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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Report on the Conference on Industrial Partnerships and Investment in Africa

United Nations
Industrial Development Organization

Dakar, Senegal
20–21 October 1999

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Conference on Industrial Partnerships
and Investment in Africa

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CONFERENCE ON INDUSTRIAL PARTNERSHIPS AND INVESTMENT IN AFRICA

Dakar, Senegal, 20-21 October 1999

Final Report

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A. Background

1. The Conference on Industrial Partnerships and Investment in Africa was organized by UNIDO in cooperation with the United Nations Economic Commission for Africa (ECA), the Organization of African Unity (OAU), the African Development Bank (AfDB) and the Government of Senegal in pursuance of the Declaration of the OAU Assembly of Heads of State and Government adopted in Harare, Zimbabwe in June 1997, which was subsequently reiterated by the United Nations General Assembly in December 1997, through its resolution 52/208. That resolution, *inter alia*, invited donor countries, United Nations funds and programmes, all relevant UN organizations and the private sector to participate in a "meeting of donors" to be organized by UNIDO in collaboration with the ECA, UNDP, OAU, AfDB and in cooperation with the World Bank.

2. The Steering Committee of the Alliance for Africa's Industrialization (AAI) at its first meeting held in Abidjan in September 1998 decided that the "donors' meeting" should be organized as a conference on industrial partnerships and investment in Africa, in the period between June and October 1999, to address specific industrial development concerns of African countries and promote partnerships with the outside world. This approach was later endorsed by the AAI Patrons Group of Heads of State and Government which held its first meeting in Algiers on 13 July 1999 on the margin of the OAU Summit.

B. Structure and Main Themes of the Conference

3. The Conference consisted of three inter-related components:

    (a) A series of Panel meetings where discussions were held on issues of particular importance to the development of the industrial sector in African countries;

    (b) A business forum aimed at promoting partnerships between African entrepreneurs and potential foreign investors;

    (c) A forum on resource mobilization for technical cooperation programmes.

The detailed Conference Programme is contained in Annex 3, below.

C. Participation

4. The Conference was attended by a total of 493 participants including 23 African Ministers, 227 Senior Government Officials, 123 Representatives from Private Sector, 34 from IGOs, 10 from NGOs, 51 from UN agencies & offices and 25 from the Media.[1]

D. Inaugural Session

5. The Conference was held, as planned, on 20-21 October 1999 in Dakar, Senegal. The formal opening of the Conference took place on the afternoon of 20 October under the chairmanship of H. E. President Abdou Diouf of Senegal, who delivered the keynote address. Statements were made by the Director-General of UNIDO and the Assistant Secretary-General of OAU. The Deputy Executive Secretary of ECA read a message from the Secretary General of the United Nations.

6. In his keynote address, the President of Senegal first paid a special homage to the Director-General of UNIDO for the high priority he had given to Africa in the programmes and activities of the Organization since he had assumed office. He referred to the structural adjustment of African economies during the 80s and 90s and noted that since 1995, Africa has started to experience a real positive growth, in sharp contrast with the economic decline of the last 15 years. In order to transform this trend into a real economic take-off, African governments should over a fairly long period aim at higher growth rate, that is at a minimum of 6 per cent GNP per year. This would necessitate an annual investment rate of about 30 per cent of GNP. In order to achieve this target, they should first mobilize domestics savings and then examine ways and means of increasing foreign investment flows, specially that of foreign direct investments which has a vital structural role for our economies through raising the skills of local manpower, the transfer of modern technologies to local affiliated companies and suppliers, and sharing of best managerial practices. In this context, general campaigns for promoting Africa as an investment destination, should be supplemented by specific campaigns linked to the specific advantages of each country. However, in order to achieve the long-awaited take-off of African economies, it is necessary to pay special attention to the quality of partnership to be established first between the State and the private sector both within individual countries and within the regional

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See Annex 1 for the list of participants.

economic communities, and also in the dialogue linking Africa and the rest of the world. In the next millennium, the African economy will be, more than it is presently, spearheaded by knowledge and technological innovation. Already, it is noted that employment generation and value added are to be found more and more in the service industries sector, particularly in those linked to the new technologies of information and communications. The President concluded by stating that "Africa starts with the same momentum, same chances and weaknesses, same constraints and opportunities than the rest of the world in the building of this global village".

7. The Director-General of UNIDO addressed a special welcome to the large number of private sector representatives attending the Conference, especially since all the Conference themes referred to the private sector's crucial role in Africa's industrial development. After decades of investment decline and neglect by foreign investors, the region was now enjoying recovery and a healthy economic growth. The first generation of reforms devoted to macroeconomic stabilization have led to the emergence of a new generation of managers and entrepreneurs who are ready for partnership arrangements. They are now being followed by a second generation of reforms focussing on institutional changes that are necessary to realize the benefits of macroeconomic and market reforms. These reforms have together created the necessary instruments for African countries to be players in the process of globalization. However, "we still have to link globalization with the life of those it affects". In order to achieve that goal, a third generation of reforms devoted to linking macroeconomic stability with microeconomic performance, was required. This would involve mobilizing the skills, information, technology and knowledge required to develop and upgrade Africa's private sector, so as to make it more attractive as potential partner to foreign manufacturers. These are the directions, which the transformed UNIDO was following, in cooperation with leading institutions concerned with development issues. In conclusion, the Director-General noted that the Conference was an initiative of the Alliance for Africa's Industrialization and the African Heads of State and Governments, and that UNIDO's role was merely that of a catalyst: "we are bringing potential partners together in the hope and expectation that they will react and bond together".

8. The Assistant Secretary-General of the OAU invited the partners of Africa to "join hands with us in laying a foundation for Africa's industrial take-off, and to share with us their perception of Africa's industrial prospects and how they could contribute to change the negative perception of our continent". In his view, Africa's industrialization has now become more urgent than ever before, mainly because the present structure of Africa's production and trade was not a viable basis for the continent's full integration into the global economy. In this context, many African countries had implemented policy reforms and adjustment programmes, sometimes at very high social costs,

in order to create an environment which promotes industrialization and sustained economic growth. However, the results have been disappointing and, in the meantime, Africa has lost its competitive edge and export capacity. During the discussion on industrial partnerships, it is necessary to focus efforts and resources on dealing with priority programmes that will impact favourably on Africa's development such as: overcoming supply-side constraints; injecting modern technology in the production process, with improved methods and systems; and an effective transfer of management and entrepreneurial skills. He advised African governments to persevere in the creation of an appropriate environment, with the necessary legislation, to attract and guarantee the security of foreign investment.

9. In his message to the Conference, the UN Secretary-General stated that Industrialization was a key element in transforming Africa's economy and in achieving important social objectives such as employment and equity, creation of opportunities for integration of women and, linked with agricultural development, stemming the flow of rural-urban migration and pressure on the cities. If Africa were to survive in today's globalized economy, it needs to catapult forward in its industrialization process. He listed the well-known factors affecting Africa's industrialization, while insisting on the essential role of training and education in liberating the entrepreneurial energies of Africans. He concluded by stating that the right kind of partnerships among Africans and their international partners could help the continent turn a corner in its industrial development.

E. Panel Meetings

10. On the basis of background papers prepared for the Conference,[2] the following key industrial development issues were discussed in the Panel meetings:

- (a) **Forging Partnerships for Africa's Industrial Development**
- (b) **Industrial project financing**
- (c) **Privatization and Industrial Partnerships in Africa**
- (d) **Financing of SMEs in Africa**
- (e) **Investment Environment, Policies and Incentives in Africa**
- (f) **Regional Economic Integration and Investment Promotion**
- (g) **Private Sector Capacity-Building and Promotion of Entrepreneurship**
- (h) **Private Financing of Infrastructure and**
- (i) **Globalization and Industrial Development in Africa.**

See Annex 2 for the list of background papers

11. Each of these panels was chaired by an African Minister or a high level personality who made an introductory statement on the subject. The panel members then expressed their views and experience on the panel topic. Participants were afterwards given the opportunity to ask questions to the panelists and to express their views. At the end, the moderator summed up the discussions and conclusions of the meeting.

