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of Industrial Cooperation in West Africa
within the Framework of the Industrial
Development Decade for Africa*

Abidjan, Côte d'Ivoire, 3-7 May 1993



SUBREGIONAL PROGRAMME FOR WEST AFRICA
FOR THE SECOND IDDA**

Prepared by
the UNIDO Secretariat

* Document compiled from the discussion papers and the conclusions and recommendations of the First Subregional Follow-up Meeting on Implementation of the Subregional Programme for the Second IDDA for West Africa, organized at Abidjan from 14 to 18 June 1993, in cooperation with ECOWAS, ECA and the Government of Côte d'Ivoire.

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PREAMBLE

1. The present document presents a revision of the Subregional Programme for West Africa for the Second IDDA, made in the light of the analyses carried out during 1992-1993 by the ECOWAS Secretariat in cooperation with UNIDO, under UNDP/ECA project RAF/88/047, entitled "Multisectoral assistance to ECOWAS for strengthening economic cooperation and integration among West African countries". A first version of the document prepared on that basis served as discussion paper for the Subregional Meeting organized in connection with the second IDDA at Abidjan from 14 to 18 June 1993. This final version, incorporating observations made by participants at the Abidjan Meeting, recommends a programme that is:

- More in keeping with the nature of the problems and constraints encountered by the manufacturing sector; and
- Arranged in phases so as to facilitate its implementation.

2. It is with this aim that its four constituent parts have been presented, the first three of which were used as a basis for formulating the final recommendations:

- The diagnostic analysis of the manufacturing sector, as set out in chapter I, "Problems and constraints of the manufacturing sector", has been prepared on the basis of the work carried out under UNDP-ECA-UNIDO project RAF/88/047, "Assistance to ECOWAS for strengthening economic cooperation and integration among West African countries";
- The critical review of the programme (chapter II: "Execution of the Subregional Programme for West Africa for the Second IDDA: Problems, Prospects and Action Strategy") outlines the background to the formulation of the current programme and the general climate of subregional cooperation, and describes the fundamental approaches of an implementation strategy;
- The main lines of a programme of action, as set out in the Strategic Industrialization Plan (SIP) that is now in process of finalization under project RAF/88/047, in respect of specific branches accorded priority by ECOWAS;
- The priorities to be taken into account from the point of view of ECA and contained in document ECA/IHSD/IPPIS/0017/92 (chapter IV: "Determination of subregional and national priorities");
- A proposal for a four-phase operational strategy, which clearly identifies the emergency phase (Phase 0) that will pave the way for and determine the actions programmed for the following three phases (chapter V: "Proposal for an operational strategy for implementing the West African subregional programme"). This strategy is the one recommended by ECOWAS under project RAF/88/047. It places particular emphasis on the need for a realistic approach and on the essential conditions for implementation at ECOWAS level and by States and economic operators.

3. While maintaining the ultimate objective of the programme intact, the aim of this attempt to formulate a draft strategic plan of action is to increase the programme's prospects of materialization by incorporating stages whose content in terms of direct income-generating investment will increase in line with the results achieved in the areas of organization, studies and improvements in the general investment climate.

4. The recommended phasing is illustrated by the outline and diagram appearing on pages 42 and 49. The aim of such a phased approach is both to comply with the conclusions of the diagnostic analysis and also to allow a maturing period for the investments, which are subdivided into two categories:

- The first type, which is characterized by small- and medium-sized projects designed to increase the use of existing capacities, has to be capable of rapid implementation;
- The second type, which involves greater uncertainty owing to the scope of the projects envisaged, particularly in the priority subsectors of the iron and steel and chemicals industries, should be undertaken only in the light of the results of the emergency actions programmed under Phase 0.

CHAPTER I

PROBLEMS AND CONSTRAINTS OF THE MANUFACTURING SECTOR

I. MAJOR FEATURES OF THE MANUFACTURING SECTOR IN WEST AFRICA

5. The diagnostic analysis undertaken on the basis of the data contained in the country surveys conducted by ECOWAS, supplemented by the reports of the consultants for certain subsectors (food, wood, chemicals, building materials, iron and steel, agricultural machinery and industries related to motor vehicles), provides an overview of the manufacturing sector (excluding small-scale non-industrial activities and the informal sector) through various indicators:

- The position of the sector within the domestic economies of the 16 member States, according to the ratio of manufacturing value added (MVA) expressed as a percentage of the gross domestic product (GDP);
- The relative level of industrialization, according to the per capita MVA;
- The role of the subsectors in the manufacturing output of the subregion;
- The structure of the manufacturing sector, by individual country, in order to show the major activities, degree of diversification or concentration, number of jobs, value added rates of the various subsectors, share of public and foreign investment, percentage of export turnover and output per worker.

6. Despite its limitations, this information merits close analysis, not with a view to examining its specifics but rather to considering the trends and facts that emerge from it.

From this angle, the following points are noteworthy:

- Five countries, including Nigeria (which accounts for over half the Community's population), suffered a decline in average per capita income between 1980 and 1987;
- There was negative growth of MVA during the 1980s, and the two countries most affected, namely Nigeria and Côte d'Ivoire, generate almost half the Community's total output;
- Per capita MVA, which was estimated at \$28 in 1980, fell sharply to \$22 by 1989, reflecting the very low productivity levels of the existing industrial facilities;
- The low value added rate, which reflects the sector's poor domestic economic integration and is due to the large number of end-of-line production activities that are highly dependent on foreign imports for the first stage of processing and now face competition from cheaper foreign goods;
- The almost total absence of manufacture of industrial inputs, in particular flat steel and basic chemicals;

- The limited extent of national or regional subcontracting arrangements, resulting in underutilization of existing forges and foundries;
- A disparity in main factor costs (wages, energy, capital and services), which discourages regional integration and fosters trade practices that are difficult to control.

7. The subsectoral distribution of MVA for the subregion and the way it evolved from 1980 to 1989 reveal not only wide disparities between countries but also obvious fragility and mediocre performances that deteriorated further during the 1980s.

8. The national strategies of the last three decades, which were dominated by import substitution investments in products for household consumption, gave only minor attention to lines of production whose non-existence is now a real handicap to further integration of the manufacturing sector into the various national economies and to greater trade within the subregion. By way of illustration, it is sufficient to note:

- The very preponderant weight of food and beverage industries, particularly beverages (beer and soft drinks), which account for more than 40 per cent of Community MVA and more than 30 or even 50 per cent of domestic manufacturing output in all countries;
- The importance of the textile industries, which were naturally affected by the crisis in proportion to the place they occupy in the industrial economy;
- The very small share of iron and steel, metallurgical, mechanical engineering and electrical industries, as well as basic chemical industries.

II. PRINCIPAL PROBLEMS AND CONSTRAINTS

9. The manufacturing sector of the subregion is passing through difficult circumstances, whose causes should not be looked for in the current international situation alone, despite its obvious impact on industry.

10. Attention should be focused rather on the internal causes, since in the first place they are more controllable by the national and community actors, and secondly because action at that level can in the long term alter the somewhat negative perception that actors outside the subregion currently have of the advantages of investing or maintaining a presence in the subregion.

11. Of the many problems facing industrial promoters and producers, some merit special attention and call for urgent concerted action, since they affect the entire sector and all the member States. They are:

- The underutilization of existing production capacities;
- The need to improve the planning and management of investment operations;
- The attainment of greater regularity of supplies to production plants;
- Greater harmonization of policies and programmes concerning employment legislation and costs and availability of the main factors;

- The advantage of having professional organizations take over maintenance and management of equipment;
- The implementation of systematic mechanisms to provide information on opportunities for trade, technical and technological cooperation and subcontracting arrangements within the Community;
- The need to be aware of the new terms of competition that are forcing out the least competitive operators;
- The need for improvements in the national and regional institutional environment;
- Assistance for enterprises that are endeavouring to adapt to the new rules stemming from structural adjustments.

2.1 Underutilization of installed capacities

12. For reasons relating to inappropriate project scaling at the design stage, over-optimistic market studies, declining purchasing power, disruptions in supplies, financial difficulties, technical deficiencies due to lack of regular maintenance or to poor technological choices and the effects of competition, existing capacities are rarely utilized to their full extent.

13. This virtually universal situation is particularly serious for the iron and steel industries (notably in Nigeria), metal and metallurgical industries (agricultural machinery, forges and foundries), mechanical engineering industries (motor vehicles, bicycles and motor cycles) and electrical industries (assembly of refrigerators, air-conditioning equipment, televisions, etc.), and for a number of activities in the agro-food, textile, building materials and paper industries.

14. By way of illustration, mention can be made of a number of significant examples of the severity of the phenomenon in different countries, a phenomenon which, in addition to causing wastage, increases production costs. The capacity utilization rates for various industries in the subregion are:

- In Benin: less than 10 per cent in respect of sugar, soft drinks, paints/varnishes/coating substances, refrigerators and air-conditioning equipment; less than 30 per cent in respect of food pastes (pasta), ploughs, cement, etc.;
- In Côte d'Ivoire: less than 50 per cent in respect of beverages and refined oils; 33 per cent in respect of fruit and vegetable juices and preserves; 30 per cent in respect of dairy products;
- In Mauritania: less than 25 per cent in respect of carpets/blankets, footwear/leather, paperboard, metal products, cosmetics, etc.;
- In Nigeria: less than 30 per cent in respect of juices and preserves, animal feedstuffs, dairy products, iron and steel products, mechanical and electrical engineering products; less than 50 per cent in respect of beers, sugar and cocoa products;
- In Senegal: 32 per cent in respect of crude oils; 25 per cent in respect of preserved fish; 40 per cent in respect of animal feedstuffs.

2.2 Poor design and execution of industrial projects

15. Every industry is highly dependent upon the observance of a complex system of conditionalities ranging from the choice, planning and implementation of investment projects to the management of production plants. Errors made during the initial stages will clearly have an effect on the life of the enterprise that it will always be difficult to counteract.

16. If the essential and non-delegable function of project sponsor is not properly performed, the future enterprise will unquestionably encounter difficulties that its managers will not be in a position to overcome, since they will not be prepared for them or, worse still, because the difficulties will involve structural defects that will be impossible to eradicate. A perceptive examination of the situation of enterprises differentiating those that are experiencing difficult times from those that are reasonably healthy would show that what distinguishes failure or success is to a large extent the manner in which that responsibility has been discharged.

17. Too often, particularly in the case of public investments, the role of project sponsor has been assumed by the foreign partner acting simultaneously as main contractor, source of funds, equipment supplier, technical assistant, trainer and manager.

18. Apart from giving rise to very poor results, of which there are many examples, this situation causes national financial managers and engineers to miss opportunities for training and transfer of expertise that only experience and a sense of responsibility within the enterprise can provide.

2.3 Irregularity of supplies

19. Difficulties in achieving regular supplies are to some extent the result of project design errors (which can only be overcome by investment, often on too large a scale to be realistic) but are also due to inadequate liaison with agricultural producers and traders, as well as to climatic constraints or inadequate infrastructure.

20. In many import-substitution activities, which are the preferred fields of domestic promoters and usually involve small- and medium-scale enterprises (particularly in the textiles, plastics, cosmetics, metalwork for buildings, paint and varnish subsectors), the percentage of imported supplies compounds the problem in land-locked countries or in countries with non-convertible currencies, because of restricted access to foreign exchange.

2.4 Factor cost

21. Among the advantages offered by a particular country or region, the availability and cost of energy, industrial sites and labour are determining factors in investors' strategies, along with transport infrastructures and other services, i.e. telecommunications, insurance, efficient administration and financial and banking services.

22. In view of the highly diverse nature and manifest shortcomings of the transport and electricity facilities within the subregion, the pursuit of efforts aimed at identifying a community programme would gain from dialogue among the political, economic and social partners in an attempt to better harmonize approaches and strengthen the Community's negotiating capacity.

23. The complexity of the exercise, which, moreover, could offend national sensibilities, should not be allowed to lead to greater disparities through the pressure of the requirements specific to each member State.

2.5 Maintenance and management of equipment

24. As in the case of supplies, the serious problems of maintenance and management of production equipment very often stem from the project sponsor's strictness or laxity in the initial stage of the investment operation.

