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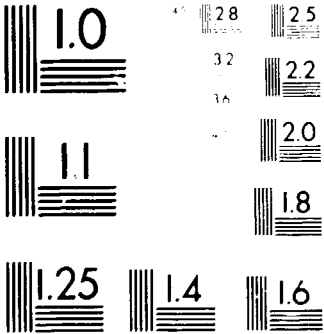

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

AFRICA'S EXTERNAL DEBT IN RESPECT OF THE INDUSTRIAL SECTOR*/

Review, conclusions and recommendations

Prepared by
the UNIDO secretariat

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FOREWORD BY THE EXECUTIVE DIRECTOR OF UNIDO

The economic crisis besetting the African countries has become a matter of grave concern not only to the African leaders but also to the entire international community. The decision of the African Heads of State and Government to focus discussions at the Summit in July 1985 on the economic problems of the continent reflects their determination to intensify their search for a permanent solution to those problems.

The external debt of Africa was one of the issues recommended by the Steering Committee for inclusion in the economic agenda for the Summit. That recommendation was endorsed by the OAU Council of Ministers who requested UNDIO to examine the relationship between the region's external debt and its industrialization. In so doing, UNIDO drew on information provided by the World Bank as well as the experience of high-level African experts who met at Vienna, 14 - 17 May 1985. The outcome of that meeting is this report which I have the honour to transmit to the Steering Committee for its consideration in the course of finalizing the preparations for the Summit on this important matter.

As will be seen from the report, not only has the aggregate debt and debt service burden of the region increased markedly, but the structure of its debt has changed to a disturbing degree. In sub-Saharan Africa, for example, the share of "soft" loans has declined persistently over the past ten years with a corresponding increase in the share of financial markets in their debt. At the same time, most other African countries have been excluded from soft loan agreements as well as from bilateral and multilateral loans. Consequently, many have had to resort to IMF stand-by agreements and extended fund facilities, despite the difficult terms.

Another striking structural feature is that most of the region's external debt has been utilized to finance projects which do not directly generate capital. Furthermore, enormous sums are being spent on importing certain major industrial commodities. This persistent external dependence of Africa on industrial raw materials, intermediates and services is all the more tragic, given the region's extensive agricultural and mineral resource endowments.

The conclusion to be drawn is clear. African countries must speed up their efforts to implement the Lagos Plan of Action in general and the Programme for the Industrial Development Decade for Africa in particular. Failure to do so will only perpetuate the external dependence of Africa on even the simplest products which could be produced locally. Unless steps are taken, the region's limited foreign exchange resources will be drained and the external debt problem aggravated still further. This report offers a number of short-, medium- and long-term proposals directed primarily towards the African countries themselves and secondly towards the international community. It is hoped that the Steering Committee and the OAU will find the proposals a useful contribution to their preparations for the Summit.

Abd-El Rahman Khane

REVIEW AND CONCLUSIONS

Africa's external debt

1. According to data communicated by the World Bank to UNIDO in May 1985, the total outstanding medium- and long-term debt, including undisbursed debt, for 46 African countries increased from $131.1 billion in 1982 to $133.9 billion in 1983 (see Table 1). These amounts do not include the external debt of Angola, Libyan Arab Jamahiriya, Mozambique and Sao Tomé and Principe, nor do they take account of debt arising from short-term credits, IMF payments (credits), private non-guaranteed loans and short-term credit lines.

2. Over the same period, the total debt service payments (interest and amortization) for the same 46 countries increased from $12.9 billion to $14.9 billion for the 46 countries (see also Table 1). Since they do not cover all forms of debt, these figures do not show the full extent of the debt service burden, but merely reflect the impact of recent rescheduling exercises. World Bank projections, for instance, indicate debt service payments of the order of $18.9 billion in 1984 and $20.4 billion in 1985.

3. In 1982, the total debt of the 46 African countries was equivalent to 51 per cent of gross national product (GNP) rising to 59 per cent in 1983, while the overall debt service ratio rose from 19.8 per cent to 27.4 per cent over the same period. Although it is generally accepted that the average debt service ratio should not exceed 20 per cent, five countries exceeded this figure in 1982 and nine countries in 1983.