(a) Forging Partnerships for Africa's Industrial Development

Moderator: Hon. T. Ahoua N'Doli, Minister of Industry of Côte d'Ivoire.

Speakers:

- Ms. Maria Filomena Aguilar, Director-General for International Economic Affairs, Ministry of Economy, Portugal
- H. E. Mr. Shinsuke Horiuchi, Ambassador, Ministry of Foreign Affairs, Japan
- Mr. Aziz Dieye, Vice-President, African Business Round Table

12. The panel reviewed the mechanisms for building partnerships for Africa's industrial development. It underlined the need for a competitive and vibrant private sector in African countries that could cope with rapid changes in the market and technological development. African countries also needed an industrial base that could respond to the daily needs of their populations. To attain these objectives, the promotion of partnership was considered by the panel as very important.

13. The importance of the three main types of partnerships in accelerating the industrial development of the continent, namely at the national, regional and international levels, was highlighted in the course of the presentations by panel members.

14. The State has a key role to play in creating the necessary conditions for the first form of partnership, which is between the private and public sectors at the national level. This role involves the identification of sectors to be promoted;the creation of an incentive framework; awakening the interest of local operators; removing potential obstacles such as training in required branches, administrative delays, establishment of necessary infrastructures, upgrading and maximum utilization of national expertise etc; and improving the country's image to make it more attractive to foreign partners. In this context, the creation of Industrial Partnership Councils in 15 African countries was considered as an ideal platform for consultations between the government and the private sector on all issues affecting industrial development. On the other hand, the businessmen have the responsibility

to prepare their projects with care and professionalism, to project a serious image which is often lacking, and to organize themselves in strong associations to defend their own interests as well as to demonstrate a certain solidarity in relation to national interests.

15. The second type of partnerships concerns the establishment of partnerships within the regional economic communities (ECOWAS, SADC, COMESA, UDEAC, UEMOA and UMA), both at enterprise and institutional levels. The meeting considered this form of partnership as an important means of overcoming the constraints of small domestic markets, lack of raw materials and inadequate know-how, and should be encouraged.

16. The third type of partnerships at the international level involves Foreign Direct Investments and cooperation with bilateral and multilateral institutions. The meeting stressed the role of the State in creating the necessary conditions for increasing the flow of FDI to African countries. The meeting also regretted that most multilateral development institutions did not accord priority to industrialization in their programme of activities.

17. With regard to the forging of partnerships between the European Union and Africa, the meeting noted that the new Lome Convention to be finalized in the year 2000. will provide the necessary framework for a long term and profitable partnership between European and African entrepreneurs.

18. On the other hand, the new Asian-African Investment Center in Kuala Lumpur, Malaysia, established as a follow-up to TICAD II, will go a long way to bring potential investors in Asia closer to Africa.

19. During the discussions, the following conditions for the success of partnerships were highlighted:

    (i) The legal aspects of partnerships should be carefully taken into consideration in order to ensure transparency in the responsibilities of the partners, the objectives and conditions of the realization of the partnership;

    (ii) Industrial partnership is a long-term activity, and care should be taken to discourage partners who are interested in short-term profits;

    (iii) It is important to ensure that part of the revenue of the operation is reinvested in research and development activities and in training of local personnel.

20. Further, the meeting was of the view that the most appropriate forms of partnerships for African countries were those that guarantee a transfer of

technologies, knowledge and know-how; that ensure an effective transfer of responsibility to the local partners; that include from the beginning a human resource policy, including career prospects and social benefits; and those that provide for equitable responsibility for the perpetuation of the enterprises.

21. In conclusion, the importance of public-private partnerships within African countries was strongly emphasized by participants, who called for the expeditious establishment of industrial partnership councils in all countries as already decided by the AAI Patrons Group. Governments were also called upon to nurture private sector entities and to provide them with the necessary institutional and policy support, so that the private sector could play a leadership role in the industrial sector. Relations between governments and the private sector should be further improved.

22. Regarding cooperation with development partners, the importance of private sector participation and utilization of the opportunities offered by the ACP-EU Lome Convention and the follow-up to TICAD II were underlined. In this connection, it was recommended that further efforts need to be made to raise the awareness of the private sector on the benefits to be accrued from these instruments.

(b) Industrial Project Financing

Moderator: Mr. Antonio Pinto-Rodrigues, Acting Director, Investment and Technology Promotion Branch, UNIDO

Speakers:
- Mr. Yves Delafon, Member of the Board, Banque pour le Commerce et l'Industrie de Mauritanie
- Mr. Konzon Lamizana, Resident Representative, Banque Ouest Africaine de Développement (BOAD)
- Mr. Ayoo Amouson-Kpeto, Director-General, Ecobank (Senegal)
- Mr. Viwanou Gnassounou, Deputy Director General, Planet Finance (France)
- Mr. F. Jacquet, Representative of the Walloon Region and French speaking Belgium community

23. In addition to a wide-ranging discussion of "Project Financing", this session was used to announce arrangements made for the organization of the Business Meetings at the Conference and the launching of the Industrial Partnership and Investment Network (IPPN). IPPN is a quick and inexpensive business tool, which allows for targeted exchanges of information on investment and technology and acts as a dynamic interactive communication forum. Speakers from the banking sector presented the specificity of their Banks and the different financial tools available for project

financing. The diversity of their services were particularly emphasized, since two commercial banks and one development bank were present. The new initiative undertaken by PlanetFinance was of a special interest for financing of SMEs.

24. A session of questions and answers were held after the panel presentation, where the participants expressed their concerns with regard to the need to have more flexible financing tools. The experts espoused a host of theories that identified various obstacles to development: lack of capital, a low level of technological development, illiteracy etc. It was stressed that capital formation; that is, capital accumulation or investment, as the key building block in the basic model of development. The process of capital accumulation was constrained, however, by the operation of a vicious circle. Investment, which is financed out of savings, was low in Africa because savings were low. But savings come out of people's income. And since the incomes are low, Africans are poor, then their savings would be low and, hence, investment as well. The circle could be broken in a number of ways: (1) by an infusion of foreign aid, which may be regarded as the savings of foreigners that have been made available to Africans; (2) by attracting foreign investment, which would supplement inadequate domestic investment; and (3) by exporting more goods and services, which would enable an African country to earn more foreign exchange or income to speed up its rate of capital formation. Correspondingly, measures may be taken to raise domestic savings and investment.

25. Many African countries had undertaken various forms of structural adjustment and economic reform programmes. These programmes have resulted in new macro-economic policies and programmes for sustainable development, liberalization of trade and monetary policies, alignment of currencies closer to their open market values, and in general doing away with economic and market distortions which were an obstacle to international trade and FDI.

26. The meeting called upon African development finance institutions to play a more prominent role in industrial project financing. The active participation in the Conference of sub-regional development banks, such as the West African Development Bank (BOAD) and the Development Bank of the Central African States (BDEAC), as well as the African Development Bank (AfDB) was commended, but they were requested to give utmost priority to the financing of industrial projects and to work more closely with the enterprises in the industrial sector.

(c) Privatization and Industrial Partnerships in Africa

Moderator: Mr. Kandeh Yumkella, Director, Africa Bureau, UNIDO

Speakers:
- Mr. Samuel Kondo, President, Syndustricam, Cameroon
- Mr. Cadman Atta Mills, Resident Representative of World Bank in Senegal

27. The session reviewed the experiences of African countries in privatizing public enterprises, as part of the wider structural adjustment and economic reform efforts undertaken by these countries, and examined to what extent this process has led to the establishment of new industrial partnerships.

