effect structural transformation of industry for the purpose of fostering the overall social and economic development of the member States. The Abuja Treaty is a concretization of the objectives of the Lagos Plan of Action and the Final Act of Lagos which in 1980 reaffirmed the commitment to establish an African Economic Community by the year 2000 for national and collective self-reliance including the creation of an African Common Market as a prelude to the African Economic Community.

Looking at the aims and objectives of the Abuja Treaty and the previous declarations and resolutions namely: Algiers, September 1968, Addis Ababa, August 1970 and May 1973, Kinshasa, December 1976, Libreville, July 1977, Monrovia, July 1979 and Lagos, April 1980, it is quite evident that a solid framework and institutional mechanisms have been put in place for the long-term implementation of regional integration and industrial cooperation. This framework, formulated jointly by the ECA, OAU and UNIDO, has been adopted by African governments, the international community and the General Assembly.

It is for this reason that a regional strategy for rational location of industries in the context of the Abuja Treaty establishing the African Economic Community should be viewed as a necessary condition for the identification, selection, evaluation and location of projects for regional cooperation.

It is clear from both the first and second Industrial Development Decade programmes for Africa and the Abuja Treaty that no strategy had been adopted for the rational location of industries in Africa, to promote regional cooperation and integration for Africa's industrialization process.

### **Current location and performance of African Industries**

#### **Structure of the African industrial sector**

In general, the industrial sector in the region is very weak, contributing only about 1 per cent to the world industrial output and even that small output comes mainly from only 12 out of 53 African countries, (44 per cent from 5 North African countries - Algeria, Egypt, Tunisia, Libya, Morocco, and another 28 per cent from 7 sub-Saharan countries - South Africa, Zimbabwe, Zambia, Nigeria, Ghana, Cameroon, Kenya) which more or less possess a relatively diversified industrial base; the remaining 41 countries (4/5 of the continent) contributed only 28 per cent of the region's manufacturing value-added (MVA).

Elsewhere in the region, the industrial sector is dominated by the light consumer goods industries, of which food and beverage production alone account for 60-70 per cent of industrial output, employment and MVA in most African countries (and, yet the region is still a net importer of the major food products). Share of manufacturing sector in GDP accounts for only 13 to 18 per cent for North and South Africa respectively, while for the rest of the region this figure is only 8-9 per cent.

Apart from the general weakness of Africa's industrial sector and its domination by light and small industries, the manufacturing facilities in the subregions and countries are distributed and located very unevenly. Geographically, the major industrial activities in the region are concentrated in either the North (Algeria, Egypt, Libya, Morocco, Tunisia) or in the South (South Africa, Zambia, Zimbabwe), while from the remaining 45 sub-Saharan countries only a few have more or less developed a manufacturing sector (Nigeria, Ghana, Cameroon, Kenya).

Within each subregion, the distribution and location of industries are also very uneven, with two or three countries in the subregion sharing some 55-75 per cent of the subregional GDP, while the remaining majority of the countries produced minimal industrial output. In North Africa, the share of Algeria

and Egypt is 55 per cent of the subregional GDP; in West Africa, Nigeria and Ghana shared over three quarters of the subregional GDP (59 and 17 per cent respectively); in Central Africa, Cameroon and Zaire provided about one third each (33 and 28 per cent respectively) of the subregional GDP; in Southern Africa, most of the industrial output, over 66 per cent, comes from South Africa and Zimbabwe; in East Africa, Kenya, Tanzania and Ethiopia shared 55 per cent of the subregional GDP, of which 25 per cent is for Kenya alone.

Another negative reality of uneven distribution and location of African industry is that even in the limited number of countries with established industries, manufacturing activities are mainly concentrated in one or two industrial zones, usually around the capital city, while most of the country remains industrially undeveloped.

## **Current performance of the African Industrial sector**

### **1. Mining industries:**

Despite considerable natural resources, the mining sector is still relatively undeveloped in the African region; even worse, it has been in crisis since the mid-1980s. At the present time, commercial-size operations take place in only 19, or in one third of African countries. Those countries with comparatively developed mining sectors are Algeria, Egypt, Libya, Morocco and Tunisia in North Africa, Botswana, Namibia, South Africa, Angola, Zambia and Zimbabwe in Southern Africa and Ghana, Guinea, Liberia, Mauritania, Cameroon, Gabon, Niger, and Zaire in West and Central Africa.

Moreover, even among the limited number of countries with existing mining sectors, production of the major metallic ores and minerals are concentrated only in a few countries. As an example, iron ore is produced mainly in Mauritania, Liberia, South Africa, Zimbabwe, Algeria and Egypt; copper, cobalt and nickel are mainly mined in Zaire, Zambia, Namibia, Botswana and South Africa; bauxite is mined in Guinea and Ghana; manganese is mined in Gabon and Ghana; chromites are mined mainly in South Africa and Zimbabwe; zinc, lead and tin are mainly produced by South Africa, Algeria, Morocco, Zaire, Zambia and Nigeria; gold's major producers are South Africa and Ghana; uranium is mined in South Africa, Namibia, Niger and Gabon; Morocco is a major phosphates producer; oil and gas are produced in 12 African countries (mainly in Algeria, Libya, Nigeria, Egypt); coal is produced in 14 countries, but mainly in South Africa, Zimbabwe, Botswana and Mozambique.

In many countries, the mining industry is in decline. For example, Zaire's mining production declined by 45-50 per cent in the mid-1990s; the civil war in Liberia led to a drastic cutback in iron ore production, from 12.3 million tons in 1989 to 2 million tons per year in the 1990s; the Zambian mining industry is in a long-term decline; production of manganese in Gabon fell by 20 per cent in the 1990s; production of uranium in Gabon, Namibia and Niger dropped in the 1990s by 25 per cent. The same situation also applies to most other branches of the mining industry. Moreover, the major known reserves of ores and minerals in most African countries still remain unexploited. In fact, African countries, on average, used only about 10 per cent of their locally available mineral resources, with the rest exported as raw or semi-processed products. Non-use of local reserves results in import of mineral resources, such as iron ore and petroleum from outside of the region.

### **2. Metallurgical industries:**

Only seven African countries have integrated iron and steel complexes, of which four countries are in the North Africa (Algeria, Egypt, Libya and Tunisia), two countries in Southern Africa (South Africa and Zimbabwe), and only one country, Nigeria, in West Africa. Ferro-alloys are produced only in Egypt, Zimbabwe and South Africa; manganese is produced only in Gabon and Ghana. The 1993 steel production in Africa, except South Africa, was about 6 million tons, out of an installed capacity of 10.5 million tons, representing only 0.6 per cent of world production and about 50 per cent of capacity utilization, while steel production in South Africa alone was 8.6 million tons or 1.5 times more than the rest of the region.

Copper concentrates are produced in 12 African countries, while only six countries produce refined copper, and only seven countries (Algeria, Egypt, Ghana, Cameroon, Zambia, Zimbabwe and South Africa) produce copper products. A similar situation exists with the production of aluminum. Only six countries (Ghana, Guinea, Mozambique, Sierra Leone, South Africa and Zimbabwe) produce bauxite. Alumina is produced only in Guinea and aluminum is produced only in Egypt, Cameroon, Ghana and South Africa.

Africa's share of world refined copper production was 7 per cent in 1993, or 0.66 million tons produced by the Republic of South Africa, Zambia and Zaire. The share of Africa in world primary aluminium production was 3 per cent, produced by South Africa, Ghana, Egypt and Cameroon, totalling 0.62 million tons in 1993.

### 3. Engineering industries

Algeria, Egypt, Morocco and Tunisia in the North, Zambia, Zimbabwe and South Africa in the South, and Côte d'Ivoire, Ghana, Nigeria and Kenya for the rest of the continent are among the few countries in Africa which have fairly developed engineering facilities for producing castings, forgings, machining, spare parts, assemblies of cars and tractors, producing electrical/mechanical machinery, agricultural tools and implements, transport equipment and metal fabrication. The majority of African countries are heavily dependent on imported equipment, machinery, spares and assembly parts.

Algeria, Egypt, Kenya, Nigeria, South Africa and Zimbabwe are among the few countries in Africa which have fairly developed facilities for producing quality metal castings and forgings. Total installed capacity of foundries in Africa is estimated at about 500,000 tons a year with current annual production at around 200,000 tons, about 40 per cent of capacity utilization. The installed capacity of forge shops in Africa is estimated at about 140,000 tons per year with a current annual production of about 85,000 tons corresponding to about 60 per cent of capacity utilization. The major raw materials, such as steel plates and sheets, springs, high carbon and alloyed steel, are imported.

There are only a few facilities that manufacture limited quantities and varieties of spare parts and fabricated metal products (Zimbabwe, South Africa, Algeria, Egypt) mainly fasteners (such as bolts, screws and nuts) and some other parts, (such as axles, pins, shafts and springs). There are no facilities for the production of ball bearings in the region.

Manufacture of non-electrical machinery (including engines, turbines, agricultural machinery and implements, machine tools, etc.), has remained almost marginal since 1980, stagnating at around 0.1 per cent of total world production. Production in the subsector is characterized by a predominance of engines, household appliances and agricultural machinery of which the North African countries and South Africa are the largest producers.

With regard to the regional production of such electrical machinery as electric motors, electricity production equipment and transformers, radio receivers and equipment, television and telecommunications equipment, electrical appliances and electronic components etc., the subsector has not experienced much progress in past years, except in South Africa.

### 4. Chemical industries

The nine African countries with relatively important chemical subsectors are generally those with developed refineries, petrochemical and fertilizer plants. They are Algeria, Libya, Morocco, Nigeria, Côte d'Ivoire, Egypt, Cameroon, Gabon and South Africa. Generally, the capacity utilization of existing plants is very low (30-50 per cent). Five countries alone (Egypt, Morocco, Tunisia, Nigeria and South Africa) accounted for more than 90 per cent of fertilizer production in the region.

In 1993, the African region (excluding South Africa) produced some 3.8 million tons of nitrogenous and phosphate fertilizers mainly in Algeria, Egypt, Morocco, Tunisia, Libya and Nigeria (some 5 per cent of world production). South Africa alone produces 1.2 million tons of fertilizers annually. Potash production does not exist in the region.

So far, Algeria and Egypt and South Africa are the only countries on the continent with an established petrochemical industry.

### 5. Building materials industries

Although cement production does exist in 35 African countries, the most significant producers (over 1.0 million tons per year) of this essential building material are only 10, including Algeria, Egypt, Libya, Tunisia and Morocco in the North, South Africa and Zimbabwe in the South, and Angola, Nigeria and Kenya for the rest of the region. A similar situation exists with the production of other building materials. As an example, significant production of clay bricks is only in Algeria, Egypt, Zimbabwe, South Africa and Togo; manufacturing of plywood in Algeria, Egypt, Morocco, Tunisia, Côte d'Ivoire, Ghana, Cameroon, Kenya and Nigeria; production of roofing tiles only in Algeria, Egypt, Tunisia, South Africa and Nigeria; production of quicklime in Algeria, Egypt, Libya, Tunisia, South Africa, Zambia, Kenya and Zaire; manufacturing of sheet glass in the region only recently started in Nigeria and Tanzania.

### 6. Agro and forest based industries

Geographical distribution of forty-two agro-processing activities (processed cereals, roots and tubers, livestock and fish, fruits and vegetables, sugar, coffee, tea and cocoa, beverages, textiles and cigarettes .. etc.) in Africa shows a great disparity among countries (see annex 10).

Only two countries, South Africa and Kenya are able to process more than 30 agro products. Another 12 countries with 20 to 29 of the 42 agro-processing activities include four North African countries - Algeria, Egypt, Morocco and Tunisia, which have relatively undiversified agricultural production systems due to climatic constraints. However, these four countries have good access to capital investment to sustain the development of their agro-industries in order to respond to the increasing consumer demand. This group also includes countries such as Cameroon, Côte d'Ivoire, Nigeria, Ethiopia, Ghana, Senegal, Zaire and Zimbabwe, all with potential for growing a wide range of crops.

But the remaining 39 African countries (over 70 per cent) are more or less able to process only 10-15 crops. More efforts are required from these countries for the development of their agro-industries.

## 7. Energy and utilities industries

Only 11 African countries are the major electricity producers (over  $3 \times 10^9$  GWh per year) including Algeria, Egypt, Libya, Tunisia and Morocco in the North, South Africa, Zambia and Zimbabwe in the South, and Nigeria, Ghana and Zaire in the rest of the region, while 25 countries, or one half of Africa, have electricity production of less than  $0.5 \times 10^9$  GWh per year and energy consumption of less than 1 Gcal per capita, the lowest in the world.

Coal production does exist in 14 countries (Algeria, Egypt, Morocco, in the North, Botswana, Zambia, Zimbabwe, Swaziland, South Africa in the South and Tanzania, Malawi, Mozambique, Niger, Nigeria and Zaire in the rest of the continent), but 80 per cent of production is concentrated in only four countries, Botswana, Mozambique, Zimbabwe and South Africa.

Oil is produced in only 12 countries: Algeria, Libya, Egypt and Tunisia in the North and Nigeria, Benin, Côte d'Ivoire, Cameroon, Congo, Gabon, Angola and Zaire in the West and Central Africa. With the exception of nine net oil exporters, all African countries import petroleum from outside the continent. At the same time, known oil reserves in many African countries are undeveloped.

## 8. Communications and transportation infrastructure

Natural gas is produced only in eight countries (Algeria, Egypt, Libya and Morocco in the North, and Nigeria, Senegal and Congo in sub-Saharan Africa, while 20 African countries are known to have some gas reserves.

Although 33 African countries have railways, only 13 countries have railways longer than 2,000 km each. These are Algeria, Egypt, Sudan, Tunisia and Morocco in the North, Zimbabwe and South Africa in the South and Nigeria, Zaire, Angola, Kenya, Tanzania and Mozambique in the rest of the region.

A similar situation exists with roads. Paved roads with a length of more than 3,000 km exist only in 14 countries - Algeria, Egypt, Libya, Morocco and Tunisia in the North; Zambia, Zimbabwe and South Africa in the South and Nigeria, Ghana, Cameroon, Kenya, Tanzania and Madagascar in the rest of the region.

Big ports handling freight of more than 10 million tons per year exist only in 10 countries - Algeria, Egypt, Libya, Morocco and Tunisia in the North and South Africa, Cameroon, Angola, Benin and Guinea in the rest of Africa.

## Strategy for national location of industries

Rationale: In order to develop and diversify the industrial base, the following factor inputs are essential:

- (a) Natural resources;
- (b) Manpower resources, population, skills training;
- (c) Physical (including transport) and social infrastructure;
- (d) Energy, water;
- (e) Financial resources;
- (f) Technology, know-how and management.

Assessment shows that the African region as a whole has extremely large reserves of natural resources, labour resources (population) and large reserves and great potential for energy and water. Physical and social infrastructure is less developed and financial resources, technology and management are rather limited.

The African continent has 25 per cent of the world's area with 12 per cent of arable land, of which only 10 per cent is under permanent crop production. There are many other inputs essential for sustainable industrialization, including minerals, energy, water, raw materials from agriculture and forestry (17 per cent of world's natural forests), livestock and fish industries and favourable climate

- conditions, which with irrigation, would allow 2-3 crops per year.

Whereas the national strategy for locating industries should concentrate on resource mapping of the entire country and then setting up industries that will process the natural resources close to the source, it is not uncommon in some African countries to make the decision based on political rather than technical constraints. This might explain the general demise of most industries on the continent. However, several countries such as Nigeria have undertaken national resource mapping with the view to locating industries where there is a comparative advantage in the natural resources.

### **Strategic options**

From the economic and technical point of view, as is indicated above, the rational strategy for location, diversification and development of industries should be elaborated on the basis of the following major factors:

- (a) The existence and relatively well-functioning state of already established industries;
- (b) The availability of raw materials, energy and water; to serve as inputs to these industries;
- (c) The availability of trained human resources;
- (d) The availability of reasonably sound physical, social and institutional infrastructure;
- (e) The ability of the host country to finance the project and mechanisms for countries to participate as joint partners; and
- (f) The enabling environment that attracts local investors, or those from neighbouring countries and abroad, with reasonable assurance that their investments are secure.

The rational strategy for location and development of industries should take into account the following options:

- (a) Diversification based on existing established industries;
- (b) Expansion of the industrial sector and creation of new industries;
- (c) Establishment of multinational/subregional industrial enterprises;

For implementation of the adopted industrial development strategy including rational location of

production units, the following phases should be taken into account:

- (a) Analysis of existing resources, potential markets and other related possibilities;
- (b) Choice of priority industrial areas and specializations;
- (c) Preparation of a master plan for long-term industrial development;
- (d) Harmonization of each a country's master plan with those at multinational/subregional level;
- (e) Setting up of an institutional mechanism for implementing adopted national and subregional industrial plans.

The best approach to elaborate an appropriate strategy is the integrated one, which means that in the single country or in the subregion plans for industrial development should take into account a total approach for complex industrial development of the given region starting with raw-material supply industries, through intermediate and finished products industries linked with appropriate physical and social infrastructure and trade arrangements for the entire range of planned products.

### **Implementation of industrial programmes**

In implementing industrial programmes agreed upon, three major technical criteria, depending on the type of industries, should be considered:

- (a) Project/programming variants need to be resolved in terms of timing, scale, location, technology and product mixes;
- (b) Industries for international cooperation should be those which exhibit economies of scale;
- (c) At both, national and subregional levels, the industrial sector will need to achieve strong interdependencies among activities.

Location decisions will be just one aspect of planning industrial investment programmes. Many other decisions will have to be taken namely: size, time-phasing, technology, product mix etc. The fundamental issue that will arise is that projects will need to have direct links with other sectors of the economy in the countries involved. Therefore, locating a cooperation project in a given location has an impact on the entire economy of the subregion as a whole. Projects could be located either on

considerations based on one sector, across sectors or even based on normative political directives. There will always be a wide choice of alternative projects within a given sector, leading to the problem of ranking the options and alternatives comprising the project package. Location decisions will entail a trade off between large production units.

The other location solution could be smaller, dispersed and decentralized production units located ideally at market or consuming centres in member States with low distribution costs. Location decisions could also be associated with the determination of the optimum product mix depending on subsector or technology, from the point of view of raw materials, intermediate-product requirements and optimum use of plant and machinery. Interdependency also occurs among productive activities as well as over time, space, products and production units.

Other location restrictions which might be encountered might be technical, institutional, as well as legislative. In general, location decisions will need to take into account transportation, logistics, production costs, process technology and optimum project packaging.

## Conclusion

In conclusion, it can be argued that the adopted industrial programmes in the Abuja Treaty and the second IDDA require detailed elaboration of the required follow-up actions and implementation measures. These programmes should involve industrial sectors in various countries and subregions, processing of varying complexity and scale and a number of interrelated industries, from raw materials to finished products.

The national industrial programmes and priorities should be linked with those of the second IDDA and the Protocol of Industry of the Abuja Treaty. In the context of regional integration efforts, member States should exploit any opportunity for widening industrial cooperation and inter-African trade.

A subregional meeting in each of the five subregions should be organized in order to revise the industrial programmes and elaborate a concrete master plan for their implementation up to the year 2000 and beyond. Existing subregional and regional organizations, including financial institutions should provide concrete support measures for the implementation of agreed industrial development programmes.

## **II. ISSUES IN THE NORTH/SOUTH AND SOUTH/SOUTH COOPERATION ARRANGEMENTS**

### **Le centre régional africain de conception et de fabrication techniques (CRACFT): un instrument pour le développement technologique dans l'ingénierie mécanique en Afrique**

Le secteur industriel en Afrique est actuellement confronté à toute une série de déficits dont chacun justifie en soit la nécessité d'une nouvelle vision et d'une restructuration profonde de ce secteur. Durant les décennies soixante et soixante-dix, les secteurs industriels des pays africains ont bénéficié d'une protection importante, de possibilités d'importation et d'investissement, de flux financiers étrangers ayant drainé des apports substantiels de technologies étrangères. A cet égard, les pays africains ont souvent été considérés comme les adeptes de politiques industrielles visant à faciliter les productions locales à tout prix et donnant la priorité aux investissements étrangers porteurs de technologies, plus qu'à l'essor d'une véritable dynamique industrielle interne.

En conséquence ils ont connu une période de croissance s'appuyant autrefois sur des facteurs qui cependant ont soudain disparu au début de années quatre-vingt à cause des effets conjugués de la crise économique et des programmes d'ajustement structurel en cours dans la majorité des pays. Le succès des modèles de politiques industrielles appliquées dans les années soixante-dix par les pays d'Asie que l'on appelait à l'époque les nouveaux pays industrialisés reposaient notamment sur des avantages comparatifs des systèmes de production à forte intensité de main d'oeuvre à bon marché. Actuellement, dans les pays en développement et particulièrement en Afrique, ces avantages comparatifs s'amenuisent et sont presque en voie de disparition surtout avec l'essor progressif des techniques d'automatisation dans l'industrie.

Par ailleurs, la mise en oeuvre des Accords de l'Uruguay Round imposera aux économies africaines un certain nombre de contraintes auxquelles un grand nombre d'entre eux ne sont pas préparés. L'ouverture totale des marchés africains dans le cadre de ces accords se traduira par l'élimination ou la réduction drastique des tarifs préférentiels; la perte des préférences commerciales au titre des arrangements préférentiels comme le Système de Préférence Généralisé (SPG) ou la Convention de Lomé; une compétition très serrée sur les marchés

traditionnels ainsi que d'importantes pertes de parts de ces marchés au profit des produits étrangers. Dans la logique d'un tel marché ouvert et orienté vers la compétitivité des produits industriels, le concept du développement industriel devra être synonyme du développement technologique global. Il est impératif alors pour les entreprises africaines d'exploiter au mieux toutes les ressources technologiques locales et étrangères; de faire appel à des méthodes de gestion et à des technologies productives et compétitives.

#### **Rôle et importance des industries mécaniques dans l'économie**

L'industrie de fabrication des biens d'équipement est de loin l'un des vecteurs privilégiés pour l'acquisition active des technologies. Dans un grand nombre de pays africains, l'industrie des biens d'équipement est considérée comme une industrie de soutien au secteur agricole dont les besoins énormes en machines agricoles ne sauraient être satisfaits par le seul recours à l'importation. Par ailleurs, la fabrication des biens d'équipement permet à ceux qui les mettent en oeuvre d'acquérir les technologies de base telles que la fonderie, la forge et le travail des métaux.

Le secteur des industries mécaniques et électriques (correspondant à la Catégorie 38 de la Classification Internationale Type, par Industrie, de toutes les branches d'activité économique, CITI, Rev.2) produit des biens de consommation durables et des biens d'équipement qui déterminent le niveau technologique, et par voie de conséquence, le niveau de productivité de l'économie nationale. Il est l'un des secteurs à plus forte intensité de recherche-développement et absorbe à cet effet environ 50% des dépenses de R-D dans les pays de l'Union Européenne.

Jusqu'en 1990, l'Afrique ne fournissait qu'une part marginale de la production mondiale des biens d'équipement estimée à 2%. Celle-ci est actuellement en nette régression et avoisinerait actuellement 1%. Selon le rapport de l'ONUDI "Industrie et

Développement 1989/1990" publié sur les statistiques mondiales provenant de 179 pays, 51 pays déclarent produire moins de dix des articles classés sous la rubrique des biens d'équipement et 72 pays dont la majorité se situent en Afrique sub-saharienne déclarent ne produire aucun des articles classés comme tels. Le machinisme agricole et le montage du matériel de transport constituent les principales activités des industries mécaniques en Afrique. Les statistiques malheureusement ne prennent pas en compte la maintenance industrielle qui est classée parmi les biens de service et qui cependant génère une part très importante de l'activité mécanique en Afrique.

Dans les pays industrialisés, l'industrie des biens d'équipement a connu une évolution technologique impressionnante, la mécanique se transforme progressivement en "mécanique électronique", soixante-dix pour cent par exemple des machines-outils fabriquées en Allemagne et au Japon sont actuellement à commande numérique. Ces machines, pour aussi sophistiquées qu'elles puissent paraître, sont en général d'une utilisation simple et flexible. Il reste cependant certain qu'un utilisateur passif, incapable d'assimiler, d'adapter et d'améliorer ces systèmes à base d'électronique, ne tirera aucun bénéfice de ces nouvelles technologies. Il devient alors impératif pour les industriels africains de créer et de s'appuyer en tout cas sur leurs propres capacités locales de conception et de fabrication techniques afin de faire face à ce nouveau défi.

Il convient de noter toutefois que malgré les difficultés qu'elle a rencontrées, l'Afrique n'est pas toujours restée en marge de ce nouvel ordre technologique mondial. En effet, sur instigation de la CEA, les Etats africains ont mis en place au cours des décennies 60 et 70 un grand nombre d'institutions sous-régionales et régionales. Les objectifs principaux de ces institutions visaient notamment à soutenir les efforts de développement économique et social des pays africains; à faire bénéficier aux Etats africains des avantages de la mise en commun des services, des installations et des capacités technologiques que la plupart d'entre eux considérés isolément ne pourraient créer; et finalement à mettre en place les bases d'une coopération technique en vue d'accélérer l'intégration économique régionale.

A ce jour il existe quelques 33 institutions sous-régionales et régionales couvrant les domaines d'activités économiques tels que: les services de banques et des finances; la mise en valeur des ressources naturelles; le transfert de technologie pour le développement industriel; la planification et

le développement économique; de même que la promotion des activités de commerce et de transport. Parmi les 33 institutions, 7 ont été créées dans le but spécifique de promouvoir les activités de recherche-développement scientifique et technologique, la conception et la fabrication techniques ainsi que la promotion du développement industriel. Ce sont: CRAT (Dakar), CRACFT (Ibadan), ORAN (Nairobi), AIHTTR (Nairobi), CRAES (Bujumbura), ARIPO (Harare) et OAPI (Yaoundé).

### **Le Centre Régional Africain de Conception et de Fabrication Techniques (CRACFT)**

L'idée de la création d'une institution régionale pour le développement des capacités de conception et de fabrication des biens d'équipement en Afrique avait été discutée pour la première fois en 1975 lors de la Conférence des Ministres Africains de l'Industrie tenue en 1975 à Nairobi. Cette proposition avait par la suite été entérinée successivement par la Conférence de Kaduna en 1977; le Rapport de la Réunion Préparatoire des Experts Africains en Novembre 1978 ainsi que par la cinquième Réunion des Ministres de l'Industrie tenue à Addis-Abéba en 1979. Finalement, la décision de création du CRACFT (avec siège à Ibadan, dans l'Etat d'Ohyo au Nigéria) fut adopté par 50 pays africains lors de la Conférence des plénipotentiaires africains tenue en 1979 à Cotonou, République du Bénin.

Sur la base de ces résolutions, le CRACFT est depuis cette date parrainé par la Commission Economique pour l'Afrique (CEA) et co-parrainée par l'Organisation de l'Unité Africaine (OUA), l'Organisation des Nations Unies pour le Développement Industriel (ONUDI) et le Programme des Nations Unies pour le Développement (PNUD).

A ce jour, le Centre compte les 25 Etats-membres suivants: Algérie, Bénin, Burkina Faso, Burundi, Cameroun, Comores, Congo, Egypte, Ghana, Guinée, Kenya, Libéria, Mali, Maroc, Niger, Nigéria, Sénégal, Sierra Leone, Soudan, Tanzanie, Togo, Zaïre, Zambie et Zimbabwe.

### **Objectifs**

Les objectifs principaux du Centre sont orientés vers la conception et le développement des prototypes de machines; la formation des ingénieurs et des techniciens dans la conception et la fabrication des machines; et la fourniture des services consultatifs aux pays africains sur les technologies et les méthodes de production et de productivité industrielles.

Dans les Statuts du Centre ses objectifs initiaux ont été définis lors de sa création en 1979 en 12 points, à savoir:

1. Concevoir des machines et du matériel dans les domaines de priorité essentiels au développement économique des Etats membres.
2. Manufacturer des prototypes ou des quantités limitées de machines et de matériel conçus ou adaptés dans le Centre.
3. Concevoir et mettre au point des machines et du matériel répondant ou adaptés à des tâches déterminées dans les conditions de fonctionnement propres aux Etats membres.
4. Aider les Etats membres à créer ou à améliorer les institutions nationales ou les équipes capables de concevoir et d'adapter les machines et le matériel dans certains secteurs de l'industrie.
5. Aider les Etats membres à établir des ateliers, des fonderies et des forges pour la production de pièces détachées et d'éléments de machines requis pour le développement industriel ou moderniser ceux qui existent déjà.
6. Se charger au nom des Etats membres de la production de prototypes de machines et de matériel conçus pour répondre aux besoins et aux spécifications locaux, ou aider ces Etats à produire de tels prototypes.
7. Aider à assurer la formation et le perfectionnement des aptitudes du personnel technique employé dans des institutions africaines s'occupant de conception et/ou de fabrication de machines et de pièces détachées de machines dans les Etats membres.
8. Créer dans le cadre du Centre une banque de données pour la conception et la fabrication industrielles dans divers secteurs de l'industrie présentant un intérêt économique pour les Etats membres et assurer son exploitation.
9. Aider à la mise au point de spécifications et de normes pour les machines dans la région africaine, en vue de réduire l'inutile diversité des machines et du matériel importés dans les Etats membres.

10. Coopérer avec les institutions et organismes nationaux des Etats membres qui ont des objectifs similaires ou connexes.

11. Coopérer avec les institutions publiques ou privées de pays extérieurs à l'Afrique, et avec les institutions internationales ayant des objectifs similaires ou connexes.

