S0263

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Distr.
GENERAL

E/ECA/CM.11/32
29 March 1985

Original: ENGLISH

UNITED NATIONS
# ECONOMIC AND SOCIAL COUNCIL

ECONOMIC COMMISSION FOR AFRICA

Sixth meeting of the Technical Preparatory Committee of the Whole

Arusha, United Republic of Tanzania, 15-22 April 1985

Item II, 2(c) of the provisional agenda*

ECONOMIC COMMISSION FOR AFRICA

Twentieth session of the Commission/ Eleventh meeting of the Conference of Ministers

Arusha, United Republic of Tanzania, 25-29 April 1985

Item II, 2(c) of the provisional agenda*

## THE CRISIS AND INDUSTRIAL REHABILITATION AND REVITALIZATION

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* E/ECA/TPCW.6/1/Rev.2.
E/ECA/CM.11/1/Rev.2.

M85-765

## INTRODUCTION

1. The past recent years have been the eye witnesses of a particularly acute and increasingly deepening socio-economic crisis which continues to hit the African countries and their already vulnerable economies. In the industrial sector, the persistence and intensification of the unsatisfactory trends in all statistics and indicators is a reflexion of the severity and seriousness of the situation which speaks for itself. What is at stake is not a mere stagnation or deceleration of the industrial development but the very survival of millions of Africans. In this connection, the challenge before African countries is what immediate measures can be undertaken to keep essential industries operating and make them to contribute to the efforts for survival.

2. The present paper has been prepared in response to the need to make specific suggestions which are hoped to be of use to African countries in tackling the crisis in the industrial sector.

3. Chapter I contains an analysis of the features of the crisis and the factors responsible for it. In Chapter II are suggested survival measures to deal with the most urgent problems of the crisis. Then follow some concluding remarks which deal with complementary and/or support measures to be undertaken in industry-related sectors in order to ensure a successful implementation of the survival measures referred to above.

## I. ANALYSIS OF THE CRISIS IN THE INDUSTRIAL SECTOR

### A. Main features of the crisis

4. A number of meaningful features, most of which can be quantified, give an unmistakable perception of the crisis prevailing in the industrial sector. These include the following:

(a) Continued decline in growth and level of performances in manufacturing activities

5. Industrial development in almost all African countries has been sluggish during the 1970s and particularly declining since about 1979-1980 when the crisis reached alarming proportions. The manufacturing sector recorded steadily slower growth rates (table 1) in most countries in the region. Similarly the rate of increase in manufacturing value added decelerated in all four subregions (table 2). The growth of investment in the industrial sector followed a downward trend, thus leading to a declining output/capital ratio in most countries. As a result of this

disappointing performance the share of the sector in total employment over the period 1960-1980 failed to increase notably and remained lower than that of the agricultural sector and that of the tertiary sector.

(b) Increase in the number of industries with considerable or growing unutilized installed capacities

6. One of the visible indices of the crisis in the industrial sector is the low rate of capacity utilization in almost all African countries. In most cases, unutilized installed capacity ranges between 50-80 per cent. Table 3 gives some significant examples.

(c) Increased number of industries that are heavily subsidized

7. Self-explanatory is the fact that numerous industrial and other public sector exterprises are inefficient and have high production costs which make them to rely on government subsidies not to cease operations. In addition to this form of direct government intervention, a wide range of other over-generous subsidies are offered to industries in the form of incentives provided for in the investment codes. These include tax holidays, exemption from tariff on imported machinery, raw materials and spare parts, reduced rates on public utilities, exemption from export taxes and other indirect and direct taxes, etc.

(d) Increased number of industries that can be categorized as non-foreign exchange earners

8. In African countries today there is a proliferation of industries that Can be described as parasites in the sense that not only are they incapable of generating additional employment, output and foreign exchange but they also absorb a substantial and even increasing percentage of the foreign exchange earned by other activities. Examples of such industries include the beer, soft drinks, battery and cosmetics industries.

(e) Failure of the industrial sector to create positive impact on the development process

9. Industry in African countries has not been capable of playing its role as engine of overall economic development. It has been unable to influence and integrate the traditional sector and stimulate growth and development in other sectors as supplier of inputs to the latter and user of inputs from them, thereby contributing to the establishment of backward and forward intra- and intersectoral linkages.

(i) Inadequate and incomplete acquisition and development of technology

10. The industrialization process has failed to facilitate the development of the full range of knowledge and skills required for the identification, selection, negotiation and acquisition of technology and for the design and manufacturing of machinery, equipment, components and spare parts, as well as for efficient management, operation and maintenance of plants, capital goods, etc.

