Distr.: GENERAL

E/ECA/CAMI.14/ICE/99/8
14 July 1999

ENGLISH
Original: FRENCH

UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

ECONOMIC COMMISSION FOR AFRICA (ECA)
UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)
ORGANIZATION OF AFRICAN UNITY (OAU)

Meeting of the Plenary Intergovernmental Committee of Experts on Industrialization in Africa

Dakar (Senegal)
18-19 October 1999

Fourteenth meeting of the Conference of African Ministers of Industry

Dakar (Senegal)
22-23 October 1999

CURRENT TRENDS, APPROACHES AND STRATEGIES FOR PRIVATE-SECTOR DEVELOPMENT IN AFRICA

SYNTHESIS OF SUBREGIONAL CASE STUDIES

CONTENTS

I. INTRODUCTION

1. Private sector growth should be an essential component of the economic reform strategies and programmes of African States. These being way behind the industrialized countries and even some developing countries, it is imperative for their integration into the competitive trade and financial milieu to embark on investment in human resources and capacity-building in industrial production; this would place them in a better position in the context of globalization.

2. The policies of the erstwhile colonial governments and those of the post-colonial governments in the period immediately after independence, favouring the public sector, jeopardized the development of private sector management capabilities in Africa. Consequently, private-sector growth has been hampered by a growing number of constraints, and the situation may worsen in the absence of a clear definition of the role governments and development partners should play in national, subregional and regional development efforts in infrastructure development, capacity-building, the development of enterprises, entry-point training for entrepreneurs and improvement of capacities in existing enterprises.

3. To cover the time lost and join the mainstream in this sphere, African governments should recognize the pivotal role of the private sector in the development agenda and embark on entrepreneur training across the spectrum of key industries in order to achieve harmonized, sustainable socio-economic development.

4. A number of African countries attached a great deal of importance to investment promotion in the period after independence, favouring liberal economic policies and private enterprise. That policy orientation enabled them to achieve commendable results over a considerable period. During the 1980s and thereafter, however, a diminution in earnings from primary commodities, coupled with the oil shocks of 1973 and 1979, adversely affected the balance-of-payments position of many African economies.

5. Consequently, many of them instituted structural adjustment programmes (SAPs) with the support of the World Bank and the International Monetary Fund (IMF). The results have not been wholly satisfactory, and so African governments have tended to favour economic policies focused on private sector growth, with the role of government being honed down to the activities of regulation, environmental protection and control; this has entailed disengagement from the production function and introduction of privatization programmes.

6. The economies of some of the countries of the franc zone rallied appreciably following the devaluation of the common currency in 1994. The introduction of policies and strategies to promote private-sector growth revivified these economies thanks to the emergence of a more auspicious business milieu and the attendant confidence-building trends in investment.

7. For many African countries, mismanagement of the institutions of government and the resultant violence poses a real risk of a downward spiral, as long as decision-makers, in pursuit of selfish interests, continue to turn a blind eye to the imperative for change and questions of human rights.

8. Against that backdrop, African countries have embarked upon dynamic policy orientations for private-sector promotion.

9. This paper focuses on the appropriate measures for private-sector promotion, and analyses the impediments to private-sector growth, with the objective of proposing practical approaches towards addressing the constraints identified, as well as a programme of action for private-sector promotion and development. Finally, various modalities for the implementation of a programme of action are examined.

II. OVERVIEW OF THE PRIVATE SECTOR

10. There is not a lack of attractions to foreign investors within African economies. However, obstacles to investment do exist, and these are sometimes formidable.

2.1 Positive and negative factors in the investment milieu

11. Every country is unique in some ways, and Africa is no exception. The similarities between countries do not conceal considerable disparity in development orientations, level of political stability and the particular "pull" factors for potential investors. There is no dearth of aptitudes in Africa - no less than elsewhere in the world - for the creation, development and management of enterprises that can contribute to economic and social development. However, these capabilities and resources are marred by formidable obstacles.

(i) The capabilities

12. Among the capabilities may be mentioned the availability, in some countries, of primary commodities such as minerals, fisheries and agricultural produce. With stable government, the trend is towards determined reform to bring about openness, stem corruption, combat crime and alleviate bureaucracy. In this instance, some developed countries, and the international financial community, lend assistance to an extent surpassing that given to other recipients, so that countries in this category are described as good pupils.

13. At the same time, the Africanization of national cadres and the introduction of support mechanisms providing a small proportion of entrepreneurs with starting capital, the establishment of industrial processing zones, technical advisory bureaux, training and investment promotion centres and specialized banking institutions, remain pertinent considerations for many governments.

14. Over the years, large public corporations were established in various sectors by African governments. Some of them achieved considerable success, but a good number, on the other hand, could not avoid the pitfalls of mismanagement, lack of independence, nepotism in managerial appointments, and lethargy in monitoring results. Today, a prime concern more or less throughout the continent is to privatize in order to turn existing firms into profitable propositions and salvage the economy.

(ii) The constraints

15. Socio-economic policies during the colonial period in sub-Saharan Africa barred the indigenous people from acquiring business creation and management experience. In North Africa, by contrast, the policy environment was propitious for the development of partnerships with indigenous entrepreneurs who, consequently, were able to gain management experience in almost all sectors of the economy. That scenario persisted in most cases even after independence, with development resources being channelled wholesale to the public sector; here again, North Africa was an exception.

16. Ideological undercurrents readily influenced post-colonial African governments. Under socialist regimes, the development of the private sector received scant attention in the face of the primacy given to politicization of the citizenry. Often, corporations and industrial plants were established merely in order to fulfil promises of social well-being. Many of these corporations failed because they were not managed properly. Most governments in sub-Saharan Africa did not give much attention to private sector development as an avenue of economic growth and employment generation.

17. Clearly, the constraints facing entrepreneurship, and by extension private sector development, are formidable. African entrepreneurs have been operating in a hostile environment. Not surprisingly therefore, potential entrepreneurs - local as well as foreign - show some reluctance in the face of business prospects.

18. Among the common constraints facing private sector development in Africa may be cited financial policies and high interest rates on deposits, both of which discourage saving, thus seriously curtailing the volume of bank credit, the conditions for which, in any event, are discriminatory. Excessive borrowing by governments further diminishes the amount that could be lent to private entrepreneurs. High taxation encumbers private sector profits and incomes.

19. Rarely are relations between governments and the private sector based on the kind of rapport that can lead to favourable planning and policy formulation. The lack of interaction between entrepreneurs on the one hand, and technical experts and public officials on the other, has resulted in an information gap and alienated the private sector. Intersectoral linkages and questions of technology transfer and adaptation are not sufficiently highlighted.

20. In the absence of effective strategies for the steady delivery of support services such as concessional bank credit or management training in the informal sector, management techniques remain beyond the reach of informal-sector entrepreneurs, who therefore tend to confine themselves to a restricted market consisting only of customers they know well.

21. In general terms, small and medium enterprises (SMEs) lack the necessary capital, experience or skills for the installation, adaptation or assimilation of technology and management methods. An environment of low industrial development is not conducive to the acquisition of the necessary attributes of technological innovation, which is a prerequisite for industrial productivity.

