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THE ROLE OF THE AFRICAN PUBLIC ENTERPRISE IN NATIONAL AND COLLECTIVE SELF-RELIANCE IN INDUSTRY

By

ECA SECRETARIAT

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Introduction

The New International Economic Order which is being discussed at different international forums has revealed the deficiencies of the international economic relations, especially between developing and developed countries which have prevailed over the past centuries. These international economic relations between the Third World and the advanced countries have principally been based on the old colonial structures whereby developing countries supplied raw materials and imported manufactured goods. In this way the political dependence has been transformed into economic dependence. This has led not only to highly dependent economic and social development process but has also increased financial indebtedness and persistence of mass poverty, especially in the rural areas.

The root of the poverty of many African countries has primarily been the failure to make the most of their natural resources while inherited development pattern linked internal social and economic changes with export markets and with the importation of skills, technology, consumer and capital goods from the advanced, especially the former metropolitan countries. On the other hand, the African region as the least developed of all the developing regions,1/ urgently needed a development strategy that would reflect its own social and economic realities which would also facilitate accelerated social and economic development through self-sustaining growth and diversification.

In the field of industry it is to be noted that the current level of Africa's share in world industrial production is only 0.6 per cent. The quantitative strategy set out by the Lima Declaration of the share in the world industrial value added in the manufacturing sector is 2 per cent by the year 2000. This figure is highly modest for a region endowed with enormous natural resources and potentially large markets. But in order to meet even this modest target, the value added in the manufacturing sector in the African region would have to grow at the rate of 11.3 per cent per annum. Yet, during the 20 years between 1955 and 1975, the manufacturing value added in the African region grew only at the average rate of 7.3 per cent per year and the overall average economic growth rate of GDP achieved during the same period was only 4.9 per cent. Thus for each individual country and all African countries collectively the effort required to reach the 11.3 per cent minimum rate of growth of value added is immense. Very few African countries have been able to achieve such a high rate of growth over the past years.

Among the many features which limit the capacity of the African region to achieve accelerated industrialization is the structure of industrial production, its external control and management and the structure of the market especially as generated by agricultural production. In the past decades industrial production in the African region had been directed on import substitution which concentrated on the last stage of industrial production while by-passing all other stages from the processing of raw materials onwards. The result has been that the industrial structure which has emerged has not been oriented to the production of inputs, spare parts and components required at the final stage of production and all these have had to be imported at high

1/ Other developing regions are Asia, Middle East and Latin America.

costs making African industrial products uncompetitive. Moreover, by failing to undertake the intermediate stages of production, the African region has not been able to generate the required skills which are associated with the more technical stages of production lying between the first and final stages. This has made it necessary to continually import technical skills, and management expertise from the advanced countries at great cost. From another point of view the inherited industrial production structure consisted of domestically isolated industrial projects each one of which was linked up with the parent companies in the advanced countries with no significant links among the industrial plants themselves locally. Similarly there was limited horizontal integration between agriculture, mining, industry and commerce. Moreover, through limited economically gainful employment the size of the domestic market has continued to be highly limited thereby putting restraint on industrialization through inadequate viable industrial projects. This has been partly due to the concentration of agricultural production into a few export crops which are produced only by a relatively small part of the rural population due not only to the quota systems imposed on such products but also due to the unfavourable ecological conditions of some regions in the country in the production of export crops. This concentration on export crops has not only resulted in the lower emphasis of food production and rising food import bills. Consequently, the national domestic market especially in the rural areas has neither been adequately widened nor integrated through internal trade.

New directions in industrial development

Starting with the Conference of African Ministers of Industry in Cairo in 1973 and the subsequent meetings held in Nairobi in 1975, Kaduna in 1977, there has emerged a recognition of the need for new industrialization policies to ensure greater internally self-sustaining industrial development process and diversification. These industrialization policies and strategies call for greater industrial integration among plants and between industry and other sectors, especially agriculture. They also concentrate on a number of industrial branches. During its fourth meeting in Kaduna, Nigeria, in November 1977, the Conference of African Ministers of Industry proposed the industrial priorities as follows. The industrial branches and priorities were to complement each other in order to internalize industrialization process through national and collective self-reliance at the regional level. Accordingly, regional priorities were set on the following basic industries:

(1) agro- and allied industries
(2) building materials industries
(3) engineering industries
(4) metal industries
(5) chemical industries

Another feature which has recently emerged is the need to broaden industrial development objectives to include the following sub-objectives: foreign exchange earnings or savings; size of employment; quality of technical skills generated; facilitation of higher domestic processing of raw materials; capacity to generate backward and forward linkages within the branch and with other sectors; capacity to increase industrial production inputs especially spare parts and components; and capacity for experimentation and adaptation of technology, especially at the plant level. In the implementation of these industrial branches particular emphasis is accorded to the integration of plants producing similar or related products within each industrial branch in order to maximize forward and backward linkages as well as dynamic interaction between industry and other sectors. The other major element is the necessity to stimulate all indigenous capabilities managerial and technical skills.