B. Main structural/basic factors responsible for the crisis

11. The current crisis is not an instant phenomenon, but a particularly striking and acute revelation of the fundamental features and characteristics of a self-sustaining process, that of the ever-growing structural weakness of African economies. Both internal and external factors responsible for this are deep-rooted in the very nature of the so far unbroken vicious circle in which African economies are caught up as a result of colonial legacy, the increasingly unfavourable international technological division of labour and inappropriate industrial strategies and policies adopted in African countries.

(a) Endogenous weaknesses of the industrial structure

12. The industrialization process in Africa has failed to provide the dynamic forces for the structural transformation of the African economy to attain self-sustainment. The sector remains small and encalved accounting for only 9.8 per cent of the region's GDP. The region's industrial sector is not only small but also characterized over the years by an inflexible structure, concentrated in a small number of countries and limited to only a few lines of production. Except for the production of a narrow range of intermediate goods, the sector is characterized by light industries producing consumer goods and by a crude and relatively weak degree of processing and semi-processing of mineral and agricultural raw materials, mainly for export. Further, the existing production structure is based on small size plants with little in terms of economies of scale. Heavy industries are rudimentary and have been attempted coherently in only a few countries. Therefore, the production of capital goods is only marginal in the region as a whole and, as a result, Africa remains one of the world's major importers of capital goods with imported equipment and machinery accounting for over 35 per cent of the total annual investment of the region.

(b) Structural over-dependence on imported factor and other inputs

13. The self-perpetuating vicious circle lies in the disturbing fact that economic "development" in the African countries continues to be governed by outside forces and the functioning of African economies continues to overdepend on foreign-designed-, developed, produced, supplied and priced factor and other inputs. Table 4 shows examples of the sharp increase in the imports of intermediates

for the industrial sector in African countries between 1970 and 1980. This is a reflexion of the growing reliance of the sector on external sources of industrial inputs.

14. Both production and consumption patterns in Africa are not governed by domestic market forces, resources and needs but by mechanisms established to use the African economies as reservoirs of raw materials and cheap labour as well as outlays for foreign manufactures.. This makes Africa to produce what it does not consume and to consume what it does not produce. The resulting over-dependence on imports of capital goods has had serious repercussions on Africa's cost structure, production efficiency, exploitation of natural resources, development of domestic technology and the comparative advantage of surplus labour relative to capital. The inappropriate acquisiton of capital goods at high cost on account of the technology market imperfections has led to the emergence of high-cost enterprises, many of which are economically not viable. Most of the capital goods acquired are neither consistent with the factor endowment of the African region nor oriented to its basic needs. The situtation has become worse since the development of the technology markets in advanced countries favours the production of technology for labour-saving machine and equipment. On the other hand, the development of domestic technology is constrained by lack of capital, appropriate technology policies, skills, institutions and entrepreneurial capabilities.

(c) Inappropriate and inefficient industrial strategies and policies

15. The industrial strategies implemented in the African countries have failed to generate the dynamic forces for the structural transformation of industry and the whole economy to attain self-sustainment.

(i) Import-substitution strategy

This type of industrial strategy which was adopted in the majority of African countries with a view to orienting industrial activities to the advantage of processing for a readily available domestic market and to ease balance-of-payments pressures seems to have been ineffective. While the strategy was successful in creating a sizeable consumer goods industry, it failed to stimulate the development of key industries with strong domestic linkages. The production of consumer goods, which constitutes about

68 per cent of Africa's total value added in manufacturing, was heavily oriented towards the production of food, beverages and tobacco. Basic consumer goods like clothing, pharmaceuticals, paper, etc., are still being imported. But the import-substitution strategy did not only fail to produce the desired developmental effects, it also raised a range of economic and structural problems such as the installation of large production capacities in countries with small market sizes, the considerable drain on the scarce foreign exchange reserves owing to the excessive dependence on imported inputs, etc. Moreover, the tendency of creating capital-intensive import-substitution industries with a high unit cost of investment and with no relationship to Africa's factor mix has distorted the region's cost structure. Thus, in quite a number of instances, domestic production costs tend to be higher in terms of foreign exchange than the cost of the imported final product;

(ii) Export-promotion strategy

The export-oriented industrial strategy has also met with limited success in the region as a whole. The manufactured exports of the region have suffered from severe competition from other developing countries in terms of quality and prices, the high import content in producing the manufactured goods for exports, the low levels of capacity utilization, etc. Worse still, the recession in the developed countries has resulted in a sluggish export market as more of these countries have adopted protectionist policies and quota restrictions on labour-intensive products from developing countries. Thus, Africa's exports in manufactures have grown more slowly relative to the growth in manufactured imports. Indeed, the share of manufacturing exports in total exports of Africa has declined over the whole period of the 1970s. In short, export-oriented industrial production has failed to develop a dynamic comparative advantage so as to be competitive on international markets.