4. Apart from the alarming rate of increase in Africa's aggregate debt and debt service, it is most disturbing to observe the considerable change in the structure of its debt over the past decade. For example, the share of "soft" loans in sub-Saharan Africa's total debt declined from 62.5 per cent in 1972 to 47 per cent in 1983. The share of financial markets in sub-Saharan debt rose from 14.5 per cent to 36 per cent over the same period. Meanwhile, most other African countries were excluded from soft loan agreements as well as from bilateral and multilateral loans. Many thus turned to IMF stand-by agreements and extended fund facilities, despite the difficult conditions attached to such loans. The severity of the situation is underscored by the fact that in 1985 African countries will most likely repay more than they receive from the International Monetary Fund, to whose convention more than

TABLE I

DEBT SERVICE OF AFRICAN COUNTRIES OF PUBLIC AND PUBLICLY GUARANTEED DEBT
(millions of dollars)

Country[b]	1982		1983	
	Total Debt incl. undisb.[a]	Total Debt Service	Total Debt incl. undisb.[a]	Total Debt Service
Algeria	20,270.4	4,261.0	18,839.6	4,945.1
Benin	877.1	15.2	868.8	26.2
Botswana	383.6	13.4	502.3	23.9
Burkina Faso	653.7	16.8	681.2	14.0
Burundi	527.4	5.8	561.2	7.8
Cameroon, United Republic	2,591.9	264.0	2,562.5	218.6
Cape Verde	112.1	1.5	132.5	2.9
Central African Republic	305.4	4.7	342.9	17.4
Chad	243.4	0.2	233.3	0.6
Comoros	153.3	0.9	179.0	1.5
Congo, People's Republic	1,886.4	179.7	1,967.2	238.1
Djibouti	98.4	3.4	149.9	4.0
Egypt, Arab Republic	19,904.1	1,877.8	19,120.8	2,465.9
Equatorial Guinea	146.2	3.2	138.1	5.0
Ethiopia	1,486.2	54.4	1,916.5	65.7
Gabon	1,595.2	288.0	1,282.4	209.0
Gambia, the	232.2	10.8	246.2	6.1
Ghana	1,405.1	65.1	1,370.9	71.9
Guinea	1,539.5	79.2	1,538.4	69.8
Guinea-Bissau	160.6	3.0	193.5	1.8
Ivory Coast	6,314.7	961.0	6,087.5	806.5
Kenya	3,784.0	326.0	3,514.7	304.9
Lesotho	222.3	10.9	239.8	12.2
Liberia	893.4	33.6	911.3	30.8
Madagascar	2,178.1	57.9	2,036.6	140.6
Malawi	860.3	61.7	890.0	58.3
Mali	1,276.0	8.1	1,300.0	12.6
Mauritania	1,670.4	39.7	1,753.9	36.7
Mauritius	553.2	62.4	542.9	83.7
Morocco	11,540.5	1,334.0	13,103.5	1,120.0
Niger	938.9	111.1	928.6	72.6
Nigeria	15,522.7	1,427.6	13,539.5	2,040.5
Rwanda	383.8	5.2	423.0	4.2
Senegal	2,106.8	39.6	2,166.8	47.5
Seychelles	60.8	1.0	71.8	2.7
Sierra Leone	459.3	10.6	446.4	9.7
Somalia	1,442.4	20.4	1,503.9	22.1
Sudan	6,227.0	118.6	6,391.4	144.4
Swaziland	245.4	18.2	219.9	18.7
Tanzania, United Republic	2,520.4	53.4	2,544.8	77.3
Togo	936.9	38.4	983.6	44.6
Tunisia	5,327.9	485.5	5,278.1	598.1
Uganda	1,022.5	64.8	1,086.9	31.3
Zaire	4,704.7	136.0	4,610.8	126.8
Zambia	3,210.4	177.2	3,331.9	126.2
Zimbabwe	2,166.6	147.8	2,150.4	434.5
TOTAL AFRICA	131,141.5	12,398.9	132,385.4	14,354.2

Source: World Bank: World Debt Tables, 1984-85 edition.

(a) Public or publically guaranteed debt outstanding including undisbursed representing total outstanding external obligations of the borrower at year end.

(b) Data are not available for Angola, Libyan Arab Jamahiriya, Réunion and Sao Tomé and Principe.

fifteen African countries have acceded. IMF repayments under the so-called "repurchase obligations" are currently estimated to total $700 million.