25. Maintenance shortcomings have already been sufficiently emphasized - particularly in studies relating to the first and the second IDDA - to need any repetition here. The financial aspect of the problem has possibly been overstated, since the issue should first be tackled from the technical angle. This entails organizing daily preventive procedures, major efforts at standardization and encouraging regional and national subcontracting operations, the establishment of a body of maintenance technicians and engineers, greater use of the services of institutions such as the African Centre for Engineering Design and Manufacturing (ARCEDEM) and, most importantly, the handing over of the problem to a team of responsible managers as from the study phase.

26. While one would not wish to minimize the financial aspect, it does mask a certain prevailing apathy that destroys creative capacity; it is so much easier to buy than to try to manufacture or to arrange manufacture locally.

2.6 Markets and competition

27. In addition to the narrowness of the domestic markets (discounting Nigeria, the populations of the other 15 member States range from less than one million to 15 million inhabitants) and low purchasing power (average per capita income is estimated at \$330 and 11 States are classified among the least developed countries), there has for some years been competition from cheaper and better-quality imported products. Internal trade is still hampered by highly cumbersome administrative machinery; this is the main complaint of industrialists against the Community authorities. The few instances of complementarity that exist in the textile, building materials, plastics, chemicals and iron and steel subsectors are thwarted by generalized fraud.

2.7 Increasingly difficult access to financing

28. The financial constraints caused by the discontinuation of subsidies to State enterprises and other forms of transfers to enterprises are being severely felt by managers unaccustomed to coping with the rigours of the market. The gap does not appear to have been filled by the banking system, which is attracted more by the commercial sector than by the financing of production activities. The prevailing rates and banks' general operating conditions are not geared to the needs of the industrial sector, which requires more risk credit than the existing institutions can offer.

29. This situation is becoming extremely serious in some cases, such as that of the iron and steel sector in Nigeria, and on a general level it is very common to hear the absence of working capital being quoted as the main reason for low rates of activity or factory closures.

2.8 Constricting institutional environment

30. The cumbersomeness and inefficiency of the administrative machinery are such that the operators who cope are those able to maintain a network of connections to limit the consequences of the extremely complex regulations that apply at all stages of the life of an enterprise and that may differ considerably from one country to another: investment dossier, approval, land acquisition, employment legislation, importing of equipment and inputs, price controls and heavy taxation.

31. At the community level, the problem relates not to the absence of mechanisms for economic integration but to the question of their effectiveness in practice. Most operators and professional organizations encountered place little trust in them, being convinced from their own experience of the strong local resistance to the fair application of such mechanisms. Most of them admit that, faced with the difficulties of intra-community trade, they prefer to continue to make use of overseas commercial networks.

2.9 Poor competitiveness

32. The combined effects of the problems outlined above naturally have an effect on the efficiency and performance levels of the manufacturing sector.

33. Low overall productivity, coupled with rarely satisfactory product quality, must represent a major cause for concern to managers. How enterprises will fare in the future with the opening up of domestic markets and the total or partial disappearance of the protections and supports that have artificially kept them alive by concealing their deficiencies too often and for too long will depend on a substantial improvement in product quality.

34. A few statistics and examples encountered will illustrate the severity of this already well-known problem:

- Major construction sites have found it more advantageous - from the viewpoints of quality, cost and regularity of supplies - to import vast quantities of cement and reinforcing rods from Europe;
- A large proportion of consumers will opt for an imported product, even at a higher price;
- Enterprises with marketing and after-sales services are extremely rare;
- Market shares have already been lost, both inside and outside the subregion;
- Average MVA per worker is generally very low.

2.10 Difficulties in coping with structural adjustments

35. With the exception of a few pockets of prosperity in specific areas, in most cases involving international groups or foreign interests, the subregion's manufacturing sector is in a state of confusion in the face of the admittedly unavoidable requirements of the adjustments currently in progress in all the member States' domestic economies:

- The privatization of public enterprises, albeit a necessity, is not taking place satisfactorily;

- States are not in a position to offer financial support, which is only imperfectly provided by the credit system;
- The positive effects that are supposed to occur simply through the disengagement of the State and the observance of market economy principles are imperceptible, whereas the negative impacts have quickly become apparent: increased costs of imported inputs as a result of devaluations, depletion of foreign-currency resources, falling purchasing power, inflation caused by actual or anticipated increases in production costs, etc.

36. The various problems referred to above are not at all new. They have all long been known and pointed out. It is, however, essential to restate them here in order to:

- Attempt to identify their prime causes, with a view to preventing their recurrence;
- Suggest courses of action to be taken at the appropriate levels, so as to limit their negative effects;
- Incorporate them subsequently into the formulation of future regional integration programmes;
- And, most importantly, better define the respective roles of the State, the regional institutions and the economic operators.

III. ADDITIONAL OBSERVATIONS BY THE ABIDJAN MEETING

37. While recognizing the relevance of the 10 problems and constraints described above, the Meeting considered it worth while mentioning also certain factors that were hampering the subregion's industrial development and which required urgent action at the appropriate levels.

38. With regard to national and Community economic policies, the Meeting noted in particular:

- The obstacles created by mentalities that hindered the development of attitudes more appropriate to the needs of the industrialization process, in particular an entrepreneurial spirit capable of engendering an industrial culture and tradition;
- The inappropriate legal, institutional and financial environment and, more generally, the negative impact of political instability;
- The non-existence of Community organs to facilitate subregional trade (arbitration, compensation, insurance, etc.) and of mechanisms capable of stimulating exports of manufactured products to markets outside ECOWAS;
- The difficulties arising from contradictions in national policies governing monetary and financial matters, and in support programmes for economic operators;
- The negative consequences of competition from imports of manufactured products available in the subregion;
- The glaring inadequacies of the physical infrastructure essential for national and subregional development.

39. Regarding the dissemination of information, research and development, and training, the Meeting noted:

- The great shortcomings of the information system in the broad sense: technological, financial, commercial and economic;
- The fact that the results of technological research were not disseminated to the operators concerned for application;
- The absence of conditions that would facilitate more systematic use of subregional institutions for research, technological information, project design, maintenance and subcontracting;
- The need for better organization and management of the informal sector, so as to promote complementarity with the formal sector;
- The negative effects of the lack of skills in negotiating contracts for the procurement of equipment and project management.

40. The Meeting also noted:

- The insufficient attention given to environmental protection in the selection, siting and construction of industrial units;
- The need for better integration of women in the industrial development process;
- A degree of inconsistency between multilateral cooperation programmes (particularly technical assistance activities) and the requirements of structural adjustment programmes.

CHAPTER II

EXECUTION OF THE SUBREGIONAL PROGRAMME FOR WEST AFRICA FOR THE SECOND IDDA

I. INTRODUCTION

41. The poor performance of the first Industrial Development Decade for Africa (IDDA-1, 1981-1990) prompted the African States to launch a second Decade (IDDA-2, 1990-2000) with a view to accelerating the continent's industrialization process. The national and subregional programmes of the second IDDA should, in the view of the planners of IDDA-2, provide a more appropriate basis for tackling the problems that were not resolved during the first IDDA. It is undeniable that the success of the second IDDA will to a large extent depend on the ability of States and the subregions to mobilize the resources required to execute these programmes.

42. This document aims to examine the subregional programme for the second IDDA as currently applying to West Africa with a view to the implementation of a realistic and sustainable strategic implementation plan of action that is capable of achieving the programme's full realization. Since it has emerged that the current programme does not differ in context significantly from the original programme for the first IDDA with the exception of a number of new projects, might this fact constitute an obstacle to the programme's promotion and, if so, how can it be overcome?

43. Also, following the programme's revision at the Follow-up Subregional Meeting on the Promotion of Intra-African Industrial Cooperation within the Framework of the Industrial Development Decade for Africa (Dakar, 30 October - 3 November 1989), work began on formulating the ECOWAS strategic industrialization plan (SIP) (project RAF/88/047), in respect of certain subsectors that form the subject of a policy of industrial cooperation by the Governments of member States. In the light of this work, there is reason to question the relevance, suitability, prioritizing and conditions for implementation of the projects scheduled under the current programme.

44. Since the programme's implementation is still dependent on possibilities for mobilizing internal and external resources, this document also examines the general climate of cooperation prevailing in the subregion, since a strategy aimed at mobilizing resources and promoting industrial cooperation projects would hardly have any chance of succeeding if the general climate of cooperation were unfavourable to the efforts of the economic operators in the subregion. A further reason for looking at the general climate of cooperation has to do with the fact that effective mobilization of local resources can arouse the interest of foreign investors and encourage them to participate in viable joint projects.

II. CRITICAL ANALYSIS OF THE SUBREGIONAL PROGRAMME FOR WEST AFRICA FOR THE SECOND IDDA

2.1 Background to the formulation of the current programme

45. It will be recalled that the original programme for West Africa for IDDA-1 accorded top priority to projects capable of directly or indirectly contributing to the subregion's self-sufficiency in food production. The entire strategy thus focused on promoting agro-industrial and agro-related

projects formulated by the intergovernmental organizations. This strategy requires that certain complementary subsectors that supply the input factors needed for these projects should also be accorded priority and that a number of industrial development support services and areas should also have priority status.

46. Despite numerous promotional efforts, this integrated industrial promotion programme could not be put into effect during the first IDDA. All the core projects remained in abeyance, and only a few support projects made some progress, thanks to the assistance of the international organizations. It is worth while restating here some observations that were made by the team for the mid-term evaluation of the Decade and which corroborate the reasons put forward to explain this lack of success:

- Some projects did not undergo sufficient planning before being presented; others were submitted without prior notice;
- For that reason, many projects were presented without the necessary data or studies;
- Several member States did not distinguish between subregional strategic projects and national projects;
- The choice and location of the projects were overly influenced by non-economic considerations;
- The priority subsectors for industrialization were not clearly identified in advance;
- There were too many projects;
- There was insufficient communication between the ECOWAS Secretariat, member States and other intergovernmental organizations;
- At the national level also, communication and coordination between the Ministry of Planning, the Ministry of Industry and the other implementing agencies were unsatisfactory;
- The structure and resources of the Secretariats, particularly those responsible for industrial development, need to be improved so that they can provide effective administrative and specialized services;
- Above all, the economic depression that has ravaged the countries of the subregion has been regarded as doubtless the chief factor hindering rapid action to promote industrial projects at the subregional level.

47. It has thus been considered necessary to resurrect these same projects and attempt to implement them through further efforts aimed at mobilizing national and/or international financial resources and other factor inputs based on subregional cooperation.

48. It was accordingly on this basis that the current programme was drawn up. The original programme for the first IDDA, renamed the "Revised Integrated Industrial Promotion Programme for the West African Subregion", was updated at the Follow-up Subregional Meeting on the Promotion of Intra-African Industrial Cooperation within the Framework of the Industrial Development Decade for Africa (Dakar, 30 October - 3 November 1989). It was subsequently

presented, as subregional programme for the second IDDA, to the Meeting of the Intergovernmental Committee of Experts of the Whole on the Industrialization of Africa (Dakar, 22-26 July 1991). It was approved by the Conference of African Ministers of Industry at its tenth session (Dakar, 29-31 July 1991). The programme as such comprises the 36 core projects and 14 support projects carried over from the programme for the first IDDA, plus seven new core projects and three new support projects (see annex 1).

49. It should also be mentioned that the Secretariats of the Organization of African Unity (OAU), the Economic Commission for Africa (ECA) and UNIDO jointly prepared a working document for the establishment of the programmes for the second IDDA, which was published in April 1990 with the title "Framework and guidelines for action at the national and subregional levels for the preparation of the programme for the second Industrial Development Decade for Africa (1991-2000)" (PPD.161, UNIDO). It would appear from the chronology of events that the current programme was drawn up independently of the framework and guidelines recommended in that document.

2.2 Problems and weaknesses of the programme

50. The fact that the current programme closely resembles the programme for the first IDDA poses a number of structural problems that are continuing to impede its implementation.