12. Diffuser dans les Etats membres des renseignements sur les activités du Centre et sur les progrès techniques réalisés en matière de conception et de fabrication de nature à aider les institutions et les organisations desdits Etats membres travaillant dans ce domaine.

### **Infrastructures et Equipements**

Le plan initial des infrastructures industrielles du Centre comprennent 5 ateliers dont l'atelier de machines-outils; l'atelier de fabrication; l'atelier de forgeage et de traitement thermique; la fonderie ainsi que le laboratoire d'essais. Les trois premiers ateliers sont actuellement opérationnels tandis que la fonderie et le laboratoire d'essais sont encore en projet. Le Centre possède actuellement dans ses différents ateliers plus de 150 machines-outils et équipements divers comprenant des machines conventionnelles et d'autres machines basées sur des technologies et des procédés très avancés tels que les machines à commande numérique, l'électroérosion et la conception assistée par ordinateur.

Le site actuel couvre un domaine de 87 hectares offert généreusement par le gouvernement hôte du Nigéria. Les locaux construits grâce aux apports du Nigéria et aux contributions de Etats membres comprennent un bloc administratif abritant la direction, le bureau d'études et la bibliothèque; ainsi qu'un hôtel pouvant accueillir 36 stagiaires.

La Phase II des projets de développement des infrastructures prévoit la construction d'autres infrastructures telles que le bâtiment de la fonderie, quatre résidences pour le personnel, les travaux d'extension comprenant l'alimentation en eau, la route d'accès entre l'Hôtel et le Centre, etc.

### **Activités et Réalisations**

#### **Conception et développement des prototypes**

Entre 1979 et 1980 le Centre a assuré la conception et la dissémination dans les pays africains des plans de fabrication de quelques 19 machines comprenant une gamme diverse de matériel et l'outillage agricoles, de matériel de transport et de

matériel de manutention. Il est à noter toutefois que durant cette période de démarrage, le développement des prototypes n'avait pas été particulièrement important. Une dizaine seulement de ces machines avaient atteint le stade de prototype.

Des efforts importants ont été réalisés au cours des cinq dernières années. Cinq nouveaux prototypes ont été développés à savoir une presse hydraulique de capacité 40 tonnes, une presse hydraulique de capacité 15 tonnes, un moulin à marteaux pouvant broyer 120 tonnes/heure de céréales (disponible en versions électrique de 5,2 CV et à moteur à essence de 7,2 CV) et une grue hydraulique pliante de capacité 0,5 tonne. D'autres prototypes sont actuellement à l'étude ou en cours d'essais et comprennent une scie circulaire; un moteur hors-bord commandé par la Nigerian Fisheries destiné en vue d'équiper ses petites embarcations; ainsi que des équipements divers pour deux unités de traitement d'huile de palme au Bénin.

Le programme de fabrication du centre prévoit pour l'année 1996 la production en série de 150 exemplaires des prototypes actuellement développés. Il est prévu que 80% de cette production seront commercialisés afin de couvrir les coûts de conception et de fabrication, et 20% seront disséminés dans les Etats membres dans le but de promouvoir leur la fabrication industrielle dans ces pays.

### **Développement des ressources humaines**

Dans le cadre de son programme de formation le Centre a assuré à ce jour, le perfectionnement de quelques 650 ingénieurs et techniciens provenant de 42 pays africains. Les frais afférents aux cours de perfectionnement sont entièrement pris en charge par le CRACFT. Les programmes sont orientés vers les aspects pratiques de la conception des machines, la fabrication et le développement des prototypes, la production des pièces de rechange, les essais en laboratoire ainsi que la gestion des entreprises et des projets industriels.

Au cours de l'année 1996 trois cours de perfectionnement seront organisés au CRACFT dans les domaines de la conception et la fabrication des machines (douze semaines); de la conception et de la fabrication des prototypes et des pièces de machines (dix semaines); ainsi que de la fabrication des gabarits et des montages (dix semaines). Un autre cours de perfectionnement de deux semaines sera organisé dans un Etat membre sur la gestion de la production et l'amélioration de la productivité dans les entreprises industrielles. Les objectifs de formation des quatre programmes susmentionnés visent à la formation de 142 ingénieurs et techniciens africains pour l'année 1996.

### **Services Consultatifs en Ingénierie et Transfert de Technologie**

L'insuffisance des capacités de services consultatifs dans l'ingénierie a souvent été identifiée comme l'un des obstacles majeurs au développement industriel dans un grand nombre de pays africains. Les programmes d'activités du CRACFT dans ce domaine ont pour but notamment d'assister les pays africains dans la promotion, le développement et le fonctionnement des installations industrielles; d'assister les Etats membres dans le développement de leurs propres capacités en services de conseil en ingénierie; de promouvoir la coopération technique régionale entre les Etats membres et la coopération internationale entre les pays africains et les pays d'autres régions; etc.

Depuis la création du CRACFT, celui-ci a effectué un grand nombre de services consultatifs dans plusieurs pays africains dont Togo, Bénin, Ghana, Sierra Léone, Zambie, Nigéria, Kenya et Ethiopie. La gamme des services est très diversifiée et couvre des domaines comme les études spécifiques de machines ou d'outillages industriels, les procédés de fabrication, les études de productivité des entreprises, les études et analyses des projets, la promotion des centres nationaux de conception et de fabrication techniques, etc.

La mise en oeuvre des programmes de transfert des technologie avait permis durant la période 1980 à 1989 la dissémination des dessins de conception et d'autres spécifications sur neuf machines. L'objectif visait à favoriser dans chacun de ces pays, la mise au point des prototypes, la fabrication locale et la commercialisation de ces produits. Il avait été aussi observé que durant cette période, le bilan du programme de transfert de technologie avait été plutôt maigre si l'on considère les importantes ressources humaines et financières dont Centre avait bénéficié à cette époque. On avait observé également que le Centre n'avait pas atteint le niveau souhaité d'autosuffisance technologique. Cependant celui-ci avait pratiquement vécu en autarcie technologique, très peu de programmes de coopération technique avaient été réalisés avec les institutions similaires étrangères pour l'acquisition de nouvelles technologies.

Durant les cinq dernières années, la stratégie de transfert des technologies s'est nettement améliorée. Désormais le contenu des programmes ne se limite plus à communiquer les dessins de conception aux Etats membres; ceux-ci incluent actuellement toute une série d'éléments comprenant la formation des ressources humaines, la dissémination des prototypes ainsi que l'assistance à la production de prototypes dans les pays bénéfi-

- ciaires. Le programme de coopération technique pour l'année 1996 prévoit le renforcement des activités de coopération avec le CRAT (Dakar, Sénégal), l'ACDI (Canada), le Secrétariat du Commonwealth (Londres), le Secrétariat de l'Union Européenne, le CRDI (Canada), l'IATTA (Ibadan, Nigéria), le Centre Pilote (Guinée), le KIRDI (Kenya), le TEMDO (Arusha, Tanzanie), etc, dans les domaines de la conception et le développement des prototypes; ainsi que dans les services d'experts conseils en ingénierie. Il est envisagé également d'intensifier la coopération avec d'autres organisations et pays partenaires du CRACFT tels que l'ORAN, WAITRO, Canada, Inde Hongrie et Pologne.

### **Eléments de stratégie pour le développement des capacités technologiques en Afrique**

Les pays africains ont pendant très longtemps fait appel à des importations massives de technologies à travers des politiques industrielles globales s'efforçant de recopier les modèles technologiques à forte intensité de capital provenant des pays industrialisés. A cause des difficultés rencontrées dans l'acquisition de telles technologies, ces politiques n'ont que très peu contribué cependant à assurer l'autonomie technologique en Afrique. D'autres pays ont privilégié des politiques pas plus heureuses favorisant particulièrement la promotion des technologies endogènes ou anciennes à grande intensité de travail et adapté aux systèmes de production à petite échelle. Poser la question du choix entre l'une ou l'autre des deux options ne serait qu'illusoire pour les pays africains. Il serait tout aussi illusoire de penser que l'autonomie technologique est un objectif qui pourrait être atteint à court terme dans les pays africains. A l'instar du Japon qui a importé entre 1951 et 1983 près de 42.000 licences et brevets, de nombreux pays industrialisés restent jusqu'à présent largement déficitaires dans leurs échanges technologiques avec le reste du monde.

Il s'agit plutôt de poser le problème du choix en termes de critère opérationnel consistant à évaluer les potentiels effectifs de productivité d'une technologie donnée par rapport à une autre utilisée dans des conditions précises connues. Dans la mesure où il n'est pas possible de promouvoir une technologie endogène jusqu'à l'isolationnisme économique, il y a lieu de puiser dans les technologies productives disponibles - celles-ci peuvent être locales ou importées - les mieux adaptées aux conditions de

leur utilisation par l'acquéreur. La forme active d'acquisition de cette technologie donnée exige toutefois que celle-ci puisse être industrialisée à travers des structures de production fiables, un environnement socio-économique viable avec des acteurs économiques effectivement impliqués dans la dynamique du changement technologique.

Dans ce contexte, le secteur privé des petites et moyennes industries semble être le terrain privilégié pour l'acquisition technologique dans les pays africains. Toutefois, cela suppose que les entreprises concernées disposent des ressources humaines adéquates comprenant des agents de maîtrise qualifiés ayant une expérience approfondie des opérations de ce type de sélection des techniques, d'investissement industriels et de mise en production. Le succès de la stratégie repose également sur la mise en place d'un cadre social adéquat, l'apport des ressources en termes d'information, d'assistance technique et financière aux entreprises.

Le Centre Régional Africain de Conception et de Fabrication Techniques pourrait à cet égard jouer un rôle de premier plan à travers ses programmes d'activités actuels. Il devra pour cela, davantage orienter ses services de transfert de technologie vers le secteur privé des Petites et Moyennes Industries afin de créer une clientèle d'entrepreneurs de ce secteur dans les pays africains. Il devra en outre concevoir des programmes spécifiques comprenant la fourniture de services consultatifs spécialisés; encourager et parrainer dans les pays africains des conférences, séminaires et ateliers sur des thèmes susceptibles d'apporter des solutions concrètes aux préoccupations des entrepreneurs locaux.

La Commission Economique des Nations Unies pour l'Afrique (CEA), en tant qu'agence de parrainage et agence d'exécution de plusieurs projets du Centre à toujours fourni un soutien actif à cette institution régionale. Afin de renforcer ces relations, il conviendrait lors de l'élaboration des programmes biennaux de la CEA, d'examiner les possibilités d'y inclure un certain nombre d'activités opérationnelles (par exemple fourniture de services consultatifs auprès des Etats membres) pouvant être sous-traitées au CRACFT. La CEA devrait également encourager - dans les limites de ses ressources - la mise en oeuvre de projets conjoints avec le CRACFT dans les domaines de l'ingénierie mécanique et de la métallurgie où leurs activités sont complémentaires.

# Création d'un réseau régional africain sur les produits agrochimiques et les machines agricoles

## Introduction

En Afrique, les populations sont à 80% occupées dans l'agriculture. Les surfaces cultivables vont devenir de plus en plus rares compte tenu de la croissance démographique et, dans quelques années, la culture extensive ne sera plus possible. L'intensification de l'agriculture deviendra donc l'unique moyen d'augmenter la production et la productivité agricoles pour satisfaire les besoins alimentaires des populations. Une exploitation intensive des sols déjà soumis à l'action conjuguée de plusieurs facteurs nocifs, provoque des déficiences en certains éléments nutritifs.

En conséquence, le développement de la production des engrais et des pesticides et leur utilisation accrue dans l'agriculture africaine ainsi que l'amélioration de l'irrigation et la mécanisation des travaux agricoles devraient constituer la priorité des priorités.

En 1989, la consommation d'engrais (NPK) par hectare de terre arable en Afrique au sud du Sahara était estimée à 9,3 kg contre 47,2 kg en Afrique du Nord, 87,6 kg en Amérique Centrale et du Nord, 117,7 kg en Asie et 220,1 kg en Europe.

Sur la base de la disponibilité d'abondantes matières premières comme les phosphates, le gaz naturel et la potasse en Afrique, des projets viables émergent et des unités de production d'engrais sont construites ou sont en cours de réalisation dans certains pays africains.

En raison de ce qui précède, la région africaine devrait envisager la création d'un Réseau de Consultation, de Développement et d'Information en ce qui concerne les produits agrochimiques et les machines agricoles à l'instar du Réseau de la Région de l'Asie et du Pacifique (FADINAP) créé en 1978 et qui compte aujourd'hui vingt quatre pays membres. Ce Réseau s'appuiera sur des bureaux de liaison technique nationaux (BLT) qui seront créés dans les Etats membres et collaborera utilement avec le centre africain pour le développement des engrais (ACFD) basé à Hararé et le Réseau d'information sur le Commerce et la distribution des engrais (AFTMIN) installé à Lomé. Le réseau régional qui va se concentrer principalement dans le do-

main industriel sera complémentaire à ces institutions.

## Historique et Objectifs du projet

La dixième réunion de la Conférence des ministres africains de l'industrie (CAMI), qui s'est tenue à Dakar (Sénégal) du 29 au 31 juillet 1991, avait adopté le principe de la création d'un réseau régional africain des produits agrochimiques et des machines agricoles. La réunion avait exprimé l'espoir que le cadre opérationnel et les modalités de mise en place de ce réseau seraient étudiés par la Commission Economique pour l'Afrique (CEA). En accomplissant sa tâche, la CEA a défini les objectifs du réseau.

Les objectifs principaux du réseau sont de:

- (i) encourager une production et une utilisation accrue, plus efficace des produits agrochimiques et des machines agricoles en Afrique afin d'améliorer sa situation alimentaire et éliminer la pauvreté;
- (ii) étendre les avantages de l'agriculture moderne à des couches plus larges de la population agricole tout en prenant en compte les problèmes environnementaux et en encourageant les meilleures pratiques agricoles afin d'accroître les rendements d'une manière permanente;
- (iii) promouvoir la sûreté de l'approvisionnement en améliorant la production, la commercialisation, la distribution et l'efficacité de l'utilisation des intrants agricoles afin d'en réduire les coûts et d'en augmenter la disponibilité;
- (iv) aider les Etats membres à obtenir de meilleurs contrats au cours des négociations commerciales;
- (v) faire économiser des devises aux Etats membres par une utilisation judicieuse des méthodes de fertilisation et de mécanisation et par le développement de la coopération sous-régionale et régionale.

Un réseau régional de consultation, de développement et d'information est un moyen important d'aider les gouvernements de la région à définir une politique de la fertilisation et de la mécanisation cohérente et stable, en aidant à l'amélioration de services, des règlements et des pratiques actuels en ce qui concerne le choix, la production et l'utilisation des intrants agricoles, ainsi que les domaines de la commercialisation, du transport et du stockage, de la politique du crédit, des prix et des subventions, de la recherche et de la vulgarisation, dans le but de mettre en accord la pratique et les intentions officielles et de faire profiter du développement agricole des couches plus larges de la population rurale. Plus spécifiquement, l'un des objectifs du réseau régional est d'aider les gouvernements à se libérer des contraintes qui pèsent sur le développement de nouvelles capacités de production de produits finis ou intermédiaires aux niveaux national, sous-régional et régional.

**A court terme, les principaux objectifs doivent être:**

- (i) d'améliorer l'efficacité de l'utilisation des produits chimiques et des machines agricoles au niveau des petites exploitations en améliorant l'état des connaissances sur les priorités et l'utilité de ces intrants, en diminuant les contraintes sur leur production, leur commercialisation, leur distribution et leur utilisation et en les rendant disponibles à un juste prix;
- (ii) d'établir des liens de coopération étroits entre les états africains producteurs d'une part et consommateurs d'autre qui importent actuellement de grandes quantités d'intrants de l'extérieur de la région;
- (iii) d'établir un système d'information sur les ressources naturelles locales et les productions africaines aux niveaux sous-régional et régional.

De plus, dans les objectifs immédiats, doit figurer la coopération régionale au niveau de la production en ce qui concerne l'accroissement des capacités par la définition de nouveaux projets et l'optimisation des capacités de production installées.

**Conception du réseau**

Dans un souci de rentabilité du financement, d'efficacité du fonctionnement et de continuité des structures administratives et du personnel, il est proposé que le réseau régional soit un organisme interagence CEA/ONUDI/FAO/OUA coordonné et dirigé par l'intermédiaire de Bureaux de liaison tech-

nique nationaux désignés par chaque gouvernement.

Les activités du réseau seraient regroupées en trois domaines principaux: information et documentation, éducation et formation, services de consultation et transfert de technologie.

**Information et documentation**

Toute information ne devient utile que lorsqu'elle a pu être diffusée auprès de ceux qui pourront l'utiliser. Il est donc impératif d'entreprendre un ensemble d'activités dans ce sens:

- (i) recueillir, rassembler, évaluer et publier les résultats des travaux de recherche et des expériences pratiques obtenus dans les domaines de la fertilité des sols, de la nutrition des plantes, de la technologie des engrais, de la lutte antiparasitaire et de la mécanisation agricole;
- (ii) collecter et évaluer les publications dans ces domaines préparés par d'autres centres, instituts et organisations;
- (iii) publier ses propres résultats de programme de recherche et ses expériences pratiques;
- (iv) rassembler tous ces documents et les mettre à la disposition de ceux qui peuvent les utiliser.

**Education et formation**

De nombreuses études ont été faites sur les besoins d'éducation et de formation du personnel nécessaire aux niveaux scientifique, technique et des activités de soutien. L'accord est général sur l'ampleur de la demande pour l'éducation professionnelle et la formation du personnel travaillant dans les domaines de la fertilité des sols, la nutrition des plantes, la machinerie agricole et la lutte antiparasitaire. Le besoin de formation semble être particulièrement important dans les secteurs suivants:

- (i) classification et cartographie des sols en fonction de leurs caractéristiques nutritionnelles;
- (ii) analyse des sols et des tissus des plantes pour détermination au laboratoire de la fertilité;
- (iii) contrôle de la qualité des produits importés;

- (iv) réalisation des essais de calibration sur le terrain (établissement des corrélations entre la réponse culturale, l'application d'intrants et les résultats d'analyse des sols). Dans tous ces domaines les procédés et les techniques sont bien connus, mais ils doivent être communiqués à ceux qui peuvent les utiliser.

## **Services de consultation et transfert de technologie**

Toutes les études précédentes sont nécessaires pour les gouvernements, les agriculteurs, les agences techniques, les organisations donatrices, les producteurs de produits chimiques et de matériel agricole, et bien d'autres. Leur objectif est de proposer des solutions aux problèmes actuels, de planifier les activités de recherche et de formation et de préparer les rapports sur l'état des connaissances dans les domaines concernés. Actuellement, les secteurs suivants doivent être considérés comme prioritaire:

### **a) Utilisation des capacités de production**

Dans de trop nombreux pays d'Afrique la situation des industries qui produisent des intrants agricoles est très mauvaise. Il est inadmissible que tant d'usines ne produisent pas ou produisent bien en-dessous de leur capacité alors que des quantités de plus en plus importantes d'engrais, de pesticides et de machines doivent être importées. Ces états ont ainsi à supporter une double perte en devises, pour le remboursement de la dette et pour les importations supplémentaires. Il est donc urgent, non seulement d'étudier les raisons de cette production insuffisante, mais surtout de proposer des solutions.

### **b) Utilisation des matières premières locales**

L'Afrique possède de nombreux gisements de calcaire, de dolomite, de phosphate et d'autres matières premières utilisables pour améliorer la fertilité des sols et la nutrition des plantes mais qui ne sont que peu ou pas exploités. Ces ressources naturelles doivent être identifiées, économiquement évaluées et cartographiées. L'établissement de cartes des principaux types de sols et de leur utilisation actuelle et potentielle pour l'agriculture et l'élevage devrait conduire à la manière la plus sûre de répondre à la demande.

### **c) Planification et coordination de la recherche et de la formation**

De nombreuses activités de recherche et de formation sont entreprises sans buts clairement établis, sans avoir défini de priorité et sans aucune

coordination entre elles. Des études sectorielles, par zone géographique ou par pays, pourraient éviter ces problèmes.

### **d) Politiques Industrielle, agricole et économique**

Jusqu'à maintenant ce domaine a été fortement négligé. L'établissement des prix des intrants et des produits agricoles, la fixation des tarifs et des taxes douanières, la mise en place de subventions et d'aides à l'agriculture, l'analyse de la qualité des produits importés, tout cela a une grande influence sur la consommation des produits chimiques et l'utilisation du matériel agricole. Des services de consultation auprès des gouvernements et des décisionnaires peuvent être d'une importance vitale pour le succès du développement de la production agricole

## **Bénéficiaires du réseau**

Les bénéficiaires du réseau seront les agences gouvernementales et les organisations non gouvernementales, les universités et les instituts de recherche, les chambres de commerce et d'industrie, les producteurs et leurs associations, les importateurs, les grossistes et les détaillants de produits agrochimiques et de matériel agricole tant du secteur public que privé ainsi que les agriculteurs.

La liste des bénéficiaires des prestations du réseau ne sera limitée que par la question du coût des services. Les publications du réseau étant diffusées gratuitement aux BLT, il appartiendra à ceux-ci de les transmettre aux bénéficiaires de leur choix.

Cependant, compte tenu de la nécessité d'établir ce réseau dans la durée, il semble utile d'envisager à terme une certaine autonomie financière dans les domaines des publications et des services de formation et de consultation.

Après le début des activités du réseau, et pendant une certaine période de temps (cinq à dix ans), les services pourraient être rendus gratuitement. Ceci permettrait au réseau de faire ses preuves, de se faire connaître et de juger si un marché existe. Par la suite, et afin de répondre à la tendance à la privatisation de nombreux services dans la plupart des pays d'Afrique, le réseau devrait être en mesure de générer certaines ressources financières: abonnements payants à ses publications, adjonction de publicité, participation financière aux activités de formation et de consultation. De plus, les compagnies industrielles et les organisations du secteur privé pourraient devenir membre du réseau moyennant une contribution financière.

Cette génération de ressources financières sur une base régulière à terme est particulièrement importante en vue de l'existence indépendante du réseau et des limites progressives des dons en provenance des sponsors. Elle est naturellement liée à la qualité des prestations et à l'existence d'un marché.

### **Apports au réseau**

L'apport des Etats membres consisterait principalement en la désignation de leur Bureau de liaison technique (BLT), à l'échange et à la diffusion des informations et à l'accueil de séminaires, d'ateliers de formation et de voyages d'étude. Quant aux organisations internationales, elles fournissent les infrastructures et les équipements, les services administratifs et le personnel du siège.

### **Organisation et localisation du réseau**

L'organigramme proposé comporte trois unités: unité de documentation et d'information, service des publications, unité de formation et de consultations, reliées aux BLT. Il est envisagé le recrutement de personnel multidisciplinaire comprenant des spécialistes en développement industriel, en communication, en environnement et en économie.

Dans l'immédiat il est proposé de réaliser une étude de faisabilité sur la création du réseau ainsi qu'une réunion entre les organisations internationales, AFTMIN et ACFD dans le but de définir le rôle de chacun dans le réseau et l'apport de celui-ci aux organismes déjà existants.

Cette étude de faisabilité devra entre autre définir les termes de références des bureaux de liaison technique, faire l'évaluation financière du réseau et déterminer sa localisation.

En ce qui concerne la création des bases de données une étude de soutien technique à l'étude de faisabilité devra être menée pour établir le meilleur choix possible du matériel et des logiciels informatiques nécessaires, définir la structure des bases de données, évaluer le coût total d'installation du système et les besoins en maintenance et en formation.

Ce réseau suscite beaucoup d'espoir, sa mise en oeuvre nécessite une volonté, une conjugaison d'effort et beaucoup de ressources qui ne doivent pas faire défaut malgré les différentes crises qui se succèdent.

## Impact of the Uruguay Round Agreements on African Economies: Need for Policy and Program Adjustment in the Industrial Sector

The successful conclusion of the Uruguay Round has certainly engendered some optimism since tariff reductions and a set of precise rules and procedures are likely to improve market access, for developing countries in the long run. In the case of Africa, however, the extent to which these prospects can be realized depends on the pattern of economic growth in African countries in the years to come. At present, their weak production base and the structure of trade indicate that the impact of the Uruguay Round Agreements is likely to be negative in the short/medium term through the erosion of preferential margins, high food import prices and adherence to the number of obligations required by the various agreements included in the Round.

In measuring the impact of the Round, and in order to keep the potential benefits of trade liberalization, African countries have to look beyond the short run. Africa with the largest concentration of LDCs in the world, will need to transform its production and trade structures in order to face the challenges from an increasingly competitive global market environment as a result of trade liberalization. Competitive advantage in major export markets of African countries cannot be shielded permanently by preferential tariff margins, as has become evident from the market access outcome of the Uruguay Round. While intensifying the use of the existing preferences and seeking to deepen them where there is scope to do so, deliberate domestic policy actions will nevertheless have to be geared to improving the long-term international competitiveness of these countries exports of goods and services. A set of actions could be focused on a number of priority areas: services infrastructure; development to support production and trade; technological capacity building to improve quality and supply capabilities; diversification of high-value added production through processing; improvement of investment conditions and the strengthening of regional and sub-regional markets. In this regard, the industrial sector emerges as one of the priority areas where African countries should focus to face the challenges of the Round. Thus consideration of major policy and programmatic changes in the process of industrialization is of paramount importance to tackle the shocks resulting from the Round which may reduce the chances of economic development

over a period of time, and to benefit from the positive effects of trade liberalization in the future.

The crux of the matter here is to map out a strategy of industrialization consistent with operational constraints, and particularly the technological capacity of African countries. No single industrial strategy will fit the diverse conditions and prospects of African countries. There are, however, few principles that could generally be applicable to overcome the effects of the new global trading pattern and to enjoy the benefits therefrom. The approach that African countries should adopt is two in folds.

One is that, a conscious effort should be made to seek out profitable industrial export opportunities. The development of export capability and international competitiveness should be the key objective for African enterprises in industrial subsectors where particular countries have relative advantages.

Another is that industrial development must be based on a sound strategy of agricultural development to take advantage on both the supply and demand sides. That is much more needs to be done regarding the development of agro-industrial linkages, both backward and forward.

Africa's experience demonstrates that industrialization cannot succeed when the policies that promote it conflict with the complementary development of agriculture and exports.<sup>2</sup> The future lies in shifting industrial structure towards high growth, competitive enterprises that are linked to the domestic economy. This implies to a shift to a market oriented approach, from regulation to competition, and from failed attempts to transplant technology to systematic building of capacities. Thus the objective of adjusting industrial strategies, policies and programmes must be aimed at bringing about a qualitative change in African industry to ensure a competitive and accelerated production capability in agro-processing and other industrial sectors by way of strengthening the manufacturing linkages with agriculture. The challenge is to build on this base to achieve the dynamic transformation of industrial structures envisaged in the Lagos Plan of Action and the Industrial Development Decade for Africa.

2 Sparks, Donald, *Economic Trends in Africa*, London, 1993.

## **Development of International Competitiveness and Export Capability**

The categories of goods that may be of immediate interest to African countries are: tropical and temperate agricultural products, natural resource-based products (fishery and forest products, minerals and metals), leather and leather products, and textiles and clothing. A preliminary study conducted by UNCTAD, indicates that general post-Uruguay Round trade weighted tariff averages will remain substantially high on agricultural products, textiles and clothing, and leather and footwear, which are currently the sectors of most interest to African countries.<sup>3</sup> The liberalization of the MFA for example, will be carried out within a period of ten years, and it is likely that those products which are severely restricted and are of most interest to developing exporting countries would be left until the end of the process. Therefore, the tariff rates will be high in the short-medium term. However, the effects on these sectors will be different. Given the relatively small share of textiles and clothing and leather and leather products in total African exports, it is reasonable to assume that the significant advantages of the new trading opportunities will not benefit African countries, unless substantial improvements in quality and productivity will enable these countries to become internationally competitive. Therefore, the emphasis should shift towards the promotion of exports in selected fields, particularly agro-industries and increased processing of natural resources where African countries continue to have significant factor advantages.

Eventhough, the selection of processing industries should be based on the technological and operational constraints facing the country endowed with raw materials, there seems to be ample scope for exports of light manufactured goods from Africa. The development and promotion of manufactured goods could be done while sustaining traditional exports at the same time.

### **Strengthening the Agro-Industrial Linkage**

Agriculture will remain the key economic sector for most of the countries in the region for at least the rest of the 1990's providing employment and exports. The relatively large size of agriculture, and the evident failure of past policies biased against it,

have led to a new consensus: agricultural development is an essential foundation for industrial development in Africa.<sup>4</sup> Improved agricultural incentives can stimulate industry by increasing supplies of domestic raw materials and raising rural incomes that will stimulate demand for products from a number of industries that could be produced relatively efficiently in most African economies. Efficient industries generate their own momentum, and then export possibilities are opened up and the local market for intermediate goods widens. Such a stimulus, together with rising productivity can provide the basis for sustained industrial growth. A sound industrialization strategy thus must be founded on complementary agricultural development and has to be closely integrated with ensuring food security and increased agricultural production on the one hand, and industrial linkages with rural regions through local small and medium industries and micro-enterprises, thereby providing employment and increased purchasing power for the rural population on the other. It will also multiply intersectoral links furthering self-reliance, and generate domestic savings for new productive investments.

The development of a strong agro-industrial linkage would give net food importing African countries the strength to combat the hardship that has resulted from the reduction or elimination of agricultural support and protection in the industrialised countries. With the development of the agro-industrial base, trade liberalization in agriculture will provide African countries with an opportunity to expand their foreign exchange earnings in the long run.