28. Privatization has represented a significant change in policy for most African countries, embarked upon at a time when other fundamental political and economic reforms were under way. Many privatization programmes suffered from a poor design, inadequate preparation and insufficient resources. In addition, and despite efforts to expand indigenous ownership of enterprises, there has been a notable absence of any type of mass privatization or capitalization programme in sub-Sahara Africa. It is therefore undeniable that the privatization process in Africa, on the whole, has appeared slow, lacking in transparency and with relatively weak private sector response.

29. Despite the many constraints, the meeting agreed that privatization has significantly reduced or eliminated the need for continued government budgetary support to the public enterprise sector and that it has resulted in significant amounts being injected into government coffers. It was furthermore stressed that, in several countries such as Côte d'Ivoire, Ghana, Tanzania and Zambia, privatization has yielded visible benefits in terms of new investment in, and improved performance of, privatized businesses. In many cases new investment in privatized enterprises exceeded the value of sale transaction. The session agreed that as a result of privatization factories have been rehabilitated and upgraded and more people have gained access to improved telecommunication services at a lower cost.

30. The meeting recognized that ownership, employment and transparency constitute the most critical issues in a privatization process. Other elements which critically affect the success of a programme were identified as an independent and effective regulatory capacity, adequate judicial enforcement of contractual rights and the mobilization of quality investors.

31. Ownership continues to be a sensitive issue. In most countries, low level of savings, infancy of capital markets and need for new investments, means that only foreign investors can buy large blocks of shares in major enterprises or secure possession and management control for specified periods under concession management. The major transactions and all joint

venture deals have indeed involved foreign investors. However, available data indicate that more than four out of five privatization transactions in Africa have been sales to local investors. Furthermore public flotations have enabled thousands of Africans to become shareholders. It was however recognized that, up to now, the methods employed to broadening ownership have largely been directed at savers to acquire assets and equity investments. It was furthermore pointed out that except the few cases where shares have been set aside for employees and for a small number of management buy-outs, participation has not been extended to the poorest sections of the population who lack any savings.

32. Labour and other social issues further heighten concerns about transfer of ownership. It was reported that redundancy levels have not been as high as expected and that, where layoffs have occurred in enterprises privatized to date, employment levels generally pick up after a couple of years as benefits of new investment and improved performance are felt. The meeting therefore agreed that the problem today is less one of facing up to labour shedding, than one of capacity to negotiate and ensure prompt payment of fair compensation, so as to speed up divestiture and new investment.

33. Transparency is another major issue. Transparency is necessary not only to assure the general public about the fairness of the process and ensure the safeguarding of national interests it is also important for instilling the confidence that is needed to attract good local and foreign investors. To combat corruption, privatization methods and procedures have to be designed and consistently applied so as to ensure a fair process and to safeguard the interests of the citizens.

34. Regarding industrial partnerships resulting from African privatization programmes, the meeting recognized that investor response has been disappointingly low. The main reasons for the weak private sector interest were advanced as: (i) the poor state of many assets/enterprises; (ii) the absence of one or more of the necessary conditions for attracting investment, especially inconsistencies in implementing macroeconomic and other reforms and, for domestic investors, the virtual absence of long-term finance in the domestic capital market; and (iii) the poor image of Africa as a place to invest.

35. In light of the above, the meeting called for much greater investment promotion efforts, with privatization agencies using high quality firms to help in identifying and attracting potential investors and in deal making. In addition to national investment promotion efforts, the meeting stressed the need to work at the regional level to improve the image of Africa and to attract genuine long-term investors.

36. The meeting underscored the need for African governments to explore more imaginative ways to broaden ownership. Attracting local investors could be done by establishing financial mechanisms, which accompany the privatization process, and by linking local with foreign investors.

37. Overall, the meeting concluded that privatization processes have been beneficial for African economies not only because it has helped stem the inefficiencies of the public enterprise sector but also because it has led to the creation of many business opportunities for the private sector by forcing improvements in the investment environment, by forcing action to develop capital markets, by bringing emerging African entrepreneurs together with foreign partners and by developing local capacity in policy and technical advice.

(d) Financing of SMEs in Africa

Moderator: H. E. Ms. Albina Faria de Assis Africano, Minister of Industry of Angola

Speakers:
- Mr. Getinet Giorgis, Director, Country Department South, ADB
- Mr. Priya Banjan Das, Chief General Manager, Small Industrial Development Bank of India
- Mr. Wilfried Luetkenhorst, Director, Private Sector Development Branch, UNIDO

38. The session reviewed experiences and lessons learned in the financing of private enterprises in Africa and discussed the need for a wider range of financial instruments and synergies between financial services and business development services for SMEs.

39. Lack of access to formal finance continues to constitute a major constraint in the effective operation and development of small and medium scale manufacturing enterprises in Africa. Obstacles in access to finance by SMEs typically include:

(i) small size loans as opposed to fewer but larger loans;

(ii) 'riskiness' of borrowers due to lack of credit history, lack of adequate collateral, uncertainty about entrepreneurial ability and repayment capacity linked to market constraints, deficiency in the legal high transaction costs for financial institutions to provide many system in case of loan delinquency;

(iii) cost of lending as compared to the profitability of the business opportunity for which a loan is sought;

(iv) inadequacy of investment proposals submitted to banks;

(v) weakness or limited outreach of financial institutions and of instruments focused on raising capital such as stock exchanges, investment funds etc.

40. While shortage of finance is often cited by entrepreneurs as the predominant problem of SMEs in Africa, it should be pointed out that enterprise problems of a more complex nature, e.g. related to technology, quality, information or product development are more difficult to identify and are often not perceived.

41. Debating the issue of SME-access to finance, the meeting agreed that increasing the volume of finance available and improving the delivery of such funds in various appropriate forms to SMEs, is a difficult challenge. It was noted that the weak financial sectors and the reluctance of the formal banking system to become more involved in direct financing of SME-based private sector development, especially for the provision of long-term loans for equipment acquisition, persist as major obstacles and that it will take time for the situation to improve. The meeting however felt that more has to be done by governments to press commercial banks, who are the main sources of financial flows to the business community, to recognize the importance and value of the SME business sector as an expanding clientele for their services.

42. The meeting underscored in this regard the need for a more active role of central banks in exploring modalities for increasing the provision of loans by commercial banks to SMEs. Although introducing regulations mandating commercial banks to allocate a fixed percentage of their loan portfolio to SMEs may be controversial and difficult to administer, central banks may still exert pressure for such banks to increase their lending to the sector. Tax and other incentives with respect to easing reserve requirements may be offered as well as the encouragement of channeling government business to those banks that show a greater willingness to lend to small businesses.

43. As regards credit guarantees, it was pointed out that they may help in increasing bank lending for SMEs but that they will not prove 'panaceas' if the financial sector as a whole and the various banking institutions are not in a sound state to use such schemes properly. Participants agreed that guarantee schemes must pass the test of loan additionality, namely that the introduction of the guarantees has resulted in an increase in lending to SMEs and that those who did not have access to finance are able to obtain

credit. The schemes should only solve the problem of lack of suitable collateral on the part of SME borrowers with good business proposals.

44. Overall, the meeting felt that too much emphasis has been placed in the past on the provision of credit lines and loan funds to SMEs, developing a misguided belief that enterprises can rely exclusively on loans to fund growth. The meeting emphasized the need to explore other possible financing options.

45. In this connection, it was stressed that SMEs should explore the possibilities of non-banking credits from suppliers, customers or contractors and consider such options as leasing or hire purchase of equipment and premises. The meeting was of the opinion that venture capital and leasing arrangements could in future become viable avenues for the financing of SMEs in Africa, if given favourable treatment from the tax authorities. The meeting called upon donor organizations to give more consideration in future to the provision of assistance for the setting up of equity funds and leasing organizations.