## C. Main factors aggravating the crisis

16. The outbreak and the aggravation of the crisis in the industrial sector is largely associated with the fact that since in most African countries the bulk of the resource-based industrial activity consists of the processing of agricultural raw materials, the decline in agricultural and mineral production and productivity has led to insufficient supplies of such raw materials to industries. Persistent drought, famine, desertification and other natural calamities have contributed to a great extent to the deterioration of the situation in the agricultural and food production sector. The above, coupled with the economic recession in the developed countries has drastically decreased foreign exchange earnings.

17. Other factors aggravating the crisis in industry are due to the inability of the non-industrial sectors to earn and make available sufficient foreign exchange to the industrial sector to pay for the required imported inputs. This is a major consequence of the continued deterioration of the terms of trade of African countries most of which are mono-product exporters.

## II. SURVIVAL MEASURES TO DEAL WITH THE CRISIS

18. As has been already emphasized, the current and multifarious crisis facing African countries is deeply rooted in the very structures of their economies and the conventional pattern of North/South relations. Tackling the crisis therefore implies that fundamental changes are brought about in such structures and pattern. This can not be reasonably expected to be achieved in the short term. However, a number of emergency measures can be undertaken with a view to alleviating the most critical problems of the crisis while and thereby paving the way for the recovery of the economies and the implementation of longer-run measures aimed at restructuring these economies for accelerated self-sustained and self-reliant industrial development and as recommended in the Lagos Plan of Action and the Program for the Industrial Development Decade for Africa.

19. The following includes suggested minimal measures to be undertaken at the national, subregional and regional and international levels for dealing with the crisis in the industrial sector on a emergency basis taking into account the specific conditions and factors prevailing in the different countries.

### A. National level

20. Immediate action measures requiring special attention which could make significant contribution to the efforts to alleviate the crisis include the following:

#### (a) Rehabilitation/revitalization of declining/ailing industries

21. While it is recognized that to accelerate the industrial development in Africa there is a need to establish new industrial capacities mainly in the basic and core industries and to restructure the industrial sector, its a matter of survival and emergency to first give special attention to the existing industries with a view to rehabilitating/revitalizing them and improving their efficiency. However, in doing so, a distinction should be made between those industries which have been established without sufficient economic consideration and are, in fact, economically not viable, and those which are economically viable but are either declining/idle for whatever reasons or are operating below installed and achievable capacity. It goes without saying that industries falling in this last category should be helped first. The measures and activities to be undertaken by each country to this end include the following:

(a) Establishment of high priority needs and areas of intervention for survival purposes (food, health care, water supply, etc.);

(b) Identification of economically viable industries as potential candidates for rehabilitation/revitalization and efficiency improvement;

(c) Assessment of the critical problems, bottlenecks, needs and required production inputs for each of the industries in step (a) (raw materials, energy, spare parts, components, equipment, machinery, intermediates, etc.);

(d) Elaboration of criteria for selection of industries qualified for rehabilitation (annex I contains selected such criteria being given for illustrative purpose);

(e) Based on (b) and (c) above, elaboration of criteria for determining the kind and the amount of rehabilitation assistance deserved by qualified industries especially in respect of the foreign currency component of such assistance;

(f) Bulk importation of the required and locally missing inputs.

(b) Rationalization and merging of certain industries

22. In view of the constraints related to the particularly limited resources Available in the crisis situation, the objectiv here is to streamline homogenous and competing industries especially those producing the same or similar products. In this connection, governments should undertake number of measures which would include the following:

(a) Limitation of varieties of products in selected branches;

(b) Encouragement of the pooling of resources or mergers among competing industries, thereby limiting their foreign exchange demands and facilitating quality improvement and standardization of products;

(c) Encouragement of both public and private industries/enterprises to co-operate in making common use and operation of existing facilities such as maintenance and repair workshops, laboratories, engineering design and research centres;

(d) Jointly undertaking marketing and research activities, in-plant training of technical and other manpower capabilities, and the co-ordination of import and/or export operations.

(c) Recycling of materials

23. The advantages of recycling of materials are numerous, including energy saving, protection of environment, reduction of the cost of solid waste disposal, reduction of the cost of importing raw materials and the cost of investment, thereby conserving foreign exchange and minimizing foreign debts.

24. The common products for recycling of which technologies and plants are easily available at minimum cost in the developed countries and the newly industrialized countries are iron, aluminum, paper, dry cell batteries and lubricants.

25. Both governments and the private sector should wherever applicable, undertake measuers to establish such materials recycling plants as referred to above.

