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A SCHEME FOR SUB-REGIONAL INDUSTRIAL PROMOTION CENTRES IN AFRICA

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Introduction

1. It is now recognized that many viable large-scale modern industries in Africa can be organized and operated only on a multinational or sub-regional basis. The preliminary studies made by ECA for the East and West African sub-regions and by the European Economic Community (EEC) for the associated African states and Madagascar (EAMA-Etats africains et malgache associes) have brought out the sizable possibilities that exist by identifying specific projects in the different branches of industry. The basic conditions are necessary before these projects could be implemented. First, it is essential for the sovereign independent States of Africa to agree to a wide measure of economic co-operation amongst themselves and to establish some sort of permanent machinery for the purpose. Secondly, the promotion of projects identified must be entrusted to full-time specialized agencies who would attend to the multifarious problems of detailed investigations and delicate negotiations involved with professional competence. In regard to the former, progress is steadily being made. Co-operative groupings among countries like the Maghreb Consultative Committee, the West African Customs Union, UDEAC and the East African Community have been formed and meetings at ministerial level for the establishment of Eastern and West African economic communities as envisaged by ECA have also taken place. Because of the late start, progress with the creation of industrial promotion centres has, however, been relatively slow.

2. The Conference of Industrialists and Financiers which was held at Addis Ababa in January 1967, to explore the possibilities of co-operation between the African countries and developed countries for the promotion of industries in the former, underlined the importance of authoritative and easy information on investment opportunities and facilities in Africa for the purpose, and recommended the creation of "sub-regional information and promotion centres". This recommendation was fully endorsed at the Lagos session of the Economic Commission for Africa in February 1967. Welcoming the initiative taken by the Executive Secretary in convening

the Conference of Industrialists and Financiers, the Commission requested (resolution 153-(VIII)) the Executive Secretary,

"To initiate immediate consultations with African Governments and donor countries for the setting-up of sub-regional industrial information and promotion centres to advise member States on the execution of the necessary feasibility and investment studies, negotiations on multinational projects, and on techniques for combining most effectively the various sources of capital and types of management needed for the development and execution of an investment programme".

3. In pursuance of this resolution a plan for the establishment of sub-regional industrial promotion centres is set out in the following pages as a basis for further discussions.

Role of sub-regional promotion centres in Africa

4. In the context of the African scene industrial promotion centres have a varied role to play. First, they will be the principal means of contact between African Governments and the potential industrial investors. There is no known agency of the kind available at present which could be helpful in bringing the two together for a well-informed, business-like and effective dialogue. Secondly, they will constitute a repository of detailed factual data on all aspects relating to the establishment and operation of industries ranging from general economic background of individual countries to statistical information on markets, costs, profit margins, etc., for particular industries and government policies affecting them. Thirdly, industrial promotion centres will be the most appropriate and effective agency for formulating and making realistic assessments of potential multinational projects, presenting the essential facts and circumstances convincingly to possible industrial investors and co-operating with them and with member Governments in undertaking the feasibility studies basic to the establishment of specific industrial projects. A project approach of this kind is the only fruitful means of securing foreign capital and technical know-how on the requisite scale. And fourthly, sub-regional industrial promotion centres will be an important part of the sub-regional machinery of the

economic communities which are being established. As such, in all inter-governmental discussions, they can represent the sub-regional point of view and present an analysis and assessment of industrial projects, facilitating an informed discussion among the government representatives and decisions by them on a satisfactory selection and equitable allocation of industries amongst the different countries.

5. The overall objective of sub-regional industrial promotion centres is to help in accelerating the progress of industrialization in Africa. Since, at the present stage of development in African countries, the entrepreneurial and managerial skills, technical know-how and finance required for multi-national and sub-regional industries like steel, fertilizers, chemicals and paper and pulp will have to come from external resources and on a fairly large scale, the activities of the industrial promotion centres will have to be directed principally towards foreign investors - international lending institutions, private and state investment groups and industrial concerns. The nature and scope of these activities have therefore to be determined from this angle.

6. Foreign investors who have the necessary resources for expansion and diversification and who can meet the wide range of requirements of African industrialization, generally favour investments at home or in other developed countries, whose political and economic conditions are well known to them or which are similar to those in their own countries. In this situation they go ahead with full confidence in the success of their enterprises, in the safety and due reward of their investments and in the availability of the services and facilities they might need. But, even for the most enterprising among them the "fears of the unknown" are a great deterrent and in respect of Africa, as the Conference of Industrialists and Financiers itself recognized, it is further intensified by the exaggerated publicity received by political changes and the seemingly indifferent attitudes of governments experienced by some investors. As a senior official of one of the international finance corporations having knowledge of African conditions observed:

"While some developing countries have dealt with interested industrial investors from abroad fairly and efficiently others have not, and it is an

unfortunate fact that the actions of the latter have to some extent entered current 'myth' about Africa and had strong repercussions upon the continent's 'image' as a field of industrial activity".