46. The meeting also took note of successful approaches in linking larger businesses with SMEs (e.g. in South Africa), whereby larger firms establish foundations or special funds for the small business community and particularly for small enterprises which are their sub-contractors. These approaches could also be given more consideration in other African countries.

47. The meeting finally emphasized that access to financial services is only one ingredient for sustained enterprise development. SMEs should, in addition, have access to suitable business development services (BDS) to support the upgrading of their production techniques, products and services, with a view to being able to adapt to changing market conditions and to become more competitive. It was considered inadvisable for banks to invest greatly in developing their own advisory services which mainly tend to focus on clients. It is preferable for banks to work with independent BDS providers who should ensure qualitative and objective work, with a commercial orientation and aimed at a substantial outreach.

48. The session concluded that in order to increase the competitiveness of African SMEs in a sustainable manner, efforts should be stepped up to improve their access to finance. Finance alone is however not sufficient to promote small and medium enterprises. For financial schemes to be effective and have impact, complementary services are needed. To this end, other essential support services in the areas of information and referral, general business counseling, technology acquisition and use, product design and development should be provided in conjunction with

purely financial services. UNIDO could play an important role in the provision and promotion of such services to African SMEs.

(e) Investment Environment, Policies and Incentives in Africa

Moderator: H. E. Mr. Madikaba Camara, Minister of Industry, Guinea

Speakers:
- Mr. Aziz Dieye, Vice-President of African Business Round Table
- Mr. Naciri Bennani, President, Consortium de Négoce et d'Investissement, Morocco
- Mr. Rizwan Haider, Vice President HSBC Equator Bank, UK

49. The session reviewed Africa's current investment record, discussed its investment policies and deliberated on further measures to be taken with a view of transforming the investment trends for Africa.

50. Inadequate and inappropriate investment has contributed to Africa's lack-lustre economic growth record. Weak investment performance is evident at two levels: at the level of the private sector where the response to macroeconomic and political reform has been disappointing in many, if not in most, African economies and in the public sector where fiscal constraints have forced governments to economize on investment, especially in physical infrastructure and in institutional capacity. Low levels of domestic savings and large public sector deficits have forced African economies to rely, more than any other developing region, on foreign capital. At present, foreign investment represents 8.2 per cent of gross fixed capital formation against a world average of 7.7 per cent. Over the last two decades however, the region's share of the global stock of inward investment has fallen sharply and Africa receives today less than 5 per cent of FDI flows to developing countries, with six countries - Nigeria, South Africa, Egypt, Morocco, Tunisia and Angola - absorbing the vast majority of this share. Manufacturing's share of foreign direct investment in Africa represents about 30 per cent.

51. Despite the present disappointing FDI record, the meeting recognized the considerable improvements made by African countries in their FDI policy frameworks in recent years. Regulatory frameworks in most countries now permit profit repatriation and provide tax and other incentives to attract investment. Most countries have also enlarged the number of industries open to foreign investment. Progress has also been made in other areas that are important for the FDI climate such as trade liberalization, the strengthening of the rule of law, access to finance and improvements in

legal and other institutions as well as in telecommunications and transport infrastructure.

52. In addition to the improvement of national policies related to FDI, the session emphasized that a large number of African countries have now concluded bilateral investment treaties with other countries which aim at protecting and promoting FDI and which clarify the terms under which FDI can take place between partner countries. These treaties contribute to the creation of a more secure environment for foreign investors in the continent. Some African countries have also accelerated the conclusion of double taxation treaties in the 1990s, which make it more attractive for foreign investors to invest in a country by helping them avoid paying taxes twice on the same transaction. The session finally stressed that the majority of African countries have signed multilateral agreements dealing with the protection of FDI, such as the Convention establishing the Multilateral Investment Guarantee Agency and the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

53. The session agreed that with all these improvements, the policy framework for FDI has in many African countries become similar to that of most other developing countries. It was however recognized that these efforts are not sufficient to attract significant levels of foreign investment.

54. Examining recent findings on the determinants of foreign investment, the session underscored the need to reverse the decline in public investment and emphasized that public investment into the basic economic infrastructure must be seen as a precondition to "crowd in" more private investment. In particular in areas such as human resource and skill development but also in transport, energy and notably telecommunication which raise the productive efficiency of investment. It was furthermore reported that most foreign investors are market servers (as compared with resource-seeking investment or efficiency-seeking investment), targeting large, fast growth domestic markets. In making their investment decisions, such market serving businesses are willing to compromise on country characteristics such as investment incentives, labor costs and contract enforcement, in order to secure a toehold in a large fast-growth market. In this connection, the meeting stressed the importance of enhanced regional economic integration with a view of providing an enabling environment for private investment to take advantage of economies of scale in production and marketing.

55. In view of the foregoing, the meeting concluded that more needs to be done by African governments to realize the potential for increased FDI flows. The measures to be taken are dependent on each country's individual political and economic situation and how far it has gone in improving its investment climate. Countries with good FDI potential were recommended to

concentrate their promotional efforts on a limited number of sectors. The meeting called upon development cooperation agencies such as UNIDO to provide assistance to those countries where weak infrastructure and insufficient skills are major bottlenecks for investment, especially in those sectors that are of potential interest to foreign investors.

56. With a view of exploiting Africa's comparative advantage in cheap labor and stimulating efficiency-seeking investment into Africa, the meeting furthermore called upon the developed countries to facilitate access for African products, especially labor-intensive goods, to their markets.

57. The creation of more investment funds dedicated to Africa was seen as another important factor in the promotion of foreign investment. It was pointed out that these funds have introduced African markets to the international investors, especially to the fund managers of large pension funds. The successful deployment of these funds in productive projects will encourage all potential investors to look at the investment opportunities in Africa.

58. Lastly, the meeting felt it absolutely crucial for African countries to promote and encourage local investment. It was stressed that such investment would create the much needed climate of confidence for foreign investors and would create the necessary entry points for foreign investment.

(f) Regional Economic Integration and Investment Promotion

Moderator: Amb. Vijay Makhan, Assistant Secretary-General, OAU

Speakers:

- Mr. Laouali Baraou, Commissioner, UEMOA
- Dr. Chungu Mwila, Director, Investment Promotion and Private Sector Development, COMESA
- Mr. Yayi Boni, President, Banque Ouest-Africain de Developpement
- Mr. Kaba Camara, Development Management Officer, ECA

59. The session reviewed the experiences of the various regional economic communities in Africa, assessed the progress achieved thus far and discussed the way forward in creating a continental economic space and common market.

60. Market size is a key determinant of both industrialization and inward foreign investment. Sub-Saharan economies with a median market size of only 6.5 million are at an enormous disadvantage. Historically countries with large populations and/or high income per head have industrialized earlier and

faster than small, poor nations, reflecting the significance of scale and scope economies, market opportunity and especially foreign direct investment. The pursuit of regional integration and coordination in Africa could therefore provide ample solutions to the problem of attracting investment. However, overall progress in regional integration has thus far not been very encouraging. This has contributed to the very low level of intra-regional trade, thereby limiting market size and scope and holding back export expansion.

61. In general, the meeting was of the opinion that in spite of the clearly recognized need to achieve economic integration, the lack of real and concrete will at the political level has thus far constituted the major obstacle against successful regional and sub-regional integration.

62. Discussing the role of regional integration in investment promotion in Africa, the meeting felt that for private investment to take advantage of economies of scale in production and marketing, initiatives in regional economic integration should provide an enabling environment based on the following considerations:

63. First, direction and impetus must come from market signals rather than from interventionist government policy, which may seek to locate enterprises in areas of sub-optimal comparative advantage. The state needs only to provide the appropriate market-friendly environment for large-scale investment to optimally locate and operate. Countries however need to harmonize their investment policies and legislation vis-à-vis foreign investment.