22. Many African engineers were trained after independence, and many of them remained in the developed countries, owing to the low level of industrial activity in their countries of origin, or for political reasons. As often happens, the professional experience of engineers working at home is underutilized.

(iii) The obstacles

23. A number of serious obstacles may also be cited such as civil strife and political instability, social upheaval, low optimization (characterized by low capacity productivity of existing industrial plants), the impact of unpredictable climatic conditions on agricultural productivity, inconsistencies in the supply of primary commodities and spare parts for agro-industries and other industries, unstable national currencies, and unscrupulous, even anti-development, banking practices.

24. In some cases, moreover, lack of progress is caused by resistance within the administrative machinery to programmes involving retrenchment; this reticence retards the privatization process and frustrates possible gains to the public sector.

25. Institutionally, lack of transparency and accountability in the judicial apparatus, rigid labour laws and lack of incentives to promising sectors such as forestry and mining, are major obstacles.

26. Not uncommonly, fiefdoms emerge within the administrative machinery with the result that financial regulations are flouted, innovative programmes are blocked and development held back. In that connection, it is often difficult, at various levels, to identify the decision-making authority, as administrative functions are abdicated to the apex of government. In particular, the Government is often constrained to discharge functions that, properly, should be within the purview of the judicial department.

27. Lack of progress is also observable in the area of communications. It is easier, in many parts of the continent, to communicate with Tokyo than with a country within the same subregion. The road network is inadequate to support intra-regional trade.

28. African banks, being for the most part, mere satellites of Western banks, rarely give long-term credit and are ill-equipped to support private-sector development. Their participation in enterprise often fails the entities they finance.

29. Training opportunities for civil servants are minimal. While they are, on occasion, stimulated by the desire to learn and do benefit from the opportunities that emerge from time to time, they are often thrown back into the same stultifying working environment, with no appreciable gains in productivity.

2.2 The investment climate in Africa

30. A study on investment promotion in Africa, particularly in the franc zone, covered the management of French businesses (95 per cent were small and medium enterprises). It identified a

number of obstacles, such as constraints in conducting feasibility studies, marketing costs, and lack of access to information and to markets and financing.

31. Consequently, the study recommends the establishment of adequate information systems at country level and partnerships with large business enterprises to provide funding opportunities and banking services, with particular emphasis on access to credit and to affordable interest rates.

32. Indeed, the obstacles encountered at country level are multifaceted and daunting. These include uncertainty in the judicial departments, lack of clarity in policy formulation, corruption, customs duties and taxes, access to financing, low skills, bureaucracy and inadequate communications infrastructures.

33. It also appears that the existing reform programmes have not been adequately disseminated, and even in the cases where there is sufficient awareness of the reforms, prospects of their being translated into reality are often remote.

34. Subregional and regional integration promises considerable opportunities to African entrepreneurs for market expansion and, by extension, development. Integration, if well managed, should help minimize procedural bottlenecks and promote security, stability and the free movement of people and goods.

35. It is clear from the study that the track record of most African countries is their main problem. Closer monitoring of the utilization of development assistance funds -- and their allocation as a matter of priority to private sector development or at least to feasibility studies, information dissemination and the establishment of partnerships, -- could help avert some of the obstacles cited above.

36. A study carried out by the ACP Committee of the Conseil national du patronat francais international particularly highlights the lacunae arising from lack of communications. African governments should draw the right lessons from the past and endeavour to address the impediments that lie in the way of their progress.

2.3 Investment promotion in the franc zone

37. Growth has rallied in some of the countries of the franc zone following a series of macroeconomic and institutional reforms, but investment is still falling behind. Lack of information on these countries could be a contributing factor.

38. Planning and finance ministers of the countries of the franc zone, in collaboration with the French cooperation ministry, have resolved to highlight the communication dimension. The result has been the Investissement en zone franc CFA (IZF) project, which envisages the preparation and dissemination of wall charts graphically showing the investment opportunities of the franc zone, and an atlas - guide to markets, containing technical, legal and administrative information on the region.

39. The project also envisages a web site under the direction of a steering committee and a technical committee to manage a documentary on market conditions, investment opportunities, latest trends, changes in legislation, and projects and programmes of member States of the franc zone. The investment promotion mechanisms of this project are established by the Communauté économique et monétaire de l'Afrique centrale Central African Economic and Monetary Community (CEMAC) and the Union économique et monétaire ouest-africaine West African Economic and Monetary Union, (UEMOA).

III. ORIENTATIONS AND STRATEGIES AT THE SUBREGIONAL AND REGIONAL LEVELS

40. In large measure, every country's growth orientation is determined by its resource base. The overall objective at country level, however, is to integrate the national economy into the global economy; in order to derive the maximum benefit from the opportunities offered by globalization, boost intra-regional trade through economic integration at the subregional and regional levels, and create an enabling environment for the growth of local - investment-driven and foreign-investment-driven enterprise.

41. Africa's strategic orientations in the short- to medium-term should therefore be centred on continuing the privatization programmes, instituting reforms in the legal and regulatory spheres, and providing incentives to industry.

42. Privatization is well under way almost throughout the continent, complemented, in some cases, by infrastructure projects on the build-operate-and-transfer (BOT) model.

43. By and large, reform measures are on the basis of partnerships between government and the private sector, or they have taken the form of financial and non-financial support services and infrastructure to promote economic growth through special development zones and investment finance banks.

44. Government commitments in the area of reform of the legal and regulatory environment are mainly concerned with trade liberalization and liberalization of the economy as a whole, reform of the legal machinery and the creation of an auspicious environment for competitiveness, which, with improvements in product quality, is a positive factor in the global context.

45. In general terms, actions focused on socio-economic development, improvement of the business environment and expansion of private-sector participation in economic development are relevant to African countries.

3.1 The challenge of globalization: towards a continent-wide legal framework

46. In the context of private-sector support mechanisms, the treaty establishing the Organisation pour l'Harmonisation du Droit des Affaires en Afrique (Organization for the Harmonization of Business Law in Africa, OHADA) was signed in Port Louis, Mauritius, on 17 October, 1993.

47. The 14 signatories have formulated a common law of business associations, in common statutes covering company law, the legal status of traders, debt collection, security, enforcement of claims, recovery and liquidation, arbitration, labour law, accounts, sale of goods and transportation.

48. The main objective of OHADA is therefore to create the necessary conditions for the establishment of an African Economic Community.

49. Thus, OHADA reflects a resolve on the part of the member States to lay a firm foundation for enterprise, taking advantage of the prospects of a development-oriented economic union, even though it means that, in the short term, they have to make certain concessions of a political, economic and legal nature.

3.2 Industrialization

50. Industrialization is the only sure path whereby Africa can carve a niche for itself in the global economic environment. It has dawned on people across the continent that in the present-day context of globalization, it is imperative, in the short, medium and long run, for each country to effectively utilize the natural-resource base and acquire the necessary technical capabilities in order to achieve sustainable development and alleviate poverty. In this view, a number of governments in Africa have devised various dynamic orientations and strategies focused on industrial development anchored on domestic as well as foreign investment in industry.

51. A broad range of cooperation and support mechanisms now exist in all the five subregions of the continent. These mechanisms should be harnessed effectively to meet the burgeoning needs within Africa in this domain. This will necessitate growth in the manufacture of competitive, quality products, and trade in such products on the global market place.