<u>Implementation of industrial development strategy for self-sustaining development and diversification</u>

The implementation of the above strategies in the African region poses very serious difficulties which the African region has not adequately faced in the past. These problems are first related to the demands made on the character, motivation and management skills of African agents of production process for self-sustaining industrialization and cannot be subcontracted primarily to foreign engerprise. The second challenge concerns the mobilization of industrial finance and its flow within the African region. The third challenge relates to the problems of markets, marketing skills and capabilities. The fourth element is the challenge of industrial co-operation among African countries as a critical instrument for assisting individual countries in the implementation of the above national objectives through collective self-reliance. This challenge presents itself in the resolutions of the four major problems indicated above, namely, the problem of the African entrepreneurs in relation to the indigenization of the industrialization process; industrial finance, markets and marketing if the African region is to move from being the least developed region in the world.

In the past, the African region has faced the question of industrial co-operation without regard to the need to shape the areas and modalities for co-operation in response to the specific needs of the African region, rather than conforming with the patterns of co-operation transferred from developed countries. Current and recent schemes of economic co-operation among African countries have concentrated in the legal creation of free trade areas and common markets and have left untouched and unresolved the need for co-operation in production and distribution of industrial products. This role has been taken over by the foreign industrial investor, particularly the transnationals. The implication of delegating the role of the most fundamental activity of industrialization, namely, production and distribution to the foreign enterprises or transnationals both in Africa and in Latin American economic groupings has resulted, through intra-firm transfer pricing of intermediate goods and monopolistic sales of management and technical services in the creation of industrial structures which are liabilities to the whole economy by emerging as the most dynamic parasite in the consumption of foreign exchanges earned by agricultural sector without significant reduction of external dependence on technical skills, management and technology.

Due to the scarcity and limited capability of indigenous enterprise in the African region, there is an urgent need for more active role of the governments which in the past acted as silent partners of foreign enterprises in industrialization. Increasing the role of the state in industry implies an increasing role of public enterprises which are the governments' arm in the field of production and distribution. The role of the African public enterprise in the implementation of industrialization programmes is increasingly becoming critical for several reasons. First, they are in a better position to initiate demand for their products and services through intermediate manufacturing such as spare parts and components and basic chemicals. Secondly, they can intervene directly by becoming the leading companies in each sector to pool both foreign investment and small indigenous enterprises. For example, they could make raw materials readily available at the right quality and price to the smaller and medium-term indigenous firms as well as subcontracting. Thirdly, being more socially concerned, the public enterprises would not have as the main objective the optimization of discontinued cash flows but the expansion of their enterprises through new processed and products incorporating the latest and best industrial design.

The establishment of working relations between state and public enterprises in different countries would also greatly facilitate intra-firm investment however modest this may be as well as complementarities in the supply of raw materials on the basis of long-term contracts such as mining, iron ores, pure and basic chemicals. There may also be possibilities for joint production and subcontracting in the production of components and spare parts for such products as agricultural equipment and household goods. It is also possible to make arrangements for joint marketing within the African region for industrial products produced in member countries by opening marketing channels in different countries. There is also a wide scope for possible collaboration in the field of food and food processing industries both in the area of production and distribution within the African region as well as in research and food technology.

The seminar may wish at the current session to perform the following preliminary activities:

(i) identify specific production and distribution areas and means for exploiting them;

(ii) possibility for taking advantage of existing African joint ventures to move in new directions;

(iii) indicate the modalities for taking advantage of large subregional economic groupings through purely African public and other enterprises as compared with the joint ventures of foreign investment;

(iv) identify constraints in the public enterprises as currently structured which prevent them from playing a key role in the development of African joint ventures in industry.

While some of these proposals are difficult initially to implement, it is suggested that it would be very useful for the seminar to examine now or in subsequent meetings, the possibility of more effective collaboration among African state enterprises within their existing structures in industrial cooperation in order to see what is actually possible and define some programme of action for the future.