64. Second, a pragmatic and incremental approach should be followed. Underscoring the importance of geography in attracting FDI and referring to the Asian miracle, the meeting felt that regional blocks could benefit from a 'flying geese' effect whereby two or more countries would provide the lead in each sub-region for others to follow. Comparative advantage in development will force forerunner countries to vacate the market for less sophisticated goods to latecomers in development and thereby cause the whole region to move along. It is in this light that the increasing investment in a post-apartheid South Africa provides hopes for the benefits of regional integration and investment in the Southern African region. Similarly, the restoration of democracy in Nigeria provides ample hope for integration and investment in the West African region.

65. Third, free mobility of the factors of production and goods must be ensured within the region. And fourth, market information on trade and investment opportunities must be actively disseminated within the region to all stakeholders. The meeting stressed the crucial role for Chambers of Commerce in this regard.

66. The meeting emphasized that within this framework, regional integration and cooperation can serve as a tool for African countries to adopt credible, outward-oriented economic policies which will increase their supply response to global events and provide a stepping stone into global markets. The meeting felt that as macroeconomic and trade reforms take place in Africa, the obstacles to regional integration will recede. Regional agreements will act as an insurance against the risk of policy reversal.

67. The meeting concluded that in order to achieve Africa's development goals, it is absolutely necessary to intensify regional integration at the sub-regional and regional levels with as an ultimate goal the creation of an African Economic Community. Such integration should provide an enabling environment for private investment to take advantage of economies of scale in production and marketing. The creation of customs unions, the harmonization of national legal frameworks, the establishment of regional financial markets and the development of common sectoral policies constitute essential building blocks in this respect.

(g) Private Sector Capacity Building and Promotion of Entrepreneurship

Moderator: Mr. Abdulqawi A. Yusuf, Special Adviser & Assistant Director-General of UNIDO for African Affairs

Speakers:
- Dr. Ousmane Kane, Executive Director, ARCT, Senegal
- Dr. S. Kiruthu, Executive Secretary, ESALIA, Kenya
- Mr. Wilfried Luetkenhorst, Director, Private Sector Development Branch, UNIDO

68. The session reviewed the problems faced by the private sector in African countries and discussed ways of overcoming these problems and making the transition to economies with competitive private sectors.

69. The private sector is gradually assuming greater importance as driving force of industrial development in most African countries. The changing role of the state, including active privatization programmes in many countries, has been one contributing factor, globalization and the resulting need for increased competitiveness has been another. In Africa, the share of private investment in total investment is currently only marginally below the average for all developing countries, which is at 71 per cent. However the apparent catching up of Africa in terms of private investment ratios is at least partly due to decreasing public sector investment rather than significant increases in private sector activity itself. In other words, the private sector is becoming relatively more important as source of economic

dynamism but it has not yet gained the full momentum one would like to see. Without strong domestic private industries, in particular medium-sized supporting industries as suppliers of parts, components and services, the attraction of foreign investment to Africa will be an uphill battle. Developing a strong private sector is therefore both an objective in its own right and, at the same time, an effective means of bringing in and linking foreign investment with the domestic economy.

70. Although it is now widely recognized that the private sector should bear the principal responsibility for the production of goods and services, the meeting emphasized that the public sector continues to play a crucial role as a facilitator and regulator of the development process, including the development of the private sector itself. It should, in particular, establish the overall conditions within which the development of an efficient and competitive private sector can take place. This, participants agreed, would necessitate the provision of a conducive policy environment, the provision of the necessary physical infrastructure, and the promotion of an appropriate institutional framework, including business support services.

71. The meeting further recognized the critical importance of the development of SMEs for the industrialization of African economies. It was emphasized that SMEs support the building of systemic productive capacities. They help to absorb productive resources at all levels of the economy and contribute to the establishment of dynamic and resilient economic systems in which small and large firms are interlinked. They also support the development and diffusion of entrepreneurial spirit and skills. Because SMEs comprise a predominant share of the private sector, and because of their specific characteristics and potentials that distinguish them from larger enterprises, the meeting stressed that special attention needs to be given to their role in the development of the private sector in African countries.

72. Analyzing the critical aspects of private sector capacity building and entrepreneurship promotion, the meeting agreed that there is a need to address the most important dimensions in an integrated manner in order to ensure effective capacity building in the private sector. These dimensions include the elaboration of a transparent and conducive policy framework by involving the private sector in the policy dialogue; the strengthening of public sector institutions in their new role as promoters and regulators of the private sector; and the building of capacity in the private sector itself by fostering, inter alia, the development of business advisory services.

73. With respect to the elaboration of a conducive policy framework, the meeting recognized that the economic reform programmes, undertaken in many African countries, have improved overall economic policies. It was however emphasized that there is still need to expand the policy framework to provide for a comprehensive approach that addresses subsidiary policies

in areas such as industry, labour, energy, environment and SMEs. Since policy is only as good as the information on which it is based, and often that information is missing or incomplete, it was pointed out that, in most countries the information systems for policy formulation require further development. The meeting strongly recommended that policy frameworks for private sector development should be elaborated in close consultation with the private sector. Partnerships between the private and public sectors are an effective means of ensuring that government policies reflect the views of the private sector and allows for joining forces where joint activities are appropriate. The government's dialogue with the private sector should preferably be institutionalized, by establishing public-private sector consultative mechanisms.

74. With respect to the strengthening of public sector institutions, the meeting stressed that the existence of effective and efficient public sector institutions is a critical requirement in bridging the gap between good policy formulation and good policy implementation. It was mentioned that public sector institutions in most African countries have not been adequately strengthened to undertake their new functions of regulating and promoting the private sector. There is therefore need to build up the capacity of institutions such as relevant line ministries, SME promotion agencies and investment promotion agencies. Technical institutions such as metrology and standards institutes are particularly crucial, since the quality of a country's product and their suitability for export are dependent on the availability of these types of technical services.

75. In terms of strengthening the private sector itself, it was pointed out that enterprises need a wide array of support services, from representation before government, over consulting and technical services, to financing. The meeting felt that government or donor-provided support services for businesses have not been very effective in the past, and was of the opinion that new approaches relying on the market or on efforts of enterprises themselves to identify and obtain services hold more promise for future development of the private sector. The meeting agreed that private sector firms and institutions are usually much better able to provide these types of support services than government. Programmes to strengthen the private sector to provide such services, and to develop new and more effective services, are therefore much needed.

76. The meeting concluded that with improved policies, with upgraded governmental institutions that promote and efficiently regulate the private sector, and with private sector institutions providing services to enterprises on a demand-driven basis, African enterprises will be able to operate in an environment that allows them to be competitive. Increased emphasis on these activities will therefore be needed to enable Africa to participate in the benefits of globalization.

77. The meeting finally called on the donor community to ensure that support programmes provide integrated assistance at all levels and to all actors so that coherence is achieved in stimulating a competitive private sector.

(h) Private Financing of Infrastructure (PFI)

Moderator: H. E. Ms. Amelia Ward, Minister of Industry and Commerce, Liberia

Speakers:
- Mr. Juste Rwamabuga, Representative of ADB
- Mr. E. Dokouna, Director-General, BDEAC
- Mr. Antoine Adou, Director-General, BNETD, Côte d'Ivoire

78. Infrastructure is the single most important factor for both industrial sustainable development and foreign investment. The generally poor performance of state-owned monopolies, combined with debt and budgetary crises in most developing countries and the rapid globalization of world economies, have brought into sharp focus the economic costs of inadequate infrastructure and prompted a growing number of developing countries to take active steps to promote competition, private entry and foreign investment in the infrastructure sector.

79. Traditionally, the construction and operation of basic infrastructure facilities has been the exclusive domain of the public sector. This was due not only to the predominance of public financing of development programmes, but also because of the principle of public ownership of infrastructure and the notion of public utility attached to the services provided by them. In this context, the involvement of the private sector in areas, which were, before considered as strategic by African policymakers represents a dramatic shift in development policies.