52. In response, African countries have formulated dynamic strategic orientations to facilitate private-sector development at country level as well as at the subregional and regional levels.

53. We need to go further than liberalization - even total liberalization - and integration into the global economy. Even though the prospects for industrial development in Africa appear limited and fraught with difficulties, and even though there are noticeable constraints in the overall industrial substratum, a dynamic orientation should enable African economies to overcome the hurdles. The imperative now must be active, accelerated progress of African countries into the industrial and entrepreneurial age.

54. To attain the level of industrialization that they desire, Africans must be able to draw on the lessons and experiences of various developing and developed countries. It has been observed that every society, regardless of its level of development, begins by relying on its own resources, endeavouring to consolidate its attributes in terms of culture and range of skills, asserting itself in terms of integrity and establishing the foundation for its own development, by investing first within its borders and so being able to attract and invite foreign investors. Ever since independence, the expatriation of funds - often irregularly acquired - has cast Africans in a bad light. The money thus transferred from sub-Saharan Africa alone amounts to around $US 148 billion. With the difficulty

African countries now face in obtaining from abroad the resources they need to finance development projects, a review of policies is called for, as is the adoption of strategies focused on appropriate and practical measures, as well as establishing conditions that will encourage people to repatriate capital. There is an abundance of rich Africans looking for ways to turn their assets to profit. Women entrepreneurs, known as 'Nana Benz' in Togo, are to be found more or less all over the continent. Governments ought to find ways and means of drawing such rich people into the development agenda.

55. Clearly, in the context of global competition, government intervention and government initiatives are requisites of successful industrialization; it is equally true that no region in the world has so far achieved economic development in isolation from the global economy. For African countries, social well-being is a key element as well. This presupposes the reduction of unemployment and poverty, and an improvement in competitiveness across the spectrum of the economy; hence the need for more effort towards setting standards in agro-industrial manufactures and primary commodities, and towards increasing production to meet the needs of society. With regard to downstream industries, the transformation process should be locally based, so that African economies can benefit from value-added and the acquisition of industrial capabilities.

3.3 The economic situation in Africa

56. Continent-wide, Africa registered a slight economic recovery over a three-year period. GDP grew at 3.7 per cent in 1997. This represents a downturn in relation to the growth rate of 5 per cent in 1996, but is a net improvement on the period 1990-1995, when GDP grew at 1.9 per cent on average.

57. In 1997, the volume of exports grew by 6.2 per cent continent-wide. This represents around CFAF 79 200 billion in foreign exchange. There was an improvement in the balance of payments, giving a CFAF 4 320 billion reduction in the current-account deficit[1].

58. The modest upturn, resulting from economic recovery in some countries following a regimen of core reform measures, is favourable to private enterprise. Without the fall in the price of some primary commodities on the world market, drought in some countries and floods in others, and the more or less widespread upheaval in the socio-political sphere, the economic recovery in Africa could have been greater. This encouraging trend should be sustained in order to reduce rural and urban poverty across the continent. An annual growth of around 7 - 10 per cent is required to noticeably reduce poverty in Africa.

59. At around CFAF 189 000 billion, Africa's external debt is clearly a burden. To alleviate this burden, the African Development Bank (ADB) has earmarked CFAF 192 000 billion to assist hhighly indebted poor countries (HIPCs) ahead of the meeting of the seven most industrialized countries (the G7); the G7 are expected to consider cancelling 80 per cent of these countries' debt stock.

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[1] Source: "Lettre de l'Afrique de l'Ouest", 18 May 1998 No. 82.

A. THE WEST AFRICAN SUBREGION

(a) Economic situation in the UEMOA member States

60. Since the devaluation of the CFA franc in 1994, the economic growth rate of the West African Economic and Monetary Union (Union économique et monétaire ouest-africaine, UEMOA)[2] member States ranged between 4.5 and 7 per cent per year. The inflation rate, which had stood at 34 per cent over this period, fell subsequently, stabilizing at between 3 and 10 per cent in 1996. The over-all balance-of-payments deficit, 15.7 per cent of GDP in 1994, stood at 10 per cent in 1996, and the overall budget deficit is just under 1.3 per cent of GDP, down from 7 per cent in 1993.

61. On the whole, the community's products became more competitive, bringing about more favourable relations vis-à-vis external partners. External assistance within the framework of structural adjustment support increased. Balance-of-payments support reached CFAF 3 159 billion in 1997.

(b) Policies and strategies

62. The impact of globalization on the economies of the subregion has been great and will remain so in the foreseeable future. Community-wide, the member States have initiated a movement towards an integrated economic system that will be congruent with other newly established mechanisms such as the system of harmonized business law (Organisation de l'harmonisation du droit des affaires, OHADA) and the West African System of Accounts (Système comptable ouest-africain, SYSCOA), which, with effect from 1 January 1998, is binding on enterprises of all UEMOA member States; its purpose is to promote transparency, the rule of law, information dissemination and the security of domestic and foreign investments.

63. Other UEMOA instruments, such as the proposed regional securities exchange (Bourse régionale des valeurs mobilières, BRVM) and trust corporations (sociétés de gestion et dintermediation, SGI) are designed to facilitate the modernization and revitalization of tontines (parallel banking mechanisms) which, by opening up to market economics and adopting free-enterprise practices, will be able to offer their customers a broader range of services, providing public – and private-sector investors with a less rigid financial-products mix.

64. In sum, there is steady progress in the subregion towards an integrative financial market that can meet the financing needs of the private sector and match the overall integration agenda.

- Object and purpose of UEMOA

65. The main objective of UEMOA is to strengthen the monetary union and reactivate the process of economic integration, making it an engine of growth to benefit entrepreneurs across the subregion.

[2] Source: Lettre de l'Afrique de l'Ouest, 18 May 1998. No. 82.

66. Its purpose is also the integrate the economies of member States, by eliminating fiscal, physical, trade, technical and structural barriers. It is linked to the establishment of a customs union which will flow from a community-wide system of preferences for commodities originating in member States and the introduction of an external tariff applicable to non-member States, while guaranteeing adequate protection and indemnity in certain sectors.

(c) Principal mechanisms

(i) The legal framework

67. In view of the importance of the harmonized system of business law (OHADA) and the Court of Justice, the member States and professional organizations are expected to disseminate its legal instruments widely. Indeed, entrepreneurs are concerned that OHADA is not mandated to intervene in disputes between government and entrepreneurs. It is to be hoped that this question will be considered along with that of justiciability of such disputes. In the same vein, employers' associations are expected to establish commercial courts of arbitration, both at the entrepreneurial and country levels, empowered to settle disputes among entrepreneurs inter se. Accordingly, member States are invited to consider the parameters of establishment of such juridical mechanisms at the community level.

(ii) The fiscal, economic, financial and social dimensions

68. At the outset, studies on tax systems of member States were carried out without the participation of entrepreneurs. Since the Common External Tariff (CET) becomes operational on 1 January 2 000, this should be taken into account in the interpretation of the studies on tax systems and business regimes, to ensure overall coherence. It is noteworthy that the CET should act as a countervailing mechanism against dumping, and the fragility of the industrial structures of the subregion should be taken into account in its application.