### **Policy actions and issues for consideration**

Virtually all countries in the region are in the process of liberalizing their policy regimes, usually as part of the World Bank - IMF adjustment programmes. Positive results are being achieved, albeit more slowly than was expected when the first policy reforms were initiated.<sup>5</sup> Nonetheless, each country needs to re-examine its particular relative strength and weaknesses, decide on where it might best fit into the dynamics of global manufacturing and obtain support for its industrial strategy from the international aid institutions, and perhaps more importantly from private foreign investors willing to undertake various forums of investments including joint ventures.

<sup>3</sup> UNCTAD, *The Outcome of the Uruguay Round, An Initial Assessment*, 1994.

<sup>4</sup> Meier/Steel, *Industrial Adjustment in Sub-Saharan Africa*, 1989.

<sup>5</sup> World Bank, *Have World Bank-Supported Adjustment Programs Improved Economic Performance in Sub-Saharan Africa?*, Policy Research Working Paper, Washington D.C., 1993.

A general conducive and enabling environment which seriously considers and incorporates the following issues has to be in place for an effective industrial adjustment program that would fully take the Uruguay Round Agreements into account and the major strategy approaches discussed above.

**Reform of the general policy and regulatory environment:** Industrial adjustment at all levels requires both reform of the general policy environment to provide the appropriate incentives, and complementary improvements in the regulatory and institutional framework, to facilitate the desired supply response. The most critical policy issues are, realistic exchange rate, control over fiscal deficits, and monetary stability. The removal of regulatory and administrative obstacles, development of infrastructure and services and institutional reform that aims more toward performance are the other general reform issues. Thus, complementary corrections in policy biases are needed at the sectoral, subsectoral and firm levels to promote the most efficient use of resources in industry.

**Development of small and medium industries:** Since industrial adjustment towards high growth and competitiveness with strong connection to the domestic market might be achieved with the development and promotion of small and medium industries, these industries should remain areas of strength and should be encouraged to grow, upgrade productivity, and enter export markets. Policy biases against small enterprises should be removed and incentives introduced so that the enterprise grow larger, attract people with modern skills, establish linkages with large-scale industry, and export. Market forces should determine which activities are viable, and small enterprises should be allowed to exploit competitive advantages where there are economies of small scale production. Policies that promote broad based agricultural development would also help stimulate small-scale growth. Small scale enterprises are in fact the suitable mode for the promotion of rural industrial development. It is a clear fact that there is no shortage of entrepreneurs in Africa, but they are found in commerce and informal activities than in industry. These entrepreneurs would shift to small-scale manufacturing if incentives are improved, markets are opened up and administrative restrictions removed. In this regard, an effective package of assistance which includes, inter alia, training in managerial, financial, and technical skills; provision of basic infrastructure like common facilities, consultancy services, mar-

keting assistance, etc.; making credit available from development finance institutions or from commercial banks which should have separate windows to provide soft loans; advice and support on intermediate technology development accompanied by measures to ensure marketing, proper utilization, and servicing of new techniques; should be provided and an appropriate forum should be established whereby entrepreneurs could be active participants in the harmonization of policies and strategies of industrial development. This will provide a firm ground on which the private sector could contribute to the development process with confidence.

**Public sector restructuring:** The extent of government control over resources will remain substantial for the near future in Africa. Therefore, restructuring of public enterprises would be a major task by which public industrial enterprises could operate within open and competitive environment. Reevaluation of what is appropriate and feasible for the public sector is likely to result in a reduction in capacity under public ownership, whether through sale to private investors or through outright closure, and a rationalization of public holdings by shifting resources to industries in which public investment is most justified and successful. Parastatals should be maintained as commercial enterprises and if necessary compensated for any social services they are required to perform. The whole restructuring operations require a strong government commitment, and can be effective only as complement to policies that promote efficient, competitive supply responses by industrial enterprises.

**Finance for industry:** The mobilization of domestic as well as external resources for industrial investment is of paramount importance for achieving sustainable development in the industrial sector. At present, there are a number of political and socio-economic structural changes that have and will continue to have a number of implications on the world economic and financial environment which include, the internationalization of production and trade, the liberalization of world economies, the entrance of the transitional economies of Eastern Europe into the competition for financial resources, new global and regional agreements and shifts in international economic management policies.<sup>6</sup>

In the case of Africa, there are complex and interdependent obstacles to the mobilization of financial resources for development funding in the industrial sector.<sup>7</sup> On the one hand, the worsening

6 UNCTAD, *The Least Developed Countries Report 1993-94*.

7 ECA & UNIDO, *Mobilization of Financial Resources for the Implementation of the Programme for the Second IDDA, Working Paper for CAMI 12, 1995*.

terms of trade, coupled with the increasing competition for external financial resources and the rising debt burdens, limits Africa's capacity to undertake investment opportunities. On the other, the inadequacy of the banking and financial structure, macro-economic and financial imbalances, political instability with low real per-capita income, hinder the accumulation of domestic savings. Nonetheless, apart from earnings from exports, bilateral and multilateral loans and grants; foreign direct investment; and domestic resources will remain to be the sources of finance for industry in Africa. Therefore, a comprehensive approach should be designed for debt management, and at the same time an enabling environment for the establishment of a wider range of financial institutions that could offer adequate incentives to savings and investments should be created and maintained. Well articulated policy measures have to be designed to attract foreign direct investment to Africa.

**Technological development:** New initiatives for the transfer, adaptation and development of technology are needed if African industry is to become increasingly productive and competitive. Both large and small entrepreneurs need technologies that are appropriate to Africa's comparative advantages. Policy reform can stimulate greater competitiveness and redress some of the bias towards capital and import intensive technologies. Within the context of the new international trading pattern, a substantial increase needs to be achieved in the number of African enterprises that can enter into joint ventures and technology licensing arrangements to compete in international markets. Hence African enterprises need support and assistance to review technological trends in particular subsectors; need advice on alternative technological usage including new technological applications and strengthening technological capabilities; need guidance on the selection, application and adaptation of technology and development of innovative technological capability in strategic core subsectors. This would also include guidance in the use of foreign technology through foreign direct investment.

**Human resources development:** Development of human capital in order to best use of resources, must be the primary objective, not just for manufacturing, but also for the whole socio-economic progress. Although not lacking in entrepreneurs, Africa is critically short of managerial experience in industry and the technical skills needed for technological innovation. Hence in or-

der to ensure that the elements critical in transforming Africa's industrial sector are efficiently implemented, appropriate policies and strategies need to be formulated with respect to human resources development. That is to say shifting resources in response to policy changes requires trained personnel able to make and implement appropriate decisions. The availability of entrepreneurial, managerial and technical skills ensures the responsiveness of supply to changed incentives. Broader investment in education and training (formal and on-the-job) is essential to build up industrial capabilities as part of a strategy emphasizing greater self reliance and exports. With the aim of integrating women in industrial development, the human resources development strategy must also promote and assist women entrepreneurs.

Collaboration between governments, private sectors and institutions concerned with the development of human resources for industrialization is highly required. Subregional, regional and international cooperation in the areas of human resources development should be encouraged and strengthened. Subregional, regional and international organizations should be approached to assist African countries, private sector and training institutions in the development of human resources for industrialization. Technical cooperation among developing countries and intra-African cooperation in industrial training is also important for human resources development in Africa.

**Infrastructural development and institution building:** Infrastructure both physical and institutional represents, if not the engine, then the "wheels" of economic activity, and the nature of an economy's infrastructure is central to its ability to respond to changes in demand and prices or to take advantage of other resources.<sup>8</sup> It, therefore, follows that improvement in the quality and range of infrastructural services could act as an enabling conduit for building an industrial base in Africa, thus leading to a self-reliant and self-sustained industrialization.

Considerable investment expenditure has to be made to develop physical infrastructure, which at present is inadequate in Africa imposing high costs and risks for industrialization.

The development of institutional infrastructure, on the other hand, is of paramount importance for developing industrial and technological capabilities in Africa. This, among others, includes strengthening of the competitiveness of local industry particu-

larly applied research and development institutions; local industrial consultancy services; industrial information services; management training and marketing; export promotion and development of private-sector oriented institutions. The full and effective utilization of regional and sub-regional African institutions on scientific and technological development is another means by which industrial capability could be developed.

**Quality and standardization:** Improvement in international competitiveness capability and export development has been considered as one of the principles by which African industry should be guided. This involves assessing trends in world industry, identifying market niches, and increasing the competitiveness of domestic industry in order to make it ready to export successfully to world markets.<sup>9</sup> Increasing export capability calls for a considerable emphasis on quality, design, packaging, etc. This in turn requires close attention in the area of technological choice and quality standards. The growing internationalization of product standards, and the spread of quality standards, especially ISO 9000, indicates the degree to which competitiveness has found practical expression in the markets of the developed world. In order to ensure competitive products and production systems, it is necessary for African countries to develop quality standards which are acceptable in international markets. The certification of ISO 9000 is becoming an important technical requirement that should be included in the European market. Eventhough the Uruguay Round Agreement has provided for time limited derogation for developing countries with respect to technical requirements, African countries should endeavour to include the requirements on quality and standards if exports of manufactures are to be substantially increased. In this regard, the services of sub-regional and regional institution as well as international organizations would be highly required.

**Environmental and energy considerations:**

Environmental conditions and appropriate energy usage will have a growing impact on competitive capability in external markets of industrialized countries. Therefore, African countries should take into consideration environmental and energy issues when formulating industrial policies and strategies. They should also facilitate for the enforcement of environmental regulations and follow up on environmental protection measures and appropriate energy usage.

**Regional and Sub-Regional economic cooperation:** The importance of regional and sub-regional cooperation as a way of accelerating and consolidating the process of economic and social development has long been recognized by African decision makers. This long standing recognition is expressed in the formation of several sub-regional groupings before the creation of the vast Economic Community following the signature of Abuja Treaty in June 1991. Considerable progress has already been made in setting up regional organizations and institutions, promoting intra-African trade and stimulating cooperative efforts for building and linking the physical infrastructure. However, these initiatives fall much far behind the envisaged targets of the programme of the second IDDA. Effective use has to be made of the various regional and sub-regional institutions that have been established in areas of scientific and technological development and in specific areas like quality and standardization. African countries should also provide considerable support to these institutions, so that efficient and valuable services could be obtained. Strengthening sub-regional and regional cooperation in Africa could also provide the means for enhancing intra-African trade and cross border investments. There is a huge potential for the establishment of joint ventures and related undertakings to set up industrial projects. Through ECDC/TCDC programmes there are also various possibilities for African countries to cooperate with countries in Asia, the Middle East and Latin America countries. Apart from the promotion of trading linkages with these countries, there is considerable potential for strengthening technological linkages through joint ventures, licensing, subcontracting and other arrangements.

It is also worth mentioning here the need for effectively using the services of international organizations in the field of industrial development. UNIDO promotes an extensive program of activities in the area of regional industrial cooperation. The activities include, among others, the initiation of sub-regional programmes in selected core industrial areas; promotion of intercountry investment projects; and industrial training programs including the promotion of national centres as regional and sub-regional centres of excellence.

**Conclusion**

While Africa bears the prime responsibility for improving its overall economic environment, the international community as a whole, should play a

9 D. Greenaway and Chris Milner, *Trade and Industrial Policies in Developing Countries*, U.K., 1993.

no less important role by providing the necessary assistance to make the efforts a success. In particular African countries require assistance and support in the areas of finance, infrastructure, institution building and human resource development for their industrialization efforts within the new trading pattern.

In order to minimize the short term adverse effects of the Round, and at the same time to prepare for the long run development endeavour, each African country should carry out an assessment of the impact of the Round on its economy. This will give each individual country a concrete justification for approaching the international community for assistance.

# Explore Opportunities Africa can Exploit from Asia-Africa Co-operation

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## Introduction

Most African countries exhibit an appalling record of economic performance. The deterrent factors were both internal and external. In view of the current realities of the globalization of the economies of the developed world, Africa must search for meaningful co-operation to achieve economies of scale through pooling together human and material resources in order to enhance competitiveness in the global market. Notwithstanding their diversity, economies of the South remain a rational choice for Africa to forge co-operation, due to relative similarities in the levels of technology innovation, development and adaptation.

The prospects for this co-operation however, call for special measures to be taken by the countries of the South as a group, in order to realise any degree of economic co-operation. This collective bargaining as advocated in the South Report, must assume the existence of effective economic subregions within regions that can harness the synergy for economic cooperation among regions of the South. The advocacy in the South Report, must also assume mutual willingness by possible co-operators as guided by mutual economic and social benefits. Presently, Africa must aggressively respond to the need for Asia-Africa co-operation where there is willingness on the part of Asia and a promising forecast for deriving mutual economic and social benefits. This article therefore, within the framework of South-South cooperation will focus on Asia and propose modalities for promoting Asia-Africa co-operation with a view to explore development opportunities Africa can exploit from Asia-Africa co-operation.

Asian and African countries, have for several years been carrying out economic, social and technical activities on bilateral basis. For instance Kenya collaborates with India in a number of joint economic ventures like paper and pulp, woollen and cotton textiles, machine tools etc. Tanzania has a joint commission with India through which various co-operative ventures are carried out including development of small industries. China has assisted Tanzania and Zambia with capital and expertise for the construction of Tanzania-Zambia railway which provides Zambia with an outlet to the port. China and North Korea have been involved in co-operative technical and economic arrangements with some African countries like Sierra Leone, Benin, Niger, Togo and Burundi. Nurturing of this horizontal co-operation did not yield the desired fruit mainly due

to the interference of adverse pressures developed economies, and an underdeveloped infrastructure on the part of Africa. The framework of this co-operation furthermore, remained at a bilateral level and guided only by agreements between two governments. Collective bargaining, either on the part of the Asian or African countries could not take place.

## The Evolution of a Framework for Asia-Africa cooperation

An inter-regional framework came to light with the Tokyo International Conference on Africa's Development (TICAD) of October 1993, where African countries, and Africa's development partners, equivocally declared, their continued dedication to the development of Africa towards a new era of prosperity, the declaration was adopted in the firm belief that it will serve to strengthen an emerging new partnership for sustainable development of Africa based on self-reliance of African countries and the support of Africa's development partners.

The Asian countries were preempted by encouraging outcome of far-reaching economic and political reform that African countries have embarked on, and the end of the cold war era provides an opportunity for African countries to share a broader common understanding of the need for dynamic development co-operation; the recognition of the importance of increased private sector participation in domestic economic activity; and that Asian experience of economic development and the catalytic role of international co-operation offer hope and provide a challenge for African economic transformation.

Among major issues of mutual agreement by the participants of TICAD were; accountability and participatory political systems are vital including strong role of civil society in order to achieve broad-based economic growth; Africa's development partners will provide priority support to countries undertaking efficient political and economic reforms, structural adjustment programmes should take more actively into consideration, the specific conditions and requirements of individual countries; the role of the private sector is vital as an engine of sustainable development; greater efforts must now be made to promote inter regional trade and investment as a means to realise the goals of Africa integration and cooperation as embodied in the Abuja Treaty.

In essence, TICAD defines three role players in African development. First is the African countries themselves which must first and foremost put their houses in order. Second is the Asian countries which have an experience and development strategies to share with Africa in a mutually beneficial manner. Thirdly is, the African development partners, essentially the international community, who committed themselves to continue to provide assistance in order to improve the enabling environment which requires economic reforms and privatization, the building of human and institutional capacities, and development of financial intermediation.

A follow up to the Tokyo International Conference on Africa Development was the Bandung Framework for Asia-Africa Cooperation (December 1994), under which the Asia-Africa Forum facilitated direct dialogue and exchange of views between senior Asian and African officials. The Forum adopted a series of recommendations in the broad areas of: sharing experiences; promoting sustainable development in Africa; human resources and institutional development; enhancing productivity in the agricultural sector; financing development; and modalities for development co-operation between Asia and Africa. Under financing development, the Forum also highlighted specific issues like mobilizing domestic and external resources, private sector development, promoting Asian investment in Africa trade development, and managing the African debt crisis. Also under modalities of development cooperation between Asia and Africa, it was specifically recommended to expand South-South Cooperation; creation of Asian-African networks and need for follow up and monitoring Asian African development cooperation.

With a view to operationalise TICAD government of Japan, Indonesia, the U.N. Secretariat, and the UNDP are currently organising a series of sub-regional workshops. One such workshop for the Eastern and Southern African subregion took place in July 1995 the Harare Zimbabwe and dealt with the following four main themes; Peace Stability and Development; Capacity Building and Human Resource Development; Private Sector Development; and Asia-Africa Cooperation, under which topic the relevance of the East Asia experience to Africa was highlighted. The workshop reiterated the importance of Asia-Africa co-operation in support of Africa's social and economic development. To this end it was recognized that there will be a further need to undertake an assessment of on-going projects and programmes supported by Asian countries and build on them. In this regard, a core group composed of eight countries and six sub-regional organizations was constituted to work towards the establishment of framework for Asia-Africa co-op-

eration in the sub-region. The constituted group which supposed to meet in Seychelles in December 1995 is comprised of Angola, Botswana, Eritrea, Kenya, Seychelles, South Africa, Zambia and Zimbabwe; to be supported by the ECA/OAU/ADB Joint Secretariat, COMESA, IGADD and SADC.

What appears to require further clarification and dovetailing is the division of roles among respective African regional institutions in supporting the core group of experts in the exercise of undertaking an assessment of the on-going Asia-supported projects and programmes. Communication modalities between the main players Japan, Indonesia, UNDP, the UN Secretariat in New York with the African regional institutions in the preparatory exercise leading to establishing the sub-regional Asia-Africa framework is also unclear.

### **Modalities for Promoting Asia-Africa Cooperation Focusing on South-East Asia.**

The international fora which dealt with this issue, re-iterated the need, necessity and importance of Asia-Africa cooperation. The searching question is how can this momentum be maximized to operationalise the objectives and principles contained in TICAD and the Asia-Africa Forum. Under this study, a mission was undertaken to ESCAP to exchange views with colleagues on what is behind the success of the region especially with regard to technology development; to the ASEAN Secretariat to discuss the framework especially, of the co-operation of the ASEAN group; to Indonesia, a country which presents varied levels of development, and also put forward by Japan and the ASEAN group to be focal point for Asia-Africa cooperation.

Findings from this mission, through exchange of views and documentation collected, points to the optimism that, it is possible to operationalize TICAD and the Asia-Africa Forum by 1996. This optimism however, must be cautioned of the following: one is basic pre-requisites on the part of Africa to be an effective co-operator with Asia; two, a need for a clear definition of content matched with implementable modalities; and third, is evolution of a sustainable mechanism for galvanizing the projects and programmes under the cooperation arrangements.

### **Basic Pre-requisites/Assumptions**

This study, strongly believes that, collective bargaining approach on the part of Africa as a region, will be more effective than operating as single entities. However, in view of the prevailing realities in the region, this study, by no means, does not, suggest that, an individual country or a group of, ripe for

cooperation activities with Asia, should wait for collective bargaining with the rest of the region at the expense of losing time. The following assumptions are therefore, put forward with this foot note.

### **Satisfactory level of Peace and Stability**

One only requires to X-ray the deliberations of TICAD, Asia-Africa Forum or the sub-regional workshops find out how the Asian countries spell out categorically that, any economic development can only be conceptualized in a civil society and participatory political systems prevail. Indeed an Asian investing in Africa, has to be assured of a political environment which is promising for a return on investment/capital.

### **Mutual Interests in the Asia-Africa Cooperation**

Both TICAD and the Asia-Africa Forum clearly articulate the economic plight of Africa and ongoing political and economic transformation which elevates Africa to a role in Asia-Africa cooperation. Similarly, Africa, from the onset, should be conversant with the factors that made Asia select Africa out of the South and initiate active dialogue for cooperation. In this way, Africa will be in a position to develop and promote those areas of her greatest comparative advantage.

### **Focused Vision during planning**

During the planning stage especially, Africa must have a clear vision of both forward and backward linkages of an activity, with a view to enhancing an integrated approach.

### **Existence of an operational mechanism for Asia-Africa co-operation**

At the end of the Bandung Conference, it was not clearly specified as to which regional institutions will spearhead follow-up activities under the co-operation. Is it the OAU/ECA/ADB Joint Secretariat or the Global Coalition for Africa. The Harare sub-regional follow up meeting, advanced the steps to be taken to establish a framework for definition of content, ie projects and programmes. Putting in place a mechanism charged with the responsibility of operationalization of TICAD and its accountability still requires serious consideration.

The cornerstone in the evolution of this mechanism must be the existing regional IGOs, notably the OAU/ECA/ADB Joint Secretariat. Their respective mandates provides a package composed of a political muscle, economic and social advice, and finan-

cial development. This Secretariat should prepare a topic on operationalization of TICAD to be put as an agenda in the ministerial meetings of the Joint Secretariat, and the recommendations thereof will be put before an OAU summit, and when adopted, the mechanism so created will have a clear mandate to carry out the necessary activities in operationalising TICAD. Consideration in putting in place this mechanism should also take into account the necessary human and financial resources required. Study of the recommendations of TICAD, the Asia-Africa Forum, the sub-regional workshops and subsequent meetings on operationalization of TICAD, will form the essential part of the Terms of Reference for Mechanism.

### **Focused Definition of Subsistence for Cooperation**

Sharing experience, what experience, on what and how? Many and very important broad areas have been articulated in the Declaration and the Asia-Africa Forum. What means can be used to prioritise areas of co-operation. The Government of Indonesia, focusing mainly on technology development, proposed to the ECA mission the following areas of possible co-operation:

1. Technology development-based on the needs of the Africans and the domestic resource base.
  - i) Food technology and fortification
  - ii) Construction and development of building materials eg laminated bamboo, volcanic ash etc.
  - iii) Intermediate and advanced technology development
2. Development of high yielding agricultural crops for food and a backward linkage to food processing.
3. Mining and mineral processing
4. Energy development through alternative sources like solar, thermal, windmills etc.
5. Development of a myriad of small and medium scale industries.
6. Development of the infrastructure for transport and telecommunications.

In order to start up operations, jointly, the Indonesian Agency for the Assessment and Application of Technology, the ASEAN Secretariat, UNIDO In-

Indonesia, proposed to start small but with success. In this regard it was recommended that two African countries could be selected as pilot areas to initiate meaningful Asian-African cooperation activities. In order to come up with the blue print of the requirements of the reference countries, two Indonesians and one African will undertake a two week need assessment mission to each country and prepare the project document for consideration under the Asian-African cooperation parameters. It was also indicated that funding for this mission can be arranged by the Indonesian authorities. The mission will comprise of an economist, an infrastructure expert and an industrial expert.

Pending the creation of the South-South Centre at which time a clear mechanism for communication will be determined, existing regional institutions can provide modalities for communication. Assuming Indonesia is the focal liaison country and the focal issue is industry and technology development, in order to utilise the liaison service of the UNIDO country Director in Indonesia, the ECA Secretariat might need to inform UNIDO headquarters Africa's desire to enhance Asian-African cooperation and request to use UNIDO's good offices to assist since they have country offices in South-East Asia.

In order to actualize this, the Agency for the Assessment and Application of Technology (BPPT), was identified as a focal point and jointly with the ASEAN Secretariat, UNIDO country Directorate need to be involved from the start for support and for future development of a more enlarged sphere of Asian-African co-operation. In addition, ESCAP which is the social and economic commission for Asia and the Pacific will need to be involved for necessary support. Above all however, the UN Secretariat need to be informed especially for its continued support in all the fora on Asia-Africa co-operation.

### **The Involvement of the Private Sector in Africa**

The sub-regional workshop in Harare identified three important private sectors in the African economies; namely the peasant sector where small-scale farming still forms the backbone of an African economy. It was however noted that, meaningful growth of this sector is hampered by limited assistance by the government. Second is the informal non-farm sector, which produces a myriad of goods and services, but the regulatory framework makes strong negative impact. Third is the formal sector under which small-scale and large-scale enterprises fall. The importance of the former as a means of putting in place sustainable industrial development, has been recognised by many African governments.

Noting that the competition for foreign direct investments for Asian countries is growing more severe than before since the dynamism of global economic growth has shifted to the APEC region, the following was put forward for serious consideration for promotion of the private sector which can generate sustainable economic development in the African economies:

Nurture genuine African entrepreneurship which reflects the rich African cultural heritage. As Japanese management represents a mixture of Western rationalism with the Japanese traditional value system, other Asian countries produced "Asian" businessmen who have led their economic growth.

Strengthen technocrats in the government machinery. In spite of the need to reduce government interventions in managing the national economy, the African countries need stronger government which is capable of reducing the constraints as quickly and effectively as possible.

Consolidate the small enterprise sector as a strategic development sector in view of its capacity to generate self-reliant growth. It is regrettable that in spite of repeated announcements by government to emphasize the importance of this sector, the administrative machinery concerning small enterprises is usually located at the periphery of government. The operation of incentive schemes has been marked by favouritism toward large enterprises.

Encourage a creation of the enterprise networks among small enterprises in order to enhance their business opportunities. It is commonly observed that in every African country there are many clusters of the same businesses which were spontaneously developed; there are streets where automobile repair services and parts suppliers are concentrated, and the street functions as if it is a large factory. If small enterprises cooperate with each other, they can enjoy the benefit of economies of scale. Thus, an enterprise network plays a significant role in disseminating technical, managerial, and marketing information.

Strengthen regional cooperation and integration if possible, to induce foreign direct investment. Regardless of whether the aim is to explore the local market or to secure raw material supplies, regional cooperation has been discouraged by the lack of availability of regionally-wide infrastructure facilities. This is much more serious in landlocked countries than in countries with direct access to ports.

Finally, African countries must undertake earnest efforts to enlighten the people in developed

countries. People there know little of peaceful and developing Africa since the news they obtain through the mass media is largely biased and emphasizes the poverty and misery in Africa. Africa is not a continent of hunger and refugees. Unless the people in developed countries acquire more balanced information concerning African countries, it would be difficult for Africa not only to attract foreign direct investment but also more constructive development cooperation from the grass-root levels.

## Conclusion and Recommendations

Acceptably, industrial development is central for structural transformation of developing economies. With an exception of a few countries, however, industrial and technology development in Africa has lagged behind largely because of their historical integration in the industrial market economies, a factor that derailed efforts in the development of their own technologies. South-South relations therefore continued to be influenced by the North-South economic linkages. The internal factors included inappropriate domestic policies, low level of human resource development, inadequate development of the physical infrastructure and suppression of the role of the private sector, to mention just a few.

Efforts to promote South-South cooperation for mutual benefits to maximize economies of scale were constrained by several factors. Among the major constraints are: the contemporary nature and structure of the global industrial complex, the dominance of the industrialized market economies, issues of technology development transfer and adaptation, the nature and structure of the South-South trade, fragile South-South industrial relations and external indebtedness of the South.

Africa, was more severely hit by these constraints; and further compounded by both natural and man-made disasters. Integration within the African region leaves much to be desired and continued manifestation of the economic constraints will render dismal any efforts to implement the Abuja Treaty establishing the African Economic Community. Furthermore the outcome of the Uruguay Round, and the guiding principles of the World Trade organization, will necessitate the developing countries to search for new strategies to bring about meaningful economic partnership.

Aspiration for attainment of self-propelling growth for sustainable economic development is very much valid within the countries of the South. In this regard, co-operation for mutual economic benefit remains a major option in an effort to maximise economies of scale within the countries of the South, with a view to increasing their competitive

edge in the world market. Africa, to survive must also improve its competitive edge and this can only be done through economic cooperation arrangements with other countries of the South.

It is in view of this therefore that, Africa, should aggressively pursue, the implementation of the Tokyo International Declaration on African Development (TICAD) and the Bandung Framework for Asia-Africa cooperation. These international fora, defined important broad areas for Asia-Africa cooperation, and the main recommendations of this article is modalities for operationalizing Asia-Africa cooperation in the framework of South-South cooperation.

It must be noted that Asia has a projected vision on the Asia-Africa cooperation. In order for Africa to develop areas of her maximum comparative advantage, she must also have a clear vision of what she needs from Asia and what Asia needs from Africa. Africa must therefore put in place a mechanism which will provide this dual window.

Of great attraction to Africa is the success in technology development in East Asia. Among the factors contributing to this success are: conducive economic policies, political values in favour of stability, socio-cultural values which promote savings; and racial tolerance where mixed races are provided with a leeway to produce goods and services maximizing on their respective talents, as is the case with the so called "Chinese feat" in brilliant economic and business performance. Policies can be emulated, institutions are difficult to copy, most difficult and perhaps impossible are cultural attributes. Yet looking back, while at present largely eroded, African culture has valuable attributes which promote productivity. It is therefore recommended that, strategic studies are carried out in Africa with a view to reviving and promoting those positive cultural attributes.

Co-operation of the Asia-Pacific region is canvassed within a logical framework. The Asia Pacific Economic Cooperation (APEC) which will incorporate all the countries of the region is in its final stages of formation. The ASEAN countries, besides having their permanent Secretariat in Jakarta, their operations are handled from sectoral, ministerial and the summit levels. Africa on the other hand, has the African Economic Community (AEC) ratified but yet to be operationalised; and economic sub-regional groupings which are mainly sector oriented. It appears therefore that latitudinal co-operating links between Asia and Africa are prominently missing. The African regional IGOs, notably the OAU/ECA/ADB Joint Secretariat should be central in providing this link at least during the initial stages.