5. Another feature of the structure of Africa's external debt relates to sectoral distribution. According to the most recent World Bank data, 6 per cent of Africa's borrowing went into the agricultural sector, 13 per cent in the manufacturing sector, 7 per cent in the mining sector, while 27 per cent went into infrastructure such as energy production, construction, transportation, storage and communications, 13 per cent for community and social services and 4 per cent into the services sector (see Table 2). It is thus clear that most of Africa's external debt is being utilized to finance projects which do not directly contribute to the generation of foreign exchange needed to service the debt.

6. When considering imports of factor inputs, sight must not be lost of the role played by services, which constitute a very high foreign exchange cost. Any measures relating to commodities in the balance of payments should pay due consideration to the impact of service imports (shipping, civil aviation, insurance, marketing, information, management, consultancy, etc.) whose volume and unit costs are often not even monitored. Such measures should include a substantial and efficient transfer of know-how to nationals as well as the development and use of national skills in the services sector. The process of industrialization coupled with structural change induces a heavy demand for consultancy services, especially in project design, planning, construction and management. This is particularly true of the African region which is virtually a continental greenfield site, the development of which will require enormous expenditures on new physical infrastructure (see para.5).

Domestic debt

7. Given the worsening external debt situation, particular attention has to be paid to domestic debt which is the result of accumulated arrears and payments due to local and foreign entrepreneurs and contractors on various projects, especially in the area of construction. In some countries, a major portion of domestic debt comprises salaries due to civil servants. Domestic debt can contribute to a reduction in national productivity, thereby affecting of the country's credibility and undermining the confidence of local and foreign contractors. The latter may be forced to secure foreign funds to cover local expenditures, thereby increasing the country's external debt.

TABLE 2

DEBT DISTRIBUTION AMONG MAJOR SECTORS IN AFRICAN COUNTRIES

(In percentage of country's total debt)

Country	Total debt (mill. $) 0	agri. 1	min. 2	man. 3	infra. 4	serv. 5	com. 6
Algeria	20,270	1	36	12	25	15	3
Benin	877	5	1	50	23	1	12
Botswana	384	10	15	0	45	1	26
Burkina Faso	654	19	4	3	31	3	29
Burundi	527	8	1	17	29	0	25
Cameroon	2,592	9	2	20	47	1	18
Cape Verde	112	13	-	1	50	0	22
Central Afr. Rep.	305	13	-	0	37	0	50
Chad	243	6	-	12	8	3	60
Comoros	155	10	-	-	66	1	15
Congo	1,886	3	4	8	30	2	31
Djibouti	98	4	-	5	81	3	8
Egypt	19,904	1	0	5	18	2	4
Equatorial Guinea	146	8	-	6	6	0	50
Ethiopia	1,486	15	2	15	51	12	29
Gabon	1,595	3	1	1	53	6	18
Gambia	233	12	-	1	34	2	15
Ghana	1,405	9	-	7	43	3	11
Guinea	1,540	5	7	12	19	2	8
Guinea Bissau	161	14	4	4	35	3	4
Ivory Coast	6,075	16	2	8	39	4	30
Kenya	3,784	13	0	10	32	2	26
Lesotho	222	10	-	1	39	3	76
Liberia	893	16	3	3	36	4	19
Madagascar	2,178	5	1	7	26	1	8
Malawi	860	17	0	0	36	2	34
Mali	1,276	10	2	3	37	1	35
Mauritania	1,670	4	23	9	26	0	22
Mauritius	553	10	-	4	29	5	34
Morocco	11,541	7	2	15	10	3	5
Niger	939	13	18	1	31	3	26
Nigeria	15,523	5	-	34	31	5	21
Rwanda	384	19	-	7	47	3	17
Senegal	2,107	19	2	8	31	2	17
Seychelles	61	10	-	0	32	3	51
Sierra Leone	459	19	3	6	36	3	20
Somalia	1,442	11	1	21	25	0	19
Sudan	6,227	7	-	3	17	1	10
Swaziland	245	10	-	15	40	2	31
Tanzania, United Rep.	2,520	7	2	14	27	2	17
Togo	937	7	3	12	31	2	9
Tunisia	5,328	6	3	13	32	6	12
Uganda	1,023	14	1	16	19	4	21
Zaire	4,705	3	4	6	35	2	5
Zambia	3,210	6	20	10	29	2	12
Zimbabwe	2,167	5	2	3	39	-	24
TOTAL AFRICA	131,141	6	7	13	27	4	13

oth.	total
7	8
8	100
8	100
2	100
11	100
22	100
3	100
15	100
40	100
10	100
8	100
25	100
3	100
69	100
30	100
4	100
18	100
9	100
29	100
48	100
37	100
2	100
14	100
21	100
19	100
52	100
12	100
12	100
16	100
19	100
58	100
6	100
19	100
7	100
20	100
3	100
13	100
23	100
62	100
3	100
31	100
35	100
29	100
21	100
45	100
22	100
26	100
30	100