69. Employers' associations are expected to give due attention, to the improvement of internal expertise and, where necessary, have recourse to external expertise for the purpose of formulating recommendations and regulations concerning questions outside their areas of competence. To make the utmost utilization of opportunities in the member States, the associations will establish an information system for the community. The community should provide a framework conducive to initiative and innovation that is apt to create avenues of financing. All necessary arrangements will be made to provide credit opportunities, and the Government will simply oversee the observance of a code of conduct.

70. Within the framework of the complementary measures envisaged in the CET mechanism, the business component, and in particular, the small and medium enterprises and the small and medium industries (SMEs/SMIs) should be given particular attention in the issuance of concessional loans for capital goods financing. The harmonization of labour laws and the adoption of a Community-wide industrial rights regime should facilitate the alleviation of impediments to human resources utilization within the UEMOA subregion. Social-security institutions should enjoy autonomy and be able to play an active role in the activities of the regional securities exchange (BRVM). Finally, due

importance should be attached to the role of civil society, which is equally necessary for the success of the economic integration process.

71. UEMOA should be able, through the employers' associations, to overcome various challenges, not least that of the quality of management, as this determines productivity and profitability. At the same time, the human dimension should not be overlooked; a sound training policy at the level of the business unit, combined with the education system, is important to, for instance, improve the utilization of information and other techniques that are constantly evolving, and by extension, guarantee product quality at a level that meets the expectations of customers.

(iii) Integration as an engine of private-sector development

72. Subregional economic integration is an important mechanism for private-sector development because it is founded on the expansion of markets. In the economic sphere, a great deal can be achieved when productive forces are brought together. Oftentimes, the constraints facing the industrial sector in Africa have more to do with marketing than with the production process, and this is because markets are restricted and purchasing power generally weak, a fact which, in turn, is attributable to policies that are formulated for Africa from abroad. At the level of the West African subregion, considerable effort has been made towards integration, and setbacks along the way can probably provide so many lessons on the basis of which UEMOA can more effectively promote private-sector development across the subregion.

73. The experience of the Economic Community of West African States (ECOWAS) proves that drawing up well-prepared statutes, ratified by member States, does not suffice to achieve subregional development. The member States of UEMOA would serve the private sector better by focusing on capacity-building and actualizing the intent in practical terms to create an enabling environment for private sector development. For UEMOA, sectoral policies from which the subregional community can draw comparative advantages can be internalized and analysed within that environment.

74. The private sector, for its part, should formulate a strategy, at the subregional level, whereby it can benefit from the opportunities offered by UEMOA and by countries of the subregion that have not yet joined the community.

(iv) The informal sector

75. Integration of the informal sector poses a number of problems for employers' associations. Business entities in the informal sector are in unfair competition with registered ones. For harmony, the informal sector should integrate into the employers' associations and thereby find ways and means of establishing durable linkages with small and large enterprises alike.

(v) The manufacturing sector

76. There are dimensions of the integration process that are of particular concern to the manufacturing sector; one such is the question of marginalization. The Regional Integration Support Programme study contains no conclusive data concerning policy stances on manufacturing.

Decisions on industrialization are not applied at the country level. Across the UEMOA subregion, the government departments responsible for structural adjustment programmes and for national planning do not attach due importance to the potential gains from a more cohesive community structuring.

77. Information concerning the industrial potential of UEMOA member States, or the opportunities they offer, is not disseminated among potential investors. Often, member States buy manufactures available within the UEMOA subregion from elsewhere. Further, the communication infrastructure cannot adequately serve trade in manufactures.

(vi) Constraints and perspectives

78. In the main, UEMOA economies are constrained by inadequate infrastructure, shortage of skills and inadequate domestic sources of financing. For successful integration, transport modes and communication links as well as the supply of basic amenities such as water and electricity, will have to be strengthened at the national and subregional levels. This will promote trade as well as private-sector development.

79. At the same time, it is noteworthy that the participation of employers' associations in the formulation and implementation of economic policy, whether at the national or the community level, is still modest. The professions in all the UEMOA countries have not attained a level of organization that can make them effective, creditable and representative of their members even at the national level.

80. In the short to medium run, the community's funds are to be used rationally and effectively in the implementation of subregional integration programmes and the establishment of an overall environment in which the private sector can play a major role in infrastructural development. In this view, the member States will have to collaboratively formulate and implement business-friendly strategies that are compatible with the recognized role of the private sector as a key partner in the overall development agenda.

(d) Cooperation in private-sector development: the experience of the manufacturing sector in West Africa

81. In 1969, the Government of Côte d'Ivoire established the Industries métallurgiques de Côte d'Ivoire (IMCI), which during the period 1970-1981, dominated the manufacture of reinforced concrete in Côte d'Ivoire.

82. However, as a result of economic recession, mismanagement of government corporations, and the problem, prevalent in Africa, of inadequate supply of spare parts and raw materials for industrial plants, the IMCI group foundered in 1985. Three years later, IMCI was bought by the Société Ivoirienne de sidérurgie (SIS), which converted its plant into the manufacture of metal sections - using railings and sheet metal from used boats - as well as reinforced concrete. The converted plant was not profitable, however, and in 1992, ceased to operate.

83. In Ghana at about the same time, investors from Taiwan had embarked on the construction of a small steel works. Ghana had the right conditions for the success and profitability of such an enterprise: stocks of scrap iron, and an adequate supply of electricity and labour at a very competitive cost. The WAHOME steel works can turn out up to 50 000 tonnes of steel billets, but production on its two rolling mills need not exceed 35 000 tonnes. WAHOME therefore intends to sell its excess capacity to SIS, which is considering reopening its factory.

84. To circumvent the operational obstacles at SIS, another company, WASTEEL, was formed in February 1995. The equity in WASTEEL is held jointly by the AMICHIA group, which is the majority shareholder in SIS, and WAHOME STEEL LTD. A lease agreement was signed in 1995, and WASTEEL became operational in January 1996, after a six-month rehabilitation phase.

85. WASTEEL is the sole producer of large-diameter reinforced concrete (over 12 mm) in the UEMOA area. With Burkina Faso, Guinea, Mali and the Niger as its main buyers, WASTEEL realized a turnover of CFAF 1.5 billion in 1995-1997 was CFAF 2.5 billion.

86. To optimize its profitability, WASTEEL initiated a project known as 'artisans ferroniers' (Institute of Ironwork) located within its industrial site. The project is spearheaded by three industrial firms: SIVOA (a subsidiary of the Air Liquide group), JAL AFRIQUE, and WASTEEL, and government agencies intervening in collaboration with the Ministry responsible for technical and vocational training and crafts. The project envisages the training of diploma holders of technical college level in ironwork, and training and employment of up to 200 students over the period 1999-2000. The training programme is in three phases, the first of which is centred on the acquisition of technical skills, particularly soldering, tracing and moulding. To complement this regimen, a management segment is integrated into the course with a view to initiating the students in management techniques, accounting and marketing. The second phase, which lasts six months, is an internship with WASTEEL, in which «cooperatives» consisting of four to six trainees each work for the firm as subcontractors, dealing with incoming orders on an independent footing. During this phase, the cooperative is expected to demonstrate its management, supply and marketing capabilities.