7. Obviously, if foreign enterprise is to be attracted to Africa as it will have to be, at least in the initial stages, to furnish a powerful impetus to the growth of modern industries, deliberate and persistent efforts will have to be made to spread knowledge and information about investment opportunities on the continent in the form and manner in which they appeal to investors. The information will have to be specific and detailed enough to convince the investors that there are opportunities which it would be worthwhile to follow up in that hard facts indicate the likelihood that they will be able to manufacture goods to an acceptable standard of quality; and that they will be able to find a sufficiently large market for goods of each specification to warrant setting up economically-sized manufacturing units; and that they should be rentable; and that neither taxation nor government action will prevent them from remitting an agreed proportion of the profits to their home countries and having a surplus to plough back into the business. Further, the investors who become interested in specific industrial projects will have to be assisted in securing the necessary contacts with government officials and departments and other agencies in facilitating negotiations for their collaboration with the governments concerned. Broadly, these are the fields which the industrial promotion centres are expected to cover.

Services of promotion centres to the investor

8. In relation to the investor the main functions of the industrial promotion centres comprising information and assistance may be set out as follows:

- (a) Each industrial promotion centre should have at its immediate disposal good environmental information in regard to the participating countries for the use of investors.

This should include:

- (i) Information bearing on the market for the product, its size, the fiscal conditions affecting it, the market price structure,

past and expected future trends in these factors, broken down by the different categories and specifications of goods with which the industry is to be concerned; also up-to-date information about the existing or potential competition.

- (ii) Information about local experience of the technologies of the industry, labour attitudes and trainability, possible scale of operation and other technical questions.
 - (iii) Information about suitable localities, land tenure and any laws which may affect the acquisition of land for the establishment of the industry.
 - (iv) Information about taxation systems, the standard and availability of management and skilled and unskilled labour, those elements which enter into the direct and indirect costs of industrial activity, government policy about the industry in question, about share ownership, employment of expatriates, tariff protection, price control, etc., and information about linked industries, natural resources, transport, energy, water and other industrial requirements.
- (b) It should bring well-documented analyses of the potential for the sub-regional industrial projects, with all relevant background material, to the notice of firms and companies, both national and (through its overseas representatives) foreign, engaged in the same or related industries and to the notice of financial institutions interested in industrial investment and provide them with all the available information and facilities needed to enable them to form a judgement.

- (c) The IPCs should, in the initial stages, act as a connecting link between the intending investor and the appropriate government departments. That is, the industrial promotion centres should put to the relevant departments any questions and obtain speedy answers, so that the investor will be able, at that stage, to get all the information he wants through one channel. When it becomes necessary for the industrial investor's investigations and negotiations to be conducted in the country of manufacture and the other participating countries, the industrial promotion centres should be in a position to give him necessary introductions and put him in touch, if possible, with an organization in the country of manufacture which will act as the focus of his relations with the local authorities.
- (d) The IPCs should discuss and evaluate projects for establishing industries submitted by investors and promoters and if found satisfactory submit them to the Council of Ministers of the sub-regional economic community for discussion and decision.
- (e) The IPCs, wherever possible, should actively promote partnerships for industrial projects and the formation of management and "know-how" agreements (as appropriate) between foreign investors and local and/or State enterprises.
- (f) The IPCs might also guide the industrial investor to sources of development capital, both national and international, and advise him about government policy on local participation in industry.
- (g) It is important that even after the investor has been enabled to establish direct contacts with the country where the project is to be located, the IPCs should remain available to help the progress of negotiations.

Promotion centres as part of the sub-regional machinery

9. Simultaneously with the services to be rendered to investors with a view to arousing their interest in the promotion and implementation of industries in Africa, industrial promotion centres, as an integral part of the sub-regional machinery of the economic communities to be set up, have also to undertake some functions for the governments concerned. In addition to compiling general information relevant to the consideration of industrial projects, these functions could be the following:

- (a) To function as the industrial planning and implementation agency of the sub-regional authority in regard to multinational projects.
- (b) To examine and evaluate specific industrial projects which might be referred to them by governments (through the Council of Ministers, the highest authority of the proposed economic communities).
- (c) To submit to the governments for their approval multinational and sub-regional projects identified by the Economic Commission for Africa, the European Economic Community and other organizations and to help them by means of an impartial and balanced assessment of sacrifices and benefits, to reach decisions on the selection and allocation of projects. This is a vital task as the success of these projects, once they are assigned to particular countries for implementation, depends on the group of countries constituting the market fully respecting the decisions.
- (d) To draw up recommendations for the harmonization of industrial policies and for the modification or abolition, as between constituent countries, of obstacles to multinational industrial co-operation and of conditions which may tend to distort competition. Such recommendations would be for consideration by the Council of Ministers of the respective economic communities.
- (e) To advise governments on standards and specifications and to promote the adoption of similar standards and specifications throughout the sub-region.