51. It should first be pointed out that the selection of projects in the current programme still heavily favours new investment projects, even though the second IDDA accords top priority to consolidation projects. Even as early as the mid-term evaluation of the first Decade it was pointed out that the initial programme for IDDA-1 did not specifically address the problem of industrial modernization, whereas it is clear - and recognized by the countries themselves - that, prior to any attempts at other large-scale industrialization operations, top priority should be given to reorganizing, modernizing and revitalizing the existing industries. This imbalance in favour of new investment projects will undoubtedly have a serious effect on the mobilization of financial resources.

52. Secondly, the new investment projects, particularly those proposed as multinational core projects, have the appearance of individualistic schemes that take little account of the set of economic forces that govern competitiveness and enterprise survival. Such initiatives were undertaken in the past when States' financial resources were still available in sufficient quantities for such operations, but the results have been far from encouraging. The experience of CIMAO and of the failed community projects within the West African Economic Community and the Central African Customs and Economic Union provides clear proof of this.

53. Also, the multinational projects, especially those classified as industrializing projects, have been set up with little realism in terms of their execution. To appreciate this fact, one has only to observe, particularly with regard to the first IDDA, that the legal and administrative mechanisms required to start up and finance large-scale projects have never progressed beyond the stage of global protocols and declarations on subregional cooperation. It is thus difficult to imagine that an entrepreneur would agree to take on the risks of exploiting opportunities offered by the enlarged subregional market solely on the basis of the cooperation protocols of ECOWAS.

54. The most glaring weakness in the current programme stems from the little credibility that can be given to such a programme. Indeed, it has been pointed out in this connection, even with regard to the first IDDA, that the resource requirements and the conditions and mechanisms involved in the establishment of an industrialization programme of this type do not appear to have been properly appreciated. Now, with an economic climate made worse by the continuance of the recession, the decline of domestic markets, aggressive competition from abroad, etc., the prospects for the programme's execution seem even more problematic.

55. Because of the inherent weaknesses in the programme, it is unlikely in its existing format to be suitable for active promotion. It is for the present meeting to draw conclusions from this and to propose necessary adjustments in the light of the results of the work of formulating the SIP for the subregion. It has to be acknowledged that programme revisions are a normal exercise and that the second IDDA has recognized that the programmes ought to be re-examined at regular intervals and adjusted on the basis of the new requirements and priorities.

III. ANALYSIS OF THE GENERAL CLIMATE OF COOPERATION IN THE SUBREGION

3.1 Lack of an operational strategy for cooperation

56. The competent authorities of the subregion expressly wish to formulate a strategy for mobilizing resources and promoting the current programme, and accordingly have specifically entrusted the present meeting with that task.

57. Those authorities do not, however, appear to have as yet clearly defined the industrial cooperation strategy to be pursued or the type of incentives to be introduced in order to stimulate such cooperation. In the course of the work of drawing up the SIP for the subregion, we identified several factors, including economic ones, that appear to increase the level of uncertainty regarding the programme's prospects of success. It is these various factors which will be examined below. It will not be possible to develop a realistic and sustainable programme promotion strategy unless an attempt is made to tackle these problems directly and resolutely.

58. We should, however, begin by making a few general observations. The competent authorities in the subregion should beware of entertaining any unjustified optimism as to the prospects for implementing industrial cooperation projects since, although the current reforms that are aimed at greater market orientation undeniably offer new prospects for attempts at subregional integration, this does not necessarily mean that there will be an influx of private capital and operators seeking to take advantage of the opportunities offered in the subregion. It is highly likely that that will not be the case and that much will still need to change in order that the operators can fully play their part.

59. At the level of intra-community production and marketing, the subregion cannot, at the present stage, be regarded as attractive to multinational industrial operations involving the participation of the private sector. The reluctance of industrial operators, whether local or foreign, to seize the opportunities offered in the subregion bears witness to this lack of interest in subregional cooperation.

60. Past experience of subregional industrial cooperation is poor and unconvincing, as is shown by, inter alia, the modest extent of intraregional trade. The decisions taken by member States' Governments on industrial cooperation projects comprise a number of administrative and bureaucratic measures that appear unlikely to engender sound incentives for the establishment of such enterprises. Nevertheless, the main difficulty involved in this approach is that it places emphasis on the projects rather than the environment which must progressively bring about the process of integration.

61. Generally speaking, the climate of subregional cooperation is still characterized by difficulties of intraregional trade, enterprises' poor competitiveness preventing them from engaging in joint production operations, absence of support structures for operators potentially interested in the subregional market, and a lack of effective incentives and investment policies. In the face of these problems, which we will examine in turn, there is much to be done by the competent authorities in order to make the climate more receptive and favourable to the mobilization of resources and to the promotion of joint industrialization projects.

62. The achievements of ECOWAS with regard to trade liberalization offer little prospect of industrial integration on a wider scale. Although the device of preferential treatment for intraregional trade has long been in place, its application in the field is beset by many obstacles, including:

- State protectionism: on the whole, industrial operators have reservations about ECOWAS which, often in comparison to their own administration, is not always efficient. Many entrepreneurs have pointed to the fact that their products, despite approval under the regional cooperation tax scheme, have not been able to cross the frontiers of neighbouring countries, and that there is no community legal body to deal with this problem. Since the preferential trade system is being less and less applied, entrepreneurs in the subregion are turning to the European market, which is often more favourable;
- A customs and tax system that penalizes enterprises: the extremely high customs and revenue duties that are levied on products can amount to as much as 100 per cent of their value, which makes exports to neighbouring countries virtually impossible. Because taxes remain high, fraud - in the form of undercharging, forged declarations, unlawful border-crossing of products - is assuming disturbing proportions. Enterprises are emphasizing the severity of this problem, which in effect reflects the failure of the integration policy so far pursued.
- Lack of a transport infrastructure: many countries of the Community are still poorly interconnected, and the high cost and inadequacies of the transport facilities (road, rail, air, sea and river) within the Community are unfavourable to intraregional trade. Transport costs can sometimes amount to 50 per cent of the ex-factory price.

3.2 Delays in implementation of the integration process

63. Also, industrial operators fail to understand the repeated delays in the process of regional integration, with the ECOWAS Secretariat and member States' Governments blaming each other.

64. The protectionism question would appear to be deadlocked for the moment and is highly likely to long remain so. Similarly, there is little that Governments can do quickly to resolve the transport infrastructure problem. They could, however, take immediate steps to bring about improvements in road-haulage equipment and in highway regulations and their implementation procedures. They could also immediately alleviate the tax burden on road transport serving the subregion. In addition, they could contribute to reducing fraud by adopting, for example, customs and tax incentives. For instance, the regional cooperation tax principle should be applied and the rates harmonized in order to remove a number of inconsistencies. Since the regional cooperation tax is proving more favourable to seaboard countries than to land-locked countries, member States could set an example of solidarity by agreeing to modulate the regional cooperation tax rates in favour of products from the disadvantaged countries, so as to offset the extra costs of transport in particular.

65. The question of competitiveness still poses a huge problem for industrial cooperation. The failure of CIMAO was to a large extent due to its inability to acquire sufficient competitiveness to keep it in operation (see annex 2). The reasons for this lack of competitiveness in subregional production partly stem from problems of management, high costs and low productivity of factor inputs. The additional costs associated with operating in an environment which is penalizing owing to the poorly developed state of the economy (lack of infrastructures and services and/or high costs of those that exist, irregularity of supplies, non-optimal utilization of production capacities, poor project design and management, poor maintenance and management of equipment, etc.), and which in addition is marked by macroeconomic distortions, are the main factor behind this lack of competitiveness.

66. The scope of this paper does not allow a more lengthy discussion of these issues. However, it would appear that subregional integration strategies must inevitably focus on strengthening the competitive position of the local enterprises through rationalization and restructuring of production activities based on the underlying distribution of comparative advantages throughout the subregion.

67. The limited confrontation that enterprises and economic operators in the subregion have with external competitive pressures is also unlikely to accelerate the process of subregional industrial integration. Their chances of seizing the opportunities offered within the subregion are limited; they often have an inaccurate perception of their environment, which prevents them from formulating efficient plans of action. These shortcomings are evident at the national level and even more so at the subregional level, and thus constitute an obstacle to the prospects for subregional cooperation. Indeed, at the subregional level, there is a marked absence of mechanisms to enable economic operators to gain a complete knowledge of their environment in order to fully seize the market opportunities offered in neighbouring countries. There is in fact no information, advice and support structure for enterprises interested in the subregional market.

68. The final point, but certainly not the least of the problems requiring the attention of the competent authorities, is the absence of investment and incentive policies designed to encourage subregional industrial cooperation. Although reform measures have been adopted at the national level in an attempt to make the climate more receptive and favourable to the mobilization of resources, this is not so at the subregional level. Even the legal and administrative mechanisms required for the financing and initiation of subregional projects have never progressed beyond the stage of global protocols and declarations on subregional cooperation.

69. In view of the many constraints that limit the attractiveness of industrial cooperation within the subregion, it is unlikely that the current programme can, in its present form, effectively contribute to the mobilization of resources and the promotion of projects.

IV. RECOMMENDATIONS FOR A REALISTIC STRATEGY

4.1 One precondition: a more conducive environment

70. Experience in other countries shows that to seek to actively promote subregional industrial cooperation projects prior to the establishment of a climate that is more receptive and favourable to the initiatives of industrial operators would be counter-productive. In the previous section, we outlined the major conditions which, in our estimation, need to be fulfilled before thought can be given to promoting the current programme. Time will inevitably be needed to meet most of these conditions, since they entail fundamental reforms and structural improvements. Most operators, whether local or foreign, will not contemplate any serious commitment until these fundamental and crucial problems are resolved. It is only when matters become clear that serious promotional efforts will be justified - probably not for some considerable time - so that the resources required to set up the projects adopted under the current programme can be mobilized.

71. The establishment of well-designed appropriate incentive schemes could enable operators in the subregion to make up for the disadvantages of their little confrontation with external market forces.

4.2 Need for a test period

72. Under these circumstances, UNIDO considers that a test period is necessary; the subregional projects launched during that period would be pilot projects selected on the basis of the likelihood of their being executed and successfully accomplished within a reasonably short term (1 to 3 years). The authorities of the subregion should actively promote and encourage the pursuit of such operations by expressly acknowledging their experimental nature. This should make it possible to test the viability of producing and marketing on a subregional scale, as well as the relevance of other (less coercive and more spontaneous) approaches to regional integration. The ideal would be to conduct these pilot experiments at enterprises that offer the best prospects for subregional integration (for example, in the building materials subsector) or that are in process of restructuring, in order to improve the chances of success and to achieve results more quickly. Naturally, these pilot experiments should be given every incentive necessary to encourage rapid implementation.

73. A number of enterprises in the subregion would be willing to participate in these pilot operations provided that their initial financial outlay and risks were limited. These enterprises, which often face problems of capacity underutilization, supply irregularities, etc., are in urgent need of revitalization. A diagnostic analysis of the causes of inefficiency might reveal bottlenecks (for example, in supplies of inputs) that could be resolved at the subregional level. The measures to be taken in this context rely almost exclusively on the exploitation of one of the available resources, namely the unutilized fixed capital of the subregion. As such, these measures would entail only limited amounts of new investment, if at all, and would contribute to the revitalization of existing production plants; they can have an immediate impact because they are directly aimed at the most urgent constraints affecting the subregion's industry.

74. The effective mobilization of these local resources for specific pilot projects could to a very great extent arouse the interest of foreign investors and encourage them further to participate in viable joint projects.

75. This trial period would give the authorities of the subregion the extra time and possibly also the confidence that they will need to set up the type of system needed to attract other resources. When they have attractive examples to show to international investors, they will be able to target their promotion efforts more effectively to achieve the objectives that they have set themselves for the industrial development of the subregion.

V. STRENGTHENING OF THE PROGRAMME AND PREPARATION OF A PLAN OF ACTION

5.1 New priorities of the programme

76. In the light of the diagnostic analysis of the manufacturing sector and a close look at the shortcomings in the general climate of cooperation and investment in the subregion, it is clear that the industrial integration programme must be thoroughly rethought:

- To give it more of a phased nature, with substantial improvement of the environment receiving all the necessary attention;
- To devise a realistic timetable for implementation, making allowance for urgencies as well as for the human and financial resources needed.