80. From a legal point of view, the public ownership of infrastructure conferred upon them an inalienable character which excluded all pretensions of private ownership and thus any private initiative in that sector. On the other hand, the notion of public utility of infrastructure has given some logic to the free or highly-subsidized services provided by these utilities. However, it was pointed out that in many cases where the initial investment is provided by the State, it has become acceptable that the operation and maintenance costs of such services be met either from taxation or by the direct beneficiaries themselves in order to ensure the long-term viability of the installed equipment. For example, in the Village Water Works Programme of the Central African Republic, financed by a BDEAC loan to the Government, the beneficiary village communities had agreed to meet the maintenance costs.

81. The meeting considered the allocation and management of risks, both commercial and non-commercial ones, in a PFI project as a key issue that needs to be addressed, within a transparent policy framework, in a way that is considered fair to all contractual parties. Efficient risk allocation and mitigation are central to bringing infrastructure projects to financial closure and to providing appropriate incentives during construction and operation. Efficient risk allocation occurs where those who are best able to manage them assume the risks involved.

82. The meeting considered the PFI as a suitable mechanism for African countries to meet their needs for modern and efficient infrastructure construction and maintenance. PFI can foster the use of local components and transfer of technology and know-how, being a spin-off instrument for local competitive manufacturing and engineering industries. It was further pointed out that the lack of adequate infrastructure, especially electric power, telecommunications, transportation and water, is adding heavy costs to locally-manufactured industrial products, thereby hampering their competitiveness in regional and international markets.

83. However, the meeting stressed that because PFI was a relatively new mechanism in most African countries, they were badly in need of policy advice and assistance in setting up the necessary legal framework and institutional infrastructure for the successful introduction and management of PFI projects. In this connection, the work done by UNIDO in several African countries was highly commended.

84. In conclusion, African countries wishing to embark on this new mechanism were urged to start with a relatively easy and small PFI project, such as a road or power plant, in order to gain the necessary experience in the management of such projects. By giving policymakers, investors and financier's experience, and through building domestic constituencies for further change, a successful PFI project will encourage further privatization of existing assets. Initial options in the framing of concession agreements and entry conditions (for example, competitive bidding versus negotiated contract) may be limited but are likely to expand once the first few projects have been implemented. Once the process gathers momentum, and policy reforms become politically and socially acceptable, governments can focus on increasing the competitive structure of the sector, and hence put private participation on a more sustainable basis.

(i) Globalization and Industrial Development in Africa

Moderator: H. E. Dr. Iyonchia Ayu, Minister of Industry of Nigeria

Speakers:
- H. E. Mr. Badr El Din Mohammed Suleiman, Minister of Industry of Sudan
- Prof. Samuel Wangwe, Tanzania
- Mr. Torben Roepstorff, Senior Industrial Development Officer, IPC, UNIDO

85. The session examined the determinants and main features of the processes of globalization and liberalization of the world economy and discussed the implications for Africa's industrial development strategies.

86. Globalization and trade liberalization are irreversible processes. The question for developing countries is therefore not whether to integrate into the global economy but how so as to avoid further marginalization of their economies. The economic sector driving the upsurge in both international production and international trade has been the manufacturing sector. Within the sector there has been a clear shift towards knowledge intensive production and global competition based on technological innovation. Liberalization of national economies has reduced barriers to movements of capital, finance and labour across borders influencing firms to shop around for the most profitable area. As a result many industries are now showing global characteristics even in the primary sectors as multinational companies standardize products, services and processes around the world. Global players these days are increasingly playing strategy, the core of which is to enhance size, accumulate resources and built platforms to attain global presence and dominant positions in key markets. As a result, investment is flowing at an accelerated pace to such markets; most is being directed to developed regional blocs, some to industrializing countries with sizable economies and a trickle to the less developed. The forces which drive investment flows seem to be increasingly beyond the control of any single state, let alone from developing countries.

87. It is widely acknowledged that globalization brings opportunities as well as threats to developing economies. In attempting to seize the opportunities, African countries will however urgently need to address major deficiencies with respect to technological capability, technical skills, quantity and quality of markets, goods and services, the culture of industrial production, management practices and marketing strategies.

88. Reviewing the current state of the world economy and reflecting on Africa's position in it, the meeting agreed that industrial development in Africa will be the key to accelerated growth, employment, dynamic linkages with other sectors of the economy and Africa's eventual integration in the world economy . Its primary aim must be to foster the continent's potential for dynamic development and to enable African industry increase its share of international markets. For this to occur, the meeting stressed that considerations of international competitiveness must be the guiding

principle of industrial development in Africa, consistent with the requirements of today's globalized and liberalized world economy.

89. The meeting recognized the importance of technological learning and technological capability development in Africa's catching up process. It was pointed out that the approach of industrial development in Africa will need to relate to the changing character of innovations and technological changes and their role in international trade and competitiveness. A crucial question in this regard is how to best exploit the position of a late comer in development by effectively utilizing the opportunities that globalization has to offer. Since competition in the current context of globalization is increasingly innovation based, the meeting stressed the importance of engaging in continuous innovation over time. There was therefore an urgent need to build up effective technological and innovation capabilities in African countries. The meeting called for policies to stimulate the development of appropriate management and organizational techniques as well as the development of a science and technology base that is closely linked to the efforts of enterprises and production. Interaction between policies and the behaviour of actors they are designed to affect are critical in shaping outcomes in terms of innovation and competitiveness. The meeting therefore underscored the importance of forging partnerships so as to ensure productive interaction between policy formulation and responsiveness to policy.

90. The meeting further recognized that the structure of employment is changing with a shift from manual to mental work as indirect production or support work is gaining ground over direct production work. Practical skills will have to be complemented by higher levels of theoretical skills in science and modern technologies and the trend is to give preference to personnel with multidisciplinary skills. It was noted that low labour costs have become a less effective basis for competitiveness. Furthermore, low educational levels are not conducive to the adoption of new technologies. The meeting therefore stressed the importance of re-orienting Africa's educational systems to the needs of the new economy.

91. With respect to the impact of recent international trade agreements on industrial growth in Africa, it was pointed out that the reduction of Most Favoured Nations tariffs will erode the margin of preferences that many countries in Africa were supposed to enjoy under the generalized system of preferences or specific preferences such as the Lomé Convention. It was reported that overall, African countries won fewer concessions in the Uruguay Round than other developing countries, but they also emerged from the round facing fewer or lower restrictions than others. The meeting recognized that the new situation is one in which market access is determined by competitiveness rather than preferences. As regards the trade related investment measures agreement (TRIMS), the meeting

agreed that Africa will now have reduced space for regulating flows of foreign direct investment. The scope for formulating selective investment incentives or instituting performance requirements to promote domestic technological capabilities, such as local content requirements, will also be reduced considerably. The agreements on trade related intellectual property rights (TRIPS) mean furthermore that Africa will not have the luxury to pirate technology as predecessors in development did. The cost of acquiring technology will therefore be higher. In addition, the implementation of TRIPS will involve the costs of making existing intellectual property rights regimes consistent with the TRIPS framework.

92. In view of the recent developments in trade and investment liberalization the meeting underscored the need for the formulation of appropriate competition policies in African countries. This is however an area where most countries in Africa have little experience. Many countries do not have domestic laws on competition and will now have to formulate international rules to govern trade and competition. The challenge being how best to manage and regulate the behaviour of international firms in such a way that they become a source of increased productivity for the country through technology transfer and the channeling of new technologies.