87. The third phase is cented on the plant. The cooperative gains expertise in the manufacture of grills, portals, anti-theft devices, furniture of wrought iron, and in marketing the products of the three training companies. Thus, the cooperative sells reinforced concrete, rails and metal sections for WASTEEL, gas and soldering material for SIVOA, and for JAL AFRIQUE, paints, varnish and thinners.

88. WASTEEL intends to continue the training of artisans in the marketing of consumer goods. It will aslo intervene in technical management and inventory management training, apart from ensuring harmonious linkages between the artisans and government agencies in matters concerning taxes and social security.

89. There is no fixed limit to the duration of this arrangement between WASTEEL and the trainee artisans, at least until the latter have defrayed the cost of their training.

90. The initiative taken by the three firms will have saved some 200 diploma holders with technical skills from having to join the ranks of the unemployed. The project exemplifies fruitful cooperation that offers benefits to all parties; such linkages among industrial units in a spirit of complementarity can noticeably expand if the example is followed. The result of these linkages should be a range of interrelated, sustainable projects that can optimize the operational profile of the existing industrial units, expand employment opportunities for the many qualified young people entering the labour market every year, and thus enable African entrepreneurs to make a contribution to economic growth and poverty reduction.

91. The project narrows the gap between educational establishments and the business sector, so that private-sector needs are highlighted in the national education agenda. In sum, the business community and training institutions can, by working in concert, significantly reduce the level of unemployment among qualified young people.

B. THE CENTRAL AFRICAN SUBREGION

Fiscal and customs reforms within UDEAC/CEMAC

92. Fiscal and customs reforms have been underway in the six member States for the past four years. Initially, there were doubts as to whether the new system would be easily internalized by entrepreneurs. However, through the organization of a number of information seminars on the system, its application is now widespread.

93. In addition, the UDEAC General Secretariat has, significantly, published a synthesis of various reform mechanisms, removing a major lacuna.

94. This is a digest of the letter, spirit and purport of the new fiscal and customs regime in the UDEAC/CEMAC countries.

95. The reform has alleviated structural rigidities in the economies of the countries of the subregion by simplifying the administrative machinery, and by minimizing distortions and imbalances affecting the tax bracket, has eased the revenue collection process.

96. The reform was centred on the Common External Tariff (CET), the generalized tariff preferences (GPT) and the tax on turnover (TT) and has helped alleviate tax administration costs and reduce the attraction of fraud and contraband in all the member States.

97. However, the reform process alone cannot improve the economic climate in the subregion. Member States and enterprises should be encouraged to put in place support measures that can help reduce production costs; they should also be encouraged to formulate strategies to make their products more competitive in the subregion. This will build confidence in business circles as to the viability of the products in the market place.

98. Moreover, private enterprises should establish more effective specialized structures for the management of some of the aspects of the reform exercise and embark unreservedly on combating fraud, contraband and dumping.

99. UDEAC in its modernization plan is also studying a new investment initiative, a subregional competition-regulation regime and consumer protection as well as providing support for a variety of training and retraining programmes for customs and tax administrations in the member States.

100. The countries in the subregion are striving to reduce the gap in regional integration and economic development with the other African subregions. This determination has been highlighted in the preparation of two important projects aimed at reviving private investment in CEMAC member States.

101. At the Investors Forum to be held in Paris, CEMAC member States will outline the new macroeconomic framework for the development of investment in the franc zone to European businessmen.

102. The second project, "Les journées CEMAC," will bring together businessmen from Central Africa and their potential foreign partners in Yaounde in November 1999.

103. To attain these objectives, high-level trade-and-development missions will be conducted, and measures as well as support programmes put in place by friendly countries and international organizations.

C. EAST AND SOUTHERN AFRICA SUBREGION

104. The reforms undertaken in Malawi between 1981 and 1994 produced an annual growth rate of only 2.4 per cent. This is probably attributable to externalities. The measures introduced in 1996 achieved macroeconomic stabilization through a reduction in the budge deficit, a lower inflation rate and exchange rate stabilization.

105. Malawi is still a fragile economy despite a variety of adjustment and reform programmes. It has experienced revenue generation and expenditure control constraints. The investment climate is not propitious. Government policies are considered unreliable by investors, and the economy is highly vulnerable to internal and external control constraints.

106. Uganda is an agricultural country with over 80 per cent of the population engaged in agricultural activities. GDP stands at around $US 6 billion with agriculture accounting for 45 per cent. As a result of structural adjustment programmes introduced in 1987, Uganda launched a rehabilitation and development plan. The reform programme focused on budgetary and monetary policies, and in particular, overcoming exchange rate and inflation, the development of the private sector supporting these reforms benefited from the resultant macroeconomic environment.

107. For 23 years, the Zambian economy was government-controlled. Macroeconomic stability was the principal agenda of the structural adjustment and reform programmes. Owing to the extensive role of the State in economic activities, the measures were drastic; they included liberalization, creation of an enabling environment for private sector development, strengthening of the financial sector, complete divestiture, and capacity-building.

108. The Zambian economy remains very unstable despite the measures instituted under the stabilization and reform programmes. In the main, the reforms have been centred on liberalization of the financial sector, the elaboration of mechanisms for determining interest rates, and on trade liberalization, privatization and the public sector. At present, Zambian's economy is among the most open in the subregion.

109. The economy of Zimbabwe has a long history dating back to the 1890s, and moreover, has gone through some spectacular developmental stages. Zimbabwe adopted an adjustment and reform programme over the period 1991-1995. The programme was centred on macroeconomic stabilization, improving the investment climate, and creating an ideal environment for private sector development.

110. During the reform and adjustment period, GDP grew by 3.2 per cent in 1991 but subsequently fell to 5.8 per cent in 1992 as a result of internal and external shocks. The benefits of the adjustment and reform programmes began to be felt in the ensuing years. GDP soared from 0.9 per cent in 1994 to 8.0 per cent in 1995.

111. The reform agenda in Eastern and Southern Africa has focused on divestiture, improving the overall environment, investment promotion, public-private sector dialogue, liberalization measures and efforts to attract foreign investment.

112. In East Africa (Kenya, Uganda and the United Republic of Tanzania), the private sector has been instrumental in reviving the East African Cooperation in the last five years. The difference in the regional-cooperation profiles of the 1990s on the one hand and the 1960s-1970s on the other, is that today, the private sector is a key player.

113. The Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) are now working closely with the private sector, though in the past - and contrary to the widely held view as well as statements made by governments - the private sector was not involved in the preparation of the pertinent agreements, with the exception of the SADC Trade Protocol. Within the private sector, most stakeholders feel that they have been excluded in the process of formulation of the various protocols besides those dealing with trade and truck and freight insurance.

D. THE NORTH AFRICAN SUBREGION

114. In North Africa, the stabilization indicators have been impressive over the period 1991-1998. The reform measures are focused on economic stabilization with a collective impact of reduction in fiscal deficit, the management of inflationary movements and exchange rates, and overall balance in

the fiscal regime. The stock capitalization/GDP ratio rose over the period 1992-1997, as did the ratio of value of tradables to GDP.