77. Like the subsectoral industrial integration programmes involved in the work of formulating the SIP for the subregion, the programme should initially be concerned with developing linkages at the subregional level between existing production plants (for example, by seeking to establish a subregional industrial structure that would improve the competitiveness of the domestic industries). The low rates of utilization of existing production capacities and the low levels of investment (both private and public), together with certain experiences such as that of CIMAO, unequivocally suggest that the era of large-scale projects financed by the public sector and involving several States is past; integration will only become a reality if the economic operators are convinced of the value of the opportunities it offers and incorporate them into their company strategies.

78. Consequently, the subregional programme must first give priority to improving the enabling environment for private initiative. In later stages, when the entrepreneurs' worries have been laid to rest and a steady growth in investment flows begins to appear, the programme will be able to turn gradually to the promotion of new investments.

79. A programme of new investments should be formulated only in response to specific supply constraints of the plants to be rehabilitated and should be carried out on the basis of a thorough financial evaluation and analysis of the availability of the necessary human skills for their efficient operation (second priority).

80. Steps to stimulate industrial investment in the subregion should not be taken until the constraints affecting the operations of existing plants have been overcome (third priority).

5.2 Strengthening of the programme

81. In the light of these new priorities, the programme in its present form does not lend itself to a time-based division into several segments for phased implementation.

82. One may question the basis on which the projects contained in the programme are divided into different levels of priority: implementation in the short term (0 to 5 years), implementation in the medium term (5 to 10 years) and implementation in the long term (more than 10 years). It is quite clear that the core projects in the programme, which are for the most part new investment projects, have been established on the basis of a set of criteria that appear unlikely to allow their rapid implementation, such as the criterion of "economies of scale, complex technology or upgrading of technology, large investment and markets beyond the reach of individual member countries" for subregional projects, criteria which can under no circumstances permit a rapid mobilization of resources.

83. To appreciate this, one has only to refer to the example of project No. 39 (establishment of a subregional cement factory in the Liptako-Gourma region), which is classified among the projects for short-term implementation under the programme. Clearly, an examination of this project leaves us in no doubt as to the chances of its being executed within a reasonably short term. Indeed, at the time of drafting this paper, the project had not advanced beyond the design stage; the physical infrastructure (construction of a railway) on which the project's execution depends, had not even been contemplated; the necessary investments had still not been identified through feasibility studies, etc. For a project of this scale (anticipated capacity: 250,000 tons/year, possibly increasing to 500,000 tons/year, which is on a par with CIMAO, which cost 69 billion CFA francs), a long lead time is necessary to prevent the project becoming a gamble or even a venture doomed from the outset by being rushed.

84. At the level of the sectoral subprogrammes also, there are grounds for questioning the relevance, advisability or priority of some of the projects included in the programme. Such is the case with project No. 10 (manufacture of four-wheeled tractors), which is classified in the category of projects for medium-term implementation under the agricultural machinery and equipment subprogramme, even though the subsectoral agricultural machinery programme under project RAF/88/047 has shown that the short- and medium-term prospects of the subregional market for tractors/tractor-driven equipment are highly unlikely to justify feasibility studies for the establishment of production plants to serve the needs of the subregion.

85. It can be concluded from these various observations that the current programme needs to be revised and strengthened - in the light of the preparatory work on the SIP for the subregion - if its chances of execution are to be increased. The subsectoral industrial integration programmes formulated as part of the work on the SIP for the subregion (project RAF/88/047) contain various draft proposals, some of which may be used to establish an initial portfolio of pilot projects. Such projects often have the advantage of being initiated by the entrepreneurs themselves, which in principle overcomes the problem of seeking an industrial promoter.

5.3 Selection of an initial project portfolio: pilot projects

86. By way of illustration, a number of projects identified in the revised programme proposed in the fourth part (see chapter IV concerning the proposed revised subregional programme for West Africa, programme No. 3: industrial restructuring) are capable of execution within a reasonably short term. These are projects that aim to improve enterprise productivity and competitiveness, product quality, etc. They may serve as a basis for the launching of pilot operations at the subregional level since, as a general rule, they already have promoters.

5.4 Pilot project identification criteria

87. In order to have a high probability of short-term implementation and success, these projects need to satisfy the following set of selected criteria. They should:

- Be directed at subregional integration, i.e., based primarily on subregional demand and/or utilization of the subregion's resources;
- Entail viable operations aimed essentially at reducing bottlenecks, improving productivity and competitiveness, establishing preventive maintenance systems and dealing with all aspects involved in the revitalization of existing production plants;
- Have a rapid launch period;
- Involve resources and skills that are already available or could be made available quickly;
- Be capable of stimulating (by induced effect) the development of upstream and downstream activities.

VI. ADDITIONAL RECOMMENDATIONS BY THE ABIDJAN MEETING

88. The First Subregional Follow-up Meeting on Implementation of the Subregional Programme for the Second IDDA for West Africa adopted the recommended new strategy and considered that participation by representatives of the private sector and trade organizations at all stages of implementation of the subregional programme and the SIP was indispensable for the future.

89. The Meeting considered that improvement of the political and institutional environment was a prerequisite, and recommended that special attention be paid to:

- The essential nature of political stability;
- Harmonization and increased transparency of national and Community rules and regulations;
- A programmed approach geared to the resources available.

90. With regard to the content of the action programme, the Meeting recommended:

- Close involvement of the private sector in the identification and implementation stages of projects;
- Selection of investments on the basis of the comparative advantage of countries;
- The rehabilitation of existing production units before the creation of new ones;
- Study of the possibilities of establishing Community free trade zones.

91. Concerning the operations of intergovernmental organizations, the Meeting suggested:

- Greater use of existing subregional organizations;
- The establishment of appropriate instruments (customs union, insurance and credit schemes, industrial and trade fairs) in line with the anticipated increase in trade.

CHAPTER III

BROAD OUTLINE OF AN ACTION PROGRAMME

I. OVERVIEW OF RESOURCES

92. It is a fact that the subregion has substantial resources, the main ones being the following:

- Agricultural resources:
 - Over 5 million tons of paddy rice;
 - 3 million tons of maize;
 - 10 million tons of millet and sorghum;
 - 2 million tons of fruit and vegetables cultivated as food crops;
 - 340,000 tons of coffee;
 - 1,200,000 tons of cocoa;
 - 1,100,000 tons of cotton;
 - 4 million tons of palm fruit;
 - 1,800,000 tons of groundnuts;
 - 4,200,000 tons of sugar cane (industrial crops);
 - Substantial cassava and plantain resources;
 - A stock of 22 million head of cattle and 71 million goats/sheep;
 - Fish catches of more than 2 million tons (including continental fishing).

These figures reflect the average production levels for 1989-1990, potential production being much greater, especially in Nigeria.

- Mineral resources:
 - Over 12 billion tons of iron ore, a large part of which has not been sufficiently investigated;
 - Considerable reserves of bauxite;
 - Potential, albeit limited, reserves of alloy ores: manganese, tungsten, nickel, chromium, molybdenum, zircon and cassiterite;
 - Appreciable reserves of precious minerals: gold and diamonds;
 - A considerable hydroelectric energy production potential;

- Reserves of liquid and gaseous hydrocarbons and a potential still to be evaluated.
- Potential reserves of titanium dioxide (rutile).
- Non-metallic materials:
 - Coal resources which, unfortunately, are not suitable for coking, rendering the Nigerian iron and steel industry - the only such industry in the subregion equipped with an oxygen converter steel plant with a blast furnace - heavily dependent on imports of large quantities of coke;
 - Limestone and clay reserves which are substantial but unevenly distributed throughout the subregion;
 - Potential exploitable wood reserves estimated at over 5 million m³/year.
 - Potential exploitable phosphate resources estimated at 100 million tons;
 - Gypsum deposits, some of which are large.

II. ACTIVITIES TO BE CONSIDERED IN GREATER DEPTH

2.1 Methodological approach

93. The purpose of the study is to help formulate a frame of reference to provide guidance regarding the action to be taken at the appropriate levels rather than to produce a rigid programme of objectives to be achieved and means to be used.

94. What is envisaged, therefore, is not a planning exercise in the sense given to the term "planning" during the 1960s when a predominant role was played by States and by public investment, but rather an initial exploration of the following subjects:

- The state of the manufacturing sector (excluding crafts and the informal sector) understood as not including mining, quarrying, public utilities (water, gas and electricity) or crude hydrocarbons. The main conclusions reached on the state of the manufacturing sector are presented in chapter I;
- The physical resources amenable to processing, the distribution of reserves, their estimated size and the technical possibilities they afford;
- The conditions to be fulfilled in order to alleviate the constraints upon existing units; and the creation of an institutional and administrative environment better attuned to the demands of industrial development with a view to promoting private initiative;
- Project ideas to be examined for what are considered priority sectors;
- Action to be taken at three levels: the subregional and national levels, and the level of enterprises and professional organizations.

2.2 Recommendations concerning the industrial environment

95. The subsectoral studies performed by UNIDO from 1991 to 1993 in connection with the UNDP/ECA project RAF/88/047 for assistance to ECOWAS to strengthen economic cooperation and integration in West Africa yielded a large number of conclusions and recommendations concerning the industrial environment.

96. General recommendations

- To speed up the work already started on drawing up a listing of industrial enterprises and ensuring that it is disseminated and regularly brought up to date;
- To encourage the creation of professional organizations for the respective trades, beginning with those with genuine potential or facing major problems: agro-food products for export, sugars, oils, dairy products, hides and skins, secondary and tertiary wood processing, plastic processing, pharmaceuticals, iron and steel, packaging, forging and foundries, cement, and building and public works;
- To set up a special group to investigate the competitiveness of the subregion's enterprises and products in the context of the opening up of markets;
- To examine as systematically as possible the subcontracting needs and capacities of the subregion and to take practical action to stimulate and encourage enterprises to make use of this option and to invest in it; with imports (cars, packaging) growing more expensive, some enterprises in the subregion have found that it makes sense to subcontract locally;
- To publicize the opportunities offered by institutions in the subregion in the spheres, inter alia, of maintenance (ARCEDEM) and ore analysis (Jos Metallurgical Centre in Nigeria);
- To endeavour to harmonize national investment codes, the taxation system and labour legislation;
- To give effect to the mechanisms concerning the free movement of goods and persons;
- To reduce the number of technical obstacles to trade, such as the lack of product standardization, currency disparities and unsatisfactory payment conditions;
- To assist in improving the availability and lowering the cost of the following factors: energy, skilled labour, credit, transport and communications, developed land and technical support.

97. Recommendations to States

- To give genuine priority to the most profitable activities regardless of all considerations of status or "strategic" interest;

- In harmony with community policy and in coordination with the producers and other parties involved, to introduce amendments to improve and introduce greater flexibility in the regulations covering the following subjects: the single window, the prices and wages policy, the national financial system and customs tariffs;
- To speed up the process of total or partial privatization of the public and semi-public enterprises, ensuring that the production tools are safeguarded;
- To improve the efficiency and working methods of public administrations and institutions with support or supervisory functions;
- To strengthen the economic infrastructures with the assistance of users or future beneficiaries;
- In coordination with the community authorities, to review the costs of various factors such as electricity, fuel and wages, whenever variations between countries are excessive;
- To take account, in defining monetary and financial policies, of the pros and cons of an overvalued or undervalued exchange rate with respect to foreign trade.

98. Recommendations to enterprises and professional organizations

- To give greater attention to production costs and product quality in order to improve the viability of products on the market, including the domestic market, in the face of ever-increasing competition from both legal and illegal imports;
- To formulate strategies for the regrouping or merging of enterprises, at the national or subregional level, in order to take advantage of the special facilities offered to community enterprises and, in particular, to create conglomerates in a better position to take on international competitors;
- To make systematic efforts to draw supplies increasingly from the subregion; apart from the question of integration, it is highly likely that other sources will become increasingly inaccessible for reasons of price or the availability of foreign exchange resources;
- To establish organizations (or take an active part in existing ones) for each major production branch or trade in order to seek practical solutions to common problems and to create the capacity to make concrete proposals to contribute to the dialogue and coordination of efforts with national or community decision-making authorities;
- In this connection, to coordinate technical work in areas of common interest such as standard-setting, partnership, marketing or purchase Agreements, technical assistance, subcontracting and the training of managerial and technical personnel;
- To encourage the establishment of a pool of engineers and maintenance operatives, a point which - along with competitiveness - should be a daily and ongoing managerial concern;

- At the research and development stage, to devote the degree of attention and rigour necessary to avoid, at the later stage of making new investments, the consequences of design and implementation errors which, in far too many cases, cause the problems experienced today;
- To devote appropriate attention to local technologies, especially those developed by subregional institutions, because they are better adapted to operating conditions in the subregion;
- To give all the support necessary to existing professional organizations (in particular, the Federation of West African Manufacturers' Associations (FEWAMA)).