93. The meeting concluded that in order to cope with the challenges of globalization and liberalization and effectively seize the new opportunities, African countries should initiate a third generation of reforms aimed at linking macroeconomic stability with microeconomic performance. Concrete policies at the microeconomic level should be elaborated through consultative processes involving all relevant public and private stakeholders. The policies should focus on the following elements:

(i) fostering competitiveness through technology, innovation, quality and information management;

(ii) upgrading technical skills;

(iii) provision of advisory business development services;

(iii) establishing linkages between large and small firms and between local and foreign investors;

(iv) fostering domestic competition through the creation of competition commissions;

(v) establishing national quality and innovation prize awards for enterprises on an annual basis.

F. Forum on Resource Mobilization for Technical Cooperation

94. Two plenary sessions were held to exchange views on the integrated programmes and to identify mechanisms for resource mobilization. The first session was presided by the Minister of Industry of Senegal, and it was attended by some 150 participants. The second session was presided by the Minister of Industry of Ethiopia. Statements were made by a number of African countries that had formulated an integrated programme for their industrial sectors in cooperation with the UNIDO Secretariat. They included Burkina Faso, Ethiopia, Ghana, Guinea, Mozambique, Rwanda, Sudan and Togo. The statements emphasized the ownership of the programmes by the countries concerned and the efforts made to mobilize resources for the programmes. Statements of support for the programmes and their financing were also made by Austria and France during the second session. H. E. Mr. R. Reguieg (Algeria), President of the Industrial Development Board and H. E. Mr. A. Nemethy (Slovakia), Chairman of the Programme and Budget Committee also made statements on UNIDO's reform, the implementation of the Business Plan and the importance of ensuring the financing of the integrated programmes.

95. A separate session was also organized to present and discuss with the international community the integrated programme for Senegal. The participants in the meeting were the Resident Representatives of UNDP, World Bank and BOAD (West African Development Bank), the Ambassadors of Austria, Belgium and Portugal, representatives of the French Ministry of Foreign Affairs, the French Permanent Mission to the UN in Austria, the European Union, Netherlands, Tunisia and the Senegalese private sector. The session resulted in a very useful and productive exchange of views between Senegalese officials and representatives of development partners on overall industrial policies of the Government and the place of the programme within such policies. The Director of Industry of Senegal stated that the total amount of the Programme was US$ 9.2 m. and funds secured so far were US$ 1 m. from UNIDO, $ 497,000 from the Government of Japan and $ 225,000 from UNDP. Another contribution of $ 250,000 would be forthcoming next year from the UNDP and $495,000 from the BOAD The World Bank Representative announced that it was seriously considering the financing of some components of the programme The representative of France expressed interest in the Programme and announced that a contribution of $ 30,000 will be available to finance a delegate to the UNIDO Investment & Technology Promotion Office in Paris. The Ambassadors of Austria, Belgium and Portugal raised some questions about the programme components on environment, quality, regional integration and other priority sectors It was finally agreed that the dialogue on the financing of the programme would continue between the Government and its development partners.

96. In summing up the deliberations of the forum, the Chairman stated that UNIDO had demonstrated its strong commitment to Africa through the design of 14 Integrated Programmes. He pointed out that the discussions in the forum were part of a broader process that had already started both a UNIDO Headquarters and in the capitals of the countries concerned. He stated that this process will continue and African countries will pursue those efforts for the identification and mobilization of necessary resources for the integrated programmes and their development partners with the assistance of UNIDO. In this connection, a specific approach will have to be made toward the African Development Bank, the BADEA and the Islamic Development Bank. UNIDO, together with African countries, had to elaborate new and innovative funds mobilization mechanisms.

G. Business Meetings on Selected Investment and Technology Opportunities

97. Bilateral Business Meetings took place on 20 October (14:00-15:30 hrs) and 21 October (08:30-12:00 hrs). These meetings were a good opportunity to meet foreign companies, African entrepreneurs, representatives of African Investment Agencies or Directors of UNIDO's Investment and Technology Promotion Offices. Investment projects were presented on a permanent basis during this period.

98. The following participants registered to attend business meetings:

- 40 African private companies coming from mainly Tanzania, Côte d'Ivoire, Niger, Mauritania, Nigeria, Guinea, Senegal, Gabon, Madagascar, South Africa, Morocco, Congo;
- 14 Non African private companies from Italy, France, Belgium, Turkey, India, Austria;
- 4 Banks, Ecobank Senegal, BOAD, BIC Mauritania, Planet Finance France;
- 7 African Investment Promotion Agencies from Guinea, Côte d'Ivoire, Mali, Burkina Faso, Nigeria, Ghana, Madagascar;
- 4 UNIDO ITPO's, France, Italy, Japan, and Walloon Region of Belgium.

99. More than 60 participants were thus able to meet and negotiate concrete business opportunities. It is expected that many of these participants will

follow-up on their initial discussions in Dakar. In the meantime, two of the prospective partners present at the Conference – Mr. Ramon Erne, Managing Director of ERNEX in Lustenau in Austria and Mrs. Tall, Chief Executive Officer, ICOTAF, a businesswoman who has established a modern plant producing attractive textiles in Senegal – have already reached a clear understanding on a joint-venture in the textile sector in order to supply the UEMOA market and concluded an agreement during the Eighth General Conference of UNIDO, in the presence of H. E. President Abdou Diouf of Senegal.

100. With the assistance of UNIDO, ERNEX and ICOTAF heads met and discussed business networking during CIPIA's one-to-one meeting sessions. ICOTAF is a leading integrated textile manufacturer, established since 1951, employing 240 persons and supplying about 40 per cent of the domestic market with its bold Afro prints used for traditional garments and furnishings. But the unit was working at only 30 per cent of its current capacity and is anxious to improve its efficiency and increase its domestic market share and even enter export markets in neighboring West Africa and further afield. A successful embroidery company, ERNEX is based in the traditional textile region of Austria (Vorarlberg) since 1963. ERNEX Embroideries in Lustenau produces fine laces and other textiles used as traditional Arabian and African garments exporting them to many countries of the world. ERNEX has made its name in Europe's embroidery business line due its invaluable know-how and dynamic marketing strategy.

101. As Ms. Tall discussed the unit's expansion plans with Mr. Erne, the key factor was increasing capacity utilization from 40 per cent to around 75-80 per cent with ERNEX technical assistance and know-how for increased profitability. ERNEX would also supply 'grey fabric' from the Far East on which ICOTAF would print the Afro designs. The supply of modern weaving machinery is another component of the expansion to enable the Senegalese unit to increase its market share and start exporting with improved quality control and marketing advice. For taking a more active interest in its client, ERNEX would get a 25 per cent equity share in the enterprise.

102. This project will benefit from UNIDO's Integrated Industrial Development Programme for Senegal as a 'pilot enterprise'. UNIDO will guide this new joint-venture company in assisting to identify the right financing and in providing technical assistance in the field of investment and technology promotion, quality control, cleaner production. It is also foreseen to use the Asia-Africa Investment and Technology Promotion Centre (AAITPC) based in Kuala Lumpur, Malaysia, to establish new business contact for market access in Asia. This project is part of the follow-up of the Conference on Industrial Partnerships and Investment in Africa (CIPIA).

H. Parallel Events

(a) Meeting of Steering Committee of the Alliance for Africa's Industrialization

103. The Steering Committee of the AAI (Alliance for Africa's Industrialization) met on 21 October under the Chairmanship of H. E. Mr. T. Ahoua N'Doli, Minister of Industry of Côte d'Ivoire. The meeting was attended by the Director-General of UNIDO, Ministers and Representatives from Algeria, Angola, Burkina Faso, Cameroon, Ethiopia, Ghana, Liberia, Senegal and Sudan. The Chairman of the meeting recalled that the AAI Patrons' Group of Heads of State and Government took a series of decisions in Algeria.