115. The experiences of Egypt, Morocco and Tunisia reflect a noticeable improvement in the overall private sector development scenario, in terms of contractual dimensions, expropriation risk, corruption, the rule of law and the calibre of the administrative structures. Fiscal administration, settlement of trade disputes, support services and labour pose major problems in the subregion. The magnitude of these constraints varies according to sector, size of the enterprise and the division of capital.

116. In the area of cooperation at the subregional level, Egypt has embarked on a steady orientation of concluding trade agreements with other countries in North Africa and the Middle East. The Arab Business Community is one such initiative. The founding countries are: Egypt, Jordan, Palestine, Qatar and Yemen. Potential membership includes Oman, Saudi Arabia, Syria and the United Arab Emirates. Other institutional arrangements mechanisms include the Arab Monetary Fund, the Arab Trade Finance Programme, and the Euro-Mediterranean Conference.

117. In the perspective of promoting Cairo's development into the financial capital of the Middle East and Africa, an action plan to stimulate the growth of capital markets in Egypt is underway. Within the emerging economies, taken together, Egypt's share of market capitalization stands at 0.8 per cent, or $US 20 billion.

118. Morocco and Tunisia have both concluded comprehensive integration agreements with the European Union covering technical and development assistance in a broad range of sectors. To the benefit of the European Union, Morocco and Tunisia are to reduce tariff barriers over a 12-year period. This initiative ties in with the overall strategy within the European Union of forging trade linkages and more rapidly narrowing the income spread not only within the Union, but also, farther afield, in the Mediterranean region and the Eastern European economies in transition.

IV. INTEGRATED PRIVATE SECTOR DEVELOPMENT: THE EAST ASIAN EXPERIENCE AND LESSONS FOR AFRICAN ECONOMIES

119. Starting from a long-term vision for their economic development, East Asian governments[3] set out determinedly to design and implement a variety of policies in an integrated way. Though pivotal, private-sector development should form part of an overall strategy for sustainable development that embraces such other elements as health, education, infrastructure, and environmental protection. Sound macroeconomic management should be maintained to avoid frequent policy shifts which dampen investor confidence. In the case of the East Asian policy framework, the standpoint is that what is good for the private sector is good for all (this, in terms of taxes, social welfare, economic growth, and so on), so that the role of government is to do its utmost to ensure that the private sector succeeds, working collaboratively with private-sector entities in the process of formulation of appropriate government policies.

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[3] See annex.

120. In the area of private-public sector partnership, cooperation and close collaboration between government and private enterprise has been one of the hallmarks of East Asia's success in industrialization. Public institutions called "deliberation councils" have served to facilitate policy formulation in Japan, Korea, Malaysia, Singapore and Thailand. These councils generally consist of senior government officials, representatives of the business community, academia, consumer groups and labour. They serve as a forum for regular interaction between government officials and private-sector groups for the purpose of policy formulation. In the process, a foundation of mutual trust is created, as well as a basis of developing collaborative relations.

4.1 Export orientation strategies: lessons applicable to reform processes in Africa

121. Of three key policy orientations - trade liberalization, export promotion for manufactures, and openness to foreign technology and investment - just one is evident as a concrete policy guideline in some African countries. The pattern of trade reforms adopted by several African countries is similar to East Asia's in that it is gradual in essence, even in so far as the removal of non-tariff barriers is concerned. In terms of policy, one noteworthy experience that could be adopted for trade reform in African economies relates to the need to abolish import licensing and enhance convertibility in relation to the balance of payments on current account. East Asia-style manufactured export promotion measures have been initiated in some African countries. Kenya, Ghana and Zimbabwe, for example, have begun to provide free trade status to exporters, as well as pre-shipment financing, and technical and market penetration support. However, many of these measures still suffer from a lack of coordination.

122. Of the many policies tried out by the East Asian countries for accelerating growth, those associated with "export-push" strategies hold the most promise for other developing economies. To attract foreign direct investment (FDI), many Asian countries have established export processing zones (EPZs) with adequate infrastructural and support facilities. Additionally, mechanisms in support of export growth, such as drawback and exemption, have been pivotal in East Asia's success and merit consideration. Undeniably, the EPZs, though still small, have been of cardinal importance in attracting FDI. In the case of Mauritius, for example, 85 per cent of FDI inflows are attributable to EPZs; the corresponding figure for Mexico is over 70 per cent. EPZs in the oldest four special economic zones of China accounted for over 30 per cent of FDI inflows in 1989.

123. Regarding the export processing zones and free trade zones, the author gives two examples; the Mauritius Export Processing Zone which met remarkable success, and the Senegalese Industrial Free Zone of Dakar which has been quite the opposite. In Mauritius, macroeconomic balance, open trade policies, a dynamic local business community, combined with strong government support have contributed to the zone's development. Senegal provides an example where even the most appealing fiscal concessions do not always attract foreign investment nor ensure the success of an FTZ in the absence of a good business climate and an adequate infrastructure. Any attempt to use this mechanism instead of promoting general reform is unlikely to succeed.

124. Where the general economic climate is reasonable, the development of FTZs can be a useful encouragement to the development of export-oriented industry as it can lower initial investment costs

for investors and encourage economies of scales. FTZs should be a component of a broader outward-oriented development strategy rather than a substitute for such a strategy.

4.2 Support to small and medium enterprises (SMEs)

125. SMEs have played a significant role in the economic development of Japan, Singapore, Taiwan as well as other developed countries. They can be the driving force of Africa if they are provided with adequate and integrated financial and technical support in a conducive environment. A dynamic SME sector serves not only to generate employment but also to earn foreign exchange, upgrade the quality of the labour force and expand the base for indigenous entrepreneurs. The existence of a dynamic local business sector creates a supportive environment through efficient networks of local suppliers, service firms, consultants, partners and competitors. It is therefore necessary to concentrate constant efforts on the development of local entrepreneurial capabilities.

4.3 Infrastructure and human capital development

126. In nearly all the East Asian high performers, the growth and transformation of educational and training systems during the past three decades has been dramatic. The decisive factor in East Asia's success was the allocation of a higher share of public expenditure to basic and higher education. Equally important is the availability of high quality telecommunication and transport systems, energy supply and other utilities. Besides giving priority to basic and higher education, African countries should place a strong emphasis on post-secondary education, and in particular, vocational training and engineering, thereby guaranteeing compatibility with labour markets. This underscores the overriding importance for developing countries to increase their investment in the development of human resources, infrastructure and services. It also highlights the risk of marginalization for LDCs with skills-related and infrastructure constraints.

127. Multilateral agencies can assist the developing countries by providing financial and technical support for the development of infrastructure and human resources. Multilateral financial and development institutions and bilateral donors have played a significant role by providing financial and technical assistance to the countries of South-East Asia in the areas of education, health services and family planning.

4.4 Lessons regarding the financial sector

128. The key to accelerated growth consists in higher investment and domestic saving, combined with systematic structural reforms designed to maintain macroeconomic stability and improve productivity. Savings rates in the Asian economies were generally higher than in Africa especially in the 1980s. In East and Southeast Asia, most countries saved at least 20 per cent of their GDP on average between 1967 and 1997, and many saved over 30 per cent. In Africa, only a few saved over 20 per cent, while most saved less than 7 per cent of GDP. Foreign capital and aid appear to have compensated for the shortfall in saving, as indicated in the higher investment rate during most of the past decade, but these tended to be used by the public sector rather than the private sector.