(d) Enhanced support for and subcontracting to small-scale industries

26. In view of the important role that small-scale industries play in the utilization of local resources, development of entrepreneurship and other skills, creation of jobs and catering to the basic needs of the population, African countries should enhance their support to such industries, especially those which are able to:

(a) Ensure lcoal production of selected industrial imported inputs (parts, components, packaging, etc.);

(b) Supply some of the basic needs of the population.

27. To this end, the measures to be undertaken both by governments and the private sector include:

(a) Facilitation of access to sources of raw materials and equipment, credit possibilities and market;

(b) Provision of extension services and technical training;

(c) Subcontracting arrangements with relevant medium and large enterprises in the areas mentioned at (a) and (b) above.

(e) Institutional arrangement

28. In order to tackle the crisis in the industrial sector in a coherent and well-organized manner and especially to ensure the successful implementation of the measures suggested above there is a need for government to make appropriate institutional arrangement which may take the simple form of a task force or ad hoc committee on the crisis. Such task force or committee will be expected to follow-up and monitor the "anti-crisis action" and make any recommendation that may be necessary.

29. It is important that the membership of the task force or committee include competent and qualified representatives of the private sector and high-level experts with extensive experience in the field of industry and derived from relevant institutions and organizations such as the universities, the chamber of industry and commerce, the research centres, etc.

(f) Improved management of foreign exchange and other resources

30. In the current crisis situation, governments should see to it that the scarce resources available are used to meet the priority needs for the survival. In this connection, a number of measures can be justifiably undertaken which include:

(a) Mobilization of all the resources of the country in the war for socio-economic survival (natural resources and raw materials, entrepreneurial talents and capabilities, public, private and communal research and experimental development, institutional and physical infrastructures);

(b) Optimized utilization of the resources referred to at (a) above and in particular the limited and hard-earned foreign exchange;

(c) Declaring war on and elimination of mismanagement practices;

(d) Cutting back imports of luxuries and non-essentials;

(e) Temporary closing down of non-essential industries and that of the economically non-viable ones;

(f) Greater surveillance and scrutinizing of activities of people entrusted to run the enterprises and those implementing government regulations relating to foreign exchange, public bids, etc.;

(g) Rationing of foreign exchange including the implementation of reduced rates of profit transfers and lower share of expatriates salaries remittances;

(h) Stringent application of the criteria for economic viability and profitability in evaluating existing, on-going and planned projects;

(i) Temporary suspension of certain over-generous incentives contained in the investment codes especially those contributing to foreign exchange leakages.

(g) Mobilization and redeployment of domestic finances and foreign exchange

31. In order to increase the resources available for the implementation of industrial rehabilitation and anti-crisis action governments should undertake a number of measures to raise domestic savings and generate more funds to finance industrial rehabilitation and revitalization. Such measures can include:

(a) Review and readjustment of taxation policies and interest rates;

(b) Introduction of special short-term loan financing scheme to be implemented by both development and commercial banks in favour of industries for rehabilitation /revitalization purposes;

(c) Negotiation with donor countries to streamline foreign aid to be the requirements of the anti-crisis measures and programmes.

(f) Readjustment of short-term strategies and priorities

32. In order to respond to the crisis and to ensure the successful implementation of the survival measures suggested in this paper, African countries will have to readjust their short-term objectives and consequently their short-term strategies and policies.

33. This exercise is promoted by and it involves the reallocation of the resources according to the revised objectives and strategies. This may involve the adoption of such measures as:

(a) The suspension or postponement of some projects of the development plans, especially those which are assigned relatively low priority and/or the implementation of which is likely to make a strong call on the limited resources being mobilized for the survival;

(b) The modification of the consumption and investment patterns and rates, including the suspension of the importation of luxuries and non-essentials;

(c ) The preparation of interim crash programmes taking into account the need to implement austerity measures for survival and to organize a transition towards the recovery of the industrial sector and the whole economy;

(d) The readjustment of appropriate policy instruments, namely the fiscal, monetary and pricing policies (tariff and non-tariff measures, taxes on business profit and incomes, interest rates, incentives and disincentives, price of the input resources, etc,).

B. Subregional/multinational and regional level

34. In addition to the efforts that are required at national level to arrest the industrial collapse, and to rehabilitate and revitalize African ailing industries, there are many aspects of the current crisis that need to be addressed at the subregional or multinational level. Such actions may preferably take place in the context of existing subregional co-operation schemes such as the Economic Community

of West African States, the Preferential Trade Area of East and Southern Africa, the newly established Economic Community of Central Afrian States, the West African Economic Community (CEAO), the Economic Community of the Great Lakes Countries, the Mano River Union, the Inter-State Committee for Combating Drought in Sahel (CILSS), etc. Actions may also be taken in the framework of bilateral economic, technical and financial agreements existing between many African countries.