Subsequently a mechanism must be put in place for operationalizing TICAD at the national, sub-regional and regional levels. This will need to be mandated by the OAU Summit, and the technical proposal will come from the OAU/ECA/ADB Joint Secretariat.

Africa should draw lessons from the experience of implementing structural adjustment programmes. Indiscriminate trade liberalization left a lot to be desired. Asia on the other hand, despite their motto of "border-less Asia" in achieving Asia Pacific Economic Cooperation, in each national economy, there are still sectors which are protected for logical reasons. While the role of the private sector will be prominent in Asia-Africa cooperation, the role of the government to provide selective protectionism should not be ignored.

Another related factor is that, a border-less ASEAN or border-less Asia-Pacific is not whole-sale. For membership, there is an expected threshold with regard to economic and political environment. For instance Vietnam was just admitted; Laos has observer states; Cambodia and Myanmar are neither members nor observers. Africa on the other hand has tended to settle for numbers rather than quality for cooperation. Putting ones house in order should be a pre-requisite for co-operation, and treaties should include clauses of reversibility if expected political conduct is reversed. Economic similarities, and complementarities

should provide basis for cooperation in Africa if true integration is to be realised.

The Economic Commission for Africa, will play a catalytic role to sensitize and promote Asia-Africa cooperation. This essentially calls for associating the member states, and the various organizations at the national (UNDP) sub-regional (MULPOCS and sub-regional economic groups) and regional (OAU and ADB) with operationalization of TICAD. ECA should package the technical content on the modalities for Asia-Africa cooperation and disseminate to these levels.

The question of coordination between all the role players must be given serious attention. For instance the ECA/OAU/ADB Joint Secretariat is one of the regional bodies mandated by the Harare sub-regional workshop to support the core group of experts on the exercise leading to establishing a sub-regional Asia-Africa framework for cooperation. When all the sub-regions are covered, the outcome of this exercise will provide an initial package for Asia-Africa co-operation. Processing of the data so obtained, calls for active participation of the member states, individually and collectively. It must be borne in mind that, deriving of maximum benefits from the Asia-Africa co-operation will very much depend on effective participation of African member states and clearly defined roles among respective Africa regional institutions in supporting the current and future activities of operationalizing TICAD.

### III. FINANCIAL RESOURCES FOR INDUSTRIAL INVESTMENTS AND PRIVATE SECTOR PARTICIPATION

#### Reviving Private Sector Investment in Africa's Industrialization

The misfortune of Africa's industrialization finds its roots in the wrong belief that African industrialization will come mainly from foreign direct investment. Thus, the thirty five years of political independence since 1960 were fully mobilized in drawing generous investment codes and other incentive measures to attract foreign investment flows. At the same time, national development policies in African countries have not been conscious of the critical need to promote a sound and growing indigenous private sector and in particular "create an African entrepreneur" in all the sectors of national economies. Rather, they relied on foreign investor and entrepreneur to build their economies. The adverse results of that policy are now well known. African economies have remained the least developed and the least industrialized economies of all developing regions.

As experience has amply demonstrated, in the industrialization process of newly industrialized countries, and in today's fast growing economies in Asia and other parts of the developing world, the role of foreign investment has primarily been of topping up domestic investment effort. At no time in the process it had been determinant.

It is, therefore, important to underline that foreign investment cannot be substitute for domestic capital formation. Experience of development has shown that foreign investors are keen to invest in countries that help themselves first and foremost, and that today foreign direct investment will generally flow to countries that already have a vibrant private and a good investment climate.

Private investment, foreign as well as local, is a risk perception exercise. A careful assessment of the determinants of FDI shows that the constraints that inhibit local investments are, in large part the same as those that discourage foreign direct investment. There is a high correlation between the share of foreign direct investment a country receives and its amount of domestic private investment. To the

French saying "on ne prête qu' aux riches" one can add "on n'investit que chez les riches".

Whatever the volume of foreign investment, its returns to the domestic economy and its impact are small in qualitative terms in the absence of a sound indigenous private sector and entrepreneurship. Therefore, in enhancing policies to revive private investment in Africa's industrialization, African policy-makers have to realize that foreign direct investment is neither the problem nor the solution to Africa's poor economic performance. It is domestic investment, mainly the private component, which will be the critical determinant in uplifting Africa's industrialization.

There is a strong correlation between investment and socio-economic progress and economic growth. African governments have paid little practical attention to policies and strategies in raising the levels of domestic savings and investment as well as creating the appropriate enabling environment to induce local investment and attract foreign investment. This situation has made Africa a region of less domestic investment and less foreign private capital inflow.

As a matter of concern, while investment flows to developing countries as a whole amounted to \$ 71 billion in 1993 and estimated at \$ 80 billion in 1994, with the Asia and the Pacific receiving \$ 46 billion in 1993 and \$ 53 billion in 1994; Latin America \$ 22 billion in 1993 and \$ 22 billion in 1994, Africa share remained stagnant at \$ 3 billion in 1993, notwithstanding the structural adjustment programmes, liberalization of investment regimes and other policy incentive measures African countries have been putting in place for the last ten years. Argentina alone received over \$ 6 billion inflows in 1994.<sup>10</sup>

The question then arises why is it that Africa as a continent attracted less investment, both local and foreign, than a medium size country like Argentina;

<sup>10</sup> *Transnational*, volume 7, Number 1, March.

or a city-state like Singapore in 1989? Africa must be facing serious impediments to investments.

### **Constraining environment**

Africa as a continent, particularly Africa South of Sahara, projects an image of irresponsible leadership and management, poor governance, public corruptions and embezzlements, hunger and starvation, a high risk environment if not a lost case. Africa is seen as a continent where the costs of doing business is highly risky. The major single constraints to investments are outlined below.

### **Political stability and continuity in government**

Political stability is a precondition to any meaningful economic development. No investor would want to invest his capital in a politically instable country for fear of intermittent interruptions of production activities or of losing his investment altogether as a result of civil strife. A continuity of public policy is essential in securing a positive investment climate. Frequent changes of government and erratic policy swings have detrimental impact on economic development and growth. Emphasis should be placed on ensuring political stability, continuity and predictability.

### **Poor governance and lack of public accountability and transparency**

African governments have yet to provide good governance and responsible leadership. Leaders in high position often behave above the law. Embezzlements and diversion of public resources to non priority and non productive areas have been frequent and seriously hampered economic development in many African countries. No factor than an officially non-sanctioned corruption has brought serious discredit to investment climate in the continent.

### **Threat to Security of life and property**

Africa is still the continent of poor human rights record. No investor, local or foreign, would venture in serious investment in a country with continuous violation of human rights, in an environment of threat on life and private property.

### **Deteriorating economic and social conditions**

A seemingly permanent economic and social crisis is looming in the majority of Africa countries. This situation has stemmed from natural and man-made calamities, such as droughts, regular epidemics, internal conflicts, i.e. internecine wars, political

and ethnic. Africa is the home more than elsewhere of the poorest health environment.

### **Inadequate physical infrastructures**

There is a seriously continuing breakdown of physical infrastructures in most African countries. Roads in cities and intercities roads, railways and other means of communications are hardly practicable all the year, if ever. Telephones, telecommunications facilities, electricity and water are inaccessible to the majority of people in cities, thirty five years after achieving political independence. The few physical infrastructure left behind by the colonial administrations have run down, without the new national governments having added much to it.

Today in some African countries, an investor has to wait a year to have a telephone line, water or electricity connected to his plant or business place. For an entrepreneur, it is a permanent struggle to have the basic facilities made available for him to invest, while in Asia and Latin America these facilities are over 90 percent readily available.

### **Narrow domestic markets**

Because of narrowness of domestic markets, few African countries are attractive to meaningful investment or justify it economically. In addition to narrow and often fragmented markets, low level per capita income adds itself to the list of disincentives to investment. The potential of regional markets is yet to be explored. Furthermore, liberalization of trade worldwide leaves no room to African industries to be competitive within short and medium run.

### **Low level of economic activities**

In many African countries, economic activities are predominantly confined in subsistence agriculture, followed by small scale trade in basic products, local and imported. The role of industrial activities, the share of industry in the overall GDP has substantially declined. This situation projects a negative image of Africa as a gloomy environment.

### **Poor mobilization of domestic resources**

Little attention has been devoted to the mobilization of domestic saving in African countries, be it private or public. Because of poor level of economic activities and per capita income, the households savings are very low or inexistent. And yet there is a positive correlation between the level of economic activities and domestic savings. Besides, African people by culture have no good record of saving habits.

In the public sector, i.e. government, the experience in saving is not better. Good management of public funds is synonymous to annual allocations being fully spent during a given fiscal year, leaving no room for savings.

One of the many lessons one can learn from the Asian experience is that "a development breakthrough can be achieved when rates of gross savings and investment reach level of 32-35% of GDP with net savings and accumulation occurring at between 20-25% of GDP and sustained at those levels for a decade or more. ... that government's recurrent fiscal accounts have to be balanced or in surplus so that government is a net provider of savings to the economy for capital formation rather than a net taker of household savings to finance its own consumption."<sup>11</sup>

### **Low propensity for entrepreneurship and productive investments**

Low level of overall economic activities, domestic and external resource mobilization, economic growth and transformation is the direct result of poor propensity for entrepreneurship and productive investments. Entrepreneurship is the most precious capital African policy makers have neglected to address. The example of Japan, South Korea and other Asian countries which invested heavily in human resources development (HRD) in the absence of meaningful natural resources endowment is a testimony of the crucial dimension of human development in a nation building. Determined HRD efforts lay the basis for subsequent capacity for agricultural and industrial development, which furthermore create a basis for technological and research development that gradually enables a country to acquire an increasingly selective capacity in its dealings with foreign direct investment, enable it to de-package, develop institutions and industrial establishments adequately related to their own improving endowments and potentialities.

### **Key instruments of financial mobilization and financing economic development**

Most African countries lack modern financial instruments to enhance capital accumulation and channel resources to long term maturing development activities. It is, therefore, crucial for African countries to:

- create capital markets and investments funds with a view to channeling funds on a

medium and long term basis to the private sector and economic development

- promote investment companies, venture capital companies, discount houses and a whole family of non-bank financial institutions.

Experience in Asia has amply demonstrated that financial markets have driven entrepreneurs. Financial institutions and other intermediaries have attracted a myriad of savings deposits that together provided a large fund to be lent for investment projects of substantial size to credit worthy borrowers. Through the law of large number, these institutions provided owners of savings deposits with safety, convenience and liquidity, yet financed long-term investments. Banks have proved to be the most intermediary institutions in Asia, but non-bank intermediaries such as finance companies, post office, savings, investment trusts, insurance companies as well as stock exchanges in which private companies raise funds through share issues and organized markets also played a significant role<sup>12</sup> in utilizing investment resources.

Financial intermediation being the main channel for mobilization of domestic savings and financing of investment, Asian Governments were active in promoting and establishing new financial institutions in order to develop the financial sector. As result, domestic saving rates averaged nearly 30 per cent of GDP in the NIC's and Asean-4. By 1995 over 80 per cent of gross domestic investment was financed by domestic savings in many Asian countries.

### **Some measures to revive industrial private investments in Africa**

The revival in Africa of industrial private investments, domestic and foreign would depend upon the active search of solutions to major constraining factors enumerated above which are serious impediments to investment and to development. First and foremost, the creation of an enabling environment is critical for the accelerated growth of private investment. The major components of an enabling environment are, inter alia:

- stable socio-political conditions;
- continuity in government and economic policy;
- a favourable regulatory framework defining the rules of the game and the role of govern-

<sup>11</sup> *In support to Asian Development: A study commissioned by the Department of International Economic Cooperation, Ministry of Foreign Affairs, Stockholm, Sweden, Nov. 1992.*

<sup>12</sup> *Asian Development, Economic Success and Policy Lessons, 1987.*

ment in providing industrial infrastructures, ensuring competition and market forces are in play;

- investment promotion incentives
- adequate economic institutions and structures in support to industrial development
- a satisfactory degree of domestic private sector development and indigenous entrepreneurship
- a good education system which turns out a skilled labour force to meet the needs of a fast growing and diversifying economy
- a satisfactory degree of influence and leverage on the financial systems in the country;

### **Credibility, responsible leadership and moral authority as factors in attracting investments**

In the present context where Africa has a poor image, even if the above factors are secured, it is unlikely that private investment would pour in at the level of African countries expectation. Other moral factors are likely to yield more weight in attracting private investment in many African countries, be it from within or outside.

African policy-makers and governments must project better image of themselves as responsible leaders keen about the interest of their people and be seen much concerned about uplifting and bringing to higher level the standard of living of their fellow citizens. They should behave with modesty and humility and be humble servants of their people. Ostentatious behaviour of political and government leadership invites apathy to public good and is a bad seed to upcoming generations.

Political leaders and government officials must project exemplary integrity in conducting and managing public affairs. They should discourage and combat corruption. The latter is not only an impediment to economic growth, but also affects income distribution and poverty alleviation negatively in a number of ways. It dilutes the impact of otherwise sound economic policies, widens the living standard gap within the society and erodes public confidence in the leadership and future.

Furthermore, a satisfactory human rights record is a major ingredient in building confidence, inducing in economic activities and attracting both domestic and foreign investment. At a very fundamental level, respect for basic human rights and the rule of

law affects poverty alleviation and income distribution. Their absence inevitably affects the poor. The result is personal insecurity and a reduced propensity to take economic risk and engage in entrepreneurship.

Recent developments in Asian countries have indicated that there are thresholds when improvement in political democracy and human rights conditions become necessary for continued and sustainable development. There are positive correlations between political democracy and popular participation and successful economic development and nation building.

A relatively equitable distribution of productive assets is an important factor to further investment in a given society. There is a close link between the distribution of productive assets and the distribution of the fruits of economic growth and technological development. Equitable distribution of wealth and income enables the benefits of rapid growth immediately to be widely spread resulting in broadly based growth of incomes, domestic consumption and savings.

### **Conclusions**

African policy-makers, particularly in Africa south of the Sahara, have throughout their economic development since independence given much prominence to foreign investment. Generous investment codes and incentives were provided to foreign investors. And yet, this has not resulted in investment pouring in African economies. Economic development and growth have been disappointing, generous incentives notwithstanding.

This shows, in an obvious way, that foreign investment cannot substitute for the domestic financial sector. A survey by the Economist (25 September, 1993) in a number of Asian and Latin American developing countries indicated that while the former witnessed a large increase in foreign investment, at no time has this investment displaced the role of domestically generated savings and investment.

This forcefully and in no uncertain terms means that the formal financial sector is the key to mobilizing long term savings which can lay the foundation for sustainable flows of investment and growth. And yet, banking and financial systems wholly escape the grasp of most African governments. The question to be asked, therefore, is how a country can have a national economic development policy when the crucial sector of money and banking is fully in the hands of foreign interests?

A recent World Bank Research Policy Report on East Asian Miracle recognized that "Inadequate domestic saving will eventually pull down investment rates either directly or through constraints on the continued build-up on foreign liabilities which must eventually be repaid from domestic savings."

In conclusion, to be able to revive private investment in Africa, Africans should regain the confidence they have lost in themselves, have a deep sense of commitment and achievement, develop a financial sector of their own and at the service of their development and convince themselves that foreign investment would only come when Africans are seen at work seriously.

## Mobilization of Financial Resources for the Implementation of the Programme of the Second IDDA

The programme of the second Industrial Development Decade for Africa (IDDA) adopted by the Conference of African Ministers of Industry (CAMI) in resolution X(I) during its tenth session held in Dakar, Senegal from 29 to 31 July 1991 and by the General Assembly at its forty-seventh session in resolution 47/177 of 22 December 1992 called, *inter alia*, for the mobilization of resources for promotion of investment in national, subregional and regional multinational projects. Learning from the experiences of the first IDDA, when the resources so carefully computed for investment in the identified projects never materialized, the second IDDA took the cautious approach of not making a specific estimate of the cost of IDDA-II. The programme, however, stated from where it expected the resources to be mobilized, primarily domestic savings to be complemented by external resources from both public and private sources. Needless to say, the lead role was placed on the private sector.

It is important to stress that most African countries are, at the same time, heavily indebted, with huge budgetary deficits and with low saving ratios relative to their gross domestic product (GDP). Recent trends in foreign direct investment (FDI) and transnational corporation (TNC) activities illustrate the deep ongoing changes occurring in the world. For Africa, there has actually been a trend of disinvestment in a number of countries, in stark contrast to the total FDI flows to other developing regions. The implications cannot be overstated. With the exception of a few countries in Africa, investment resources in any sector are no more readily forthcoming. Africa, it would seem, has to make itself more attractive to investors, including African investors themselves.

### Implications of the emerging world economic order and africa's economic realities

#### The evolving world order: The globalization of the international financial system

There are a number of political and socio-economic structural changes that have and will continue to have a number of implications on the world economic and financial environment. Such developments can be grouped to include, *inter alia*, the Internationalization of production and trade, the liberalization of world economies, the entrance of the

transitional economies of Eastern Europe into the competition for financial resources, new global and regional economic agreements and shifts in international economic management policies.

In the early 1990s, the evolution of finance into a competitive international industry gathered accelerated momentum, spurred on by the European Community's Single Market in financial services and the various reforms that it entailed. Thus, domestic financial markets have become increasingly globalized with the old segmented financial structures becoming replaced by broader-based and more integrated ones.

A number of features of such globalization of the financial system can currently be discerned. These include:

- (a) The competition-driven disintermediation from banking systems into securitized money and capital markets;
- (b) Development and large-scale use of sophisticated management instruments;
- (c) Increased competition in a liberalized financial market which is directing financial resources to the most hospitable and profitable environment;
- (d) The trend for international banks to offset declines in their traditional lines of business by engaging in higher-risk and higher-return activities.

Of course, it has to be emphasized that most African countries depend on international commercial finance only to a very limited extent. In the specific context of the second IDDA, the major external sources of funds are envisaged to be the following:

- (a) Bilateral and multilateral loans and grants;
- (b) Foreign direct investment.

But even in these areas, African countries must take into account two very important emerging world trends that have a direct bearing on the mobilization of financial resources for their industrialization programmes:

(a) African countries should expect extremely stiff competition for financial resources from the following regions:

(i) Latin America, in view of the sweeping economic reforms and the emerging regional blocs;

(ii) the transitional economies of Eastern Europe and the former Soviet Union which, relative to Africa, have more developed physical infrastructure, human resources and financial systems;

(iii) China, given its fast growth and market potential;

(iv) countries of Asia-Pacific, South-East Asia and India, which will continue to attract foreign investment, especially from Japan.

(b) There are identifiable signals that there are some shifts in the priorities of donor countries. It would seem that besides regional criteria, donor assistance is becoming more biased towards:

(i) political pluralism;

(ii) good governance, transparency and accountability;

(iii) market-based economic adjustment;

(iv) environmental concerns;

(v) poverty alleviation; and

(vi) emergency assistance.

It does not seem likely, especially in view of the ongoing privatization processes in the world as a whole, that donor countries will devote substantial resources to governments' directly productive activities such as those envisaged in the second IDDA.

### Some trends in investment and financial flows to Africa

Table 1 below summarizes the trends in financial resource flows to Africa. Structurally, resource flows to Africa are dominated by official development finance (ODF). Indeed, there has been a trend for this source of finance to become increasingly more important. For example, its share of the aggregate net resource flows increased from 70 per cent in 1985 to nearly 100 per cent in the 1990-1993 period. The relatively insignificant proportion of Africa's mobilization of financial resources in international capital markets is illustrated in table 2 below. Overall, sub-Saharan Africa has a share of less than 3 per cent in all resources borrowed in the capital markets by developing countries.

Table 1: Net long-term resource flows 1985-1992 (billion of \$US)

(\$US millions, unless otherwise indicated)	1985	1986	1987	1988	1989	1990	1991	1992	1993
Aggregate net resource flows (long-term)	15,658	16,295	17,995	19,696	20,000	22,877	20,701	20,775	21,686
Official development finance (ODF)	11,041	12,186	12,841	13,418	14,356	21,470	19,469	19,295	19,725
Official grants	5,457	5,668	5,769	7,062	7,218	14,850	13,414	13,453	14,156
Official loans (net)	5,584	6,518	7,071	6,356	7,138	6,619	6,054	5,841	5,569
Total bilateral	3,032	2,736	2,941	2,938	3,246	2,456	1,765	1,650	1,162
of which: concessional	2,160	2,539	2,632	2,640	2,521	2,487	2,589	2,314	1,857
Total multilateral	2,552	3,781	4,130	3,418	3,892	4,163	4,288	4,191	4,407
	1,281	1,941	2,503	2,323	2,341	2,736	2,757	3,046	3,102
Private loans (net)	1,792	2,261	2,681	3,814	1,411	-586	-2,418	-1,561	-1,379
Commercial banks	-939	1,163	405	791	-643	-1,226	-760	-244	0
Bonds	388	17	-51	279	91	-106	-32	-181	-526
Suppliers	-575	-782	-122	35	-15	-631	-110	-519	-442
Other (including non-guaranteed)	2,918	1,863	2,451	2,708	1,979	1,379	-515	-616	-410
Foreign direct investment	2,824	1,846	2,472	2,463	4,233	1,994	2,651	3,041	3,340
Memorandum item									
Net use of IMF credit	-21	-676	-533	-324	55	-537	181	-159	-380
Technical assistance grants	4,005	3,515	3,933	4,211	4,380	4,876	4,912	5,349	5,614
Aggregate net transfers on long-term	6,661	7,463	9,016	9,405	9,783	12,132	9,655	10,390	11,229
Interest on direct foreign investment	6,661	6,475	5,964	7,727	8,344	8,304	8,523	7,724	7,658
Profits on direct foreign investment	15,658	2,538	2,356	3,014	2,563	1,873	2,440	2,522	2,799

Source: World Debt Tables, 1992-1993.

**Table 2: Funds raised on international capital markets**  
(millions of \$US)

	1990	1991	1992	1993
Sub-Saharan Africa	756	689	273	102
East Asia and Pacific	14808	18228	16687	27541
Europe and Central Asia	10247	7191	9642	20264
Latin America and the Caribbean	4242	8688	9518	27326
Middle East and North Africa	128	4861	3070	337
South Asia	1720	3221	201	567
<b>Total (all developing countries)</b>	<b>31901</b>	<b>39979</b>	<b>40391</b>	<b>76137</b>

Source: The World Bank, "Financial Flows and Developing Countries", *World Bank Quarterly*, November 1994.

Despite the efforts of some African countries to adopt policies to attract foreign investment, trends show that the response has been minimal. The yearly FDI flows to all 53 African countries are estimated at a mere \$US3 billion which is less than the FDI received by Malaysia in early 1986. Average annual FDI flows into Africa as a proportion of all inflows in developing countries declined from 13 per cent in the period 1981-1985 to 11 per cent during the 1986-1990 period. Furthermore, during the early 1990s, foreign direct investment in African countries stagnated in contrast to significant increases for many of the developing regions. As a result, by 1992, Africa's share in total FDI to developing regions had further declined to a mere 6 per cent. This worrisome trend underlines the fact that Africa needs to take decisive, credible and sustainable steps towards the establishment of an enabling environment to attract foreign investment. Unless the region undertakes such actions, it will be marginalized in relation to investments that are taking place in the world. Table 3 below summarizes the flows of foreign direct investment into Africa relative to other developing regions.

Another important dimension of foreign direct investment in Africa relates to its concentration in a few countries. For example, two countries (Egypt and Nigeria) absorbed 40 per cent of all flows to Africa in the 1991-1992 period. There is no doubt that Africa has to take concrete actions to ensure that it becomes more competitive in attracting foreign direct investment. The most important of these include the following:

(a) Economic factors:

- (i) further diversification of the production structure towards manufacturing and services;
- (ii) strengthening financial intermediation and facilitating the development of capital markets;
- (iii) ability to enlarge markets both domestically and through regional integration and so foster high growth rates;
- (iv) improving infrastructural facilities, including improvements obtained through official financial assistance;
- (v) a concentrated drive towards improving entrepreneurial capacity;
- (vi) ability of South Africa to become an investment pole for sub-Saharan Africa.

**Table 3: Foreign direct investment inflows to developing countries by region, 1981-1992 (billions of \$US and percentage)**

Region	Annual average		1991	1992
	1981-1985	1986-1990		
Developing countries*				
Total	13.1	24.9	39.1	51.5
Share of world total (%)	26.3	16.0	24.1	32.5
Africa				
Total	1.7	2.8	2.7	3.0
Share of developing-country total (%)	12.9	11.4	7.0	5.9
Latin America and the Caribbean				
Total	5.6	7.7	15.0	17.7
Share of developing-country total (%)	44.7	30.9	38.5	34.4
Western Asia				
Total	0.4	0.4	0.5	0.7
Share of developing-country total (%)	3.4	1.7	1.3	1.5
South, East and South-East Asia				
Total	4.9	13.6	20.2	29.4
Share of developing-country total (%)	37.6	54.8	51.8	57.1

Source: UNCTAD, Division on Transnational Corporations and Investment, "Transnational Corporations, Employment and the Workplace", *World Investment Report 1994* (United Nations Publication, Sales No. E.94II A.14).

\* Includes developing countries in Europe (Gibraltar, Malta and the former Yugoslavia) and the Pacific Islands.

(b) Policy factors:

- (i) adoption of macro-economic reforms;
- (ii) further liberalization of FDI and related regimes, including those in the primary and services sector;
- (iii) introduction and expansion of privatization programmes.

**Profile of the African debt**

The region's economic, social and industrial development will be seriously hindered unless there is a significant alleviation of its crushing external debt burden. Africa's external debt has grown dramatically during the last decade. It grew from \$US111 billion in 1980 to an estimated \$US317 billion in 1994.<sup>13</sup> This rapid expansion of debt stocks was partly a result of, *inter alia*, deteriorating terms of trade; unfavourable fluctuations in international currency exchanges and interest rates; capitalization of interest and principal arrears from repeated rescheduling of debts; and inappropriate economic policies and political and civil unrest leading to the deterioration of Africa's capacity to grow.<sup>14</sup>

Africa's key ratios of external indebtedness have reached alarming levels indicating severe economic stress. In 1993, the ratio of total debt to exports of goods and services reached 306 per cent, while the ratio of total debt to GNP climbed to 99 per cent. The ratio of debt service to exports of goods and services, while high at 25 per cent, is quite misleading in the case of Africa since there are substantial differences between actual payments made and the scheduled payments a country was contractually obliged to make. Furthermore, the export earnings of most African countries are subject to volatile fluctuations due to price and demand variations, making this particular ratio still less indicative.

From the debt stocks that can be rescheduled through the Paris Club, bilateral debt comprises the largest component of Africa's external debt with a regional average in 1993 of 43 per cent, of which 21 per cent was on concessional terms. The proportion of private guaranteed debt in 1993 stood at 19 per cent for the entire region. Private non-guaranteed debt, which is negotiated in the London Club, represented only 2 per cent of the region's total debt.

Short-term debt, while seldom incorporated in debt rescheduling because countries usually make extraordinary efforts to maintain payments to avoid losing credit lines, can also be rescheduled when arrears have been accumulated excessively. Short-term debt accounted for 13 per cent of total African debt.

In 1994, both the principal and interest of African debts were estimated at \$US55.7 billion. The highest burden of arrears was due to bilateral creditors which accounted for 67 per cent of total arrears. Private creditors accounted for 20 per cent of arrears and multilateral creditors accounted for 13 per cent. However, in this case, it is worthwhile to note that there was practically no arrears with the World Bank, whereas the International Monetary Fund (IMF) alone accounted for over 8 per cent of Africa's total arrears, indicating the severe debt difficulties of some African countries with this institution.

The degree of concessionality of Africa's debt as a whole increased marginally from 26 per cent in 1980 to about 33 per cent in 1993. On this latter amount, 21 per cent of concessional debt originated with bilateral creditors and the remaining 12 per cent with multilateral creditors, mainly through International Development Association (IDA) loans.

The public and publicly guaranteed (PPG)<sup>15</sup> debt of the African region is heavily concentrated on a handful of countries and multilateral institutions. As of 1992, nearly two-thirds of Africa's bilateral debt was in the hands of former colonial powers: France, 18 per cent; Germany, 9 per cent; Italy, 6 per cent and the United Kingdom, 6 per cent, two former "cold war" adversaries the United States of America, 10 per cent and the former Soviet Union, 7 per cent and an Asian industrial power, Japan, 9 per cent. The distribution of these countries' exposure is very closely correlated to their corresponding political and economic spheres of influence in Africa, with the exception of Japan, which concentrated its lending mainly in economic interests (i.e., extractive) in selected African countries. During the early 1980s, the United States had the largest bilateral exposure in Africa, with France occupying a distant third place. As the decade of the 1980s ended, the United States share declined dramatically due to a substantial bilateral debt cancellation in favour of Egypt and a decline of geopolitical interest in Africa. In 1992, France had passed to occupy first place.

<sup>13</sup> Based on preliminary estimates by the World Bank which include South Africa's external debt.

<sup>14</sup> ECA. "The African debt problem: Financial shackles to Africa's development process". (E/ECA/TRADE/93/5). 23 May 1993.

<sup>15</sup> Public and publicly guaranteed (PPG) debt is composed of bilateral loans (at market terms and concessional), private guaranteed loans (from commercial banks, bonds and other private sources, i.e., supplier credits and export credits) and multilateral loans from multilateral agencies such as the World Bank (both IBRD and IDA), the AfDB and other multilateral lending agencies.