- (f) To establish and maintain a continuing dialogue on industrial matters, both at high levels and at working levels amongst the governments of the sub-region and to present the point of view of the sub-region as a whole in inter-governmental discussions.
- (g) To take appropriate steps to encourage constituent governments to develop statistical and other information that will be of value to the industrial promotion centres and to intending industrial investors.

One centre for each sub-region

10. On the basis of the preliminary investigations made by ECA in the East and West African sub-regions and by EEC in the countries of the associated African States and Madagascar, a number of industrial projects have been identified as suitable for implementation. Having in mind the rather comprehensive nature of the functions envisioned for the IPCs, it would seem advisable to begin with a modest plan to establish only one centre for each sub-region. Comparative dearth of men with the right background and training to staff the centres and the relatively large expenditure involved favour such a beginning. When the practical utility of the centres is fully demonstrated by experience and when the volume of work and activity justifies it, expansion may be considered, perhaps, through opening branches in suitable locations as needed. This would minimize budgetary and personnel requirements for the expansion.

Promotion centres' responsibility to the Council of Ministers

11. As visualized at present the policy-making authority of the proposed sub-regional economic communities will be the Council of Ministers. Each of them will be served by an inter-governmental secretariat and may be assisted by specialized committees on industry, transport, etc. Decisions on the selection of multinational and sub-regional industrial projects and their allocation amongst the different countries of the sub-region - a very difficult and delicate piece of negotiation - can be taken only by the Council of Ministers. Industrial promotion centres, being the main

agency for securing accelerated implementation of these projects, will naturally be responsible to and subject to supervision by the Council of Ministers. The relationship of the centres to the secretariat and the Committee on Industry -- could perhaps be defined more precisely at a stage when the functions of the secretariat and the scope of work and procedures of the Industry Committees of the sub-regional economic communities become more clearly established. Meanwhile, it seems enough to state that as the industrial planning and implementation agency of the sub-regional authority, the industrial promotion centres should have the necessary initiative to make recommendations on general industrial matters and policies and to suggest specific projects for approval. They should also have adequate freedom to pursue negotiations for the implementation of approved projects to a stage where they could be taken over by the governments of the respective countries themselves where the projects are to be located.

12. Once an industrial project is approved by the Council of Ministers the chief executive of the industrial promotion centre concerned would be responsible for its successful promotion. In many cases it may not be necessary to make a further reference to the Council, although progress should be reported to it from time to time. However, since the ultimate decision on the precise size, form, location, etc., of the project must depend on the judgement of the entrepreneurs who will carry it out, if in the course of negotiating the implementation the chief executive feels that a significant change in the original plan approved by the Council of Ministers requires to be made, he will need to reconsult them. He could perhaps do this through individual contacts or by correspondence in cases where waiting for a full meeting will impose avoidable delay on the pending negotiations. Additionally, it may also be necessary to reconsult the Council where more than one entrepreneur is interested, and the industrial promotion centre is faced with a choice between two projects exhibiting differences regarding scope and the countries affected.

Need of overseas offices for industrial promotion

13. The creation of industrial promotion centres in Africa will ensure identification of promotable projects, their presentation with adequate specific data in appropriate form and assistance in the detailed and

prolonged negotiations that must follow during the process of implementation. For the success of the investment promotion effort, side by side with the identification of promotable projects it is, however, essential also to identify as many potential investors as possible who are likely to be interested in the projects being promoted. Obviously, this search for locating the prospective entrepreneurs and investors will have to be directed to the developed countries and this can be done satisfactorily only if it is handled on a full-time basis by offices of the African industrial promotion centres located in these countries. In fact, establishment of these counterpart offices, howsoever small they may be, would be a necessary link in the promotion effort.

14. To start with, two small overseas offices, one located in the United States and one in a European country to cover the continent, each headed by an officer with sufficient industrial and investment experience and knowledge of Africa and supported by secretarial staff should meet the requirements. These offices could be utilized jointly by all the sub-regional industrial promotion centres in Africa that will be set up. In order that the overseas offices should function efficiently and effectively the industrial promotion centres will have to supply them all the basic information relating to industrial opportunities and general investment climate in Africa which they have to collect and maintain up-to-date. They will also be required to forward to the overseas offices copies of the industrial projects which might be approved for promotion by the Councils of Ministers from time to time. Armed with this material the offices will have to make a persistent and purposive effort to inform foreign enterprises and investors about the prospects of industrial investments in Africa, arouse their interest in specific projects and to bring them in contact with the appropriate promotion centres in Africa when the stage is ripe. To this end they will have to perform the following functions:

- (a) To maintain effective and close relations with the "correspondents"^{1/} nominated by the different countries for liaison with the Economic Commission for Africa in the field of industrial promotion.