129. Initially, reform will have to be centred on reducing government expenditure: the private sector responds slowly to sustained reform. Boosting revenues necessitates measures designed to expand the revenue base by simplifying tax regimes, abolishing exemptions, reducing the discretionary authority of tax and customs administrators, and improving collection capabilities. However, the largest impact should flow from the reduction of budget outlays on government enterprises and stemming the haemorrhage of funds from the banking system, which drains an enormous proportion of savings in many African countries.

130. East and Southeast Asian governments boosted savings through a combination of fundamental and interventionist policies. The former included maintaining macroeconomic stability, controlling inflation, and ensuring the security of banks. Low to moderate inflation rates and largely positive real interest rates lowered the risk of holding financial assets, thus encouraging financial savings.

131. East Asian governments also guided the financial sector by way of tax incentives and subsidies, and by rationing access to limited credit and foreign exchange. For example, in Korea and Taiwan Province of China, households were encouraged to use the postal savings system because interest income was tax-exempt at times, while in many East Asian countries, development banks policy loans to priority industries were subsidized. In Korea, in particular, companies that performed well in export markets were granted ready access to credit and foreign exchange. At times, East Asian governments also limited lending for consumer spending, housing, real estate, and equity purchases. The restrictions on lending for consumer spending and housing encouraged households to save before making large purchases, while the restrictions on lending for real estate and stock market investments discouraged speculative borrowing.

132. In Korea, government policies, such as easy access to credit through directed lending, played an important role in allowing the chaebols (large conglomerates) to concentrate on growth and market share, to the detriment of profitability. Despite the drop in profits, easy access to credit also induced the chaebols to continue to invest and diversify away from core businesses into other industries, often characterized by excess capacity.

V. LESSONS TO BE DRAWN FROM THE CRISIS AND PREVENTIVE MEASURES

5.1. Lessons to be drawn from the crisis

133. The unfolding economic and financial crisis provides ample insight for emerging market economies. Over the past decade, most East and South-East Asian countries recorded high economic growth, investment and saving rates, maintained inflation at close to OECD levels, consistently ran fiscal surpluses up to 1997, and witnessed an export boom up to 1996. Large current account deficits in the 1990s were readily financed by bank borrowing permitting substantial accumulation of reserves through 1996, when gross reserves amounted to more than six months of imports.

134. The fixed exchange rate coupled with higher domestic borrowing costs provided incentives for borrowing abroad to finance domestic investment. With strong credit worthiness ratings, foreign banks were willing to supply such credit, although in recent years the nature of external financing had begun to shift toward short-term loans and away from FDI. The easy availability of foreign

credit fueled a credit boom, which in turn was increasingly channeled into consumption and the real estate sector, generating a boom in construction and property prices.

135. When market sentiment began to shift in 1996 and the first half of 1997, the authorities were initially reluctant to allow the currency to depreciate, concerned about the impact on the financial system of heavy exposure to foreign exchange liabilities. Defending the exchange rate following the shift in sentiment required substantial use of reserves, a prolonged period of increased interest rates, and capital controls. Nevertheless, the authorities ultimately were forced to shift to a managed floating exchange regime, on July 2, 1997. In the meantime, the extended period of high interest rates and slowing economic activity had further weakened the financial system and adversely affected international creditworthiness, exacerbating the costs of the economic adjustment that followed the shift in the exchange rate regime.

136. Three lessons can be drawn from the boom-bust cycle in asset prices and the subsequent currency crisis leading to wider financial and economic crisis and its management:

(i) The cost to the economy and financial system would have been less significant had the countries permitted greater flexibility in the exchange rate with less delay, once it was clear that investor sentiment had fundamentally shifted;

(ii) Another lesson from the crisis is that prudent fiscal policy does not suffice to ensure stability in the size of the current account deficit and the nature of its financing matter, even if these are entirely driven by private agents. Private agents generally respond to economic signals including the perception of official policy favouring a stable exchange rate;

(iii) Finally, lapses in supervision of the financial system can be extremely costly to the economy. As a corollary, efforts to upgrade the regulatory and supervisory infrastructure for the financial system can be a sound investment that can generate substantial payoffs in terms of economic benefits.

5.2 Crisis prevention:

137. In the context of prevention, the following approaches may be cited:

(i) Maintenance of strong economic fundamentals through prudent macro-economic policies, exchange rate adjustments, fiscal discipline and an outward orientation remains the clearest requisites for stability and sustained long term growth;

(ii) A strong financial sector, adhering to international best practices on prudential regulation and guidelines, and building strong supervisory capabilities so that the financial system remains solid and has sufficient reserves to withstand future loss of confidence;

(iii) Disclosure of key information on dimensions such as performance, credits and profitability both financial and corporate entities. Transparency provides markets with accurate information, and creates confidence and healthy competition among entrepreneurs;

(iv) Strong governance in the corporate sector and in public policy-making to ensure the free play of market forces and to break the close links between corporate, government and the financial sector;

(v) Proper sequencing of the capital accounting convertibility with prudent management of external debt. Healthy banking and financial system, strong capital market, lower level of fiscal deficit, low rate of inflation and overall macroeconomic stability are preconditions for ensuring full capital account convertibility; and

(vi) A pragmatic and forward-looking approach to policy-making in which problems are addressed early, decisions are taken promptly and policies implemented quickly.

VI. CONCLUSION AND RECOMMENDATIONS

138. This analysis leads to the conclusion that Africa cannot isolate itself from the rest of the world. To integrate itself into the globalization process, the continent must endeavour to reach a level of development that will ensure its people freedom from want. To benefit from globalization, rather than be content with the givens, will necessitate an effort to industrialize, and to produce competitive manufactures. An overview of Africa's industrialization profile up to this point indicates that emphasis was placed on protection and efficiency at different times, but never on both at once. With both orientations combined, the private sector functions as an engine of growth. The ineluctable observation remains that neither the local nor the multinational enterprises in Africa have the technological capabilities and the management acumen required to achieve competitiveness on a global scale.

139. Overall, the various studies and country reports reviewed take different perspectives concerning cost-benefit analyses, and successful or unsuccessful experiences in reform processes put in place so far. In each subregion, however, a favourable environment for private-sector development does exist, thanks to adjustment and reform processes. Subregional case studies highlight various positive elements in private-sector development across the continent. Indeed, private-sector participation is now more or less a given, continent-wide. This calls for strategies that can be applied at country level, subregionally and regionally. International agencies have a role to play as well.