### Obstacles to the realization of adequate domestic savings

The efficient mobilization and utilization of local resources were seriously reduced by various obstacles inherent in African economies. Structural distortions and macro-economic imbalances, the bankruptcy of public enterprises, poor institutional capacities and political upheavals, combined with adverse external factors induced a crisis in the financial sector leading to budget cuts in the whole public sector. Competition for investment in IDDA projects is thus constrained by the dwindled domestic financial base.

### Structural distortions

In Africa, particularly in the least developed countries (LDCs), the extremely low per capita income (\$US335 in 1990 in sub-Saharan Africa) hardly promotes the build up of savings. In other words, any extra income earned tends to be directed to consumption rather than savings. While the GDP of sub-Saharan Africa was increasing yearly by 1.8 per cent on the average during the 1980s, the rate of savings and investment during the same period declined at an annual average rate of 2.6 and 3.5 per cent respectively.<sup>16</sup> The relative scarcity of capital is reflected in the vicious cycle of the low level of national revenue which induces a low rate of domestic savings and investments, thereby entailing low productivity in all sectors of activity.

The paucity of savings is also due to the preponderance of subsistence activities in the economy and, above all, to the shortage of financial institutions and instruments that make it possible to save, particularly in the rural areas. Private savings are therefore held mostly in the form of non-financial assets: land, residential property, livestock, etc. Financial markets that exist in the countryside are essentially in the non-structured sector<sup>17</sup> (thrift and loan societies, cooperatives, village associations) which satisfy, to a certain extent, the financial needs of households and small enterprises. However, such informal arrangements do not make it possible to collect savings beyond a small group of individuals who know each other well, nor to transfer the funds over great distances.

The scarcity of bank branches in the rural areas can be attributed partly to the very high transaction costs in these areas, resulting from inadequate de-

velopment of the local infrastructure, and to the limited nature of financial or material collateral for loans.<sup>18</sup> The high interest rates charged because of the degree of risk divert credits to the speculative activities of the economy, to the detriment of production, capital formation and employment. In the rural area, agricultural production techniques have not developed, as a result, *inter alia*, of the rationing of credit whereas most production activities take place in this area. The low value added resulting from such a situation leads to the scarcity of resources at the local level which, in turn, reduces productivity in the active productive sectors.

### The crisis of the financial sector

The first development strategy adopted by most African countries after obtaining national sovereignty relied, first of all, on an interventionist approach to the development of the financial sector. This choice led particularly to:

- (a) The setting up of financial institutions to supply funds, at low interest rates, to priority sectors;
- (b) The regulation of the supply and sectoral distribution of credit;
- (c) Preferential refinancing facilities from central banks;
- (d) The limited objectives of the commercial banks in lending; and
- (e) The practice of financial repression by charging low interest rates on deposits and loans.

In most cases, this approach turned out to be very costly, at the level of the efficient distribution of credit, the development of financial intermediation as well as the solvency of the banking system.<sup>19</sup>

For governments, the selective credit policy was assumed to be a means to ensure the optimum social utilization of resources. But then, the fact that such a policy disregarded the conventional rules of credit distribution (risk, expected returns and repayment guarantees) led to an increase in non-performing loans in the portfolio of banks, a phenomenon that was, moreover, facilitated by inefficiency, in-

16 *African Development Indicators*, UNDP/World Bank 1992.

17 Claude Dupuy, "Le secteur financier informel en Afrique de l'Ouest", *African Review of Money, Finance and Banking*, FINAFRICA, vol. 1, 1990, pp. 15-33.

18 Cuevas Carlos E., "Transaction costs of financial intermediation in developing countries", *Economic and Sociology*, Occasional Paper, No. 1469, The Ohio State University, Columbus, 1988.

19 Popiel, Paul, "Financial Institution in Distress: Causes and Remedies", *International Journal of Development Banking*, vol. 5, 1987.

competence and corruption at the level of public bureaucracy and the bank administration.

Financial intermediation was impaired by the obligation imposed on financing establishments, within the framework of a repressed financial market, to apply for public loans with low returns in order to finance, constantly, the increasing budget deficits resulting, *inter alia*, from the poor management of public finances and enterprises. Private savings were also discouraged by the very negligible and often negative interest rates paid on deposits.<sup>20</sup>

In order to avoid the collapse of the financial sector, governments were compelled to take corrective measures which included the liberalization of interest rates, the restructuring of banks and the improvement of the statutory, accounting and legal framework for banking activities. However, in several countries, the impact of financial reforms on the rationalization of financial channels and the mobilization of savings was impeded by the very magnitude of the imbalances, the low absorption capacity of the private sector, inadequate foreign assistance and uncertainties at the macro-economic and political levels.

#### **The crisis of the public sector**

The problems that affected the efficiency of public enterprises resulted mostly from their management structures. The lack of autonomous management adversely affected motivation and the sense of responsibility. The pricing policy involving the underpricing of goods and services for social reasons was detrimental to profitability. In certain cases, the monopoly held by public enterprises also contributed to their poor financial performance.

Even though major reforms have now focused on privatization, including the liquidation and restructuring of enterprises as well as the encouragement of competition, the results recorded are not impressive. Privatization has been hindered by difficulties resulting from the low absorption capacities of the indigenous private sector. The lack of foreign exchange as well as political and macro-economic uncertainties hardly facilitated the takeover of public enterprises by the indigenous private sector. Moreover, progress made in rationalizing and modernizing public enterprises was hampered by their huge debts, budgetary problems and by political and social considerations.

#### **Macro-economic distortions and political uncertainties**

Investment in Africa was seriously hampered by macro-economic distortions and political instability, which greatly contributed to massive capital flight estimated at \$US40 billion during the period 1976-1987, an amount which was equivalent to half of the official development assistance received during the same period.

The over-evaluation of exchange rates, inflation and negative interest rates reduce the value of reserve holdings in national currencies and, as a result, clearly play a determining role in capital flight. It was also established that in economies characterized by major macro-economic distortions, investment productivity declined by at least 5 per cent of what could be obtained in well-managed economies.

Political tensions and the spread of armed conflict over Africa also hampered savings and investment efforts by creating a situation of insecurity inimical to economic activity. Though many countries are currently carrying out political and economic reforms, the transition has been much longer and much more complex and costly than expected. In certain cases, the transition was not as peaceful as desired and this contributed to creating political chaos. In other cases, transitional governments hesitated, for political and social reasons, to apply economic and financial reform measures, thereby adding economic uncertainty to political instability.

#### **Prospects for mobilization and effective utilization of financial resources for africa's industrialization**

##### **The magnitude of the financial requirements**

There is no accurate dollar value of the magnitude of resources required for Africa's development and transformation. This is partly because the objectives and goals for Africa's capacity building can only be stated in broad terms. As the developmental process is a dynamic one, the underlying economic structure and behavioural pattern will also change and thus create new parameters of investment needs, even within a medium-term framework.

The programme for the second IDDA specifically recognized that one of the major handicaps that

<sup>20</sup> World Bank, *World Development Report*, 1989.

African countries faced during the first IDDA was that the required financing did not materialize. Thus, the programme for the second IDDA puts particular attention on the financing aspects. In broad terms, the programme categorized the financial needs in five areas, namely:

- (a) Funds for developing the physical infrastructure;
- (b) Funds for improving the institutional infrastructure, including human resources development;
- (c) Funds for rehabilitation and reconstruction of existing industries;
- (d) Investment funds for new ventures; and
- (e) Financial resources for technical aid and consultancy.

With regard to the mobilization of resources, the programme for the second IDDA pragmatically noted that it would be very difficult for Africa to depend solely on its resources especially in view of the heavy debt burden, the budgetary deficits and the weakness of domestic savings in almost all the African countries. The programme thus implicitly assumed that foreign assistance and foreign investment would be necessary to finance its implementation.

While the programme did signal the stagnation or decline in official flows to African countries, it did not lay particular emphasis on the many changes that were starting to take shape in the world economic order. Yet, it is now obvious that many such changes will greatly affect the financing of the second IDDA. It is thus necessary for Africa to review these changes with particular focus on how they are likely to affect the effective financing of the programme for the second IDDA.

#### **Managing Africa's debts to promote industrialization**

The policy options currently available to deal with the African debt problem are quite limited. But, what is clear is that countries must take forward-looking and vigorous steps to establish sustained recovery in the medium to long term. On their part, Africa's development partners have to recognize fully the importance and urgency for debt relief to African countries.

On the external debt front, improved techniques need to be applied in the management of debt. These include the development and utilization of

improved debt-monitoring systems; better targeting of new external resources; skillful operation, through third parties, of the secondary market for sovereign debt instruments in cases where national debt trades at substantial discounts; actively and imaginatively courting debt-swap opportunities; and applying risk-management techniques to reduce exposure to risks arising from fluctuations of exchange rates, interest rates, and commodity prices.

Better targeting of new external resources will prevent past mistakes being repeated in the choice of sources of external finance and in the utilization of scarce and costly external resources. Such resources should be put to use where they will yield rates of socio-economic return at least equal to their opportunity cost; furthermore, adequate resources should be channelled to projects which will increase exports or efficiently produce import substitutes, with a view to strengthening national capacity to service external debt-obligations in the future.

The exploitation of debt-swap opportunities should relieve the debt burden by transforming existing external liabilities into development capacities within African countries. Examples are swaps along the lines of debt-for-development, debt-for-nature or debt-for-education, public health, or women-in-development, and debt-for-exports, where portions of external debt would be converted into local currency-denominated grants.

Multilateral debt is less than 25 per cent of total Africa's debt. About 15 per cent of that is on concessional terms. Very few African countries have serious debt overhang problems with the World Bank. Most of the problems with multilateral lenders involve the AFDB.

With regard to the internal debt problem, as in the case of external-debt options, the long-term solutions are conceptually easy to visualize whereas in the short to medium term, the options are few. For instance, a future course of action is to reduce government involvement in production sector activities. This will be done by putting existing public enterprises on a sound footing through restructuring them, privatizing those that are viable but not considered strategic, improving the management of the strategic ones that the State wishes to retain within its reduced portfolio and winding down those that are not considered strategic and are not viable in the private sector.

In the short term, meanwhile, the African countries' financial institutions and enterprises that are burdened with forced credit and non-performing assets need urgent relief or else they will be bankrupted, resulting in losses to depositors and the

destruction of formal-sector jobs. Therefore, effective measures in the short term must be devised and implemented to tighten State finances and resume the servicing of State obligations to the financial institutions. Such measures should include improved budgeting techniques; the strengthening of public revenues through improved levying of taxes and duties and their enhanced collection; instituting strict controls on disbursements, coupled with a general reduction in government consumption; increasing the productivity of public-sector employees and boosting employee morale through packages of improved incentives, while keeping the public-sector wage bill within the limits set by fiscal constraints.

Efforts must be made to sell government securities, which means that steps will need to be taken to establish a market for this purpose, with the aim of drawing savings from the general public and using them to service the State's internal obligations. In view of the rudimentary stage of public-securities markets in many African countries, the lack of familiarity with such instruments, and the absence of secondary markets, the sense of uncertainty and risk on the part of the saving public and the generally low credit rating of the State, rather high interest rates may initially have to be offered. The problem, therefore, is the extent to which the floating of public securities "crowds out" private-sector financing requirements as compared to generating otherwise idle savings.

### **Building financial institutional capacities for efficient mobilization and utilization of resources**

#### **1. Policy measures for the development of the African financial sector**

Policy measures for the development of a dynamic financial sector in Africa would invariably have to start from the premise that, in a number of African countries, the financial institutional infrastructure as well as available financial instruments are extremely deficient for the efficient mobilization and allocation of resources in support of economic development. Sustained efforts need to be directed towards upgrading human capacities through the training of financial managers, accountants, auditors, regulators and central bankers.

Among the key policy actions would have to be the following:

- (a) Facilitating the enabling environment for establishment of a wider range of institutions both domestic and foreign which are operating in African financial sectors, as well as the financial instruments and services

that they offer. Possible examples include insurance companies, mutual funds, mortgage financing institutions, investment banks, leasing companies, merchant banks, securities markets and stock exchanges;

- (b) Liberalizing the ownership of financial institutions in Africa with a view to introducing a measure of competition and ending monopoly situations in segments of the financial sector, increasing operational efficiency in the mobilization of domestic and external savings and allocating them to investors;
- (c) Strengthening the legal framework within which the financial sector operates;
- (d) Creating and maintaining a stable macro-economic environment in African countries that offer adequate incentives to savings and investments and which is conducive to sustained economic growth and development of a sound and dynamic financial sector;
- (e) Reducing the fiscal burden on the financial sector through increased savings by public enterprises; and
- (f) Promoting the development of informal financial markets in Africa by rationalizing the demarcations between them and the formal financial markets, with a view to increasing the efficiency and risk-assessment capacities in both markets and, by fostering direct contact as well as competition between them, encouraging institutions in both sectors to pass on some of the efficiency gains in the form of higher interest rates on savings and lower rates charged on credit.

Efforts that are under way to restructure financial institutions in African countries, often backed by the World Bank's financial sector adjustment lending programme, have generally included:

- (a) Raising domestic deposit and lending interest rates while initially leaving them controlled with the objective of attaining positive real deposit rates to induce increased savings and lending rates adequate for improving efficiency in allocation of scarce capital resources;
- (b) Liberalizing the determination of interest rates by removing controls on deposit and lending rates;

- (c) Reducing the complexity of sectoral credit targets and relaxing controls on credit allocation;
- (d) Removing bank-by-bank credit ceilings in favour of broad instruments of monetary control;
- (e) Rationalizing the licensing requirements of new banking and non-bank financial intermediaries to ensure that the barriers to entry are no more than required for prudential reasons;
- (f) Reducing the fiscal and quasi-fiscal burdens on the financial sector; and
- (g) Liberalizing currency-exchange controls.

## 2. A policy framework for building financial institutions in Africa

It is generally acknowledged that the weak fiscal capacities of African countries have contributed substantially to chronic fiscal deficits and to the low rates of gross domestic savings in proportion to national income. Lack of well-developed financial markets meant that governments had to finance deficits either through the highly inflationary method of increasing the money supply or to oblige the banks and other financial institutions to hold government securities for which there was no secondary market and which were of doubtful value. The increasing exposure to public-sector debt characterized by mounting non-performing assets steadily undermined the soundness of the African financial institutions, while the crowding-out effect of domestic financing of the budget posed an obstacle to increased resource flows to the private sector. Both factors militated against the development of efficient mobilization and allocation of domestic savings.

It follows, therefore, that a policy framework for financial institution building must be prefaced by concrete actions to strengthen the fiscal institutional framework, through, *inter alia*:

- (a) Expanding the tax base;
- (b) Strengthening tax administration;
- (c) Sensitizing the public about their tax obligations;
- (d) Controlling budget disbursements with improved auditing practices.

Policies aimed at increasing the contribution of the private sector to domestic savings and the utilization of scarce financial resources need to be tailored to specific groups of savers and investors in the private sector. On the savings side, the larger corporate enterprises, the smaller enterprises based on single proprietorship or limited partnerships, and single-owner micro-enterprises, especially in the informal sector have been identified. To these should be added savings by households. These are derived from wage-earning urban centres or from agricultural and artisanal incomes in the rural areas.

Household savings are determined by the rate of growth of family incomes; the rate at which rural economic activities can be monetized and rural production is switched from subsistence and barter trade to a predominantly cash economy fully integrated into the national and subregional economies.

Finally, African efforts in capacity-building of financial institutions should gradually go beyond the national level in view of the long-term development strategy based on progress towards the creation of a single economic market on the continent within 35 years, which the African States adopted when they signed the Treaty establishing the African Economic Community on 3 June 1993 at Abuja, federal capital of Nigeria. Capacity-building of financial institutions must thus be carried out at the subregional and regional levels hand-in-hand with similar capacity-building at the national level.

In the short to medium term, there is need, in the context of regional economic integration and trade and financial sector liberalization, for African countries to open their doors to the establishment of African trans-border banking and other financial institutions and African transnational corporations. The successful development of such trans-border African enterprises is an essential first stage towards the development of fully fledged African transnational corporations able to conduct competitive business on a global scale.<sup>21</sup>

## Cocnclusions and Recommendations

Obstacles to the mobilization of financial resources for development funding especially in the industrial sector are many, complex and interdependent. At the external level, the worsening of terms-of-trade reduces the capacity of African countries to meet their external obligations. Further, the context of increasing competition for resources, adversely affects Africa's access to external financing.

21 "A Framework Agenda for Building and Utilizing Critical Capacities in Africa". (document E/ECEA/CM.20/6). April 1994.

At the domestic level, there also exist many obstacles, such as the insufficient development of the banking and financial infrastructure, the low real per capita income, macro-economic and financial imbalances and political instability, which hinder the collection of savings and their injection into the economic mainstream.

Macro-economic distortions and political instability, together with the poor management of public affairs have greatly contributed to the diversion of savings from mainstream economies. The scarcity of external financial resources and the little impact that the debt-rescheduling measures have had so far, signal a clear message of the need to depend more on domestic resources for Africa to attain its development objectives.

With these considerations in mind, it is advisable to consider the following recommendations:

#### **General recommendations**

- (a) Many individuals realize some level of savings from their economic activities. They may or may not put these savings in banks depending on the level of confidence they have in the system. These individuals can pool their savings together through organized joint ventures and invest in a mutually agreed industrial enterprise;
- (b) The development of financial infrastructure should be secured, by encouraging banks to open branches in the countryside. The savings potential of the rural area will be better harvested as the banks will innovate loan formulae in order to tailor the services they offer to the needs of the informal and small- and medium-scale industrialists and other small businesses. Complementarity between the informal channels for the collection of savings and the conventional banks must be pursued, the former ensuring the liquidity of banks which is sometimes lacking;
- (c) The restructuring of the financial sector should be pursued in order to make it more efficient. The interest rates that remunerate deposits must be sufficiently attractive but should not affect the financing of productive enterprises. A discriminatory system of multiple interest rates could be envisaged in this respect. The system must be designed to bring out an average interest rate that makes it possible to remunerate deposits at positive rates and to charge encouraging interest rates on loans meant for the productive sectors. In order to avoid capital flight, the exchange rates must be realistic but relatively stable;
- (d) African countries should foster the development of their financial institutions and capital markets with the ultimate aim of promoting private-sector development and trade. In this connection, regional and subregional financial cooperation is necessary to ensure the effective development of financial intermediation and money markets;
- (e) Public authorities must rapidly establish all the facilities that help in the collection of direct and indirect taxes, and stamp out tax evasion. These same authorities should ensure that rigorous management of public finance is undertaken to reduce and regulate unproductive expenditures (setting deadlines). Appropriate adjustment has to be made in the management of public enterprises in order to improve their financial performance; and
- (f) Funding agencies should, from now on, endeavour to:
  - (i) effectively simplify and harmonize procedures for the granting and disbursement of aid;
  - (ii) fully use local skills wherever they exist throughout all the phases of project execution; and
  - (iii) ease the conditions for the disbursement of mobilized funds, particularly by instituting a mechanism for the speedy reallocation of resources in order to take account of the impact of unfavourable external factors on the viability of approved projects;
  - (iv) create mechanisms to educate the target groups about funds available for their use and mobilize for accessing these funds with relative ease.

#### **Recommendations to promote foreign direct investment (FDI) in Africa:**

- (a) Adopt selective privatization of State enterprises. In the early years after independence, most African governments established parastatals to produce and distribute goods and services. However, as their economies have become more mature, so has the need to adopt new management

styles and techniques in most spheres of economic activity. One result of this is the increasing acceptance that African governments should disengage from those State enterprises that would be efficiently and profitably run as private businesses. While the process of divestiture should not be restricted to industrial enterprises, many industrial enterprises are fertile areas in which to invite the participation of FDI. This approach has a number of advantages. First, it creates opportunities for joint ventures between FDI and local enterprises. Second, it provides an opportunity to inject new technology and management in major infrastructural facilities, which is needed in any case, and which is necessary for further domestic and FDI and general development;

- (b) Develop strong mechanisms for provision of information to African countries that do not always know which TNCs invest in what areas. On the other hand, many TNCs are not well-informed about Africa - and the little they know is often seriously distorted and biased against African countries. Action is needed to improve information and knowledge. In this task, such bodies as the United Nations Centre on Transnational Corporations (UNCTC), the European Investment Bank (EIB), the International Finance Corporation (IFC) and the United Nations Industrial Development Organization (UNIDO) could be of enormous service. Carefully organized investment seminars and workshops would be very beneficial;
- (c) Encourage and adopt debt-equity conversion and swaps. Recently, a number of techniques such as debt-equity conversion and swaps, currency and interest-rate swaps, have come into use to reduce the debt burden and to protect individual borrowers from adverse currency and interest rate movements. Those techniques, however, have to be specifically applied to the circumstances of individual African countries, taking into account their economic, political and social circumstances. It should be recognized that while it is true that the profits and dividends earned from the operations of a privatized company would still need to be remitted, this should only happen after the enterprise becomes profitable. At this time, the multiplier effect to the economy from increased employment, productivity and technology transfer is likely to outweigh the cost of profit remittances. Overall, debt-

equity conversion should be encouraged, as foreign investors would then have to take a long-term view as far as the development of the host country is concerned. Their involvement might also attract other foreign investors in due course. An attractive field for such conversions might be parastatals which, as noted above, have protected markets and often need, in any case, further injections of capital and management;

- (d) Promote establishment of appropriate legal frameworks. The legal framework of a country can encourage or discourage FDI. For example, certain provisions in labour laws (such as minimum wages and mechanisms for the settlement of labour disputes which are punitive to the employer) can be a discouragement to FDI. Legal frameworks in most African countries were inherited from former colonial powers. In some ways, those laws were designed to discourage contact between the colonies and countries other than those associated with the colonial power. In many African countries, colonial legacies still exist in their laws. In order to encourage FDI generally, African countries should review their legislation and make it universally more applicable, for example, extending double-taxation agreements to other countries in addition to former colonizing nations;
- (e) Speed the process of streamlining licensing procedures. In many African countries, foreign investors must obtain approval from several government departments before they can expand their existing plants or start new enterprises. This causes investment delays. In a world where prices of materials, interest rates and exchange rates fluctuate constantly, such delays may lead to an escalation in the cost of projects, in addition to discouraging foreign investors. One way of encouraging FDI therefore, is to reduce bureaucratic delays in the approval of projects by setting up "one-stop" offices;
- (f) Review the development strategy. In preparing lists of feasible investment projects, governments of African countries need to take stock of their development strategies thus far, in order to encourage projects that quickly attract FDI while at the same time, maintaining the economy on the appropriate development path. Much of FDI in Africa today is in extractive industries and agriculture. Given that situation, it would appear that the most beneficial approach would be

to take measures that would encourage the expansion of existing FDI or would attract new FDI in areas such as agro-business, paper and wood products, metallurgical and chemical industries, that is, taking the existing resource-based industries a step further;

- (g) Strengthen the use of counterpart funds. The occurrence of frequent droughts, problems in the procurement of vital inputs owing to shortages of foreign exchange, and glut of certain commodities in the industrial countries have led to the provision of foreign aid in the form of commodity aid. The counterpart funds that are generated after the sale of those commodities in the recipient country sometimes remain idle for long periods in the central banks or designated financial institutions. Counterpart funds like these could be used to support local private-sector activities generally (and thereby develop opportunities for joint ventures with FDI), or, where there are restrictions on local borrowing by foreign companies, the funds could be used to support expansion programmes of TNCs from the donor country;
- (h) Provide strategic tax incentives on an equal basis for all investment, domestic and foreign. The use of tax incentives is necessary, although they are not as important as improvements in infrastructural facilities. Such incentives, however, need to be designed properly so that they can be real incentives instead of unnecessary gifts. One measure which could be an important incentive is to allow foreign-exchange losses in tax returns. Such losses have made borrowing abroad very costly, and many enterprises have become unviable simply because of the devaluation of local currencies and the appreciation of foreign ones in which the loans incurred were de-

nominated. In these days of fluctuating currencies and steady devaluation of African currencies, the offsetting of such losses appears necessary in order to assist in economic structural adjustment.

### **Recommendations for South-South Cooperation**

It can generally be concluded that prospects for South-South industrial cooperation are severely constrained by both supply and demand conditions. Forging of strong regional economic ties is, to a large degree, hampered by the dependency of southern economies on the global economy. Nonetheless, the deterioration of the economic situation, the increasing poverty and the debt burden in the countries of the South call for urgent measures to accelerate South-South industrialization focusing on resource mobilization. The following activities could be pursued:

- (a) Restructuring the post-colonial pattern of industrial cooperation whereby investments were largely by transnational corporations or foreign investors. This can be replaced by creation of southern multinational corporations whereby savings are retained in the countries of the co-operators and sustainability can be expected;
- (b) Establishing South-South industrial ventures whereby meaningful technology transfer and adaptation takes place. This has to go along with the strengthening of South-South scientific and technical cooperation;
- (c) Africa's position must be strengthened through promotion of intra-African trade. This must be preceded by promotion of indigenous industrial development and reduction of external dependency.

## IV. DEVELOPMENT OF HUMAN RESOURCE FOR INDUSTRIALIZATION IN AFRICA

### Women in Human Settlements Development

Human settlements issues, in the context of women and human settlement development, have not been adequately addressed in the past Global Fora. Human settlements issues were notably absent in Women's World Conference in Nairobi in 1985, the Dakar Regional Conference in September 1995 also left out the human settlements issues except in NGO Forum. The current fora were: the International Conference on Population and Development held in Cairo in September 1994; the World Summit for Social Development held in Copenhagen in March 1995 and; the Fourth World Conference on Women held in Beijing in September 1995. The global women's agenda hardly contained reference to human settlements, except in bits and pieces under poverty and some under environment. However, the campaign on human settlements was mounted by UHCHS and the NGOs.

Considering human settlement problems in Africa and especially as they affect women, the only chance left for African women is for the ECA and the African nations to fully incorporate the issue of women and human settlement development in the Habitat II process.

For an African woman lack of shelter means poverty and vulnerability. The need for shelter emerges with the lack of shelter, loss of shelter, displacement, eviction or resettlement. Again, "settlement" include not only housing and land but where the woman works, how she earns her livelihood, her access to basic amenities, natural resources, decision making bodies and governing institutions.

It is important to emphasize the quality and the strength of women in the human settlements process. Enabling shelter strategies, sustainable human settlements development, institution building community participation and settlements operation must all count on women's active involvement and welcome their energy and commitment. Furthermore, the role of women in the planning and development of cities, towns and villages and their role in defining the human settlements development goals and strategies needed in order to reach these goals, will both enhance the human settlements development process itself and empower women to take their rightful place within the process.

It is estimated that one billion people in the world do not have access to safe and healthy shelter and that if appropriate action is not taken, this number will increase dramatically in the next century and beyond. Significantly 30 per cent are women. The majority are in Africa. It is also estimated that globally one third of the households are de facto headed by women.

Against this background the need to improve the status of women with a view, among others, to enabling women to take more active part in the human settlements process as a whole and incorporating gender issues in all programmes related to human settlements development.

Moreover, the United Nations Agencies dealing with human settlements recognised the elaboration of housing policies, programmes and projects, and that the specific interest and capabilities of women should be adequately represented at all levels in the implementation of housing policies programmes and projects.

During the United Nations Conference on Environment and Development (UNCED) which took place in Rio de Janeiro in June 1992, Agenda 21 was adopted. Chapter 7 of the Agenda refers to aspects of Housing as a Human Right. It was clearly recognised that;

" Access to safe and healthy shelter is essential to a person's physical, psychological, social and economic well-being and should be a fundamental part of national and international action. The right to adequate housing as a basic human right is enshrined in the Universal Declaration of Human Rights and the International Covenant on Economic and Social and Cultural Rights...

In May 1993, the United Nations Commission on Human Settlements adopted resolution 14/4 which was on promoting the advancement of women in Human Settlements development. It urged that governments should;

" implement measures in the developing of shelter strategy which strengthen the participation and empowerment of women in settlement de-

velopment and management at local, regional and national levels..."

Furthermore, during the Eastern and Southern African sub-regional conference in Kampala, in January 1995 in the preparation for the Second United Nations Conference on Human Settlements, Habitat II, which will take place in Istanbul, Turkey in June 1996, the Minister responsible for Human Settlements recognised the need to adequately address the issues of women and Human Settlements in their subregional programmes and plans of action. In this regard, the Ministers;

" resolved to give full practical recognition to and further strengthen the role of women in human settlements development and unencumbered access to credit and ownership of land as well as ensuring adequate gender balance in all aspects and levels of policy and programme decision making...

The City Summit - Habitat II will focus on ways and means of making the world's cities, towns and villages, safe, equitable and sustainable. In the two preparatory committee meetings of Habitat II, it was agreed that gender should be considered as a cross-cutting issue to be reflected in all areas of concern. Apart from the lack of human settlements agenda, the urban woman was noticeably missing from the agenda for the Fourth World Conference on Women; Action, Equality, Development and Peace which puts heavy emphasis on a rural woman. Although housing is universally accepted as a human right, therefore, it is a woman's right, it should be noted that there is a large gap between declared political practices, especially in the matters concerning housing and living situations of women. There is the need to have a follow up mechanism after Habitat II to ensure that resolutions regarding women and human settlement development are not yet again empty slogans.

In this regard, the following major problems areas in the context of Women and Human Settlements should be considered in the Habitat II process and Global Shelter Strategy.

## **Women's access to shelter**

### **Access to Land and property**

Although women constitute 50 per cent of the world's population, they own only one per cent of its property. Even in countries which give them legal rights to land and property, customs prevent them from exercising those rights.

It is important to identify the institutional, legal, cultural and economic constraints which have an impact on land tenure and to facilitate women's access to property and ownership as a human right.