2.3 Specific recommendations for the subsectors under study

99. The ideas presented here are based on analysis of the information available, which is, moreover, not always totally reliable. The points made are not exhaustive, therefore, and they need to be developed in a way that is not possible in the time available and with the logistical resources at hand.

100. They do, however, form the basis of a work programme whose failure or success, it must be stressed, will depend on the responses to the general action proposed above and, more particularly, on the response from each major group of parties (ECOWAS, States and enterprises) to the specific recommendations.

101. Agro-food industries

There are five branches that seem to offer a potential worth investigating in greater detail:

- Sugar;
- Edible oils;
- Animal feedstuffs;
- Meat and skins;
- Fish.

102. Sugar

Despite a particularly low per capita consumption of approximately 8-9 kg/year, the total production estimated at 400,000 tons covers only 25 per cent of the current demand. From the point of view of demand alone, this rate will decline steadily as the population grows. But the figures also indicate a rise in prices on the international market. (It should be noted that the free market rate only applies to a residual trade estimated at 15 per cent of world production.) The considerable volume of investment in this branch (\$200 million for an average complex of 50,000 tons) must also be taken into account, as must the reasons for the poor performance of the existing units. Côte d'Ivoire, Nigeria and Senegal offer great potential for sugar-cane production. The idea of levying a tax on sugar imports from countries outside the community is worth further investigation to determine its appropriateness and feasibility.

103. Edible oils

As in the case of sugar, the subregional market might justify investing in new industrial palm-oil plantations or rehabilitating existing plantations, the demand being estimated at 10 kg/inhabitant per year, provided, however, that production is maintained at a competitive level. Nigeria, which has a recently established refining capacity, could absorb a large proportion of the unrefined oils.

104. Animal feedstuffs

Assuming a solvent market capable of exceeding the nominal capacities of the present market, an assumption which cannot be made because of the low purchasing power of breeders, the various by-products of milling, rice-processing, maize-processing and sugar-refining should make it possible to develop animal-feed units to supply countries with a great deal of livestock such as Burkina Faso, Togo, Guinea and the Niger. A unit of 20,000 tons of finished products would require an investment in the order of \$2-2.5 million.

105. Meat

For the whole of the subregion, the proportion of meat processed in industrial abattoirs cannot account for more than 15 to 20 per cent of total consumption, although the figure varies from country to country. The lack of modern abattoirs affects the recovery and quality of skins and hampers the development of the hides and skins industry, which nevertheless has a secure export market, albeit one which is very demanding in terms of quality.

106. Fish

The large amounts of fishery products traded among members of the community are difficult to quantify. It would be worth while investigating the benefits to be derived from developing industrial smoked-fish units or canneries for tuna, sardines and pilchards. Smoked-fish units offer an appreciable advantage, namely the relatively low level of investment required (\$150,000 per unit with a processing capacity of 100 tons of fresh fish or 30 tons of smoked fish), which makes them more readily affordable by small and medium entrepreneurs.

107. There are two branches which offer less potential:

- Processing of fruit and vegetables,
- Food product preservation,

not for want of resources, which are abundant, but for reasons to do with markets and levels of technical capability.

108. The quantities of food products, especially cassava, yam, banana and plantain, that are lost each year for want of adequate means of processing or preservation could form the subject of a special study to determine the most appropriate techniques and technologies to improve the situation without raising the prices paid by the consumer.

109. Past experience in the production of preserves and fruit juice dictate the utmost caution in an export niche in which consumer tastes and standards of hygiene and quality are particularly exacting. With that proviso, the

two following products could be promoted among investors in fruit-producing countries such as Mali, Côte d'Ivoire, Burkina Faso, Ghana, Benin and Togo:

- Fruit-juice concentrates: the investment required is estimated at almost \$3 million for a unit of 400 tons/year (4,000 tons of fresh fruit);
- Dried fruit: \$1.2 million for 400 tons/year of dried fruit (2,000 tons of fresh fruit).

110. Agricultural machinery

In this border area between agriculture and manufacturing, two major factors have prompted the conclusion that large-scale investment is not to be recommended. On the one hand, the markets are tiny because of the very low level of mechanization of farming in the subregion, which is essentially due to the low purchasing power of farmers who are none the less poorly equipped. On the other hand, the extreme underutilization of industrial capacity is partly caused by a very widespread artisanal or informal sector which is the main supplier of products and services poor in quality but low in price.

111. These two considerations mean that in the present conditions any substantial investment would be totally unjustified economically and would undoubtedly have damaging effects on the artisanal and informal sectors which, at lower costs and with remarkable flexibility, respond to the farmers' most urgent needs.

112. It is therefore suggested that the work begun on the study of the subsector be continued and refined by:

- Organizing, under the auspices of ECOWAS, regional coordination involving the industrial producers, artisans, rural development organizations and research and development centres with a view to analysing the common problems and outlining solutions. In this connection, it would be helpful if the conditions could be created for enabling existing industrial workshops to diversify their output and to find new niches to replace that of animal-drawn implements, the market for which seems to be saturated. Specializing in semi-finished products which are currently imported (for example, cart axles, hydraulic equipment, etc.) could open up new avenues of complementary production and improve the situation of industrial units;
- Making an inventory of the types of irrigation equipment used in the subregion with a view to promoting those models which have proved to be best suited to local conditions. It should be noted that local manufacturers seldom manage to sell their pumps when faced with competition from imported equipment;
- The organization of information exchanges on animal-drawn implements and simple equipment designed for small-scale production (artisanal industries and micro-enterprises) between existing bodies and institutions such as ARCEDEM, the West Africa Animal Traction Network (WAATN), GRATIS, AFVP, the Peace Corps and ITDG, could be coordinated by ECOWAS for the purpose of disseminating information throughout the subregion.

113. Wood

Since forestry resources are under threat, there is no choice but to make the most of the existing operations which are already over-sized in relation to the natural regrowth rate of the forest and the costs of reforestation, which are higher than taxes on felling. Exports of logs should therefore be stopped as soon as possible and the entire sawn wood industry in the subregion should be remodelled.

114. This process can only take place gradually as the necessary additional investments are made to improve the preparation of the wood up to the primary processing stage (production of sawn wood and panels) and up to the secondary stage (production of furniture, doors, windows, etc.). A lesson could be learned, moreover, from the appreciable decline in exports to the EEC, which is stepping up its imports of tropical wood from South-East Asia and, to a lesser degree, from Central Africa. A new strategy emphasizing the quality of African wood and de facto granting a monopoly to the region would seem to be more likely to succeed than a price war, which is already working to the disadvantage of the subregion's exporting countries.

115. Accordingly, the following is recommended:

- To encourage the modernization of sawing mills, in particular through the purchase of wooden driers (investment estimated at \$300,000 for 1,000 m³/year);
- To promote investment directed at the small- and medium-scale production of internal fittings and fixtures such as mouldings, parquet flooring, panelling, door and window frames, etc.

116. Chemicals and petrochemicals, pharmaceuticals

Apart from the processing of plastics for the manufacture of household articles and the production of packaging and pipes, an industry which is established in almost all the countries of the subregion, there is virtually no basic chemicals industry. Small-scale operations exist in the four countries (Nigeria, Senegal, Côte d'Ivoire and Ghana) with the main reserves of phosphate (Senegal and Togo) and natural gas (Nigeria and Côte d'Ivoire), these also being the largest consumers of chemical products.

117. From the point of view of demand, despite the fact that agricultural needs for fertilizers and pesticides are so enormous, as are the needs for pharmaceuticals for private use and the needs of industrialists for raw materials and semi-finished products, the average levels of consumption are extremely low, which acts as a brake on the development of industries in this very competitive and capital-intensive branch. Economies of scale are difficult to achieve with average apparent consumption rates of 7 kg of fertilizers per hectare under cultivation and \$1.8 per inhabitant spent on pharmaceuticals.

118. These findings should be taken into consideration in the feasibility studies for four suggested project ideas which, however, need to be investigated further in terms of economic expediency, financing and implementation:

- Ammonia and urea;
- Phosphate fertilizers;
- Active substances (pharmaceuticals);
- Caustic acid.

119. The most urgent and realistic measures to be taken are, however, those aimed at rendering trade mechanisms more flexible and facilitating agreements and arrangements between enterprises for both finished products and the raw materials and semi-finished products currently available. These measures consist of:

- Harmonizing the list of basic pharmaceuticals;
- Establishing community quality standards;
- Clarifying the notion of "original product" and the sometimes unrealistically high local value-added component, particularly in the case of pharmaceuticals;
- Establishing in each member State coordinated programmes to facilitate the distribution of fertilizers;
- Stimulating and encouraging enterprises to conclude agreements with one another and to form larger conglomerates.

120. Construction materials

The economic crisis is hitting the building and public works sector hard and hence the construction materials industry too. Since 1980 industrial production rates for materials, PVC excepted, have plummeted. With variations for individual countries, the difficulties encountered by enterprises engaged in research, development or production are most extreme in Côte d'Ivoire, Benin, Togo, Niger and Guinea and are beginning to threaten countries such as Nigeria, Mali and Ghana, which have been more or less spared until now. The activities most affected are those which rely most on industrial materials such as cement and reinforced concrete and, in general, all activities associated with major public construction projects, civil engineering works and the shell construction of buildings.

121. The bringing forward of orders, combined with delays in payment (or, worse, non-payment) at a time when the volume of credit available has been shrinking, has caused serious problems for all types of enterprise. The small- and medium-scale enterprises have been particularly hard hit; often run on a family basis, such enterprises are all but condemned to extinction in the face of stiff competition, since they have no capacity of their own to respond to the crisis, and since national housing policies are virtually non-existent and very little infrastructural work is being done despite the glaring need for improvement. Such an economic climate tends to elicit protective measures rather than stimulating fresh investment.

122. In view of this climate, the resources available and foreseeable needs, it is recommended that the highest priority be given to measures designed to give fresh impetus to the building and construction sector before embarking on new projects with no hope, short of sustained economic recovery, of finding promoters. The measures recommended are the following:

- The abolition during a long period (10 years) of customs and revenue duties on materials used in the construction of public housing. The results achieved in Ghana in this regard are worth looking at;
- The reorganization of the metal product, PVC and paints branches in order to foster greater contact among professionals;
- The reinforcement of regional trade in wood as a construction material;
- The encouragement of marketing agreements regarding cement which are designed to be set up rapidly between enterprises in Côte d'Ivoire, Senegal, Togo and Benin on the one hand and Ghana and Nigeria on the other;
- The improvement of the efficiency of research on construction materials through the coordination of programmes and the greater involvement of producers;
- Standard-setting and the harmonization of standards within the subregion;
- The rehabilitation of the cement industry to enable it to respond to the forecast demand of 8 million tons in the year 2000 by increasing production that is economically viable, as seems to be the case in Nigeria, Senegal, Benin and Togo, and by reviewing the production of cement factories in, for example, Mali, Burkina Faso and Niger, which are not performing well enough.

123. Iron and steel

The iron and steel sector can only perform its integrating function when the technologies used and production options chosen match the resources available and the market situation, and when complete technical competence can be assumed from the very first stages of investment. This would not appear to be the case in the subregion, where the converse seems to be true and the producers, the national economies and the prospects for regional integration are all suffering accordingly.