35. At the regional level important decisions were taken by the 20th Ordinary Assembly of the Heads of State and Government of OAU to tackle the current crisis. They include, inter alia, the focusing on those activities of the Industrial Development Decade that will address in the short/medium term, some of the structural causes of the crisis.

36. There are many areas in the industrial sector in which subregional and multinational co-operation could take place, and these are clearly spelled out and being implemented in most of the above-mentioned economic groupings. However, in view of the current crisis, it is imperative to identify those activities that need to be initiated or strengthened in various subregions. There are four groups of actions that are particularly important, namely the exchange of information on industrial-related matters, the establishment of co-operative agreements for carrying out certain industrial activities, the pooling of resources in areas where national actions are not very effective and the mobilization of financial resources to support the anti-crisis measures and programmes in the industrial sector.

(a) Areas for exchange of information

(i) Raw materials, energy and spare parts

37. Due to the severe constraints imposed on foreign exchange reserves of many countries, greater collective efforts should be made in identifying and making known profitable sources of available raw materials energy and necessary spare parts. For the provision of these basic inputs as well as other imported production items, African countries should exchange information on terms of sales agreements so as to take advantage of the best opportunities.

(ii) Foreign expertise

38. Similarly the over-dependence of many African countries on external sources for managers, engineers, designers and even technicians represents a heavy burden on the cost of production in industry. Expatriate salaries, allowances and other head office charges, including cost of maintenance and equipment usually account for between 30-60 per cent of imported components for most industries. In addition these expenses Are generally paid in foreign exchange which is already very limited given the stagnation or decline in exports earnings due to low level of world demand and, in some cases, protectionist policies in developed countries.

39. While it is not presently possible for African industries to rely mostly on national manpower, African countries could reduce the cost of expatriate salaries in exchanging information on standard scales of salaries and other allowances. Similarly, remittance abroad of profits of foreign investment or joint ventures could also be harmonized in various subregional groupings. This would avoid great disparities in foreign expert and consultancy costs, thus reducing foreign exchange leakages.

(iii) Indigenous technologies

40. As indicated earlier, the present low and disappointing trend in transfer of technology and the cost of imported technology made it necessary for some African industries to develop and upgrade indigenous technologies. While efforts are underway to promote the horizontal transfer of local technologies among African countries, the current crisis provides a godsent opportunity to increase the exchange of information on the available indigenous technologies and the common use of available opportunities such as training, repair and maintenance facilities as mentioned at (b) and (c) below. This is particularly relevant in confectionary industries, textiles, distilleries, leather industries and some food processing industries, a case in point being alternative ingredients of flour as substitutes to wheat flour.

(iv) Other local inputs

41. In addition to indigenous technologies, countries in the same subregion should also undertake an immediate survey of those essential industries utilizing raw materials available in the subregion including energy sources. This would enable them to determine areas of complementarity and co-operation in the common use of such resources, thus resulting in the reduction of the costs of production and the increased capacity utilization.

(b) Establishment of co-operative agreements

(i) Market access

42. For industries with underutilized capacities resulting from the limited size of the market, African countries in the same subregion should establish agreements on market access with a view to giving priority to subregional industrial products over competing imported manufactured goods.

(ii) Joint bulk importation

43. The harmonization of procurement policies of raw materials and other inputs (spare parts, equipment) within subregions should constitute a priority action in plugging foreign exchange leakages. Actually, bulk importation of such inputs could, if jointly negotiated, bring about a reduction in their cost.

(c) Pooling of resources

(i) Training facilities and research centres

44. Training abroad, especially training of engineers and technicians, is one of the main sources of foreign exchange expenditure. At a time when foreign exchange reserves are dying up because of the current crisis, it is ever than before imperative for Africa to fully use the existing training and research facilities. An immediate action towards this end would be the pooling of such facilities so that missing expertise in one institution could be provided from other institutions in the same subregion.

(ii) Maintenance and repair workshops

45. Similarly, the pooling of existing maintenance and repair workshops would not only develop local skills but also enable African countries to make a more efficient and longer utilization of existing equipment.

(iii) Inter-country rationalization and pooling of existing industries

46. The interrelation between the food and agricultural sector and the industrial sector provides an important area for the implementation of the above measures at the multinational level as emphasized in various fora To attain food self-sufficiency, the agriculture sector needs to be fully interrelated to the industrial sector. African countries cannot indefinitely rely on external supplies of essential inputs such as fertilizers and agricultural tools. It is therefore imperative for countries in the various subregions to co-operate and devise ways and means of rationalizing and pooling existing industries so as to maximize their effectiveness in supplying agriculture with essential inputs. The same applies to food processing industries.