### **Access to land**

Women's shelter situation is greatly affected by the right of women to own land and property. There are various types and levels of deprivation especially in Africa region.

Women do not inherit land in most parts of Africa. When a father or a husband dies only male children or male relative inherit the land. Traditionally, a widow was allowed to own a piece of land where she lives and farm, but when she dies this parcel of land reverts back to the male children and not to her daughters. The Governments' land use decrees discriminate against women. A married woman can not be allocated land because this is allocated to her husband. This imposition of modern law in theory allows women to own land, but in practice it does not support women. Usually the clauses for supporting women are silent. The introduction of modern laws and pressure on land use and market values which are out of reach for women, makes it harder still to have access to land and property. This has further reduced the right of a woman in owning land and property.

It is the duty of the women at various levels, and sectors to work together in order to urge governments to institute legislation in the countries where they do not exist and review where they exist, so that women's right to land and property and access to their use are fully recognised and practically implemented. This should be the practices for the Traditional laws that does not allow women's ownership and inheritance of land and property. Further it should also be able to change the modern laws which do not allow women to have government land allocations whether married or single.

### **Access to housing**

Housing as a human right makes it obligation of governments to ensure equal access to housing resources, including finance to both men and women. In some of the Africa countries there are not legal restrictions for a woman to own a property, but financial constraints may still constrain their access to housing. The cost of building materials is rising disproportionately to the economic situation of women which is worsening. Access to affordable credit for women, either for housing or for economic activities

that lead to housing improvement need to be increased.

Many African governments have now developed housing schemes which are discriminating towards women. Single women do not get houses because the allocations are done only to men. If a woman gets allocation in one way or the other through friends etc. when there is any problem the laws do not support the woman as she is not to be allocated a house in the first place. Women occupying government rented house are in perpetual fear of eviction as soon as their husbands die. There are much more examples of ill-treatment African women receive, just because they are women and therefore not entitled to the same social facilities which are considered as men's right only.

The situation of women in Human Settlements as far as right to land and property are concerned can be only improved if;

- i) women's right are accorded in theory and practice of the law.
- ii) housing should be recognised as a human right and therefore a woman's right
- iii) women participation at all levels of governance and democracy is vital if their right are not to be infringed upon.

#### **Housing finance and Access to housing market**

There is need to encourage credit schemes which are favourable to women. These schemes should be able to lend to women under flexible conditions in terms of favourable banking terms and simpler banking procedures. The loans amount should be such that a goal of having access to housing can be achieved and favourable repayment schedules. Securities and cultural issue can be flexible for women.

There are still housing mortgage schemes that define households as male-female with male lead that effectively providing housing opportunities only for men, or general biases by financial institutions. There is need for women access to move conventional types of credit. Middle class women and professionals are discriminated against in the credit market either by law or simply by gender discrimination. Education of various levels of the stakeholder, banker, men and women to equip the knowledge of human rights, women especially should know their rights.

Women are up against both institutional practices and social prejudices. In order to qualify for a loan, women face many obstacles in providing proof of an adequate and dependable income. In addition, downpayment requirements are often prohibitive, coupled with unethical ways the modern African housing finance houses run their affairs. National governments must mobilize resources for human settlements development, in their efforts to establish financial systems that respond to the needs and improvement of the most disadvantaged groups, especially female-headed households, so that they can gain access to decent housing.

Governments and funding agencies should support these providing more funds so that more women can benefit. This financial support and in addition technical support will ensure more credit scheme of this kind. Women cooperatives and community based organisation and NGOs should receive more support to be able to benefit in these loans and schemes. NGOs need to support the CBOs so that they can develop the capacity to manage such schemes of their own or sustainable basis, with a steady savings mobilization component. Moreover, CBOs need more advocacy skills so that they can lobby for donor and government funds for community based credit schemes.

#### **Women's needs in policies, planning, housing designs and governance**

The direct participation of women is essential to the inclusion of gender-specific considerations in policy formulation. These considerations are; women's practical shelter needs; those required for survival, for example, food, shelter, and income will not be truly addressed without taking into consideration their strategic needs; those which focus on mutual respect between gender, eliminating women's subordinate status and empowering women.

Provision of social services, including policies to provide services to informal settlements, is a first priority. This includes provision of day care, and better planning of public services such as transport, public areas, schools and health centres. Participatory governance, with more recognition of the role of civil society, will ensure that women and men are involved in managing their living environments. This requires strengthening of local government, politically and financially. This means urgent steps will need to be taken to reverse the current trend towards centralization and the weakening of local government in many countries.

Recent shift in policy towards non-governmental in the management of human settlements, seen from common set of perceptions, the major one is the recognition of the importance of human settlement to the whole process of natural economical development. There is also understanding of new dynamic forms of settlements management that can on one hand respond to growing problems, on the other, recognize and exploit the potential of initiatives by other individual citizens, communities and private enterprise. Important among these potentials are the energies and ingenuity of non-government organizations and the informal sector, particularly in their ability to meet the demands of the poor majority of which are women

Important among the potentials are the energies and ingenuity of non-government organizations and the informal sector, particularly in their ability to meet the demands of the poor majority of which are women. Recent shift in policy towards non-governmental in the management of human settlements, seen from common set of perceptions, The major perception is the recognition of the importance of human settlement to the whole process of natural economical development. There is also understanding of new dynamic forms of settlements management that can on one hand respond to growing problems, on the other, recognize and exploit the potential of initiatives by other individual citizens, communities and private enterprise. Much remains to be done to make towns and cities more friendly to women, and housing projects and designs more sensitive to women's roles and needs. Houses are designed without consideration to women's comfort in their working places like kitchens or adequate provision for space for their income generating activities.

Participatory governance, with more recognition of the role of civil society, will ensure that women and men are involved in managing their human settlements. This requires strengthening of local government politically and financially. This means urgent steps will need to be taken to reverse the current trend towards centralization and weakening of local government in many countries. In many towns and cities, communities have increasingly taken over government responsibilities. At the same time, participation does not preclude the function of government. The appropriate role of governments has to be redefined, and governments held accountable. NGOs and CBOs need to organise more around this issue. International organizations and programme and project funders need to insist more on participatory governance.

## **Women and environment, health and sustainable habitat**

### **Urban environment and health**

By the gender differentiation, there are several environmental hazardous to which women are exposed more than men, as women take sole or primary responsibility for child-bearing, household management and subsistence production. The fact that women take most responsibility for child care means that they have cope with illness and injuries from which infants are subjected to in the poor urban environment. Women take care of the sick and laundering and cleaning of soiled clothes are particularly hazardous task when water supplies and sanitation and washing facilities are also providers of water in the households, for the chores like cooking and domestic hygiene, they suffer most if supplies are contaminated and difficult to obtain. Poorer urban and rural households in more Africa often use biomass fuels or coal for cooking and or heating on open fires or poorly ventilated stoves. It is generally women or girls who take the responsibility for tending the fire and doing the cooking who inhale large concentration of pollutants over a longer periods. It is usually women who take responsibility for firewood gathering and subsistence crop and livestock production in millions of urban households where these are important components of households livelihoods, rarely. If ever, do urban housing schemes make allowances for these activities and urban land use and other regulations usually discriminate against such tasks.

Women are more vulnerable than men to environmental hazardous, some because their sex (i.e. as a result of biological differences), some because of gender: that is as a result of the particular social and economic roles that women have, determine by social, economic and political structures. Pregnant mothers (like their foetus) are particularly vulnerable to certain environmental hazardous. As a recent WHO report noted;

... The reproductive system is particularly sensitive to adverse environmental conditions. Every stage of the multi-step process of reproduction can be disrupted by external environmental agents and this may lead to increased risk of abortion, birth defects, foetal growth retardation and prenatal death...

Around half a million women die each year of pregnancy and child birth related causes and this leaves around one million children without mothers.

Women vulnerability to all environmental hazards which are linked to the inadequate provision of water, sanitation, drainage and garbage collection is greatly increased, because the practical needs of those responsible for child-care and household management; overwhelmingly women are rarely given the priority they should have in government provided service provision. For instance, provision for health clinics and provision for anti-natal and post-natal care, rarely receive the priority provide the needed focus on women's reproductive health, including advice and support for fertility control, that can do so much to reduce maternal mortality and severe health problems. Where there is some public provision for health services, rarely are locations and opening hours well suited to women's needs. In the effort of Africa governments to provide health care delivery by introducing basic health facilities, the basic health clinics and centres are always situated out of settlements in open bushes somewhere several kilometres away, as a result the sick women and children who are obviously unable to walk, coupled with the lack of transport these facilities become useless, pregnant women deliver at home at high risks of losing their lives and their baby's.

A successful human settlement, the one which meets the development goals, that aim at meeting the needs of the present i.e. economic, social, cultural, health and political needs. These goals are contained in the UN Universal Declaration of Human Rights i.e. meeting each person's right to a standard of living adequate for health and well being including food, clothing, housing and medical care and necessary social services. Furthermore, development goals should include to vote within representative government structures. The "Sustainable" component i.e. ensuring that the present needs are met without compromising the ability of future generation to meet their own needs, requires environmental capital protection so that resource and ecological base for human activities may be sustained indefinitely. These are, the finite stock of non-renewable resources (eg. direct use of solar power or its indirect use through mixed or wave power), renewable natural and capacity (eg. capacity of particular water body to break its own organic waste) and non renewable natural sinks capacity (eg. the capacity world wide to absorb green house gases without significant impact on climate). Human Settlements can provide healthy and stimulating environments for their inhabitants without imposing unsustainable demands on natural resources and ecosystem. A successful city is one that boasts of sufficient and effective infrastructure and can meet these goals:

- Healthy living and working environment

- Safe and sufficient water supply, provision for sanitation and garbage disposal, drains, paved roads, surface water and telecommunication energy supply and infrastructure essential for health and for a prosperous economic base, and
- A commitment within all sectors of city and municipal government to minimizing wastes, recycling and resource conservation for instance in the management of solid and liquid waste, transport and land use planning, building and planning control and environmental health.

The achievement of these goals depends heavily on the capacity and competence of government, although government action is much to provide the right incentive and regulatory framework for individuals, households enterprises and voluntary organizations in public works. Addressing the environmental factors that cause or contribute to unhealth, injury or premature death implies an understanding of the links between the city's built environment, the physical environment in which it is located (including soils, water resources and climate) and the biological environment (including local fauna and flora) and how these are changing. Such an understanding is essential if environmental capital is not depleted and sustainable livelihood achieved.

Participatory governance, with more recognition of the role of civil society, will ensure that women and men are involved in managing their living environments. Policy makers should recognize that women's productive work is becoming increasingly critical to the survival of household and family unit. The majority of women use their houses as a workplace for both economic and family development. Despite the political declaration on paper on women housing needs, much remains to be done to make towns and cities more friendly to women and housing projects and design (which are mainly created and managed by men) more sensitive to women and their roles and needs.

#### **Women can ensure sustainable habitat**

Women should be trained to be educators and agents for improving the natural environment and sustainable habitat. They are the managers of the household, primary educators and providers of basic needs, have a close link with the environment. In many developing countries, most farmers are women. Women, as users of natural resources, both in the country and the cities, play a key role in environmental management. Women are often oriented to the community and to the environment.

## **Women's poverty and vulnerability**

### **Poverty and vulnerability reduction and job creation**

Poverty creates vulnerability. Among low income groups, single parents households are often particularly vulnerable especially when the head of the household is a woman, even the law will find excuse of not protecting the household because it is headed by a woman. Women are generally far invulnerable than men to a range of hazards, and this is especially serious where they receive little or no protection from the law. If the poor can build, they build on sites prone to flooding (eg. recent Jangwan floods in Dar-es-Salaam) water logging or landslides. Many low income groups live in constant fear of forced eviction (eg. Morocco settlement in Lagos and the recent eviction of Ngomngo village in Koro-gocho in Nairobi). The low-income groups build in these areas (most of the times illegally), because they cannot afford good areas. The unsafe sites usually are within reach of domestic employments which is generally done by women or markets where women can easily reach to sell their products.

In most African cities, the linkage between livelihoods and absolute poverty are much stronger because there is a little on public provision to ensure that the unemployed or those who suddenly lose their livelihood can obtain subsistence income. This includes women incapacitate during child-birth or during child-rearing when they can not feed for themselves. Many programmes to mitigate the impacts of structural adjustments have included measures to increase employment among poorer groups. Considering African countries strigent economy and the sheer scale of the urban women lacking stable, adequate paid employment, it is impossible for the African nations to implement the public work programme experimented by the developing countries, where by social set-ups pays minimum wages and allowances to unemployed women and their children.

African women's urban poverty can be alleviated by formulation of policy framework aims at enhancing the productivity of urban households and enterprises accompanied by better access to urban services i.e working sustainable and equitably distributed infrastructure, sanitation water energy and social services.

### **Habitat and women in violent situation**

This has been an area of much concern and discussion in recent meetings of women. It is a human settlements concern at various levels:

- a) Many women are living in insecure and violent situations as a result of large-scale displacement caused by war or natural disaster;
- b) There are also women facing violence at home as a result of poor housing or lack of options in living arrangements, caused by overcrowding, (for example sleeping in the same room with in-laws which is against African tradition).
- c) Similarly there are women facing violence and danger as a result of poorly designed towns and cities, unfriendly infrastructure (especially transport and city lighting) and poor housing designs;
- d) Women should be more involved in urban planning and housing design, and the imparting of necessary skills should be seen as an important part of capacity-building for women.

There are cities (notably Toronto, Canada) where some interesting experiments have been made in providing safer living alternatives for women. This has been done by involving women in the design of housing. Much more research and information sharing is needed on such initiatives, as well as on the work of NGOs which are helping communities to cope with violence against women on a communal basis.

National and international organizations concerned with disaster relief need to be more responsive to the extra difficulties of women in such situations and to have programmes to deal with this.

## **Women's participation in shelter development**

### **Women and human settlement development**

It is important to emphasize the quality and the strength of women in the human settlements process. Enabling shelter strategies, sustainable human settlements development, institution building, community participation, and settlements operation must all count on women's active involvement and welcome their energy and commitment. Furthermore, the role of women in planning and developing cities, towns and villages, and their role in defining the human settlements development goals and the strategies needed in order to reach these goals, will both enhance the human settlements development

process itself and empower women to take their rightful place within this process.

### **Women and construction**

In most countries, women have always been active in the informal construction sector, but the formal sector has been dominated by men. The construction field itself could gain by the inclusion of women, because experience has shown that, where women are being employed in the construction industry, employers report the positive influence of women on building sites: productivity increases, while violence and pilferage decrease.

The construction sector could induce income-generating openings for women. One of the constraints to women's participation (besides cultural, institutional and social ones) is a lack of training. Therefore, special training in courses like architecture, civil engineering, town planning, land surveying, quantity surveying, electrical and mechanical engineering, administration and building and project management for women should be planned, and job development programmes should be undertaken.

### **Capacity and capability building**

There are many areas in which women need to develop skills to enhance their participation in the human settlements development process. Priority areas include:

- a) Professional skills in relevant fields such as architecture, town and regional planning, structural engineering, land surveying, quantity surveying, building engineering, electrical and mechanical engineering etc;
- b) Managerial skills, such as building management, project management, purchasing management etc; Technical skills also are needed for example clerks of works and other technical assistants.
- c) Construction and maintenance skills coupled with programmes for job placements in the formal construction market. The skill should include trades like; technicians, plant operators bricklayers, plumbers, electricians, carpenters welders, iron benders etc.
- d) Organizational skills at the grassroots level;
- e) Advocacy skills at the grassroots level;
- f) Participatory research skills for grassroots and professional women.

These will have to be taken up at the national level and incorporated into national shelter strategies at NGO programme and project levels, at research level and at the local level where local governments have to be more responsive to people's organizations. International organizations and funding agencies should make more funds available for training women, and be more insistent on fair female/male ratios in donor-funded training programmes.

### **Gender-awareness training**

This is a priority area so as to ensure that development programmes and projects are not gender blind. Training is needed for:

- a) Policy-makers at international and national levels;
- b) Programme designers;
- c) Project implementers;
- d) Communities so that they can ensure that development projects and programmes benefit all equally.

Proper training in gender-awareness development planning should be a requirement for all programmes and project managers, as well as policy-makers. Efforts should be made at international and national levels to include this in general education and to have courses for existing policy-makers and implementers. Donors funding projects should include information on gender sensitivity and the impact on women as part of the reporting-back mechanism. Training for gender sensitivity often does not solve the problem, unless there is a penalty and accountability for not following the stated guidelines. People must be made to feel there are negative consequences for their ongoing job security if they ignore the stated guidelines i.e making the guidelines look like empty slogans.

Part of gender-awareness training must necessarily involve pointing out current gender disparities in a factual way. Statistics desegregated by gender are critical to this process. This needs to be done at all levels in national and international censuses, research and information gathering.

### **Information, networking and building solidarity**

The collective action of NGOs in general, and women's NGOs in particular has been of critical importance in getting women's issues on global agenda, and in pushing for action. Information shar-

ing and networking at local, national, regional and interregional levels must continue to be supported morally and financially. Many funding agencies still find it difficult to justify funding for processes (as opposed to projects). Women's organizations will have to keep working to change this trend, especially since networking is one way of ensuring that issues find their way into global agendas.

### **Conclusion and Recommendations**

1. Given the neglect of human settlements issues at the Nairobi meeting in 1985, and recognizing the limited understanding with the development community of the importance of urban issues and settlement policies in general and their impact on African women in particular, regional and international agendas should be influenced towards the provision of safe, healthy, equitable and sustainable shelter for all.

- 2 a) Recognizing the role of women in human settlements development as a key component in the planning, implementation and monitoring of the Global Strategy for Shelter to the Year 2000 and the importance of empowering women to participate, tapping to their capacities and capabilities in this process and making their participation visible, the national governments should be urged to prepare their shelter strategies with full inclusion of women concerns.
- b) The Preparatory process of the United Nations conference on Human Settlements (Habitat II) should incorporate women issues, and support and facilitate participation of women in the whole process for the Global Shelter Strategy to the Year 2000 and beyond as women are as the catalyst in achieving practical, realizable goals at Habitat II.

## **Responding to Critical Capacity Needs for Africa's Industrialization**

A well thought out industrial development programme requires certain critical capacities to be in place and to be readily available to respond to needs. The broad range of occupational categories that are essential to industrial development and which most African countries have not been able to produce in adequate numbers and quality, includes; entrepreneurs, managers, industrial scientists, technologists and professional engineers, supervisors, technicians, craftsman, skilled and semi-skilled workers and support-service personnel trained in a variety of skills (engineering design, production technology, research and development, testing and quality control, feasibility studies, industrial consultancy, development and processing of raw materials and other industrial operations).

Prior to and after political independence in Africa, the economic and political environment was not conducive to promoting and facilitating indigenous entrepreneurship for a number of reasons. At the time of independence, the educational system was biased against the types of human-resource development programmes from which entrepreneurial capabilities would emerge. Entrepreneurship in African countries is encouraged mainly in activities such as import/export, retail trade and services. This does not favour the acquisition for entrepreneurial capabilities for industry, adding yet another constraint to the region's chances to internalize the industrialization process fully.

The situation did not change during the 1980s. Worse still, it was exacerbated by the socio-economic crises which forces many African countries to adopt structural adjustment programmes (SAPs) under the auspices of the Bretton Woods institutions with a view to achieving fiscal and external balances and restoring the competitiveness of African economies so as to bring about economic growth. To attain those objectives, SAPs advocated the use of policy instruments such as currency devaluation, high interest rates, trade liberalization, privatization of non-productive public enterprises and development of the private sector in general. The implementation of SAPs in African countries has been the subject of controversy not only in African countries, but also in international fora such as the forty-third session of the United Nations General Assembly, the twenty-fifth session of the Assembly of Heads of State and Government of the Organization of African Unity (OAU) and the I(\*) Summit of the Non-Aligned Movement.

The main objective of this paper is to provide the readers with some tools for thought on ways and

means to respond to a critical capacity needs of african countries. To this end, the paper will review the industrial situation in Africa, the policies and strategies adopted by some African countries, and the constraints on the development of critical capacities. Recommendations for fostering and utilizing entrepreneurial capacity will also be made.

### **Inadequacies in industrial skills of Africa's workers**

The 1980s, saw employment in manufacturing increasing by only 1 per cent annually in africa, compared with an annual growth in the labour force of over 3 per cent. In 1990, industrial employment represent 11.6 per cent of the total employment in Botswana, 14.8 per cent Burundi, 30.6 per cent in Central African Republic, 15.6 per cent in Côte d'Ivoire, 13.3 per cent in Kenya, 38.47 per cent in Mauritius, 8.59 per cent in Niger and 27.91 per cent in South Africa.

The contribution of the manufacturing sector to GDP declined to 8.7 per cent in 1981 and remained constant at around 9 per cent during the period 1981-1984. It increased slightly to about an average of 11.9 per cent during the period 1985-1989. This sector accounted for almost 12 per cent of GDP between 1990 and 1993. As in the previous years, the performance of the manufacturing sector is still affected adversely by a host of structural bottlenecks, ranging from the non-availability and high cost of imported inputs and difficulties with domestic supply of raw materials to rising cost of credit and other supporting facilities and lack of industrial human resources.

Indeed, the poor quality of the labour force, inadequacy of technical and managerial skills, the lack of an entrepreneurial cadre and the absence of a business/industrial culture have, for instance, caused capacity under-utilization in a numbers of ways. The question of the low productivity of the labour force is much more straight forward than the problem of management. Low productivity is generally a problem associated with inadequacy of training both outside and within the enterprises. Basically, the inadequacy of industrial management in African countries manifests itself through the absence of basic managerial tools for planning the activities of a plant performance. The extent of the inadequacy of industrial management of African countries is clearly demonstrated by the lack of preventive maintenance, by the prevalence of poor quality control and absence of strategies for acquiring technological capability. African industries are

characterized by frequent breakdowns unplanned ordering of inputs and replacements and absence of plans and strategies for the allocation of available resources to the high-yielding activities of an enterprise. There is little or no planning system to ensure that problem solving expertise is available as and when needed.

According to UNESCO statistics, the distribution of education at secondary level by type is heavily biased against technical education which has less than 10 per cent of total enrolments in Africa since independence. Preparing and supporting people in positions of responsibility in government, business, industry and professions is the central and essential role of the continent's universities. Enrolments at the tertiary levels increased the most in relative and absolute terms (gross enrolment ratios increased from a mere 0.2 per cent to 1.4 per cent, and from 21,000 to more than 437,000 between 1960 and 1983). Compared to other developing countries, this quantity is relatively very small. Course offerings are still heavily biased in favour of the liberal arts as opposed to science, engineering, agriculture and management which are the fields critical to industrial development in Africa.

### **Ghana's approach in responding to critical capacity needs.**

Today, the policies of most African countries are oriented towards the development of the private sector with a particular emphasis on privatization of public enterprises, promotion of small scale industries and liberalization of trade. To this effect, some African governments introduced incentive measures with respect to investment, taxation, credit, property rights and access to foreign exchange, to name only a few. Institutional and physical infrastructure was also established by many African governments with a view to alleviating the problem of industrial labours resources.

In Ghana, measures advocated by the IMF and the World Bank, which included a significant currency realignment, cuts in public expenditure, wholesale retrenchment of civil servants and a new focus on private enterprise were adopted by the authorities. And although they meant pain for many ordinary people, the government succeeded in convincing the country that they were vital for the restoration of the Ghana economy. From 1983 until 1990, economic growth averaged more than 5% which was 2% above the rate of population increase which just over 3% per annum.

Since 1990, the economy has slowed, but a real positive growth rate has been maintained. the Figure for 1992 was 3.9% rising to an estimated 4.5%

in 1993 with a further increase of 5.2% predicted for 1994.

Key components for the Economic Recovery Programme (ERP) launched by the government in 1983 have included a fundamental restructuring of institutions, a drive to achieve economic diversification, an effort to remove the imbalances in the state budget, liberalization of both the currency and the trading system and attracting more private investment. On restructuring, the basic aim has been to roll back the frontiers of the state by slimming down the civil service, privatising a range of state owned enterprises and reorganized those that remain in public hands.

As regards diversification, the main objective of the Government of Ghana has been to promote non-traditional exports products and to increase their contribution from 5 per cent to about 15 per cent of the overall total. To achieve this kind of increase, two main programmes have been adopted. The first one covered the period 1988-1990 and entailed the adoption of a financial and technical support package to 70 selected enterprises, 30 each in the agricultural and manufacturing sectors and 10 in the area of handicrafts. The result was an increase of more than 120 per cent in non-traditional exports from almost \$ 28 million in 1987 to more than \$ 62 million in 1990, but despite this, the overall target was not reached. At present, non traditional exports still only represent 6-7 per cent of Ghana total exports and 1 per cent of GDP.

The second programme which is currently under way is called "The Medium term Plan for Non-Traditional Exports". This was initiated by the Export Promotion Council as a follow-up to the previous plan and runs from 1991 to 1995. The aim is still to reach the 15 per cent target, this time by 1995. To achieve this, however, certain constraints have to be tackled. These are associated mainly with the weak and inadequate competitive production base of the country. Other problems have included the non-availability of finance, poor marketing arrangements, inadequate export incentives, inefficient management practices, poor pre-shipment handling, inadequate extension services and a weak infrastructure such as ports, warehouses and telecommunications.

To be able to counteract those problems the Government has adopted a number of strategies. For example, "Export production villages" were established. This is where a group of farmers in a village come together in a kind of cooperative, to produce certain identified products that are known marketable. The Government is trying to raise overall quality, improve packaging and presentation,

ensure the availability of good seed material and sharpen up its marketing strategies. The Ghana Export Promotion Council has been doing a lot through training short courses, seminars, workshops and so on in all the regions of the country, including some of the production villages mentioned above.

One of the most remarkable signs of progress in Ghana's economic position is the improvement in the national finances. From a position of chronic deficits in the 1970s and early 1980s, the Government actually succeeded in recording a surplus from 1986 until 1991. However, there was imbalance in 1992 when there was a fiscal relaxation during the run-up to the presidential and parliamentary elections. After elections, the Government had two tough budgets which saw significant tax increases (notably for petrol) and the reintroduction of greater discipline on the expenditure side.

On the related issues of currency and trade liberalization, the Government took what many believe to have been a brave step in effectively floating the Cedi and removing obstacles to imports. The result was to improve the environment for exports after many years in which the currency was overvalued.

Concerning investment, the Government is keen to attract domestically generated and overseas money into new ventures and is offering a number of incentives with this in mind. Efforts are being made by the Ghana Investments Centre in this area which included seminars and practical advice to entrepreneurs as well as targeted assistance to companies, notably in the above-mentioned sector of non-traditional exports. Stability of course, is a vital factor, in attracting investment from outside. However, the perception on stability in the West Africa region is not helpful to Ghana.

The Government has also developed the Trade and Investment Programme (TIP) and the Private Sector Enterprise and Export Development Credit (PEED) aimed at creating the enabling environment for a vigorous promotion of non-traditional exports. Under the TIP, the Government has undertaken to strengthen the capacity of selected institutions to enable them to improve their services to exporters. These institutions include Customs, Excise and Prevention Services (CEPS), Ghana Export Promotion Council (GEPC), Ghana Investment Centre (GIPC) and the ministry of Trade and Industry (MOTI) itself.

In addition to the foregoing measures, Government is planning to establish in 1995 Export Processing Zones (EPZ)/Free Trade Zones in Ghana. The necessary feasibility and technical appraisals

have been completed and proposals are being prepared for submission to Parliament. The proposed legal framework within which EPZs are to be established will create an even more congenial environment for both local and foreign entrepreneurs to do business in Ghana.

After a thorough review of the Divestiture Programme in 1994, the Government has reinforced its commitment of the divestiture process and has therefore decided on its acceleration by means of increased subcontracting of work to the private sector. While the Divestiture Implementation Committee (DIC) itself will continue to engage in some divestiture activity, it will also monitor sub-contractors to ensure that their activities are carried out in accordance with the DIC's statutory responsibilities.

The Government's programme on revitalizing the financial sector has continued and has recently gathered momentum. The rationalization exercise envisaged in the Banking sector has been the merger of National Savings and Credit Bank (NSCB) and Social Security Bank (SSB) in May 1994. The activities relating to the planned divestiture of 60% of public sector shareholding in selected banking institutions to enhance competition and efficiency in the sector, have proceeded with renewed vigour after some delay.

## **Constraints many African countries share in the development of critical capacities**

### **Political instability**

The political instability can be identified objectively in terms of a breakdown in the normal functioning of government, or civil unrest or an acute condition of political disorder. The point is that weakly institutionalized governments, challenges to the legitimacy of established authority and civil unrest generate a psychology of fear. The prolonged conflicts and civil strife in many African countries have adversely affected and indeed retarded growth and economic development, and as it is well known, capital flight is a real problem in Africa. The whole African region is owing billions of dollars every year in both indigenous and foreign investment (and much more from multiplier effects) as a result of perceptions of risk associated with political instability. Such perceptions would of course deter the micro-entrepreneur wishing to set up an operation of produce kerosene lamps as it would deter the large investor wishing to establish a factory to manufacture office furniture or engage in some other productive activity on a subregional or regional basis.

## **Lack of business confidence**

As with political instability, a lack of confidence in any given country is related to incentive factors such as unhelpful policies or nefarious practices towards the business community or fears that business policies and practices may change for the worse in the future. Business confidence may also flag in a situation where public statements are consistently made by politicians or influential public figures accusing entrepreneurs of exploitation, profiteering and other anti-social conduct. Where public authorities fail to demonstrate a realistic understanding of the role of entrepreneurs in national development, the business community may feel vulnerable, exposed, and inclined to take their investments elsewhere.