Source : World Bank data on sectoral distribution of public debts of African countries (data as of 25 April 1984).

Notes : a) Total debt = public and publicly guaranteed debt outstanding, including undisbursed commitments as at the end of 1982; for Algeria, Egypt, Morocco and Tunisia, percentages reflect distribution as at 1983.

b) The World Bank sectors have been regrouped as follows :

1. Agriculture, forestry and fishing;
2. Mining and quarrying;
3. Manufacturing;
4. Infrastructure covering : electricity, gas, (water production), construction, transport, storage and communication;
5. Services covering trade, restaurants, lodging, finance, insurance, real estate and business service;
6. Community, social and personal services;
7. Others covering : contributions to finance current imports, contributions not directly for imports, other contributions, debt reorganization, military, pension payments, other contributions not Development Assistance Committee flows, emergency (distress relief), and purpose not applicable.

c) The actual debt in sectors 1 to 6 will be higher than shown in the table because the following debts have been placed in group 7 : debts which have been rescheduled and debts for which the purpose is unclear or debts for which the country has not reported any purpose, furthermore debts for which repayment terms are unknown have not been included.

d) Data are not available for Angola, Libyan Arab Jamahiriya, Mozambique and Sao Tomé and Principe.

e) "0" indicates percentage equals zero after rounding;
"-" indicates that no debt is recorded for that sector.

Africa's foreign exchange expenditures

8. Preliminary data collected by UNIDO from information published by the United Nations for most African countries, indicate that the region's foreign exchange expenditures on certain major industrial commodities amounted to $62.2 billion in 1982 and $50.5 billion in 1983 (see Table 3). In 1982, these expenditures represented about 46 per cent of Africa's total external debt for that year, while total expenditures of foreign exchange in 1982 and 1983 accounted for about 84 per cent of the total debt in 1983. If all expenditures on services in all countries were added to that figure, the situation would be still more dramatic. Table 4 shows the distribution of Africa's foreign expenditures in the importation of major industrial commodities.

9. It is also important to note that economic development in Africa, especially the manufacturing and agricultural sectors, relies heavily on imported inputs. In its analysis of certain major industrial commodities in the region, UNIDO found that in almost all countries more than half of the commodities had import to apparent consumption ratios very close to 100 per cent. This pattern, which covers the entire range of major industrial factor inputs, has remained virtually unchanged over the past ten years.

Africa's industrialization and external debt accumulation

External dependence on factor inputs

10. The process of industrialization is a long-term venture which requires the development of infrastructure, such as roads, railways, harbours, airports and buildings, the supply of essential utilities, such as energy and water, and the development of the requisite manpower and services. Much time elapses before an environment is created that can support the local production of such basic inputs to agriculture as fertilizers, agricultural implements and tools, industrial spare parts and components. During this period, debt accumulation is inevitable, since funds are needed to import those and other factor inputs essential to sustaining the economy.

11. It is expected that, as the industrial development process gains momentum, some of the commodities imported at present will be produced

TABLE 3

FOREIGN EXCHANGE EXPENDITURE FOR CERTAIN MAJOR INDUSTRIAL COMMODITIES
(thousands of dollars)