(d) Mobilization of financial resources to support anti-crisis measures and programmes

47. In view of the limited financial resources available to the industrial sector in most African countries, the existing regional and subregional financial institutions should be called upon to modify their lending policy and open a special

window to support and supplement the efforts being made by African countries to tackle and respond to the crisis in the industrial sector. Development banks and other credit institutions should be requested to allocate a certain percentage of their loans to the "special anti-crisis window" to finance industrial rehabilitation and revitalization in African countries and especially at the multinational level such as in the case of measures suggested under (c) above, i.e., the merging of industries, rationalization at the inter-country level, etc.

## C. International level

48. As has been stressed earlier, a number of the root causes of the crisis are built in the existing system and pattern of the North/South relations. While it is clear that this international economic order can not be changed nor significantly altered in the very short term to respond to the crisis, a number of immediate-action measures can be implemented at the international level which could make a non-negligible contribution towards alleviating the crisis. These include:

(a) Immediate and enhanced supply to African countries, in the form of grants or low-priced sales, of industrial inputs necessary for rehabilitating/revitalizing "basic needs" industries such as food processing, health care industries, etc. Such inputs include raw materials, energy, spare parts, equipment, machinery etc.;

(b) Provision, in the form of grants or low-priced sales, of industrial inputs necessary for increasing agricultural and food output as well as production and delivery of local agricultural raw materials to industries. Such inputs include fertilizers, pesticides, irrigation equipment and other agricultural tools and implements;

(c) Urgent provision, under gratuitous terms, of assistance for overcoming critical bottlenecks in management, maintenance, repair and physical facilities in order to obtain better use of existing industrial plants and infrastructure;

(d) Effective Assistance under gratuitous or concessional terms in implementing existing programmes and ongoing projects for the establishment of plants and factories to produce irrigation equipment, and industrial factor inputs for agriculture, and in particular agricultural tools and implements and fertilizers, Such assistance would involve the supply of necessary equipment, components, parts, skills etc.;

(e) Active support for and effective assistance in the training of the technical skills in the manufacturing of parts and components including the inplant training in this area;

(f) Financial assistance in the form of debt relief and balance-of-payments support as well as in the form of export incentives and tax exoneration granted by Governments in the developed countries for all industrial inputs and items to be supplied to African countries under (a), (b) and (c) above;

(g) Lifting or softening, on an interim basis, of protectionist tariff and non-tariff measures and barriers on African manufactured exports to developed countries.

## III. CONCLUSION

49. The successful implementation of industrial rehabilitation/revitalization hinges largely on the determination of the government in assuming its leadership role as agent, investor, regulator, streamliner of economic development and its ability to secure the co-operation of the private sector and agents of production and distribution.

50. The government can use the crisis to enhance its leverage to introduce reforms and restructuring measures which would otherwise be hereby adhered to. Examples of such far-reaching measures are:

(a) The modification of the development pattern;

(b) The reduction of the consumption rate and pattern and the readjustment of the investment pattern;

(c) The adoption of any measures aimed at paving the way and laying down the foundation for the implementation of the wide-ranging and far-reaching measures required to restructure the industrial sector for accelerated self-sustained and self-reliant industrial and overall economic development as recommended in the Lagos Plan of Action and the Programme for the Industrial Development Decade for Africa.

51. Another prerequisite for the successful implementation of industrial rehabilitation/revitalization for survival is to ensure that complementary and/or supporting measures are taken in industry-related sectors to remove possible bottlenecks. These include the following:

(a) Increased agricultural production;

(b) Maintenance of the transport network and improvement of the distribution system efficiency;

(c) Provision of industrial inputs required to increase food production (fertilizers, pesticides, agricultural tools and implements, machinery and equipment);

(d) Adequate control over the financial institutions to ensure that they comply with the government anti-crisis policy.

52. The Government should also establish a task force or make any appropriate institutional arrangement to follow-up, monitor and evaluate the implementation of the anti-crisis measures and make any recommendation that may be necessary.

53. It should be emphasized that the measures proposed in this paper are aimed at making available to African countries some specific lines of thinking and action to enable them to develop and implement their own anti-crisis policy. The objective of such policy will be to abate the crisis in order to survive. But in view of the structural character of the root causes of the crisis, it can only be adequately tackled with medium and long term and restructuring measures as recommended in the Lagos Plan of Action And the Programme for the Industrial Decade for Africa.