140. The private sector can serve as an engine of growth as long as it exists and is viable. The role of government is to provide adequate incentives to promote and strengthen the private sector. While the kind of freewheeling linkages that exist between government and the private sector in East Asia is not immediately applicable to sub-Saharan Africa, it may be time to begin moving in that direction; modest progress is preferable to "live and let live" or to the current atmosphere of mistrust. The strategy proposed in outline will entail far-reaching changes in the role of government as owner and operator, towards that of orientation and regulation. The success of this approach will depend on the determination of governments to establish competent and flexible economic management structures that fully comprehend the implications of given policy instruments for specific sectors and the economy as a whole. Additionally, there will have to be greater clarity in the formulation of objectives. To that end, the following recommendations are proposed:

6.1. <u>At the national level</u>

(a) Good governance (with, among other features, popular participation in a spirit of democracy, respect for human rights and the rule of law) should be instituted and institutionalized at country level to give an impetus to enterprise;

(b) More rapid establishment, at country level, of investment promotion mechanisms, the usefulness of which is widely evident, will boost the participation of the private sector in the development process;

(c) A plethora of oversight mechanisms at the country level is indicative of a lack of harmony and efficiency. Overdiversification of development and assistance instruments in the business environment should be avoided;

(d) Decision-makers and donor agencies should collaboratively endeavour to remove the formidable impediments to the success of reforms designed to stimulate development, and to ensure the success of country programmes or, more important, guarantee their positiveness in terms of content;

(e) Trade policies should be improved and a dynamic perspective adopted to promote the competitiveness of domestic commodities;

(f) To attract foreign direct investment, governments should introduce innovative incentives to encourage the repatriation to Africa of capital invested abroad and the productive utilization of domestic resources. No economy that is not favourable to local investment can attract foreign investment;

(g) Capacity-building in industry should be attuned to the specific needs of the organization, sector or country. The emphasis should be on strengthening capabilities at the entrepreneurial level and in the management of small and medium enterprises;

(h) Public-sector lead and oversight agencies should be strengthened to ensure an adequate framework for public-private sector cooperation and collaboration;

(i) Cultural values emphasizing hard work, integrity and solidarity should be introduced in the work place to inculcate in employees a sense of being part of a team and thus boost productivity;

(j) National honours and awards should be instituted to encourage industries to use local raw materials, generate employment, establish SMEs and conserve the environment;

(k) Instead of being preoccupied with Africa's position in the global industrial system, African countries should endeavour to salvage the existing plants before they collapse altogether, formulate effective strategies for the local processing of agricultural and extractive raw materials, accelerate the development of exports and SMIs/SMEs, strengthen management capabilities of entrepreneurs at the country level, establish training institutions and information centres for SMES and introduce financial support systems for industrial development;

- Small enterprises can speed up growth and industrialization. That calls for the introduction of appropriate services to coordinate the activities of a network of support mechanisms that can supply the necessary resources, train small-scale entrepreneurs in management and accounting, provide technical assistance and develop market policies that are conducive to the development of small enterprises;

- A team consisting of engineers and management specialists can be formed at the level of government to establish linkages with small-scale manufacturers to acquaint them

with the latest technologies and address their day-to-day concerns. Thus, industrialization strategies can be taken into account by the administrative structures playing their rightful role;

(l) Established industrial units should endeavour, taking into consideration each country's comparative advantages, to gradually develop the local manufacture of basic commodities (such as foodstuffs, clothing and building materials);

(m) In every business organization, there should be a direct link between work and recompense, to minimize the deleterious effects of ethnicity-based policies in the work place.

6.2 At the subregional and regional levels

(a) Governments should work closely with the private sector, through various initiatives and incentives, to establish a network comprising industrialists, trainers, researchers, financiers and experts in market research with a view to attaining the desired level of productivity and thus affording African economies the confidence they need to achieve progress in the global context;

(b) The private sector should be involved in deliberations concerning tax systems and in meetings of African intergovernmental organizations (IGOs). Better-designed studies should be conducted in collaboration with entrepreneurs across each subregion, to determine, on a sector-by-sector basis, the actual adjustment imperatives and the necessary complementary measures in the area of tax systems. Before a thorough fiscal reform programme is adopted by the entire membership of an IGO, a uniform tax system adapted to the informal sector should be designed and applied to all member States; pockets at country level that tend to evolve additional, unauthorized fiscal regimes should be exposed and discarded;

(c) The harmonization of rules with a view to minimizing competition distortion among enterprises in member States and the application of a harmonized business law attuned to existing agencies in other subregions and continent-wide, are key elements for economic growth in Africa. The establishment of a regional financial market place and reinforcement of domestic savings mobilization will facilitate the diversification of sources of financing, giving entrepreneurs an alternative to the banking system. Achieving these objectives will necessitate greater solidarity and a new entrepreneurial culture in Africa on capacity-building and cooperation and collaboration between the public and private sectors. In that connection, the following strategies may be considered:

- Durable capacity-building at the level of government to facilitate the establishment of competitive businesses and the creation of an enabling environment for enterprise, and in particular, SMEs;

- The establishment of networks designed to provide support to enterprises based in fragile economies, with particular emphasis on affording them access to markets, technologies and other opportunities;

- Incentives to the private sector through various measures in the fiscal and monetary spheres, rewards, national honours and other forms of encouragement towards participation in social programmes such as environmental conservation, generating well-remunerated employment, and establishing small-scale enterprises;

- Close follow-up of research and technology development at the country level to consolidate the industrial sector;

(e) Subregional and regional integration should be encouraged and safeguarded at the continental level by networking (between markets, investments, infrastructures and services, communications, etc.) as an integral part of the development process;

(f) Intergovernmental organizations at the subregional and global levels should spare no effort to speed up the implementation of the various agreements concluded by member States, particularly those concerning the free movement of people, goods and investment across national borders;

(g) The Organization of African Unity (OAU) and the African Development Bank (ADB) should negotiate with some of the developed countries concerned with a view to finding ways and means of encouraging Africans to repatriate their capital and reinvest it in full confidence in Africa's industrial development;

(h) The introduction of practices of good governance in member States will help remove the negative image Africa has incurred in the international community; and

(i) In the long run, African economies having adequate reserves of natural and human resources and with a policy of economic integration, industrialization and global competitiveness should feature among the key priorities at the dawn of the new millenium. Economic integration, industrialization and competitiveness across the continent can be achieved by:

- Encouraging African industrialists to establish transnational corporations and increase the number of small industries throughout the continent to meet the needs of all people;

- Bringing together local research work and technologies to establish industries and attract resources from among Africans in the diaspora and foreign investors, with a view to achieving comparative advantages on a par with the rest of the world.

6.3 <u>At the level of the regional commission</u> (ECA)

141. ECA should provide assistance to member States in the establishment and strengthening of support agencies for small and medium enterprises, microenterprises and the informal sector.

ANNEX

Vision: integrated approach to the design and implementation of policies and mechanisms

1.	Private-public sector partnership through deliberation councils	
2.	Stable macroeconomic management	• Low inflation • Low external debt • Competitive exchange rates
3.	Economic reforms	• To reduce scope of public sector • To create enabling environment • To enhance competitiveness of domestic enterprises
4.	Export-push strategy	• Trade liberalization • Manufactured export promotion • Openness to foreign technology investment
5.	Human resource development	• Higher percentage of public expenditure to basic and higher education • Focus on vocation training and engineering
6.	Support to SMIs	• To strengthen local entrepreneurs training , sales facilities and access to credit information and technology
7.	Pro-savings policies	• Easy access to credit • Real positive interest rates • Tax incentives and subsidies (to financial institutions)
8.	Competent economic bureaucracy	• Need of clear objective • Need of full understanding of the effects of particular instruments on specifics and on the overall economy
9.	Regional integration	• Facilitate free flow of goods, services and capital • Promotes and protects intra-ASEAN investments through joint ventures, joint resources management, and joint intra-ASEAN infrastructure development