Country	1982	1983
Algeria	8,796,293	8,617,332
Angola	865,149	627,500
Benin	671,745	332,082
Burkina Faso	261,245	225,462
Burundi	124,300	84,453
Cameroon	1,313,848	1,144,022
Cape Verde	55,566	71,201
Central African Republic	73,508	54,551
Chad	57,478	48,482
Comoros	38,599	39,724
Congo	821,288	508,038
Egypt	9,887,013	9,259,623
Ethiopia	486,351	546,964
Gabon	671,459	586,419
Gambia	72,080	69,129
Ghana	481,463	484,282
Guinea-Bissau	84,582	70,060
Ivory Coast	1,328,721	1,113,242
Kenya	1,199,927	763,910
Liberia	2,616,493	1,937,327
Libyan Arab Jamahiriya	6,233,894	5,744,720
Madagascar	407,066	285,440
Malawi	103,055	77,940
Mali	246,148	274,620
Mauritania	348,746	282,535
Mauritius	277,546	186,334
Morocco	3,620,999	2,556,914
Mozambique	622,939	480,237
Niger	323,945	198,823
Nigeria	10,696,442	6,574,496
Reunion (La)	630,042	559,047
Senegal	851,832	743,353
Seychelles	53,637	37,967
Sierra Leone	149,766	82,876
Somalia	389,354	265,965
Sudan	1,504,049	963,767
Togo	423,653	450,543
Tunisia	2,854,650	2,419,732
Uganda	260,119	138,149
United Republic of Tanzania	728,626	482,913
Zaire	904,727	816,954
Zambia	684,231	329,035
TOTAL	62,222,572	50,536,162

Source: United Nations trade tapes, data as at May 1985.
The totals do not include the following countries for which data are not available in UNIDO: Botswana, Djibouti, Equatorial Guinea, Lesotho, Rwanda, Sao Tomé and Principe, Swaziland and Zimbabwe. - Data compiled from export statistics of trade partner countries. 1983 data are based on statistics available at the time of compilation, which underestimates the actual foreign exchange expenditure, intra-African trade especially is not accounted for (see also explanatory note).

TABLE 4

FOREIGN EXCHANGE EXPENDITURE FOR MAJOR GROUPS OF INDUSTRIAL COMMODITIES BY THE AFRICAN REGION
(thousands of dollars)

Groups of commodities	1982	%	1983	%
Food, beverages and tobacco (01, 02, 03, 04, 05, 06, 07, 09, 11, 12, 42)	9,971,339	16	8,436,076	17
Raw and intermediate materials of agricultural origin (08, 21, 22, 23, 24, 25, 26, 29, 41, 42, 43)	1,645,260	3	1,511,057	3
Mineral raw and intermediate materials (27, 28, 51, 52, 53, 56, 57, 58, 67, 68)	6,146,573	10	4,959,256	10
Energy (32, 33, 34, 35)	4,816,154	8	2,805,523	6
Consumer goods (81, 82, 83, 84, 85)	1,206,284	2	1,055,204	2
Machinery and transport equipment (71, 72, 73)	26,013,316	42	20,904,652	41
Manufactures of metal (n.e.s.)1/ (69)	2,971,634	5	2,418,708	5
Miscellaneous manufactured (54, 55, 59, 61, 62, 63, 64, 65, 66, 86, 89)	9,452,008	15	8,445,685	17
TOTAL	62,222,572	100 2/	50,536,162	100 2/

Source: United Nations Trade tapes, data as at May 1985.
Data are compiled from export statistics of trade partner countries and aggregated for Africa excluding: Botswana, Djibouti, Equatorial Guinea, Lesotho, Rwanda, Sao Tomé and Principe, Swaziland and Zimbabwe, for which data were not available.
1983 data are based on statistics at the time of compilation, which underestimate the accual foreign exchange expenditure.
Codes refer to the SIT Classification.

1/ Not elsewhere specified.

2/ Inaccuracy in additions due to rounding off.

locally. While some commodities will still have to be imported, their effect on external debt can be offset by exports of manufactures. This development increases the credibility of the country, as a result of which it can negotiate better terms and obtain a greater flow of official and private financial resources for investment projects.

Choice of investment

12. Another major factor contributing to debt accumulation is the persistence (indeed the extension) of enclaves, semi-enclaves and idle capacities within the economy. While it is true that many projects have failed as productive enterprises because they were conceived and commissioned for reasons unrelated to enhancing development and economic growth, a far larger number have failed for several other reasons. These include: a deficient conceptual base; poor design, construction and/or management; wrong choice of technology and equipment; absence of forward and backward linkages; lack of suitable manpower capabilities; limited local and external markets; and wrong timing.