Another context in which lack of confidence may arise is one in which the civil service bureaucratic is helpful or even hostile to investors. This can happen where bureaucratic inefficiency or competence results in unnecessary delays in processing applications for licenses and permits or obtaining various types of clearances. An unclear or inconsistent division of responsibilities between departments, poor coordinations among them or the prevalence of corrupt practices can also frustrate bona fide entrepreneurs operating at any level.

## **Quality of public infrastructure**

The general business climate is also effected by the quality of public infrastructure. One of the casualties of Africa's intractable economic crisis of the 1980s is the deterioration of infrastructures, particularly in power, transport and communications and water supply. Telephone and other communication facilities which work erratically, congested port facilities and badly surfaced roads inevitably result in delays and high cost of handling inputs and outputs.

## **Inadequate and uncoordinated policies on business promotion and development**

Inadequate and uncoordinated policies on business promotion and development is another dimension of an unfavourable business climate and a source of many entrepreneurial frustrations. At the heart of this issue lies a practical problem: one agency of Government does one thing; another agency (or perhaps even a division within the same agency) does the opposite. Contradictions abound; mixed signals are sent to investors. The solution is not to leave business development to "market forces", but the objectives of government intervention must be clearly defined, policies and measures made consistent with work objectives, and assistance to

enterprises and industries made contingent on performance.

Government financial policies on credit, foreign exchange allocation, and taxation as well as its public expenditure and investment programme interact in many complex ways to constitute a regime of constraints or incentives to entrepreneurs operating at different levels. One assessment of the pattern exhibited by government financial policies in the reign during the 1980s found potential constraints on entrepreneurial activities in five areas as follows:

- a) Low interest rates which reduce saving deposits and discourage banks from lending;
- b) Foreign exchange allocation systems that tend to give priority to the public sector;
- c) Excessive borrowing by government that tends to "crowd out" private entrepreneurs;
- d) Foreign loans and grants earmarked for public investment programmes; and
- e) Relatively high marginal tax rates, squeezing entrepreneurial profits and incomes and limiting capacity to generate internal investment funds.

A sixth area of inconsistency noted by the same study was concerned with development of sectoral banks as a channel of credit. Aside from a general tendency to withhold credit from informal sector micro-entrepreneurs and some small-scale businesses because of perceptions of risk or because project proposals can rarely be prepared to the demanding standards required by conventional banks, development finance companies have also been found to generate an anti-equity bias. That is to say as a source of investment capital, development finance institutions typically extend credit to sole proprietorships or partnerships. In the absence of (or where there are only fledgling) security markets and merchant banks able to mobilize equity capital, this pattern of lending perpetuates itself. Thus joint stock companies and equity markets have been slow to develop in African countries and formal sector entrepreneurs are denied both the flexibility of tapping this source of finance as well as the discipline of working under pressure from stock or capital markets. To some extent, this institutional weakness is consistent with relatively low income levels, low rates of savings and large non-monetized segments of the economy. Nonetheless, the unintended consequences of development finance institutions' operations for both small business access

to credit and institutional development in the corporate sector need careful appraisal.

Uncoordinated trade policies can also hinder entrepreneurial operations and development. Policies on exchange rates, import and export tariffs and taxes, and quantitative restrictions on imports intermesh to confer costs and benefits on entrepreneurs operating at various levels. Economic recovery programmes of the 1980s have gone some way in reducing market distortions on trade regimes. But here again, the solution is not simply to leave trade policy to "market forces". Government intervention to fine-tune exchange rates and tariffs or to make discretionary concession to certain entrepreneurs, businesses and sectors will be required from time to time. Indeed, intervention to make discretionary concessions and cautious management of trade regimes are some of the key lessons that have emerged from the successful experience of the East Asian economies. Consistency in implementing development policy priorities and objectives, careful monitoring of the effects of specific policy measures and concessions, openness to feedback from the market and ongoing dialogue with the business community are the key elements of a well-coordinated trade policy.

As in the case of the financial and trade policies, inconsistencies in labour policy can also constitute a formidable constraint on business promotion and development. The key issue here is that long-term employment expansion and non-inflationary increases in wage levels can only be generated by economic growth and labour productivity. One assessment of factors inhibiting private sector expansion in the region during the 1980s found that political pressure on employers by governments to take on or maintain more staff than was required and the widespread use of statutory minimum wages had the effect of making African labour markets less competitive and rigid. Labour practices in the informal sector on the other hand have been found to be more flexible: extra labour (including family members) are simply brought in to cope with busy periods and withdrawn during slack periods. Wages tend to be more closely related to productivity. Apprentices sometimes pay for their training by providing free services.

Labour is an important part of the cost structure of any business. The competitiveness of the labour market, and the quality of the work force are among the key factors determining the attractiveness of the business climate in any given country. It follows from this, that governments do of course have a responsibility to regulate labour markets, set standards, determine the institutional framework of labour relations and collective bargaining, meet training needs

and, more generally enhance human resource development. Specific policy measures must, however, be consistent with broader objectives of entrepreneurial promotion and development.

Insufficient knowledge about the business sector in government is the final issue for consideration in the catalogue of general constraint on entrepreneurship in contemporary Africa. To be sure, efficient information flows between government and the business community is perhaps the most crucial element in improving the business climate, overcoming policy inconsistencies and reassuring business confidence. Three areas of weakness are worth emphasizing: inadequate institutional mechanisms for consultation and consensus-building between planners and policy-makers on the one hand and different sectors and levels of the business community on the other; shortcomings in national micro-economic database and information systems; and insufficient appreciation in government of the role of market networks in business development and in enhancing the efficiency of business operations.

Planning and policy-making in many African countries has often proceeded as a top-down technical exercise. That is to say, planners, technical experts and other officials in government generally proceed by appraising the objective situation in the economy resulting in a blue-print to deal with perceived shortcomings. Consultations with various groups of economic actors (including different levels and sectors of the business community) is rarely taken beyond a superficial plane. This information gap is made all the more worse by insufficient knowledge of microeconomic behaviour including background and forward linkages or market networks between production units, and the specific requirements of technological transfer and adaptation. Changing economic circumstances, or the need to change or modify objectives and strategies as new challenges emerge are not adequately taken into consideration. Even the political feasibility of plans is sometimes ignored although politicians may pay lip-service to planning. Institutional mechanisms and resources for plan implementation, follow-up and evaluation are often inadequate. It follows from this that national plans and the policies stemming from them have in many cases not only been out of touch with the needs of the business community and other economic actors but have also been poorly implemented.

African Governments have certainly not been short of good intentions in promoting and supporting entrepreneurial growth. Indeed, in several countries officials and politicians own private businesses themselves. However, the overall framework of gov-

ernment-business relations has fallen short of effective or strategic direction.

### **Inadequate entrepreneurial and technological capabilities**

In Africa, it is well known that the entrepreneurial capability to manage, maintain, repair etc and the technological capability to develop, create, adapt and assimilate technology are lacking. And until progress is made in these areas, the pattern of technological and managerial dependence with all its negative consequences will be indefinitely continued.

### **Some ways for fostering critical capacity development and utilizing entrepreneurial capabilities in Africa.**

The general objective of critical capacity development in Africa is to reduce overdependence on imported technical and scientific personnel while at the same time providing local entrepreneurial capabilities and high level managerial and engineering, technical and operational skills. Implied in this broad objective is the desire to establish and strengthen the correlation between the pattern of outputs of the formal education system on one hand and on the other hand the base of available natural resources and raw materials as well as the pattern of end products. Development of critical capacity for industrialization aims at facilitating the synchronization of the supply of and demand for human resources at various levels of industrial development and operations. This can be done and could be done. Some suggestions are presented below.

### **Political stability and peace**

Political stability and peace are vital factors in attracting investment from outside and inside a country. Therefore it is an imperative for each African country to promote peace and stability anchored on democracy, including devising a continental framework to mediate and manage conflicts. If economic development and regional integration are to succeed in Africa, as being advocated by the Organization of African Unity, national as well as regional frameworks are needed to manage and mediate conflicts, and to reduce or eliminate their damaging effects. Promoting democracy at the national level including respect for human rights, and greater freedom of individuals especially in the economic and social sectors with reduced but qualitatively improved involvement of the state will be the key ingredients for economic and social progress in Africa.

Both the business community and public officials bear a heavy responsibility in educating public opinion on the relationship between political stability and business confidence. In this regard, the OAU's initiative on conflict management and resolution is laudable and deserves widespread international support. Africa's development partners should also take concrete measures to foster the consolidation of democratic processes and political stability in the region.

### **Competent economic management**

Business confidence is also affected by the level of competence in government economic management especially in such matters as inflation management interest rate and exchange rate currency stability. Stable macro economic conditions, fiscal, trade and labour policies, regulatory measures and other interventions which offer incentives, have proven to be essential for fostering entrepreneurial capacity. Experience has shown that the provision of incentives to entrepreneurs must be subjected to periodic review and continuation made conditional upon performance criteria established in advance.

While it is not possible to provide a blue-print on economic management for each African country, specific measures to promote entrepreneurship in the region must in principle rest on a foundation of sound economic management. Laws and regulatory instruments which affect enterprises must be supportive of entrepreneurship. Laws must be reformed from time to time in consonance with prevailing policy objectives.

### **Efficient civil services and institutional capacity for policy analysis and coordination**

Government departments and agencies will increasingly be called upon to play an enabling role in developing and promoting the utilization of entrepreneurial capacity. The civil service must be efficient and sensitive to the needs of the business community as a whole and entrepreneurs operating at different levels. This demands from the civil service agencies a capacity to develop, coordinate and implement appropriate policies.

Concerted efforts must be made to raise the competence of African civil services. This can be accomplished through such measures as an integrated approach to human resources development and training, improved pay and conditions, and linkages between pay and performance. In particular, training should be designed to expose civil servants to business practices and concepts.

## **Government financial policies and resources**

The main policy instruments of reforming the financial sector to strengthen its capacity to mobilize foreign and domestic resources for investment in entrepreneurial initiatives in most African countries include deregulation of foreign exchange market and interest rates, adoption of a market based approach to the allocation of credit, easing of restrictive monetary and credit policies, institutional development and legislation changes, and active use of prudential regulations and capital adequacy requirements in the banking sector. These measures have gone a long way to reduce the repression of the financial system that characterized this sector during the 1970s and 1980s. The main challenge that now remains is to build the capacity of financial intermediaries for both mobilization and channelling of resources to meet the different needs of investors or entrepreneurs operating at different levels of the economy.

The whole range of African financial institutions including commercial banks, rural banks or community/grass roots financial institutions, development finance institutions (DFIs), non-bank financial institutions (NDFIs), securities markets and central banks should be made efficient, competitive and solvent. In particular, there is considerable scope for the development of NBFIs and security markets.

### **Specific measures to promote informal sector micro-entrepreneurship**

The main constraints on the development and utilization of entrepreneurial capacity at this level are limited market size, cumbersome management and production methods, and inadequate support services. In the short time term, micro-entrepreneurs can overcome these limitations through two major routes. First, by means of linkages with formal sector businesses, micro-enterprises can achieve access to more sizeable markets and information or advice on such matters as improved management and production methods and better product design. Second, micro-enterprises can grow through inter-generational expansion. This is the case where the business gradually expands from one generation of family ownership to another as experience, know-how and capital are required and accumulated. In this regards, it should be recalled that many of the world's lending corporations, for instance the Ford Motor Company, have grown from obscure or even shadowy micro-scale ventures to graduate into the transnational corporations they have become today. There is evidence that this phenomena is already happening among many African entrepreneurial families.

However, markets often fail to generate linkage for a variety of reasons including information gaps between potential collaborators. For this reason, policy and institutional support is required from government as well as non-governmental organizations which have proved to be adept at operating at grass-roots levels, a particularly in the following areas: training, credit and enterprises levels.

- a) Training: the provision of facilities for technical and vocational training to upgrade the skills of informal sector workers and entrepreneurs is an important requirement. Indeed, one of the may spin-offs from informal sector activities is the training of apprentices (for example goldsmiths, watch repairers, shoe-repairers, carpenters, masons, and son on) in the course of normal business operations. Government and NGOs can encourage this valuable service provided by micro-entrepreneurs through appropriate incentives to foster the practice of informal sector apprenticeships. In addition, special programmes may also be designed to target youths as a source of entreprenruship. Indeed, some African countries such as Kenya, Malawi, the United Republic of Tanzania and Uganda have developed special entrepreneurial programmes for school leavers and unemployed youth;
- b) Credit: a second measure is the provision of credit facilities specifically designed to meet the needs of entrepreneurs operating on a very small-scale, typically without collateral or an established business track-record. The issue here is that the management of small loans is tome-consuming and expensive. Conventional banks and financial institutions tend t shy away from dealing with micro-entrepreneurs, specially women. Hence, the provision of credit facilities at this level require unconventional banking practices. Grassroots or community-level institutions are well-placed to fill this vacuum and should be promoted. The Grameen Bank system pioneered in bangladesh and specifically oriented towards lending very small amounts is one model that be employed. In this regard, it may be noted that 87 per cent of Grameen's clients are women. Studies have shown that there are many women in Africa who would succeed as entrepreneurs if only they ad the requisite financial resources to get started. Another model is Ghana's network or rural banks which lend to informal sector businesses, small-scale farmers and rural enterprises. As noted

above, efforts should also be made to integrate community level financial institutions into the main stream of baking operations.

- c) **Enterprise-level support:** the third measure that can be adopted by governments and/or NGOs in promoting informal sector entrepreneurship is the provision of enterprise-level support systems such as business advisory centres, small-scale enterprise extension services and physical facilities such as workshops, craft centres, water, electricity and telephones. Advisory and extension services can provide valuable information and assistance to microentrepreneurs especially in such areas as book-keeping, management, production and marketing techniques. These services can also play an important role in facilitating linkages between informal and formal sector business as well as help to steer microentrepreneurs through the unfamiliar corridors of government bureaucracy with which they must sometimes deal.

#### **Specific measures to promote small and medium scale entrepreneurship**

Entrepreneurs operating on a small to medium scale usually exhibit sophisticated organizational skills. But as their business grow along the small to medium scale, they often face constraints such as limited managerial capabilities, difficulties with technology adaptation and in the case of microentrepreneurs, inadequate public provision of enterprise level support. These are the main constraints on fostering and utilizing entrepreneurial capacity that have to be overcome at this level.

- a) **Overcoming managerial constraints:** national agendas of human resource development needs are already very crowded but the expansion of management training facilities must be a leading priority. In this regard, it should also be noted that approaches to management education and training are undergoing a fundamental shift from "traditional", class room-based meth-

ods to an increasing emphasis on in-house, on-the-job learning and training. Dissatisfaction with traditional methods has opened the way for new arrangements which facilitate the acquisition of management skills that are directly relevant to the needs of business operations to emerge;

- b) **Surmounting difficulties with technology transfer and adaptation:** the issue here, again, is that as businesses grow along the small-intermediate-scale continuum, productivity gains can be made from the application of more effective production methods including improvements in technology. It is inevitable that foreign investment and technical assistance will remain important mechanisms for the diffusion of technological know-how in Africa for some time to come. Government, as East Asian experience has demonstrated, has a key role to play in facilitating and encouraging technology transfer, local adaptation and development;
- c) **Enhancing enterprise-level support systems:** entrepreneurs everywhere need advice, information and various kinds of services in setting up their businesses and in dealing with problems that arise in the normal course of operations. While technical and advisory services can be provided through market networks (via private consulting companies, finance companies and commercial banks) and through the tertiary sector (via chambers of commerce, management professional organizations, cooperatives, universities, colleges, management training institutions and NGOs), government intervention is also required to establish a general framework for business development as part of the planning and policy-making process. African Governments should systematically appraise existing policies and measures on enterprise-level support systems to make them relevant to the needs of entrepreneurs.

## Aidons nos jeunes à toucher du doigt les réalités du monde des affaires en Afrique

### (Un exemple de développement de l'esprit d'entrepreneur)

L'entreprise privée et l'esprit d'entreprise joueront dans les années quatre-vingt-dix et au-delà un rôle de plus en plus important pour accélérer le développement économique, réduire le chômage et les inégalités de revenus. De plus, dans le contexte actuel de mondialisation et de libéralisation des termes des échanges, il sera difficile à l'Afrique de participer à la concurrence mondiale si elle ne développe pas une véritable culture d'entreprise. Le système d'éducation pratiqué jusqu'ici est plutôt classique et n'incite pas à l'entrepreneuriat. En outre, avec les programmes d'ajustement structurel, l'effectif de la fonction publique est réduit progressivement et l'Etat incite, favorise et même encourage le secteur privé à mieux s'impliquer dans l'Economie.

Il est donc vital si l'Afrique veut être au rendez-vous du vingt et un siècle, de procéder à une réforme à la base. Cette réforme nécessite l'introduction d'un enseignement pratique de gestion dans le système éducatif pour favoriser l'acquisition de qualifications techniques, commerciales et de gestion.

Cette note a pour objet d'une part de faire connaître l'expérience ivoirienne qui est enrichissante et d'autre part de **susciter des débats et recommandations relatifs au système scolaire actuel qui produit de plus en plus de chômeurs potentiels.**

L'Afrique de demain devant se trouver entre les mains des jeunes d'aujourd'hui, "investissons dans les promesses de l'avenir". C'est le défi que veut relever Mr Pierre D'Alcantara Zocli, Président de "JUNIOR ACHIEVEMENT" en Côte d'Ivoire. Mr D'Alcantara Zocli a pris pour cible les jeunes élèves de la maternelle à la classe terminale des lycées et collèges en passant par l'école primaire, surtout ceux des classes qui n'ont pas d'examen et cela en dehors des heures normales de cours.

Apprendre à entreprendre et à gérer en Afrique, peut faire l'objet d'un meilleur apprentissage lorsqu'on est encore jeune. Ainsi, selon la vision de Mr Zocli et associés: "l'entrepreneuriat et la gestion peuvent devenir pour les jeunes Africains et Africaines, non plus des spécialités à choisir après de longues études, mais une éducation de base et des réflexes avec lesquels ils vont grandir pour un

meilleur devenir des entreprises et des organisations dont ils auront la charge".

Pour permettre à ses idées de devenir réalité, Mr Zocli a créé une organisation non gouvernementale en signant un contrat de franchise avec "Junior Achievement", une organisation non gouvernementale internationale à but non lucratif, spécialisée dans la formation économique et entrepreneuriale des jeunes. Junior Achievement a son siège social américain et sa direction internationale à Colorado Springs, aux Etats-Unis d'Amérique. Représentée dans plus de 70 pays dont la France, le Canada, la Belgique, la Grande-Bretagne, le Japon, le Botswana, la Gambie, le Congo et l'Afrique du Sud, elle permet chaque année à plus de 2.000.000 d'enfants et d'adolescents d'être formés à l'esprit d'entreprise.

### Mini-entreprises: l'apprentissage par l'action

"Junior Achievement Côte d'Ivoire" a pu former 380 jeunes en 1993-1994 et 214 en 1994-1995. Une activité parascolaire encourage les élèves à s'intéresser aux affaires. En effet, guidés par un groupe de conseillers bénévoles du monde des affaires et de l'industrie, les élèves entrepreneurs, par groupe de quinze à vingt, forment leur propre entreprise, ensemble, ils constituent un réseau soudé. Ils élisent librement leurs dirigeants qui assumeront la gestion des affaires de la société. Ce sont: le Président Directeur Général, les directeurs de la production, du marketing, des ressources humaines et de l'administration, des finances et des relations publiques. Le comité de direction ainsi constitué, doit prendre les décisions judicieuses qui assurent le succès et l'efficacité des activités régulières de l'entreprise. Il doit par ailleurs se conformer aux politiques établies par le conseil d'administration de la micro-entreprise.

Les dirigeants doivent rédiger les statuts et règlements intérieurs de la société et faire une demande d'immatriculation au programme Junior Achievement Afrique Francophone. De ce fait, toute la procédure administrative est simulée pour les familiariser au circuit de l'acquisition des documents nécessaires à la création d'entreprise. Ils découvrent ce qu'est la réalité du monde des affaires en prenant des décisions et en assumant des responsabilités; tout est fondé sur la création d'un milieu de travail propice; **l'apprentissage se faisant à partir du vécu.**

Pour soutenir financièrement les opérations de leur société, les élèves entrepreneurs ont besoin de capitaux. Ils doivent vendre des actions à des personnes de leur entourage. Ces personnes peuvent n'avoir jamais détenu d'actions auparavant, ainsi jeunes et adultes apprennent la manière dont une société peut être financée.

Toute personne qui achète une action ou un produit d'une entreprise Junior Achievement se familiarise avec le financement et les investissements qui peuvent être effectués dans l'entreprise. Les actionnaires ou les clients se rendent compte que l'argent investi permet de fabriquer des produits et de créer des emplois. De plus, les actionnaires comprennent pourquoi ils ont droit à un dividende sur l'argent qu'ils ont investi dans l'entreprise.

### **De l'innovation en gestion pour le développement du secteur privé**

Entre la création d'une entreprise à la rentrée scolaire et sa liquidation volontaire à l'approche des grandes vacances puisque les élèves vont être séparés pendant au moins trois mois, ces administrateurs font face à des problèmes semblables à ceux d'une PME. Le choix d'un produit et de la raison sociale, l'étude de marché, le budget, la planification, la production, la concurrence, la fixation des prix, l'emballage, la publicité, la tenue des registres et des livres comptables, la gestion, la motivation du personnel, la vente, la présentation du rapport annuel, l'assemblée des actionnaires et la liquidation sont des réalités auxquelles les élèves entrepreneurs des micro-entreprises doivent s'affronter.

Les micro-entreprises procèdent au paiement des salaires, des commissions, des droits liés à la constitution des sociétés, un loyer, des taxes et impôts comme n'importe quelle personne morale, des assurances et d'autres dépenses obligatoires à l'instar de toute PME. Les élèves doivent se rendre compte qu'un impôt payé sur le bénéfice net des affaires doit fournir une image réelle des efforts nécessaires à la pratique des affaires.

Pour l'année 1994-1995, chaque groupe d'entrepreneur a choisi un produit en se fondant sur une étude de marché, sur les possibilités de production, de rendements et de coûts. Leurs domaines d'activités étaient les suivants: photographie, habits d'enfants, journal, tableaux artistiques, sérigraphie, confection d'horloge avec tissu pagne à l'intérieur. La direction de l'entreprise planifie et définit la marche à suivre quant à la production et la vente du produit.

Par exemple l'entreprise de couture, pour alléger ses charges, a loué les machines nécessaires à son fonctionnement, elle n'a acheté que le matériel et fournitures indispensables comme les tissus, garnitures et patrons. Les produits sont écoulés soit par la vente lors des portes ouvertes pour le lancement de l'entreprise Junior Achievement, soit par le porte-à-porte, les foires commerciales ou encore par la distribution à des grossistes ou détaillants.

Chaque micro-entreprise Junior Achievement possède un système de livres standard et professionnel pour faciliter la mise à jour des procès verbaux, l'enregistrement des certificats d'action, le contrôle des présences, la tenue de la comptabilité, le contrôle des entrées et sorties de fonds, l'enregistrement des ventes et la surveillance de la production. Les banques ivoiriennes n'ont pas voulu participer au programme, obligeant ainsi Junior Achievement à jouer le rôle de banquier pour permettre aux entrepreneurs en herbe d'ouvrir un compte bancaire et de le gérer.

### **Autres avantages du programme**

Les programmes Junior Achievement favorisent l'éclosion d'une attitude positive à l'égard des affaires et donnent aux esprits curieux l'occasion de se développer dans un cadre social adapté. Ainsi, et selon les différents niveaux, d'autres programmes permettent de se préparer à la vie des entreprises.

#### **De la maternelle au cours primaire, c'est l'Entreprise Primaire:**

Les cours portent sur les sujets suivants:

1. a cellule familiale,
2. comment notre communauté fonctionne,
3. le travail en ville,
4. les ressources régionales et nationales,
5. l'économie nationale et
6. les échanges entre la Côte d'Ivoire et le monde.

De la classe de sixième à la quatrième des lycées et collèges:

1. classe de sixième: initiation aux affaires
2. classe de cinquième: information sur les affaires

3. classe de quatrième: les études, un choix économique (LEUCE), un programme destiné non seulement à valoriser l'éducation pour l'entreprise et la lutte contre le décrochage scolaire mais aussi à promouvoir la scolarisation des jeunes filles dans les programmes de créativité et de développement industriel.

Par ailleurs, le programme doit aussi contenir un volet informatique que Mr D'Alcantara Zocli ne peut offrir pour le moment à cause de contraintes financières. Il a reçu le 5 Juillet 1995 le Prix du Rotary Club Abidjan Riviera remis par la Première Dame du pays, Mme Bedié. L'ONUDI a accordé le 6 Juillet 1995 le statut consultatif à Junior Achievement Afrique et lui a proposé une plateforme de collaboration. L'organisation qui travaille depuis le 5 Mai 1995 avec le BIT, projette de signer un protocole d'entente avec JAA pour développer des actions communes et cela à la demande de Mr Elias Mabere, Sous-Directeur du BIT. Toutefois un long chemin reste à parcourir avant que le programme n'arrive à ses fins.

Dans l'attente d'un support financier plus appuyé, des expositions de produits des mini-entreprises ont été réalisées, une cérémonie de remise de prix a été organisée en présence des entreprises les plus grandes et performantes du pays, pour récompenser et encourager les entrepreneurs en herbe.

## Conclusion

Les petites et micro entreprises peuvent contribuer notablement au développement socio-économique des pays africains. Cependant, l'absence d'une véritable culture de l'esprit d'entreprise constitue l'un des facteurs essentiels de blocage de l'essor de ces entreprises.

Grâce au vécu de ces cours, les jeunes apprennent à résoudre des problèmes de gestion, à diriger, à prendre des décisions et à mener les projets à bonne fin comme ils le feraient dans une vraie entreprise. Ils prennent également conscience des réalités du fonctionnement de la libre entreprise et du rôle du milieu des affaires, du consommateur et du gouvernement dans l'économie. Ils acquièrent également des compétences qui leur seront utiles tout au long de leur carrière.

Le programme Junior Achievement permet aux jeunes de s'affirmer tout en étant utiles au développement de l'Afrique. En outre, en s'impliquant dans ce programme par l'appui qu'ils apportent à leurs enfants, les parents apprennent à:

1. découvrir les capacités réelles de leurs enfants,

2. assurer des anticipations sur l'avenir professionnel des jeunes et mieux canaliser les décrochages scolaires,

3. occuper les jeunes par des activités saines et profitables et qui, de surcroît, favorisent leur développement personnel,

4. contribuer au développement de l'esprit d'initiative et de créativité chez les jeunes,

5. cultiver chez les adolescents le goût du risque et celui d'entreprise.

Ce programme est lancé en Afrique pour préparer une nouvelle génération de leaders, dirigeants d'entreprise, cadres responsables et travailleurs capables de relever les défis du développement dans un contexte de concurrence internationale, de qualité et d'intégration régionale. Toutefois, le programme gagnerait à inciter les jeunes à continuer de gérer leurs affaires pendant les vacances au lieu de les liquider systématiquement à la fin de chaque année scolaire.

Ouvrons pour que des programmes similaires favorisant la complémentarité entre l'enseignement traditionnel et l'enseignement pratique fassent tâche d'huile et comblient les lacunes relevées dans nos programmes scolaires.

Les individus et/ou pays qui veulent des informations plus précises sur l'expérience ivoirienne ainsi décrite doivent s'adresser directement soit à Mr Pierre D'Alcantara Zocli Président Directeur Régional de "Junior Achievement" à l'adresse suivante:

06 B.P. 545 Abidjan 06  
Côte d'Ivoire  
Tél: (225) 41.18.52  
Fax: (225) 41.06.38

soit à Junior Achievement International à Colorado Springs:  
Mr James G. Parkel, President & CEO  
Dr Samuel Taylor, Chief Operating Officer  
Mr David Loose, Director of International Operations.

2780 Janitell Road, Colorado Springs, CO 80906,  
Tel: (719) 540 0200, Fax: (719) 540 8770;  
INTERNET: 74511.1535 compuserve.com, USA.

# **V. THE MESSAGE FROM THE CONFERENCE OF AFRICAN MINISTERS OF INDUSTRY HELD IN GABORONE, BOTSWANA FROM MAY 29 TO 8 JUNE, 1995.**

## **Highlights of the Resolutions and Decisions Adopted at the Tenth Meeting of the Conference of African Ministers of Industry**

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The twelfth meeting of the Conference of African Ministers of Industry, jointly organized by the United Nations Economic Commission for Africa (ECA), the United Nations Industrial Development Organization (UNIDO), in collaboration with the Organization of African Unity and the Government of Botswana, was held in Gaborone, Botswana, from 6 to 8 June 1995. The conference theme was Resource mobilization.

The main objective of the meeting was to review, on the basis of the report of the preceding meeting of the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa, that took place at the same venue from 29 May to 3 June 1995, the progress made as well as the constraints encountered towards the industrialization of African countries, in the context of the second Industrial Development Decade for Africa (IDDA). The unique feature of CAMI-12 Meeting was the holding of the Private Sector Forum from 3 to 6 June, 1995 of which the discussions formed part of the deliberations of the Ministerial Meeting.