# ANNEX I

## SOME CRITERIA FOR SELECTION OF INDUSTRIES QUALIFIED FOR RAHABILITATION/REVITALIZATION

In order to be a potential candidate for rehabilitation/revitalization, the industrial unit should be economically viable and in addition:

(a) Utilize local natural resources, mainly raw materials and energy, for primary and secondary processing;

(b) Produce essential needs of the majority of the people and/or contribute especially to the attainment of self-sufficiency in food and rural development;

(c) Earn foreign exchange through the export of its products and include the up-grading of raw materials;

(d) Provide inputs to other industries and/or activities by producing intermediates and parts, components and accessories;

(e) Meet the repair and maintenance requirements of industry and other economic activities;

(f) Promote linkage with other national economic activities, possibly also within the subregion;

(g) Offer opportunities for employment and training of local manpower;

(h) Offer clear scope for development of appropriate technology, including traditional technologies;

(i) Use no or little foreign technical and management skills which are one of the main sources of the foreign exchange leakages.

(j) Be self-sustaining and not be subsidized under the government budget or other public funds.

N.B. The above-mentioned criteria are intended as a guide for African countries when developing their own criteria.

Table 1. Percentage contribution of manufacturing to GDP at constant factor cost of 1970

| | 1970 | 1975 | 1980 |
|---|---|---|---|
| Algeria | 11.16 | 7.75 | 8.12 |
| Angola | 5.18 | 4.04 | 2.58 |
| Benin | 8.36 | 9.30 | 5.21 |
| Botswana | 7.84 | 8.12 | 5.24 |
| Burkina Faso | 10.88 | 14.45 | 14.57 |
| Burundi | 6.77 | 11.32 | 10.39 |
| Cameroon | 10.02 | 9.44 | 9.64 |
| Cape Verde | 5.23 | 6.45 | 5.52 |
| Central African Republic | 13.09 | 12.32 | 13.99 |
| Chad | 5.49 | 10.76 | 9.14 |
| Comoros | 6.69 | 8.05 | 5.22 |
| Congo | 10.39 | 6.26 | 7.81 |
| Djibouti | 6.09 | 7.47 | 8.96 |
| Egypt | 19.60 | 17.77 | 14.02 |
| Ethiopia | 9.55 | 10.54 | 10.64 |
| Equatorial Guinea | 3.77 | 6.97 | 5.22 |
| Gabon | 4.17 | 4.89 | 7.66 |
| The Gambia | 5.10 | 5.66 | 8.58 |
| Ghana | 12.15 | 14.19 | 9.16 |
| Guinea | 2.89 | 3.65 | 3.10 |
| Guinea-Bissau | 1.07 | 1.32 | 1.75 |
| Ivory Coast | 11.40 | 11.85 | 10.82 |
| Kenya | 17.13 | 12.02 | 13.24 |
| Lesotho | 2.71 | 5.70 | 4.93 |
| Liberia | 4.00 | 4.60 | 4.98 |
| Libyan Arab Jamahiriya | 1.75 | 1.77 | 2.35 |
| Madagascar | 11.51 | 11.26 | 11.49 |
| Malawi | 15.36 | 13.23 | 15.16 |
| Mali | 9.26 | 9.07 | 7.65 |
| Mauritania | 4.90 | 4.86 | 6.39 |
| Mauritius | 16.09 | 18.25 | 15.25 |
| Morocco | 15.86 | 19.78 | 18.92 |
| Mozambique | 5.89 | 9.37 | 8.65 |
| Niger | 6.04 | 8.10 | 5.31 |
| Nigeria | 4.45 | 5.45 | 5.44 |
| Rwanda | 3.47 | 11.75 | 12.84 |

Table 1. (Cont'd)

Percentage contribution of manufacturing to GDP at constant factor cost of 1970

| | 1970 | 1975 | 1980 |
|---|---|---|---|
| Sao Tome and Principe | 4.81 | 7.05 | 4.74 |
| Senegal | 15.93 | 14.52 | 15.05 |
| Seychelles | 1.56 | 5.29 | 6.20 |
| Sierra Leone | 6.45 | 5.59 | 4.81 |
| Somalia | 6.49 | 9.56 | 8.61 |
| Sudan | 10.18 | 8.59 | 7.01 |
| Swaziland | 12.35 | 13.97 | 23.54 |
| Togo | 10.34 | 7.59 | 5.70 |
| Tunisia | 9.22 | 10.13 | 10.03 |
| Uganda | 7.45 | 6.05 | 4.76 |
| United Republic of Tanzania | 10.08 | 10.44 | 10.01 |
| Zaire | 7.55 | 8.58 | 2.62 |
| Zambia | 6.53 | 15.38 | 15.95 |
| Zimbabwe | 21.30 | 23.33 | 25.45 |

Source: ECA National Accounts Computer Printouts (table 3C 30/12/82).