Flow of financial resources into Africa

13. Recent trends show that foreign capital and investment flows are moving away from and not towards the Africa region. This is partly due to the criteria used by governments and private enterprises in developed countries to determine the countries and sectors that qualify for foreign private investment. These criteria include: stable political situation; favourable investment climate; liberal policies conducive to profit-making and repatriation over shorter periods; and large and expanding domestic and multinational markets. Only a few countries in the region are likely to be able to balance their aggregate foreign capital inflows and outflows.

14. Despite this difficult situation, special efforts should be made to encourage a greater flow of investment capital from both official and private sources. This also applies to technical assistance: genuine political commitment of all parties concerned and sincere negotiations are needed to secure increased official development assistance (ODA) to African countries, especially for the development of domestic factor inputs. African Governments must recognize the real scope and dimensions of the looming crisis and enforce control over the utilization of foreign exchange.

External debt: an essential feature in Africa's economic development

15. African countries will undoubtedly continue to borrow from external sources in order to be able to purchase the various factor inputs required for their economic and industrial development. Historical developments and current experience confirm this situation. In fact, even the richest nations, endowed with all the factor inputs they require, are indebted to other countries. The real issue is the country's credibility which it can only achieve through its ability to meet its debt obligations by generating sufficient foreign exchange revenue.

16. Given the structure of North/South trade relations, debt accumulation is inevitable. It is therefore necessary to reinforce all efforts towards the local production of requisite factor inputs which are relevant in function, large in quantity and of high quality.

17. Debt rescheduling only offers temporary relief. Furthermore, debt write-offs, however desirable, do not bring about a lasting solution. Debt rescheduling and/or write-offs are only successful if coupled with revitalizing the productive capacity of the economy, thereby generating the capacity to repay any future debt. Debt rescheduling, in particular, will only serve to increase the debt burden of most African countries. Additional investments will be required to finance imports of factor inputs for ongoing or new projects, since Africa is not yet a significant producer or exporter of those factor inputs.

Africa's external debt and economic management

18. It is apparent from the above that the problem facing the African countries is not so much the accumulation of external debt but its management within the framework of the entire economy. Each country thus needs to institute the effective mobilization and utilization of its domestic and foreign exchange resources. In this regard, information on financial flows and their utilization must be well organized and, where necessary, special entities should be established in order to ensure the reliability of such information.

19. The data in Table 2 also reveal that a large part of Africa's external debt represents expenditures on the import of industrial goods and services to

sustain the economic development process. The successful economic development of Africa will depend on the level and pattern of its industrialization which can only be initiated through a massive expansion of the processing of industrial raw materials. This should be matched by extensive intra-African co-operation related, in particular, to trade in industrial commodities, which at present constitutes only a marginal share in world trade. In addition, there is great scope and need for the expansion of local markets, at both the national and subregional levels.

RECOMMENDATIONS

20. A programme of action designed to combat Africa's external debt problem must take into account not only administrative aspects but also fundamental aspects aimed at improving the overall efficiency of the economy. The programme should comprise both short-term measures aimed at ensuring the credibility and economic recovery of the African countries, as well as medium- and long-term measures designed to bring about structural transformation and economic growth. Since the OAU Steering Committee has already identified measures related to debt management, this document focuses on other measures.

Internal measures to be taken by African countries

Short-term measures

21. Each country should strengthen and/or establish institutional machinery for the collection, processing, storage and dissemination of information and data essential to the management of its external debt and economy as a whole. In addition to the data currently being maintained on medium- and long-term official loans, reliable information should also be maintained on private credits, short-term loans, IMF payments and short-term credits so as to provide a more complete picture of the country's external debt.

22. Policies, priorities, criteria and control mechanisms governing the allocation of foreign exchange resources should be reviewed and adjusted as appropriate. The following policy and structural adjustments should be undertaken:

(a) More effective identification and planning of a nation's foreign exchange requirements for essential industrial commodities with a view to reducing wastage. This should include measures for generating local financing, promoting the flow of foreign exchange and investment resources, and reducing external debt through: (i) more effective international negotiations; (ii) domestic substitution of imported factor inputs; and (iii) improved management of the economy;

(b) More judicious allocation and utilization of national foreign exchange resources, especially for the local manufacture, using domestic resources, of essential factor inputs to agriculture and food production, transport and communication, energy and other economic sectors;

(c) More efficient national procurement procedures with a view to strengthening regional or subregional arrangements, including the joint negotiation, importation and distribution of major industrial and other commodities;

23. Enterprises should be assessed with a view to diverting resources from unviable plants to more productive units. A rehabilitation programme should be prepared for each potentially viable project. The programme should provide for: the improvement of plant management, production and operational efficiency, including readjustment of original contractual arrangements (especially financial and management); securement of new markets; and identification of new raw material supplies, especially from local sources.