The following countries were represented at the Conference: Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, the Central African Republic, Chad, the Congo, Côte d'Ivoire, Egypt, Ethiopia, Gabon, the Gambia, Ghana, Guinea-Bissau, Kenya, Lesotho, the Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, South Africa, the Sudan, Swaziland, Togo, Tunisia, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

Representatives of the following organizations and specialized agencies of the United Nations system also participated in the meeting: United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), International Labour Organization (ILO), Food and Agriculture Organization of the United Nations (FAO) and World Intellectual Property Organization (WIPO).

The African Development Bank (ADB) and the Organization of African Unity (OAU) were also represented.

The meeting was also attended by observers from the following: African Business Roundtable (ABR), African Intellectual Property Organization (AIPO), African Regional Centre for Engineering Design and Manufacturing (ARCEDEM), Common Market for Eastern and Southern Africa (COMESA) and Commonwealth Secretariat.

The Meeting was officially opened by H.E. Sir Ketumile Quett Masire, President of the Republic of Botswana, who amongst other things underlined the importance of a conducive environment for industry and business in general to take root. He emphasized the role of increased domestic savings to enable high levels of investment and referred to the experiences in South-East Asia and the Pacific Rim. He also stressed the importance of human resources and the fact that Africa tended to rely on foreign skilled manpower while large numbers of its intellectuals lived and worked in the developed world. He concluded by underscoring economic integration at the subregional and regional levels for the creation of larger markets to attract investors. He finally referred to the implications of the Uruguay Round Agreement for Africa. The Conference considered the President's statement as its working document.

Five resolutions were considered and unanimously adopted, as follows: Implementation of the programme of the second IDDA (1993-2002); mobilization of resources for industrialization in Africa; development of the private sector for industrialization in Africa; enhancement of women's contribution to the implementation of the programme for the second IDDA; and African Common Position for the sixth session of the General Conference of UNIDO. The reaffirmation of the commitment of Ministers of Industry to implement the programme of the second IDDA: The Gaborone Declaration was also considered and adopted unanimously (annex I).

## **Implementation of the resolutions and decisions of the twelfth meeting of the CAMI.**

The Meeting considered the main agenda items which included the report on the implementation of the decisions and resolutions of the eleventh meeting of the Conference and the fifth session of the General Conference of UNIDO; African Industrialization Day; progress report on the implementation of the programme for the second IDDA; technical reports; participation of the private sector in the implementation of the second IDDA; mobilization of financial resources for the implementation of the programme for the second IDDA; development of human resources for industrialization in Africa; progress report on the establishment of the African Economic Community (protocol on industrial cooperation) and the African Common Position for the sixth General Conference of UNIDO.

### **Africa Industrialization Day (AID)**

Concerning Africa Industrialization Day (AID), the Ministers decided to retain the annual celebrations in conformity with the General Assembly resolution 44/237 proclaiming the Africa Industrialization Day and to maintain the momentum on the industrialization efforts in the continent. With respect to themes, it was recalled that the "development of human resources" was the theme for 1995 and it was decided to adopt the following themes:

1996: Mobilization of financial resources

1997: Promotion of small- and medium-scale industries.

### **Technical reports \***

- (i) Report on regional strategy for rational location of industries in the context of the Abuja Treaty

The Meeting noted that the current situation in the region's industrial performance and location of industries was far from satisfactory. The industrial sector in the region was very weak, concentrated mainly in only 12 out of 53 African countries and accounting for only about 1 per cent of the world's industrial output. Geographically, the major industrial activities in the region were also unevenly distributed.

The Meeting observed that, in the mid-1990s, the performance and diversification of Africa's industrial sector had been unsatisfactory, with an average regional growth rate of only 0.6 per cent, the share of manufacturing in GDP just over 10 per cent and

capacity utilization in the range of 30-50 per cent. The sector was extremely dependent on foreign inputs and expertise and was dominated by the light consumer goods industries of which food and beverages alone accounted for 60 to 70 per cent of output, employment and value added. All that notwithstanding, the region was a net importer of major food products.

51. The Committee further noted the need to harmonize the industrial programmes articulated and endorsed by member States in the Abuja Treaty and its protocol on industry with the programmes for the second IDDA and UNTACDA II.

The Committee stressed regional economic integration as an essential aspect of industrial development. It had the potential for contributing towards increased production due to better exploitation of economies of scale, efficiency due to competition, and increased factor mobility.

It was therefore emphasized that the strategy for the rational location of industries should be based on resource mapping, infrastructure and cooperation among the countries in the light of the Abuja Treaty and subregional programmes for the second IDDA. Location decisions were important aspects of planning industrial development programmes, since the location of cooperation projects had an impact on the entire economy of each subregion and facilitated trade among the member States.

- (ii) Report on the establishment of an African regional network on agricultural chemicals and machinery.

The report defined the operational framework and the modalities for the establishment of an African regional network on agricultural chemicals and machinery. Its main objectives, concept and overall strategy were equally defined and the report further considered activities to be carried out as well as the beneficiaries thereof. The report finally called for the implementation of a feasibility study for setting up this network.

The importance of the relationship between agriculture and industry. In order to enhance food security in African countries, the regional network would support industrial development through the agricultural sector: agricultural chemicals (fertilizers, pesticides), agricultural machinery and irrigation equipment.

The establishment of this network, the collection, analysis and dissemination of the numerous findings of research and development activities carried out in Africa would avert the duplication of efforts

made by the various existing organizations, institutions and international centres within the continent. As a result, resources would be channelled more effectively into those areas which required further attention.

- (iii) Report on the participation of the private sector in the implementation of the second IDDA.

The report examined the role and the difficulties encountered by the local production and distribution agents (PDAs) in the implementation of the programme of the second IDDA with regard to training and the use of the local PDAs in industrial development. Mention was made of the constraints affecting the performance of the PDAs at the national level, coupled with the adverse international environment. Emphasis was laid on the role of the government in defining policies and other supporting measures required for the expansion of the private sector and the enhancement of its contribution to the industrialization process by stressing the entrepreneurship role the national private sector should play.

The report made a certain number of recommendations and suggested measures for the participation of the private sector in the implementation of the programme of the second IDDA. It equally recommended the effective and constructive fostering of relationships between the government, the industrial and commercial enterprises and individuals on the one hand, and between the government and the market on the other, in order to mobilize the private sector for national development. Such dialogue should be based on information networks linking dedicated civil servants and leaders of industry and trade with the research and data base centres. The document had been submitted to the Private Sector Forum so as to:

- Highlight the need for reforms required to move from the centralized economy to a market economy;
- Underscore the market economy aspect and the integration of African economies into the world economy through the rules of competition;
- Clearly define the rules of the game by putting in place the regulatory framework governing the relationships and the respective laws of the public sector, the local and foreign private sector, the government and other partners in development;

- Put in place an incentive package for a new generation of entrepreneurs through training, creation of mini-enterprises, relocation and giving entrepreneurship a new face by incorporating it into studies to be conducted with the private sector;
- Stress the need to promote the SME/SMI as a major means of encouraging local private initiative;
- Clarify the concepts of autonomy and self-sufficiency regarding open market economy and removing any contradiction or ambiguity in the rules of the game;
- Stress the need for a tax and financial policy for the private sector;
- Underscore the need for export promotion in order to bring in foreign exchange for the continued financing of development; and
- Build confidence between the government and private sector through continuous consultations.

The document also highlighted the catalytic and invaluable role that the public sector played in the economic development process of the African countries. Mention was made of the crucial role it played in the newly industrialized countries and the need for the continuous adjustment and reform of the sector. It was pointed out that the private sector ought to take the lead in the development process and respond more extensively and promptly to government policies in its favour. African countries should effect a fundamental change in their development policies and strategies in view of the irreversible globalization of the economy. Economic development should be coherent and self-sustaining without necessarily being isolated. African economies should be competitive and constantly grow in terms of productivity.

The report took cognizance of some efforts towards private sector promotion especially the establishment of advisory assistance units in the rural areas, the identification of enterprise management capacities and other resources in all sectors for their upgrading, the establishment of consultative mechanisms between the government and the private sector, the setting up of national economic observatories and public/private sector joint committees.

The document also discussed the important role of physical infrastructures in the development process and stressed the need to develop these infrastructures (road, communications, air links, etc.), to guarantee their interconnection in order to boost business activities.

In concluding, the following points were stressed:

- The importance and the crucial role of the private sector in the economic development process of the African countries and their industrialization in particular. The private sector should organize itself so as to contribute effectively to the implementation of the programme of the second IDDA;
- The need for governments to pursue their role of creating an enabling environment for industrial development and as promoters and facilitators of development by defining clear rules regarding their role and that of the national and foreign private sector and other partners in development;
- The role to be played by the foreign private sector and its inputs in terms of investments, technological inputs, technical and management skills and other factors of development;
- The need and the urgency for African countries to make their industries competitive and open them to the international market and benefits derivable therefrom;
- The need for clearly defined rules and continuous consultations between the public and private sectors for confidence building and cooperation between the two sectors;
- The need at the national level to carry out regular consultations within the administration, among the ministries of industry, finance and other bodies involved in the development process and assistance to the private sector;
- The need for a consultative arrangement designed to address the specific issues of the SME/SMI;
- Developing intra-African trade and promoting the penetration of manufactured products into the market and access to technology;

- Putting in place specific assistance plans for African women entrepreneurs;
  - The need for the private sector to show commitment by reorganizing itself into a strong movement of chambers of commerce and industry in order for it to play its role effectively; and
  - The need for member States to prioritize their problem areas and remedial action.
- (iv) Report on the mobilization of financial resources for the implementation of the programme of the second IDDA.

The report noted that one of the greatest obstacles to undertaking the implementation of the second IDDA was the lack of adequate financial resources. The debt problem with huge budgetary deficits in most member countries had exacerbated the financial debt and inflation problem. The problem of external pressures for structural adjustment needed to be addressed since this touched on social domestic problems that led to insecurity.

Investment in Africa was seriously hampered by macroeconomic distortions and political instability, which greatly contributed to massive capital flight estimated at \$40 billion during the period 1976-1987, an amount which was equivalent to half of the ODA received during the same period.

It recognized the need to adopt necessary reforms of the financial system and put in place appropriate mechanisms and instruments to enable the financial system contribute effectively to the financing of industries and meet particularly the requirements of the SMI/SME since the commercial bank did not provide loans for industrial projects. Community or rural banks were recognized as essential and mechanisms should be put in place so that the money from these banks serve the community and not the urban population. The Meeting expressed the view that ADB should be more responsive to the needs of African industrialists. It was thus suggested that ADB should decentralize its services, especially those relevant to industrialization.

The Meeting recognized the fact that more efforts should be made by member States to attract foreign direct investment by providing the enabling environment. Venture capital was also recognized by the Committee as a way of providing capital. To this effect, it was recommended that ways and means should be sought to facilitate venture capital.

The Meeting underscored the importance of South-South cooperation especially as it relates to intra-African investment and also recognized the role of foreign firms that bring technology and capital.

The Meeting also recognized the fact that there was excess financial liquidity in some African countries and yet as the money was not appropriate for development purposes, ways and means should be sought by States to mobilize long-term resources at reasonable interest rates for industrial projects. The liberalization of ownership of financial institutions in Africa with a view to introducing a measure of competition and ending monopoly situations in segments of the financial sector was encouraged by the Meeting.

Among the financial instruments to be instituted, the Meeting proposed that a privatization fund should be set up to consolidate the resources of national private sector operators in the divestiture programme. The Meeting requested that UNIDO and ECA should intensify their efforts in resource mobilization as mandated by the tenth meeting of the Conference of African Ministers of Industry.

(v) Report on the development of human resources for industrialization in Africa.

The report took note of the inadequacy of skilled manpower, technical expertise and managerial skills for industrialization in Africa as well as the major constraints to the development of human resources. It also noted with satisfaction the efforts made at the national, subregional, regional and international levels in the formulation of policies, strategies and incentives for industrial manpower development.

Recognizing that human resources development was crucial to the industrialization of Africa, the Meeting requested that the private sector should be further involved in the training of industrial manpower by the use of incentive measures such as tax exemption to finance training activities. The Meeting emphasized the need for human resource development to improve competitiveness as well as to take account of technological change especially industrial automation.

The Meeting also recognized the urgent and continuing need for the development of human resources and recommended that the educational system in Africa should be reformed so as to take into account the needs of enterprises for the training of their staff in technical, managerial and research development areas. To that end, support structures such as banks, industrial promotion centres and

vocational training centres should be established or strengthened where they exist with assistance from the relevant multilateral and bilateral funding agencies.

The importance of science and technology development and the use of innovative skills to speed up the industrialization of Africa was underscored. It was thus necessary for African countries to formulate policies and pursue strategies for the promotion of science and technology and to develop innovative techniques particularly within the context of the Uruguay Round Agreement. Accordingly, the Meeting recommended that technical training institutions such as ARCEDEM, ARCT and IDEP should be strengthened and fully supported to help member States and the private sector to develop and promote technological and entrepreneurial capacities. The Committee also pointed out that science and technology training would greatly improve productivity and product manufacturing quality. For that reason, every effort should be made by governments and the private sector to develop industrial cooperation among universities, research development institutions, vocational training centres and businesses.

In order to develop and promote the entrepreneurial spirit and entrench an industrial culture in Africa, it was suggested that support institutions and services for small- and medium-scale industries should be strengthened in light of the experiences of other African countries and the newly industrialized ones. To that end, the educational reforms proposed earlier should also take into account the need to change attitudes and to inculcate an industrial culture in African youth.

Given the importance of small-scale industry and the informal sector in African economies as well as the role played by women in those sectors, the Meeting suggested that measures should be taken to help with their restructuring. The Meeting further suggested that a study should be conducted by ECA, OAU and UNIDO on the situation of women entrepreneurs and their needs evaluated in order to better assist them.

The Meeting underscored the need to develop and better utilize local skills as well as the rational management of human resources. Indeed, mechanisms should be put in place to help engineers and other senior officials in the civil service who were underemployed or unemployed to go into the private sector and set up their own businesses. Furthermore, not only should skilled manpower be trained, it should also be provided with incentive packages such as fair remuneration and career development programmes which will, in turn, curb brain-drain

from the continent. The Meeting recognized that a large number of African experts lived abroad and that ways and means should be found to encourage them to come back to Africa. More attractive salaries or other incentive schemes could be developed to that end.

(vi) Progress report on the establishment of the African Economic Community.

The Treaty had secured ratification by at least two thirds of the number of member States, and had accordingly entered into force on 12 May 1993.

The activities undertaken by the OAU secretariat, in close cooperation with ECA and ADB, with a view to implementing the Treaty provisions relating to:

- The restructuring of OAU involving the merger of the Community organs with OAU;
- The building of close cooperation and working relationships between OAU and the subregional economic communities which constituted the pillars of the Community; and
- Consideration of the draft protocols to be annexed to the Treaty and constituting the policy instruments having the same legal authority as the Treaty for its implementation.

The Committee took particular note of the draft protocol on industry and congratulated the secretariat on the quality of the progress report on the establishment of the African Economic Community as well as the draft protocol on industry annexed thereto.

While promising to send by September 1995 their observations, comments and amendments to the OAU secretariat, participants felt that the draft protocol should be placed within a long-term perspective and that consideration should be taken of the economic and technological advances at the national and international levels. To this end, the protocol should not go into detail or make premature choices which might undermine the whole process rather than promote it. Accordingly, it should be enriched and reviewed with particular focus on the following areas:

- The creation of African multinational enterprises should be preceded by the definition of criteria of mechanisms, policies and guidelines;

- Both the African industrial development fund and the African industrial development centre should be established only after their viability and effective mode of operation have been ascertained;

- The private sector should be associated with the drafting of the protocol on industry and one of its articles should spell out the role of the private sector in the industrialization of African countries;

- One article should be devoted to the establishment and development of small and medium enterprises;

- Also worth considering in the draft protocol are the issues of creating and nurturing an African industrial culture and spirit of enterprise and the challenge of competition among industrial enterprises; and

- The need to compile an inventory of existing industries in order to evaluate their comparative advantage and financial viability.

- The Committee felt that a comprehensive study should be conducted and realism built into the stages to be planned for industrial integration and setting of priorities.

Concerning the African Common Position, the Director General of UNIDO stated that the economic and technical changes, the implications of the Uruguay Round Agreement and the promotion of the private sector would call for in-depth policy review, restructuring of industry and the need to face new challenges.

This will require adjustment of IDDA national programmes and the strengthening of subregional economic cooperation institutions. UNIDO was planning to provide assistance this year in updating a number of IDDA national programmes, in particular in North Africa and Eastern and Southern Africa.

### The private sector forum

The Private Sector Forum was attended by about 100 private sector operators, including 29 women and was organized around four themes which were dealt with by working groups. They included:

- creation of an enabling environment for private sector development and promotion;
- implications of the Uruguay Round Agreement;

- mobilization of resources for private sector development in Africa; and
- regional cooperation and the role of the private sector.

### **Some important decisions**

With respect to the Committee of Ten, the Conference decided to dissolve it and further entrust the Bureau of the Conference, which is composed of five countries, with the follow-up of the programme of the second IDDA with the support of the joint ECA/OAU/UNIDO secretariat. The Conference stressed that for such a follow-up mechanism to be effective, there should be a regular flow of informa-

tion between the national committees and the joint ECA/OAU/UNIDO secretariat.

### **Date and venue of the 13th meeting of CAMI**

The representative of Ghana announced the offer of her Government to host the thirteenth meeting of the Conference of African Ministers of Industry in 1997. The Conference accepted the offer by acclamation. The Conference decided that the date of the thirteenth meeting of CAMI would be agreed upon later through consultations between the Bureau, the secretariats (ECA, UNIDO and OAU) and the host Government.

# Annex 1

## Reaffirmation of the Commitment of Ministers of Industry to Implement the Programme of the Second IDDA: *The Gaborone Declaration*

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1. We, the Ministers of Industry at the Twelfth Meeting of the Conference of African Ministers of Industry held at Gaborone, Republic of Botswana, from 6 to 8 June 1995, have undertaken an in-depth and critical assessment of the industrial situation in Africa, the various global economic changes including, in particular the Uruguay Round, the globalization and liberalization of the world economy as well as technological changes and their impact on the implementation of the IDDA programme. We recognize the important orientation contained in the Cairo Agenda for Action adopted by the 17th Extraordinary session of the OAU Council of Ministers.

2. Within this overall framework, we reaffirm our commitment to the industrialization of Africa, individually and collectively.

3. We, therefore, commit ourselves to the following measures and actions to be urgently and vigorously undertaken with a view to relaunching our industrial development and accelerating the implementation of our programmes for the Second IDDA at the national, subregional and regional levels:

### A. National policies

- create an enabling environment of peace, security, stability and the rule of law;
- create and maintain a stable macro economic environment and the right strategy and policy framework for industrial development;
- build key human and institutional capacities to support industrialization;
- undertake the mobilization and efficient utilization of domestic financial resources and attract foreign direct investment;

### B. Private sector and entrepreneurship development

- facilitate the full involvement of the private sector to participate actively in the industrialization process of African countries;

- take measures to support efforts for the private sector to organize and mobilize itself to contribute effectively to the industrialization of our countries;
- undertake all efforts to encourage the development of African entrepreneurs;
- encourage SMI's to achieve higher productivity and be able to compete in the world market;
- support and strengthen our institutions in the areas of Research and Development (R&D), with special emphasis on relations between universities, research institutions and industries.

### C. Competitiveness

- Prepare ourselves to meet the challenges that will result from the globalization and liberalization of the world economy, the Uruguay Round and the growth of regional economic groupings;
- Exploit our comparative advantages;
- Improve our competitiveness, efficiency, quality management and the application of international standards;

### D. Subregional and regional cooperation

- Give practical meaning to the essential role of our subregional and regional economic communities by providing them with the support they need.
- Support and strengthen our regional and subregional technological and scientific institutions.
- Increase our intra-African trade and cross border investments;

## **E. Mobilization of resources**

- Achieve increased efficiency in the mobilization and utilization of our financial and human resources;
- Encourage investment in the productive sector as opposed to speculative activities;
- Create and/or strengthen capital markets in our countries;
- Appeal for the resolution of the debt problem;
- Facilitate the retention of human capital and reverse brain drain;
- Restructure our education systems to address our industrial development needs through technical education, vocational training, engineering and managerial education, on the one hand so as to promote the spirit of enterprise and to inculcate an industrial culture on the other hand.

## **F. Other areas**

- Remove the socio-cultural constraints impeding the full involvement of women in the development of Africa;
- Promote women's access to education including particularly in business education and introduction to science and technology;
- Provide a healthy environment for the African youth as the policy makers and entrepreneurs of the future
- Ensure the integration of environmental issues into national development programmes as defined in Agenda 21.

4. We call on UNIDO, ECA, OAU, UNDP, World Bank, ADB and other international organizations, bilateral and multilateral donor agencies to support African countries in the implementation of the IDDA II programme and this Declaration.

## Annex 2

### Resolution 1 (XII): The Implementation of the Programme for the Second IDDA (1993-2002)

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The Conference of African Ministers of Industry at its twelfth meeting in Gaborone, Botswana from 06 to 08 June 1995.

**Recalling** General Assembly resolutions 47/177 and 49/107 on the adoption of the programme for the Second Industrial Development Decade for Africa and the call made therein to the African countries and international community to take concrete steps to ensure the full and successful implementation of the Programme.

**Recalling further** ECOSOC resolutions 1993/65 and 1994/41 on the implementation of the programme for the Second IDDA which inter-alia urged African countries to give priority to the mobilization of their own financial resources and invited Africa's development partners and development finance institutions to contribute the financial and technical resources for the implementation of the programme for the Second IDDA.

**Recalling** the Mauritius Declaration on Africa's accelerated industrial recovery and development in the context of the Second Industrial Development for Africa (1993-2002) and beyond.

**Recalling further** Yaoundé Declaration and Resolution GC5/Res.20, which were adopted by the 5th Session of the UNIDO General Conference which had accorded high priority to the industrialization of Africa and to the realization of the objectives of the Second IDDA.

**Mindful** of the ECA Conference of Ministers resolutions 780(XXIX) on the implementation of the programme of the Second IDDA, 781(XXIX) on the development of the private sector for the accelerated implementation of the programme for the Second IDDA; and 782 (XXIX) on the development of basic industries for the structural transformation of African economies.

**Re-affirming** the primary responsibilities of the African countries in the implementation of the programme for the Second IDDA and the need for mobilization of their own resources and for substantial flow of technical and financial resources from the international community towards the industrialization of Africa.

1. Appeals to all African countries and to African intergovernmental organizations to take concrete measures and actions to ensure full implementation of their national and subregional programmes for the Second IDDA.
2. Calls upon African countries which have not yet done so to revise and concretise their national programmes determining, in cooperation with the private sector, concrete industrial projects for implementation as well as to prepare action oriented plans for their realization and implementation including the establishment of corresponding institutions for their implementation.
3. Further calls upon African countries to include the programme of the Second IDDA in their respective national plans and to set up their national follow-up committees if they have not done so.
4. Specifically urges international development finance institutions particularly the World Bank, the Arab Bank for the Economic Development of Africa, the African Development Bank and African subregional banks and funds to allocate substantial resources to the implementation of the programme of the Second IDDA at the national and subregional levels.
5. Further calls upon African States to take concrete policy, institutional and other measures to ensure implementation of a sustainable industrial development through the second IDDA programme by, among others, the promotion of the cleaner Production Approach (CPA) to industrial project investments and of the application of the Environmental Impact Assessment (EIA) to industrial project investments proposed in the second IDDA programme.
6. Decides to dissolve the functions of the Committee of Ten and requests the Joint Secretariat to assist the bureau of CAMI and the IDDA national committees to follow up the implementation of the second IDDA.

7. Requests the Executive Secretary of ECA and the Director-General of UNIDO, ECA and OAU to undertake concrete follow-up actions for the promotion of the Second IDDA at the international level.
8. Adopts the Mobilization of Financial Resources and the Promotion of small and medium enterprises/small and medium industries as themes for 1996 and 1997 for Africa Industrialization Day.
9. Appeals to the General Assembly to allocate increased resources to the ECA to enable it to support African countries in their efforts towards the implementation of the Second IDDA.
10. Calls upon African countries to take concrete policy, institutional and other measures to ensure successful implementation of their national IDDA programmes, particularly the establishment of an enabling environment to ensure active participation of the private sector in the implementation of the programme as well as the attraction of investments in identified industrial projects.
11. Requests African countries, ECA, UNIDO and OAU to undertake in 1997 a mid-term evaluation of the implementation of the programme for the Second IDDA at national, subregional and regional levels and prepare country's, subregional and regional reports to the Conference at its next meeting.
12. Requests the Executive Secretary of ECA and the Director General of UNIDO to accord high priority in organizing subregional and national investment forms as well as utilization of African consultants in their activities related to the Second IDDA.
13. Requests ECA and UNIDO to hold subregional meetings on revision, concretization, evaluation and assessment of the respective programmes for the Second IDDA and to elaborate the action plans for their implementation.
14. Requests the Executive Secretary of ECA and Director-General of UNIDO to report jointly on the implementation of the present resolution to the Conference of African Ministers of Industry at its next meeting.

## Annex 3

### Resolution 2 (XII): Mobilization of Resources for Industrialization in Africa

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The Conference of African Ministers of Industry meeting at its 12th session in Gaborone, Botswana from 6 to 8 June 1995.

**Recalling** General Assembly resolution 47/177 of 22 December 1992 adopting the Programme for the Second IDDA;

**Recalling also** Resolution GC5/Res.12 and the Yaoundé Declaration adopted by the 5th Session of the General Conference of UNIDO, as well as the conclusions and recommendations of the Second Ministerial Symposium on industrialization of LDCs;

**Recalling further** resolution 2(XI) of the 11th Meeting of the Conference of African Ministers of Industry (CAMI) on the development of the private sector for the accelerated implementation of the programme for the Second IDDA and beyond;

**Bearing in mind** the major objectives of the mandate of the Conference of African Ministers of Industry in accelerating the pace of industrialization in the region through the harmonization of industrial policies and strategies of member States and of relevant inter-governmental organizations as well as ensuring the building and utilization of critical capacities in Africa;

**Conscious** of the central role of industrialization in the socio-economic transformation of Africa;

**Considering** the new international environment characterized by Uruguay Round Agreements that led to the creation of the WTO;

**Considering** the paucity of domestic savings which compelled African countries to create an enabling environment for foreign investments;

**Considering** the guarantee of intellectual property rights as one of the basic prerequisites required by the private investors to mobilize resources for industries;

1. Takes note of document CAMI.12/8/ICE/1995/8 entitled "Mobilization of financial resources for the implementation of the Programme for the Second IDDA";

2. Also takes note of document CAMI.12/9/ICE/1995/9 entitled "Development of human resources for industrialization in Africa";
3. Expresses concern about the adverse impact of mounting external debt, collapse of commodity prices and decreases in resources flow to Africa;
4. Calls upon African countries to persevere in their efforts to create and maintain an enabling environment for private sector development and the growth of private capital inflows, especially in productive activities through the institution of the necessary macro-economic framework which would emphasize improving infrastructural and human resources development capacities;
5. Calls upon African governments to create an enabling environment for domestic resources mobilization;
6. Invites Africa's development partners to extend every necessary support for improving investment conditions for both domestic and foreign investors through increasing the flow of official development assistance resources, implementing comprehensive debt-relief programmes, supporting the efforts of African countries to improve and enhance their financial intermediation capabilities, upgrading infrastructure and participating actively in the promotional activities of African countries;
7. Requests the Executive Secretary of ECA, the Secretary-General of OAU and the Director-General of UNIDO as well as the Secretary-General of UNCTAD, the President of ADB and the World Bank Group to continue providing African countries with the technical and financial assistance they need to promote the private sector and private investment;
8. Calls upon African member States and regional/subregional organizations to pay particular attention and accord priority to the

development of industrial skills, particularly technological, engineering and entrepreneurial capabilities, in national human resource development programmes and to ensure that adequate resources are earmarked for that purpose in national budgets as well as in the technical cooperation programmes of UNDP and other multilateral and bilateral funding agencies;

9. Urges African States to pay particular attention to human resources development support institutions and to find ways and means of strengthening research/development and training institutions such as ARCEDEM, ARCT and IDEP;
10. Calls upon ECA, UNIDO and other international organizations to continue helping African countries in their research/development and training activities by providing technical and financial assistance to subregional and regional institutions such as ARCEDEM, ARCT and IDEP;
11. Further calls upon ECA and other relevant international organizations, particularly UNIDO, UNDP, UNESCO and ILO to continue to accord high priority to the development of human resources and entrepreneurial capabilities in their technical cooperation and other activities in Africa;
12. Requests the secretariats of ECA, UNIDO and OAU to take necessary measures with

a view to establishing an information network on African industrial training institutions;

13. Further urges African governments to formulate policies geared towards increasing the participation of women in industrial development;
14. Requests African member States and the private sector to institute incentive measures to check Africa's brain drain and to use and manage local skills rationally;
15. Calls upon African governments to obtain, with the assistance of intellectual property regional offices, adequate facilities for the use of intellectual property as a tool for industrial development and for attracting private investments in industries; meeting the needs of the economic operators through technical information and the promotion of inventions and technological culture and enhancing the negotiating capacity of African countries regarding contracts on technology;
16. Requests the Executive Secretary of ECA and the Director General of UNIDO, in cooperation with the Secretary-General of OAU, to undertake follow-up actions for the mobilization of resources at national, subregional and regional levels for industrialization in Africa and jointly submit biennial report on the matter to the Conference of African Ministers of Industry.