Table 2: Growth of manufacturing value added by subregion of Africa
(in percentage)

| | Share of MVA in GDP | | Annual average | | |
|---|---|---|---|---|---|
| | 1970-1977 | 1977-1982 | 1970-1977 | 1977-1982 | 1981-1982 |
| North Africa | 12.5 | 12.8 | 6.6 | 6.5 | 4.4 |
| West Africa | 6.7 | 7.8 | 7.8 | 3.5 | -1.7 |
| East Africa | 11.1 | 11.3 | 3.8 | 2.0 | 2.8 |
| Central Africa | 8.0 | 7.9 | 3.4 | 1.6 | 0.6 |
| Total Africa | 9.9 | 10.6 | 4.6 | 1.5 | |

Source: ECA Statistics Division

Table 3: Level of capacity utilization for selected countries, 1981-1982

(in percentage)

| Country | Capacity utilization |
|---|---|
| Liberia | 50 |
| Morocco | 60 |
| Somalia | 40 |
| Sudan | 50 |
| Zaire | 30 |

Source: World Bank Economic Memorandum, 1981, 1982; World Bank Policy Measures for Rehabilitation, 1983; World Bank Investing for Economic Stabilization and Structural Change, 16 February 1982.

Table 4: IMPORTS BY BROAD ECONOMIC CATEGORY - (Percentage of total value of imports)

| Country | 1970 | | | 1978 | | | 1980 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer goods | Inter-mediates | Capital goods a/ | Consumer goods | Inter-mediates | Capital goods a/ | Consumer goods | Inter-mediates | Capital goods a/ |
| **East and Southern Africa** | | | | | | | | | |
| Kenya | 31.5 | 46.5 | 22.0 | 20.7 | 48.6 | 30.7 | 9.0 | 69.1 | 21.9 |
| United Rep. of Tanzania | 32.0 | 45.6 | 22.4 | 6.9 | 46.1 | 47.0 | 11.6 | 56.8 | 31.6 |
| Malawi | 30.9 | 49.5 | 19.6 | 23.3 | 48.3 | 28.4 | 20.4 | 54.1 | 25.5 |
| Madagascar | 33.4 | 45.8 | 21.8 | 26.4 | 48.4 | 25.2 | 20.2 | 51.2 | 28.5 |
| **West Africa** | | | | | | | | | |
| Senegal | 40.9 | 41.0 | 18.1 | 36.7 | 42.3 | 21.0 | 32.8 b/ | 54.5 b/ | 12.7 b/ |
| IvoryCoast | 34.7 | 41.4 | 23.9 | 28.7 | 39.5 | 31.8 | 31.8 c/ | 49.9 c/ | 18.3 c/ |
| Liberia | 39.1 | 35.7 | 25.2 | 34.5 | 41.7 | 23.8 | 35.9 b/ | 46.1 b/ | 18.0 b/ |
| Niger | 30.0 | 49.3 | 20.7 | 43.2 | 43.4 | 13.4 | 34.2 b/ | 49.5 b/ | 16.3 b/ |
| **Central Africa** | | | | | | | | | |
| Congo | 42.2 | 34.4 | 23.4 | 35.9 | 39.0 | 25.1 | 31.0 | 51.0 | 18.0 |
| Rwanda | 20.0 | 58.6 | 21.4 | 20.3 | 58.5 | 21.2 | 18.1 | 61.5 | 20.4 |
| Central African Republic | 37.1 | 37.5 | 25.4 | 31.7 | 39.1 | 29.2 | 46.3 | 33.3 | 20.4 |
| Zaire | 30.5 | 42.0 | 27.5 | 29.0 | 44.9 | 26.1 | - | - | - |
| **North Africa** | | | | | | | | | |
| Morocco | 23.5 | 55.1 | 21.4 | 14.2 | 59.8 | 26.0 | 99.3 c/ | 69.3 c/ | 21.4 c/ |
| Sudan | 35.3 | 49.4 | 15.3 | 35.9 | 36.5 | 27.6 | 30.4 b/ | 54.9 b/ | 14.7 b/ |
| Tunisia | 18.5 | 59.9 | 21.6 | 19.2 | 51.4 | 29.4 | 15.3 b/ | 62.1 b/ | 22.6 b/ |
| Algeria | 20.6 | 47.6 | 31.8 | 16.7 | 41.6 | 41.6 | 19.9 b/ | 48.2 b/ | 31.8 b/ |

b/ 1981 figure
c/ 1982 figure
a/ Including spare parts

United Nations, Yearbook of International Trade Statistics, Vol. 1, 1977.
New York Vol. 1, 1982.