24. Each country should review its investment policy and legal framework for foreign enterprises. Appropriate adjustments should be made so as to ensure the effective contribution of the latter, on favourable terms, to the economic development of the country.

25. Each African Government should take measures to:

(a) Mobilize external financial resources through joint ventures, buy-back, leasing, compensation and similar arrangements;

(b) Facilitate the development of medium- and small-scale industries, especially those providing inputs to agriculture and food production;

(c) Secure the greater involvement of local development banks in co-financing arrangements and providing adequate lines of credits.

26. Given the importance of the services sector to economic development, African countries should:

(a) Review the volume and composition of their service imports;

(b) Consult with public enterprises as well as domestic and foreign private enterprises with a view to determining national consultancy and other service requirements;

(c) Consult with local consultancy organizations on methods for and their role in meeting the above requirements;

(d) Secure the co-operation of other third world countries in providing consultancy services and developing local consultancy capabilities;

(e) Adopt measures for developing local and African multinational consultancy organizations;

(f) Strengthen or establish machinery to co-ordinate and monitor activities in the services sector.

<u>Medium- and long-term measures</u>

27. Each African country and organization should intensify its efforts to achieve the successful implementation of the Lagos Plan of Action, the Final Act of Lagos and the Programme for the Industrial Development Decade for Africa. Adequate human and financial resources should be allocated to facilitating the development of subregional core industries, including the establishment of African Multinational Enterprises. The reinforcement of clearing-house arrangements and the development of other trade compensation agreements are equally important.

28. A careful assessment should be made of all public enterprises in the interests of improving efficiency. Where appropriate, consideration might be given to re-designing some public enterprises so that they are suited to current economic realities. In devising special performance criteria, the ultimate aim should still be to:

(a) Contribute to the generation of skilled manpower;
(b) Reinforce intrasectoral or intersectoral linkages;
(c) Enhance the development of technological capabilities, including R & D;
(d) Promote the development of medium- and small-scale indigenous enterprises.

29. Measures should also be taken to enhance the capabilities of local policy-makers, industrial leaders, entrepreneurs, industrial planners, project negotiators and plant managers. To this end, fiscal, financial and other special incentives should be offered.

30. With regard to industrial raw materials and intermediates, African countries should:

(a) Formulate policies and programmes covering raw and intermediate materials production, trade and procurement;

(b) Establish bilateral or multilateral working groups to examine the feasibility of joint production, transportation and trade by barter or other arrangements with minimal foreign exchange requirements.

Actions at the international level

31. International co-operation can contribute significantly to the solution of Africa's external debt and promote the region's accelerated economic and industrial development. The international community should take all the necessary measures, official and private, to complement the endeavours of the African countries. To this end, the international conference on Africa's external debt under consideration by the OAU should also discuss measures for the economic recovery of Africa.

32. Policy and decision-makers in developed countries should take appropriate policy and operational measures to readjust the pattern and structure of external investment and ODA flows to Africa. They should ensure that those financial resources are directed towards projects which produce industrial inputs to agricultural and food production.

33. Ways and means should be found of ensuring the more effective utilization of the principal forms of industrial finance, such as multilateral and bilateral grants and loans, loan capital from commercial banks, direct foreign investment, and credit lines.

34. In co-operation with other relevant international organizations, UNIDO should assist in:

(a) Drafting guidelines, in the form of a "model framework" for the establishment of multinational enterprises;

(b) Preparing the industrial map for Africa called for in the Programme for the Industrial Development Decade for Africa;

(c) Accelerating the pace of industrialization of the African countries through the effective implementation of the Programme for the Industrial Development Decade for Africa;

(d) Developing industrial manpower and technological capabilities;

(e) Providing technical advisory services related, in particular, to the mobilization of financial resources, contract negotiations, technology acquisition and manpower training.

ANNEX I

Meeting of High-level Experts on
Africa's External Debt in Respect of the Industrial Sector
Vienna, Austria, 14-17 May 1985

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