^{1/} These correspondents were nominated by Governments of developed countries to act as a liaison between ECA and their respective countries and to give advice and assistance on questions relating to the promotion of industries in Africa in response to a request from the Executive Secretary of ECA.

- (b) To establish contacts with financial institutions and industrial firms who are likely to be interested in investment opportunities in Africa.
- (c) To give publicity to opportunities for industrial investment in Africa in general and to specific projects through appropriate effective media.
- (d) To build up and maintain an up-to-date list of possible investors from different countries in the industries to be promoted on a multinational and sub-regional basis in Africa.
- (e) To provide detailed information relating to prospects of industrial investment in Africa.

Requirements of staff

15. Taking into consideration the nature and scope of the activities the industrial promotion centres will have to carry out, it is clear that they will have to be adequately staffed with personnel combining professional competence and industrial experience with skill in conducting negotiations. In particular, the chief executive of the centre who will occupy a crucial position and who will influence its operations and ensure its efficiency, should be a persuasive advocate of industrialization. The individual should have had industrial management experience as well. However, the most important requirement is that he ought to enjoy the confidence and respect of the Council of Ministers to whom he will be responsible. His selection and appointment will be made by the Council of Ministers itself.

16. The size of the professional and other staff of the centres will, to a large extent, depend on the size of the sub-region and the number of governments to be served, the volume of likely projects and the number, variety and ability of the experts available. As a minimum, each industrial promotion centre should, as soon as possible, maintain five or six members of professional staff from amongst the following categories:

- Investment analysts;
- Industrial economists;
- Industrial engineers;
- Technologists;
- Accountants.

17. Broadly speaking, the investment analyst should be familiar with the techniques of sophisticated economic analysis and imaginative in their application; the industrial economist should be capable of recognizing investment opportunities and structuring the forecasts of relevant economic variables, the engineers should be men whose experience transcends the technical side of their speciality and who are conversant with the financial and commercial implications of their profession; and the accountant-cum-statistician should be imaginative enough to supervise the accumulation of information and its presentation in attractive and meaningful form. As far as possible, the staff should be experienced negotiators and capable of speaking with authority about industrial conditions and organization, taxation, industrial incentives and finance in the sub-region and the availability of developed finance from international sources.

Relations with other organizations

18. To carry out its functions efficiently the IPC must maintain good relations with governments and establish effective co-ordination with the development, promotional and industrial research organizations in member countries or groupings. In addition to securing from them the information, research data and advice it needs for its own work, the IPC should also help them by advice and assistance and making its studies and analyses available to them. In course of time, the IPC may well constitute a most valuable reservoir of engineering competence and market skills and information, which could be used to give valuable backing and assistance to national organizations.

19. It is important that the IPCs should establish and develop working relationships with the African Development Bank. The ADB has a clear interest in all sub-regional industrial projects and will find the work done by IPCs on such projects of considerable help to it.

20. In addition, the IPCs would need to have ready access to the accumulated industrial information, studies and advice of ECA, UNIDO, FAO, UNCTAD, etc. This will entail establishing working contacts with them.

The IPCs would also need to develop contacts with various consultancy firms, public service foundations, etc., which have made or are making studies of various aspects of African development, some through local offices, others by sending missions to Africa.

Location of promotion centres

21. The industrial promotion centres will have to work within the framework laid down by the Council of Ministers. Therefore, each centre will have to maintain close contacts with the Council and perhaps also with the secretariat of the sub-regional economic community and its various committees. Prima facie, there is advantage in having the IPCs located at the same place where the sub-regional secretariat will be established. This will facilitate easy communication and continuous exchange of information.

Guesstimate of costs

22. The expenses of the industrial promotion centres will consist basically of office rents and usual office and travelling expenses, staff salaries and consultants' fees; and each industrial promotion centre will have to bear a one-fourth share of the cost of the two overseas offices in addition. It is difficult to make a realistic estimate of costs at this stage, but as an indication of the scale of magnitude a "guesstimate" ranging between \$300,000 to \$400,000 may be put forward for the annual recurring expenditure. The actual amount will vary according to the number of expatriates (for whom leave passages, etc., have to be allowed) engaged, the number of staff that have to be housed, the levels of office rents in the towns chosen and the extent of travel undertaken. While it might be possible, in the formative years, to secure assistance from friendly governments towards the annual recurring costs of establishing and running the IPCs, the major part of their expenditures will require to be met by the member Governments concerned until such time as the centres get will established and are in a position to levy a charge on industry for services rendered by them.