124. Large units have been constructed, particularly in Nigeria, on the basis of assumptions concerning resources which have proved unsatisfactory or insufficient and potential products (flat steel, tinplate, refractory materials, sponge iron, electrodes, etc.) which have not been sufficiently investigated. The demand for iron and steel products, although far from the threshold of 15 kg/inhabitant per year considered the "take-off minimum", are only very patchily covered by local production because of the extremely low rate of utilization of the existing capacities: 15 per cent on average (27 plants, of which 20 in Nigeria produce 400,000 tons compared with a nominal capacity of 2.7 million tons).

125. In order to respond to the twin concerns of improving the performance of existing industries and expanding the range of products, it is proposed that the following activities be undertaken:

- A study of scrap iron. A period of three or four expert-months should be sufficient to provide ECOWAS and users with operational data on the tonnages and recovery methods for the various types of metal scrap, together with transport and packaging costs and information on the scrap-iron market in Africa and world-wide;

- A study of known ore deposits in the region in order to collect information on the following: reserves, envisaged mining methods, mining and transport costs, markets, suitability for pelletization, enrichment, direct reduction, etc. The Jos Metallurgical Centre in Nigeria has experience in this field and also has the necessary installations (being set up with UNIDO assistance) which could prove to be of great value for this study;
- A study of coal deposits to determine their characteristics from the point of view of coking and utilization for the purposes of heat supply and as a reductant in ore enrichment. As in the case of ores, the Jos Centre seems to be equipped for this type of work;
- The quantitative evaluation of mineral deposits suitable for the manufacture of iron and steel refractories, on the basis of which the potential production range of the various types of refractory can be determined. A similar study has already been undertaken for Nigeria with the assistance of UNIDO at the Jos Centre. It is recommended that it be extended to the region as a whole;
- An analysis of the conditions governing the rationalization of tin production with a view to regularly supplying a possible tinned-sheet unit, for which a pre-feasibility study is proposed below;
- A pre-feasibility study of an iron and steel refractory production unit for the region, if dictated by the conclusions reached in the preceding study;
- A feasibility study on the production of electrodes for arc furnaces on the basis of consumption trends in the region and available or forecast raw materials, including graphite, refinery carbon, etc.;
- A pre-feasibility study of a direct iron-ore reduction unit for the production of sponge iron. The current demand of the regional iron and steel industry is estimated at 300,000 tons/year, and exports to other African countries such as Zaire and Cameroon - and probably Europe too - are conceivable. The study must specify the choice of reductant - whether natural gas or liquid hydrocarbon - which will have a decisive influence on the siting of the unit, the technical expertise available and its profitability;
- A feasibility study of the production of flat-steel products by the cold-rolling of hot-rolled coils which could be imported pending production planned at the Ajaokuta iron and steel complex in Nigeria. The grading and sizing of the Ajaokuta products should be brought into conformity with the requirements of the planned unit. As a first approximation, the rolling capacity should be somewhere in the region of 50 tons/hour;
- A feasibility study of an operation for the production of tinned sheets to be supplied to metal-packaging factories whose current needs are evaluated at 100,000 tons/year; in particular, the study must investigate the other possible African markets and the thresholds for maintaining a competitive edge over European and South American rivals.

126. Forging and foundries

While the existing capacities, particularly in Nigeria, are sufficient to meet the industrial needs of neighbouring countries, provided that arrangements are made for subcontracting, the loss of the Thiès unit in Senegal leaves a gap in this part of ECOWAS. It would seem worth while to explore the possibility of filling this gap by means of a pre-feasibility study for a new foundry in Nouadibou in Mauritania with access to raw materials, the market of SNIM and experienced personnel.

127. Industries related to motor vehicles

The crisis undergone by the only motor vehicle assembly industry of the subregion, that of Nigeria, should dictate the utmost caution in a field that is highly competitive and sensitive to economies of scale which the size of the community's market does not permit. On the other hand, there are possible openings which ought to be explored for subcontracting along the lines of the operation opened by Peugeot in Nigeria for the manufacture of standard spare parts and replacement equipment, the industrial reconditioning of tires and the production of batteries, brake linings, windscreens, exhaust pipes, cables and seats. The manufacture and assembly of the body work of utility vehicles, buses and minibuses also represent possible openings for small- and medium-scale enterprises.

128. In conclusion, it should be borne in mind that the causes of industrial stagnation in the subregion can be traced to the behaviour of the States over more than two decades, the attitudes of promoters vis-à-vis their responsibilities as investors and the reactions of managers when confronted with the effects of the crisis. Recovery will not come from isolated projects, no matter how relevant in themselves, if they continue to be implemented without any radical reform of the political and economic context in which they are situated.

129. It is therefore considered helpful to continue the discussion at this point with four basic questions which can only be answered by the parties in the subregion engaged in the industrialization process:

- How can the mistakes of the past be avoided?
- What role should be played by ECOWAS and the region's other intergovernmental organizations?
- What role will be played by States?
- What is expected of the economic operators?

III. CONDITIONS FOR IMPLEMENTATION

3.1 How can the errors identified be avoided?

130. In order to prevent a repetition of past mistakes it is necessary to:

- Recognize that mistakes have been made at all levels of responsibility and at all stages of investment and enterprise management;
- Differentiate between the mistakes identified according to whether they can be attributed to:

- Underlying general strategy and, more specifically, the fact that unduly high priority was given to import-substitute production lines and, in some cases, large-scale, so-called "strategic" projects;
- An economic policy distinguished by excessive State intervention in investment and, in particular, in the management of enterprises, through bureaucratic control of the economy, the ill-advised channelling of public resources, often to the detriment of basic infrastructures, an excessive protection of local products which were frequently uncompetitive and, for a number of years, the absence of any effective customs control to prevent fraudulent trading;
- The belated recognition of the predominant role played by the private entrepreneur, whether national or foreign, in industrial investment;
- The instability and complexity of the institutional framework and relevant regulations at both the national and the community levels;
- The failure of monetary, fiscal and social policies;
- The lack of consistency in the selection and implementation of projects, etc.;
- Identify the causes with negative consequences for all the member countries, including:
 - Obstacles to integration and trade;
 - Macroeconomic imbalances;
 - Losses of market shares;
 - The inefficiency of industrial complexes;
- Coordinate action together with enterprises and their professional associations in the common pursuit of practical solutions, and decide the levels at which such solutions should be implemented.

3.2 Role to be played by ECOWAS

131. In the course of the coming years, which will continue to be marked by extreme difficulties in terms of adapting to the rules and requirements of the market, the industrial sector will have an immense need for technical support and for incentives at both the national and subregional levels if it is to survive this period of flux for which it is so ill-prepared.

132. It is in this crucial domain for the protection of the manufacturing sector that ECOWAS could play a critical role. It is clear that the success of regional economic integration depends as much on political will as on actual trade prospects, these being directly affected by the bleak business outlook. The experience of other regions of the world highlights the need for balance between the public authorities and economic operators. Seventeen years after its foundation, ECOWAS has shown the political will to establish a solid subregional collective base, albeit one which is unfortunately trammelled by economic constraints.

133. Both the subregion's industrialists and its government officials are generally in favour of the community project. In the face of day-to-day difficulties, however, they are starting to doubt the realism of the approach adopted to date. It is this doubt which needs to be dispelled urgently by endeavouring to meet the concerns of the operators by offering them appropriate technical advice.

134. The community authorities concerned with industrial development will have to select, among these concerns, those for which they are able to provide effective assistance. The state of the sector, the macroeconomic problems and the obstacles to the integration process would suggest the following courses of action:

- Supporting and promoting private initiative by organizing and disseminating information, simplifying procedures, improving the credit system, remodelling investment codes, liberalizing trade in practical terms, etc.;
- Stimulating and encouraging the regrouping and merging of enterprises in order to try to go beyond the boundaries of the present markets, including regional ones, and to contemplate exporting manufactured products to countries outside the region;
- Initiating discussions on an integrated strategy for implementing structural adjustments such as the privatization of State enterprises, monetary and credit policy, labour legislation, and the pricing of factors such as insurance, transport, energy, telecommunications, etc.;
- Initiating coordinated efforts among interested businessmen in three of four branches (agro-food exports, wood, housing and construction materials, and subcontracting) identified on the basis of preparatory work as offering possible openings for small- and medium-scale enterprises;
- Studying the partnership prospects, market opportunities and foreign financing possibilities for highly capital-intensive activities or those amenable to economies of scale, such as the basic chemicals industry, the petrochemical industry, fertilizers and iron and steel, taking account of the benefits already available to potential investors in these industries elsewhere in the world.

3.3 New role of States

135. The modified role of the State in industrial development and particularly in the management of enterprises must emphasize the State's new responsibilities and not merely its withdrawal from directly productive activities. During the difficult period they are going through, the economies of the member countries need a stable State and an efficient and disciplined administration. It has to be recognized, however, that the competence and rigour demanded by these new tasks are not always at hand and that pockets of resistance persist, together with practices which hold back the emergence of the new methods and work programmes generated by structural adjustments. Such delays are considered by some to be one of the main reasons for the disappointing results being achieved by the adjustments in progress.

136. In order to steer the liberalization process more firmly and to derive greater benefits from it in a restrictive international context and national socio-political climates which limit room to manoeuvre, efforts should be focused on:

- Progressively restoring macroeconomic balances;
- Efficiently implementing programmes of assistance to the private sector, in particular small- and medium-scale enterprises;
- Preserving the most efficient sections of the existing industries;
- Modernizing and adapting administrations, especially those concerned with taxation and customs, and also credit and insurance systems on the basis of the new data;
- Assigning priority to energy and transport infrastructures in the allocation of public resources;
- Penalizing any interference in the management of enterprises which is not recognized as being in the public interest;
- Organizing regular and sustained consultations with professionals for the purpose of together determining objectives and reciprocal commitments.

3.4 Role of the economic operators

137. Generally speaking, the managerial and executive staff of production units and the support services responsible for banking, transport and distribution and marketing are all ill-prepared to cope with a high degree of competition. The negative effects on the financial situation of the member countries have been exacerbated by the fact that, for too long, revenue situations have made it possible to maintain inefficient operations, often with comfortable margins which tend to inhibit any impulse to improve productivity or product quality.

138. Managers have to acknowledge that the rules of the market leave them no option but to conform or else see their operations collapse and face the threat of total extinction. Individually, therefore, or else collectively within appropriate professional organizations, they need to discover for themselves the structural causes undermining their enterprises and attempt to rectify them by their own efforts.

139. The all-too-common attitude of shifting the blame for the difficulties of enterprises on to the national, regional or international situation loses credibility when one considers various factors due to internal causes: over-sized production units, high production costs, over-staffing, inadequate maintenance, the lack of business strategy, high prestige expenses, etc.

140. It would seem to be urgently necessary for the producers to organize themselves and, as part of a closely coordinated effort, come forward with proposals and realistic commitments taking account of both their own problems and the constraints operating on their partners, since it is often difficult to find individual, isolated solutions to the obstacles mentioned in chapter I above.

141. The following courses of action are proposed for consideration by the subregion's economic operators:

- Redeployment towards complementary activities;
- The search for new markets within or outside the subregion;

- The search for local sources of supply;
- The organization of subcontracting, particularly in the spheres of distribution and maintenance;
- The linking, regrouping or merging of activities or enterprises;
- The promotion of technological exchanges, especially with respect to maintenance;
- The improvement of research and undertaking of projects in liaison with the banks, which provide valuable advice and guidance.

142. An objective evaluation of the facts indicates a certain imbalance between the plethora of agreements and various texts generated by the managing bodies of ECOWAS in the 17 years of its existence and the actual capacities of the manufacturing production system. Judging by similar experiences elsewhere in the world, genuine integration depends at least as much on industrialists and businessmen as on the legal instruments designed to facilitate it. It is therefore necessary to stimulate their interest in this regard and to listen to what they have to say in order to remove the obstacles to action. The value of considering the regional dimension is as yet limited to the commercial aspects, since the market does not allow for a high degree of complementarity.

IV. ADDITIONAL RECOMMENDATIONS BY THE ABIDJAN MEETING

143. The Meeting expressed satisfaction at the harmonization already existing between the UNIDO-IDDIA document and the work done by ECOWAS in preparing the SIP. It stressed the need to continue and intensify this effort during the adoption, follow-up and implementation of the subregional programme and the SIP.

144. Concerning measures of a general nature, the Meeting recommended that the subregional programme and the SIP take account of:

- The need closely to involve professional associations such as the Federation of West African Manufacturers' Associations and the Federation of Chambers of Commerce of West Africa (FCCWA) in programme follow-up;
- The technological capabilities of the subregion in the development of each industrial branch;
- The support that enterprises of the subregion should give to existing or future professional organizations at subregional level.

145. Regarding measures specific to manufacturing subsectors, the Meeting emphasized the need:

- To make greater use of existing capacity for refining crude oils in the subregion;
- To maintain the study of fruit and vegetable processing and food crop preservation as a matter for urgent attention;
- To incorporate veterinary products in the study on prospects for the chemicals and pharmaceuticals branch;

- To encourage the use of building materials of Community origin, particularly in contracts and agreements with donors and development partners;
- To undertake studies on packaging, rubber and textiles.

146. The work of the subregional follow-up committee on implementation of the subregional programme would gain in efficiency from:

- Greater involvement of professional organizations and a clearer definition of the role of other intergovernmental organizations;
- More systematic use of the services and potential of subregional institutions such as ARCT and ARCEDEM.

CHAPTER IV

DETERMINATION OF SUBREGIONAL AND NATIONAL PRIORITIES

I. WHY FIX PRIORITIES? 1/

147. A cursory analysis of the economies of the individual countries and of the subregion as a whole reveals the preponderance of the agricultural sector, which employs 75 to 80 per cent of the labour force whereas the manufacturing sector employs less than 1 per cent.

148. The characteristic features of the manufacturing sector in the subregion are the lack of basic industries and the importing of many factors of production, despite the great potential of agriculture and mining, almost all the output of which is exported unprocessed.

149. To the severe structural weaknesses that are apparent:

- In the inadequacies of intersectoral and intrasectoral relations;
- In the lack of growth industries;
- In the insufficiency of entrepreneurial capacities,

must be added the numerous obstacles and constraints that explain the mediocre performances examined above, and the dimension of the challenge in a context marked by the difficulty of mobilizing financial resources consistent with investment needs.

150. Faced with this situation of weaknesses mostly of structural origin, the countries and the subregion must set priorities in the objectives to be pursued during the Decade.

II. NEED FOR A PHASED APPROACH

151. Development activities at country and subregional levels must be carried out in stages. The first stage will involve the rehabilitation and renovation of existing production units, focusing on the problems of underutilization of capacity, low productivity and, in a general way, the poor performance of the industrial sector. The second stage will be concerned with improving the performance of the public sector through an operational policy of non-interference, and the third stage will be devoted to strengthening and broadening entrepreneurial capacities.

152. For example, the industries and industrial establishments that would lend themselves to rehabilitation at the subregional level would be those designed as multinational entities such as the Ciments de l'Afrique de l'Ouest (CIMA0) and the Industries Chimiques du Sénégal (ICS).

153. The phase of expansion of existing industries or establishment of new industries must be well prepared so that the new projects at subregional level have the greatest integrating effect possible; the industries concerned must be essentially the basic industries: the metallurgical, engineering, building and construction industries and agro-industries.

1/ Text drafted on the basis of document ECA/IHSD/IIPIS/0017/92.

III. ADDITIONAL RECOMMENDATIONS BY THE ABIDJAN MEETING

154. The Meeting considered that greater coordination was needed between the international organizations dealing with industrial development and those involved in the formulation and application of macroeconomic policies.

155. Special emphasis must be placed at national and regional level on mechanisms for mobilizing internal financial resources, so that most of the resources needed for development of the manufacturing sector come from local sources. National committees for the mobilization of financial resources should be set up.

156. The creation of an enabling environment (in the broad sense) is a sine qua non for the promotion of the private sector and its effective participation in the industrial development process.

157. Considerable importance must be attached to national and regional consultations between government authorities and the operators, particularly private operators.

158. African countries should also pay due attention to the dangers that could arise for their raw material exports from the development of new technologies.

CHAPTER V

PROPOSAL FOR AN OPERATIONAL STRATEGY FOR IMPLEMENTING THE WEST AFRICA SUBREGIONAL PROGRAMME

I. INTRODUCTION AND FRAME OF REFERENCE

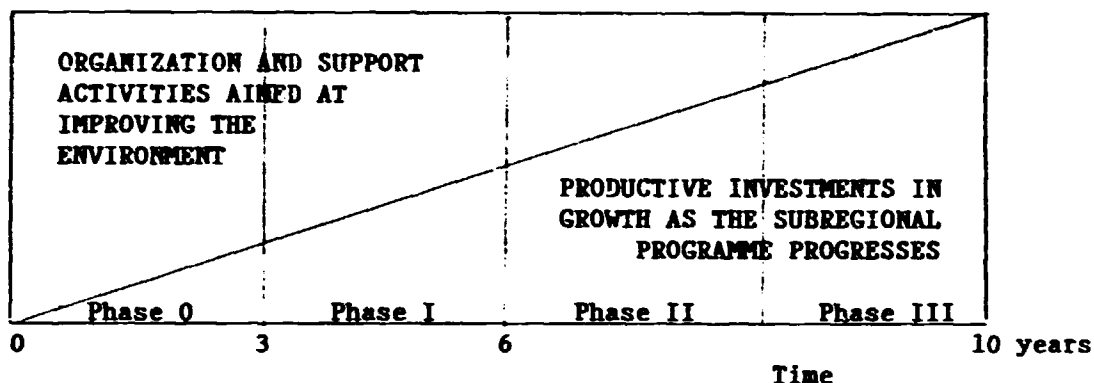
159. Perusal of the sections of this document devoted to analysis of the manufacturing sector, the critical examination of the subregional programme of the second IDDA for West Africa and the main lines of a programme of action brings into focus two major points which need to be taken into account in reviewing the programme and, more especially, in the endeavour to work out an operational implementation strategy:

- While the subregional programme, as it is now, provides some kind of basis for a coherent programme, it does not seem to correspond in any way to the situation in the various manufacturing subsectors and provides practically no precise information on the stages or conditions of implementation. It gives the impression of being nothing more than a list of project ideas;
- The main reasons for the constraints acting on the manufacturing sector and the obstacles in its path do not seem to have been taken into consideration and do not form the focus of special measures aimed at limiting their negative effects and stimulating the emergence of new conditions conducive to "autonomous and self-sustained development".

160. Far from being simply a matter of the prevailing circumstances, these obstacles have deeper and more distant causes: the lack of complementarity in trade due to national import-substitution strategies, the lack of dynamism of local enterprise due, in particular, to the dominant role of States with regard to investment and management, and an excessive degree of protectionism maintained over too long a period. These factors have had a serious dampening effect on the performance of the industrial sector and its development with the following results: limited value added, low competitiveness, high operational dependence, low rates of utilization of installed capacities, etc.

161. On the basis of these two findings, an approach has been adopted in which an attempt is made to find a logical sequence of phases making up a pragmatic and realistic strategy (presented in diagrammatic form on the following page) in which the degree of investment in production increases in proportion to the self-reinforcing success of the diverse organizational and other activities aimed at improving the socio-economic climate.

Investments



PHASE	PROGRAMME OBJECTIVE	MAIN PROGRAMME FEATURES
0	<ol style="list-style-type: none"> 1. Urgent action to fill identified gaps. 2. Preparation for action to be taken in subsequent phases. 	<ol style="list-style-type: none"> 1. Organization/support action. 2. Ascertaining of the relevant facts. 3. Strategies of the priority branches. 4. Initiation of exploratory/competitiveness studies.
I	<ol style="list-style-type: none"> 3. Better utilization of existing facilities. 4. Initiation of low-requirement projects. 	<ol style="list-style-type: none"> 1. Continued adjustment of existing context. 2. Commencement of restructuring operations. 3. Pre-feasibility studies.
II 2/	Achievement of denser industrial fabric through the production of currently lacking essential inputs.	<ol style="list-style-type: none"> 1. Injection of new investments (iron and steel, chemicals, capital goods). 2. Implementation of exploratory competitiveness studies.
III 2/	Positioning on the international market.	Investment in new niches to be defined.

162. The outcome of this approach is a series of four mutually complementary phases, divided into successive programmes having the aims indicated in the above table.

2/ The sequential execution of these four phases should span the entire duration of the Decade and indicate the overall vision of the second IDDA programme in terms of regional integration. For the purposes of this initial meeting, however, only the first two phases are analysed in detail in the present document.

163. In order to ensure that the programme of action corresponds closely to the analysis of constraints and obstacles, it is understood that phase 0 (the emergency phase) has a special status in the sense that it determines the initiation of action in the three other phases and also continues in parallel with them and uninterruptedly, since the need to adapt structures and institutions is a constant one.

164. Since the gestation period is always long and difficult to cut down, it should be emphasized that, as in the case of the actions in the first phase, preparations must commence immediately in anticipation of the second- and third-phase actions. It is therefore suggested, for example, that the necessary investigations be started without delay in the fields of competitiveness and forecasting in order to identify which niches look promising and which might be threatened by substitution or new competitors.

165. In general terms, it should be recalled that past experience has demonstrated that it is unproductive or, in fact, completely hopeless to embark on projects without the promoters being associated, as the future project sponsors, with the conduct of the studies and the related activities, including dimensioning, choice of technology, determination of financing modalities, selection of partners, etc.

166. Apart from the continual modification of economic policies, the role of the States and of regional institutions must consequently take the form of disseminating guidelines, publicizing opportunities and providing all possible assistance to promoters during the different phases.

II. PROPOSED PROGRAMME

167. In line with the conclusions of the first follow-up meeting at Abidjan, which laid great stress on the need to establish a better general climate for business as a prerequisite, the new programme differs from the existing draft programme in:

- The priority effectively assigned to gradually improving the environment rather than making new investments;
- The subdivision into subprogrammes with precise aims, supported by specific measures organized in such a way as to facilitate follow-up and benefit from the progress made as implementation proceeds.

168. The revised programme is as follows:

Programme No. 1 (Phase 0): organization/support

Objectives:

To improve the utilization of the existing industrial fabric by filling the major gaps identified in the domains of:

- Industrial information;
- The operation of professional organizations;
- Subcontracting;
- Maintenance;

- Standardization;
- The harmonization of economic policies;
- Product competitiveness;
- The examination of long-term prospects.

Beneficiaries:

All enterprises and other operators in the manufacturing sector.

Actions: The actions entailed in the implementation of this programme are detailed below.

Action 1: Establishment of a subregional industrial information system

The lack of regular, updated information on enterprises and production impedes the promotion of trade. The work started at the community data-processing centre (Lomé) deserves to be continued and intensified, and its findings should be circulated.

Action 2: Assistance to professional organizations

The subregion has no vertical organizations to foster contact and consultation among professionals active in the major trades.

Action 3: Support for specialized maintenance, research and training institutions

Some institutions of this kind offer genuine potential for development which would help strengthen the subregion's independence. The support projects of the subregional programme can be included in this category.

Action 4: Encouragement of subcontracting

The implementation of economic reforms and the increased inaccessibility of foreign currency have made local enterprises more aware of the benefits of local or subregional subcontracting. The purpose of this action would be to publicize the existing opportunities in this field and to stimulate the creation of new ones; it could also represent an additional advantage for attracting foreign investment.

Action 5: Standardization of industrial products

Major efforts have already been deployed in this sphere within the framework of the African Regional Standardization Organization. These now have to be brought to a conclusion and supplementary texts drafted with a view to facilitating trade and technological exchange; it is also necessary to establish quality standards which are sufficiently exacting to induce producers to come closer to international commercial standards.

Action 6: Harmonization of economic policies

In some respects the disparities between economic policies are too glaring. This is true for taxation, rates of exchange, factor pricing, etc. Despite the sensitive nature of this problem, it warrants further study to

enable the areas of possible harmonization to be identified. The subject should be examined in a broader context, in coordination with the efforts being made in this regard by OAU.

Action 7: Competitiveness of manufactured products

Production conditions shaped by a highly protectionist system are such that most manufactured products are not capable of surviving in the free-for-all of economic liberalization. Most enterprises complain of "unfair" competition from imported products. It would be worth while investigating the objective conditions governing the competitiveness of particular product families in order to identify the factors where improvements are possible within and outside the enterprises.

Action 8: Examination of long-term prospects

The limits of import-substitution strategies seem to have been reached. It is of paramount importance to explore ways of transcending these limits. The logic of economic liberalization dictates that sooner or later the subregion has to gain a foothold in international trade. On the basis of what we know at present, it is difficult and probably even impossible to surmise, without undertaking exploratory studies, what the possible long-term openings for the subregion might be. This type of study is always time-consuming and full of uncertainties. It is therefore urgent to start straight away so that the working methods can be gradually refined and strategic guidelines provided to economic operators as and when they are formulated.

Programme No. 2 (Phase 0): ascertaining of the facts

Objectives:

To base the investments made in the subsequent stages (phases I/II) on files containing all the information necessary for project formulation. It has repeatedly been found that investments have been considered and even made without this minimum degree of preliminary research.

Beneficiaries:

Promoters, professional associations, development banks and industrial development planners.

Action 9: Detailed description of five main mineral resources: iron ore, coal, refractory ores, tin production and scrap

These five resources constitute important inputs for the iron and steel industry, whose integrating function is well known. The volume of the required investments is such that the utmost care will have to be taken in matching resources to the envisaged production operations. The purpose of this action is, on the one hand, to establish the essential characteristics of the known ore deposits with respect to iron ore, coal and refractory ores, and, on the other hand, to take stock of the varying degrees of availability and quality of scrap, together with the potential for tin production with a view to the possible production of tinned sheets.

This action, along with the following one (action 10), will improve the quality of the medium- and long-term projects within the subprogrammes for iron and steel, agricultural machinery and implements and transport equipment of the subregional programme.

Action 10: Finely-tuned strategies for four subsectors: iron and steel/metallurgy, chemicals, construction materials, agro-industries

These four branches make up the basic framework for the process of densification proposed for Phase II, since they represent the main sources of inputs to other sectors. It is these domains also that contain the most glaring product gaps: flat steel, basic chemical products, agricultural inputs.

Programme No. 3 (Phase I): industrial restructuring

Objectives:

The aim here is to increase links at the subregional level between existing units (for example, to help create a subregional industrial fabric making for the improved competitiveness of national industries). The low rates of utilization of installed capacities, as well as the low rates of investment (both public and private), indicate without any doubt that industrial integration should proceed, first and foremost, via the reactivation of the existing units.

Beneficiaries:

All the enterprises and professional organizations in the subregion.

Action 11: Assistance for the regrouping, merging or linking of enterprises

In coordination with action 2, this action is directed at encouraging the regrouping, merging or linking of enterprises with a view to creating larger clusters in a better position to face competition, and to encourage a variety of forms of cooperation, such as trade agreements, maintenance, subcontracting, etc. Such efforts require, as a precondition, appropriate adjustments to company law.

Action 12: Rehabilitation and modernization of enterprises

This is an urgent task in view of the problems faced by many enterprises, but the essence of the actions to be undertaken here will be based on a case-by-case analysis performed by the enterprise itself or derived from the strategies pursued by branches of industry (action 10).

Action 13: Launching of low-requirement projects (investments in the upgrading of existing facilities)

The aim here is not to create new enterprises, but to help existing ones to improve their productivity and competitiveness, product quality and/or management (prevention, maintenance, marketing, etc.). Examples of possible activities are the provision of assistance for the installation of wooden driers in sawmills, expansion of workshops, etc.

Programme No. 4 (Phase I): pre-feasibility studies

Objectives:

On the basis of the conclusions reached as a result of familiarization with the situation (actions 9 and 10), the purpose of this programme is to undertake some first steps towards promoting the projects selected and conducting, together with the promoters identified, pre-feasibility studies.

Beneficiaries:

All the decision makers, planners, promoters, financial institutions, etc.

Action 14: Feasibility of the projects to be selected

Purely by way of illustration and subject to the conclusions reached as a result of actions 9 and 10, some project ideas are suggested for further consideration:

- Sponge iron;
- Flats;
- Tinned sheets;
- Electrodes (arc furnaces);
- Iron and steel refractory products;
- Foundries;
- Ammonia/urea;
- Phosphate fertilizers;
- Active substances;
- Caustic acid;
- Cements;
- Glass;
- Agro-industrial products.

Programme No. 5 (Phase II): densification of the industrial fabric

Objectives:

This is the main phase of the revised subregional programme and the phase in which almost all the actions in Phases 0 and I come together. It is also the phase during which the major investments have to be made and those for the final phase (Phase III) prepared.

Beneficiaries:

All industrial policy makers, promoters and financial institutions.

Action 15: Launching of new investment projects

Projects for which positive conclusions have been reached in the feasibility studies will be implemented. The utmost care has to be taken in making the financial arrangements for such projects and in conducting negotiations with the financial institutions and all the technical partners.

Action 16: Implementation of exploratory/competitiveness studies

Depending on the findings and conclusions of the exploratory and competitiveness studies (actions 7 and 8), some preliminary consideration has to be given during this phase to the main lines of the industrial policies to be adopted when the Decade comes to an end. The main focus for such policies will be the subregion's positioning in the international manufactured product market.

Subsequent programmes (Phases II and III): (see footnote 2/ on page 42).

Programme	Places/ Activities	0	I	II	III
	1	Industrial information systems			
	2	Organization of professions			
	3	Support to specialized institutions			
	4	Encouragement for subcontracting			
	5	Standardization of industrial products			
	6	Harmonization of economic policies			
	7	Competitiveness of manufactured products			
	8	Exploration of long-term prospects			
	9	Characterization of five mineral resources			
	10	Detailed strategies for three branches			
	11		Assistance regrouping/mergers/associations of enterprises		
	12		Refurbishing/modernization of enterprises		
	13		Launching low-requirement projects		
	14		Pre-feasibility studies on the projects		
	15			Launching new investments	
	16			Exploitation of forward-looking studies/competitiveness	New niches

● Mid-term assessment before the start of phase II.

III. THE NEED FOR A DIFFERENT APPROACH TO IMPLEMENTATION

169. According to the existing West African subregional programme, the strategy for accelerating the implementation of the revised programme of the second IDDA must take account of all the obstacles which prevented the first programme of the first IDDA and its revised programme from attaining a high implementation rate.

170. In addition, the IDDA mid-term evaluation report, published shortly before the adoption of the proposals for the second Decade, highlighted certain weaknesses in the structure and content of the first IDDA, in particular the unoperational nature of the approach, its over-optimism, and the lack of quantitative and budgetary objectives. It also highlighted the considerable impact of three developments during the Decade, namely the African Priority Programme for Recovery, the United Nations Programme of Action for African Economic Recovery and Development and the structural adjustment and political reform programmes. At a time when State resources were scarce, this series of programmes clearly affected the industrial policies of the countries and influenced the progress of the first Decade.

171. The launching of the second Decade looks equally unpromising. The politico-economic climate is rife with uncertainties which understandably deter the majority of Governments from giving industry the high priority required by the objectives of the IDDA. At the same time, the application of the economic reforms exposes the existing industries, which are already weak, to new threats as a result of their low productivity and competitiveness.

172. In these circumstances, it might be high time to consider a different approach to the problem of implementation; for although the implementation conditions laid down for the first Decade still hold - at both the national and subregional levels - there is, none the less, a need to examine the reasons for the under-implementation of the programme in the subregion. Is there not a blatant discrepancy between the objectives (particularly as regards investment) and the actual capacity of the States and organizations which bore the whole responsibility for implementation? Is there not here an exaggeration of the role of the State, whereas the effectiveness of the most appropriate plans and strategies must depend entirely on the effective mobilization of operational actors such as enterprises, investors and banks? The main explanation for the poor results of the last Decade is not the lack of goodwill on the part of Governments and institutions, but principally the lack of financial and other resources for carrying out the advocated courses of action.

173. Since it is unrealistic to expect any substantial improvement in these resources in the short term, it is clear that continuing with the same approach can only lead to the same sort of results as during the first Decade. It is therefore essential to embark on a discussion of possibilities for a new approach in order to avoid a repetition of this state of affairs during the second Decade. The points listed below are intended to help stimulate such a process of reflection.

174. The first question, which has long been asked and remains as pertinent as ever, is the following: what financial resources and skills are the Governments and subregional organizations actually in a position to devote to the tasks which they have been assigned?

175. The second related question concerns the re-examination of the respective roles of the State and the economic operators (promoters, investors, enterprises, professional associations, financial institutions, etc.) in formulating and implementing national and sectoral strategies at a time when virtually all States are withdrawing from directly production-related investment and management functions.

176. The third question is how to ensure that the activities of these operators fit in with the logic of the programme for the new Decade.

177. Appropriate answers to these questions require more extensive and in-depth consideration. The present study can do no more than strongly recommend the launching of this re-examination process and provide certain pointers.

178. As regards the first question, the activities to be carried out by Governments and institutions should be reformulated in line with the foreseeable resources in order to avoid mutual disillusionment. In this context, what is needed is a thoroughgoing programming exercise specifying the objectives, duration, resources and areas of responsibility on the basis of objective information on available resources.

179. As regards the second question, one principle should be not only clearly stated, but also translated into day-to-day practice, namely that:

- Project research, the investment itself, the management of enterprises and financial arrangements should be the sole responsibility of enterprises;
- The principal function of the State and the subregional organizations should be concentrated on general guidelines, the adaptation of the institutional environment and the establishment of material conditions facilitating industrial operations (transport, energy, services, training, etc.).

180. As regards the third question, the activities carried out in the field are likely to be different from those stipulated under the programme. The best way to avoid too great a discrepancy between the actual activities and the programme is to make the programme attractive, i.e. profitable, for potential investors, involving them in all the stages of drafting and implementation of investment and policy adjustment programmes, in the most suitable ways and in accordance with each State's particular internal organization structures.

181. Ultimately, what we are suggesting is not a recipe for implementation - the quest for which would be illusory - but a shift to a more realistic approach which will give the parties involved their due determining role. In other words, the key thing is not a list of projects - which, with the degree of uncertainty still high, may or may not have any chance of being put into practice - but the capacity of the subregion to make industrial investment attractive to local and foreign capital. In this regard, it is only right to examine the reasons why there has been inadequate mobilization of financial and other resources, as highlighted in various reports on the IDDA.

182. The limited capabilities of the States and subregional organizations and the economic reform policies which have been undertaken lead to the conclusion that the success of the programme will depend on the level of involvement of

industrial operators and private capital. It is therefore essential to consider the overall investment climate in the subregion and the activities to be undertaken in order to improve it. This is the context in which the phasing and the functional links between the various measures must be interpreted.

183. Also in this context, we strongly recommend that an objective examination of the results achieved at this mid-term stage (i.e. before the start of Phase II), be carried out in order to establish the precise content and launching conditions for Phase II. The type and size of the investments in this phase need thorough preparatory work and require significant progress to be made in the operation of the existing units and in the areas of organization, support, research and economic policies.

IV. ADDITIONAL RECOMMENDATIONS BY THE ABIDJAN MEETING

184. The Meeting noted the prudence and wisdom of the suggested approach, which it endorsed; while welcoming the realism and practicality of the revised programme, it recommended in particular:

- According absolute priority, in the choice of measures to be carried out, to the improvement of the environment, this being regarded as an essential prerequisite for investment and the promotion of private initiative;
- Regarding the rehabilitation and modernization of existing production units as urgent tasks to be taken up as soon as possible;
- Including the agro-food industry among those requiring a resource survey and specific long-term studies;
- Ensuring establishment of a subregional information system based on an upgrading of national systems and designed to handle statistical, technological and commercial information and to disseminate research findings;
- Moving towards the harmonization of industrial policies and programmes in concert with the efforts of the Organization of African Unity in that area;
- Making the subregional organizations more efficient through appropriate rationalization and support measures, while at the same time encouraging consultations by trade associations in the most effective ways;
- Accelerating the establishment of a system of standardization for manufactured products and of quality standards to encourage trade;
- Implementing the most appropriate measures of support for development of the subregion's industries, including selective protection over a limited period;
- Paying particular attention to the promotion of small- and medium-scale enterprises;
- Including the private sector in the existing follow-up mechanism for achievement of the goals of the second IDDA.