104. He invited all members of the Steering Committee to implement in a timely manner the decisions taken by the Patrons' Group of Heads of State and Government in Algiers and in particular to:

   (i) Communicate names of private sector representatives in order to allow them to attend the next meeting of the Steering Committee;

   (ii) Review, if necessary and after two years, the status of implementation of the AAI plan of action;

   (iii) Review the status of implementation of the Industrial Partnership Councils within the concerned countries.

(b) **Presentation of INDAFTEL Regional Project** (Development of the Telecommunication Industry in Africa) by the representative of ITU

105. The ITU project coordinator, Mr. Assane Diallo, made the presentation on 21 October in one of the Conference Rooms. It was attended by African government representatives and private companies and by interested foreign companies.

106. The coordinator explained the necessity of a project providing assistance for the development of the telecommunication industry in Africa since the poor state of development of the telecommunication sector in Africa is one of the greatest impediment to its integration in the global information network and therefore in the global economy.

107. The following objectives of the project were described to the participants:

(i) to foster a regional and international partnership dedicated to the promotion of telecommunications in Africa;

(ii) to identify existing telecommunication units;

(iii) to promote local products;

(iv) to promote activities in support of the African telecommunication industry; research-development, standardization, human resource development, quality control ...

108. He stressed that the final results of the project would secure the ability of African countries to use and to produce telecommunication material and equipment, reduce the dependency on importation and valorize local raw materials and resources.

(c) Presentation of the Network of Chambers of Commerce & Industry of the UN Group of 77 & China

109. The presentation was made by Dr. William Tiga Tita, Executive Director of the G77 Chamber of Commerce and Industry Network in the course of a reception hosted by him on 21 October, attended by about 200 guests.

110. Dr. Tita presented the Global Management Centre and its "G77 Trade and Information Network" (TIN) which provides access to markets of the G77 with information on trade, technology and investment opportunities in 133 member countries along with professional assistance, training and a database of SMEs in all sectors of the economy.

111. The speaker also emphasized the cooperation of the Global Management Network with the International Chamber of Commerce and its dedication to facilitate global electronic commerce into the 21st century especially in developing countries. He invited those national Chambers which were not yet members to join the network, and find out more information about it from the website (www.g77tin.org).

I. Closing Session

112. The closing session was presided by H. E. Mr. Magued Diouf, Minister of Energy, Mines and Industry of Senegal, in the presence of the Chairman of the Steering Committee of the AAI (Alliance for Africa's Industrialization), the Director-General of UNIDO, the Assistant Secretary General of OAU,

the Deputy Executive Secretary of ECA, and the President of CNES (National Confederation of Senegalese Employers).

113. The Director-General of UNIDO reported about the main conclusions of the conference. He highlighted the fact that about 70 private companies took up the centre stage to discuss partnerships, which he stressed in a long term process. In this connection, new tools, approaches and mechanism need to be developed, as for example the African-Asia Investment Promotion Centre in Malaysia, a project financed by the Government of Japan and implemented by UNIDO. Further, the Director General of UNIDO appealed to partners from industrialized countries to assist in strengthening the capacity of African partners.

J. Follow-up Activities

114. Follow-up actions at the intergovernmental level will include:

(a) further consideration of mechanisms for resource mobilization for technical cooperation programmes in African countries;

(b) consideration by the AAI Steering Committee of ways of incorporating the conclusions and recommendations of the Panel meetings in the future revision of the Plan of Action of the AAI.

115. The Secretariat will also be taking necessary follow-up action on the following:

(a) Investment projects discussed at the business meetings as well as other contacts established for partnerships.

(b) Contacts with African countries and their development partners on the financing of country integrated programmes in the industrial sector.

(c) Incorporation of the conclusions and recommendations of the Panel meetings in the design of technical cooperation programmes and projects.

(d) Preparation of integrated programmes in cooperation with other African countries that have requested them.

ANNEX 1

12 November 1999

ORIGINAL: ENGLISH/FRENCH

CIPIA

Dakar, Senegal
20-21 October 1999

CONFERENCE ON INDUSTRIAL PARTNERSHIPS AND INVESTMENT IN AFRICA

LIST OF PARTICIPANTS

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ANNEX 2

LIST OF BACKGROUND PAPERS

- Financing of Private Enterprise Development- prepared by UNIDO
- Private Sector Capacity Building and promotion of Entrepreneurship - prepared by UNIDO
- Globalization and Industrial Development in Africa- prepared by UNIDO
- Regional Economic Integration and Investment Promotion- prepared by ECA and OAU
- Privatization and Industrial Partnerships - prepared by the World Bank

CIPIA

ANNEX 3

CONFERENCE ON INDUSTRIAL PARTNERSHIPS AND INVESTMENT IN AFRICA, Dakar, Senegal, 20-21 October 1999

PROGRAMME

DAY 1

08:00 - 09:00 **Registration**

09:30 - 11:00 **Session 1:** *Forging Partnerships for Africa's Industrial Development*
Committee Room 1 (B12)

Moderator: Hon. T. Ahoua N'Doli, Minister of Industry, Côte d'Ivoire

Speakers: Ms. Maria Filomena Aguilar, Director-General for International Economic Affairs, Ministry of Economy, Portugal
H.E. Mr. Shinsuke Horiuchi, Ambassador, Ministry of Foreign Affairs, Japan
Mr. Aziz Dieye, Vice-President, African Business Round Table

11:00 - 12:30 **Session 2:** *Concurrent Panel Meetings:*
Committee Room 2 (B5/B6)

- Business Meeting on Investment and Technology Opportunities: Introduction on project financing and investment network

  Moderator: Mr. Antonio Pinto-Rodrigues, Acting Director, Investment and Technology Promotion Branch, UNIDO

  Speakers: Mr. Ayoo Amousson-Kpéto, Director-General, Ecobank, Senegal
  Mr. Viwanou Gnassounou, Chargé de Mission, PlaNet Finance, France
  Mr. Yves Delafon, Administrateur, Banque pour le Commerce et l'Industrie de Mauritanie
  Mr. Konzon Lamizana, Resident Representative of BOAD, Senegal

Committee Room 4 (B1)

- Forum on Resource Mobilization for Technical Cooperation Programmes

  Moderator: H.E. Mr. Magued Diouf, Minister for Industry, Senegal

  – Introductory remarks by UNIDO Secretariat
  – Statements by participants: Algeria (President of Industrial Board), Burkina Faso, Ethiopia, Guinea, Mozambique, Rwanda, Slovakia (President of Programme and Budget Committee)

12:30 - 14:00 **Lunch**

14:00 - 15:30 **Session 3:** *Concurrent Panel Meetings*:

Committee Room 2 (B5/B6)

- Privatization and Industrial Partnerships in Africa

  Moderator: Mr. Kandeh Yumkella, Director, Africa Programme, UNIDO

  Speakers: Mr. Samuel Kondo, President, Syndustricam, Cameroon
  Mr. Cadman Atta Mills, Resident Representative of World Bank in Senegal

Committee Room 4 (B1)

- Financing of SMEs in Africa

  Moderator: H. E. Ms. Albina Faria de Assis Africano, Minister of Industry, Angola

  Speakers: Mr. Getinet Giorgis, Director, Country Department South, ADB
  Mr. Priya Banjan Das, Chief General Manager, Small Industrial Development Bank of India
  Mr. Wilfried Luetkenhorst, Director, Private Sector Development Branch, UNIDO

15:30 - 17:00 **Inaugural Session:** *Formal Opening of the Conference*
(Amphitheater)

Inaugural Speeches:

Message from UN Secretary-General (read by Ms. Lalla Ben Barka, Deputy Executive-Secretary, ECA)
Amb. Vijay S. Makhan, Assistant Secretary-General, OAU
Mr. Carlos Magariños, UNIDO Director-General
H. E. Mr. Abdou Diouf, President of Senegal

17:00 -17:30 **Break**

17:30 -19:00 **Session 4:** *Investment Environment, Policies and Incentives in Africa*
(Amphitheater)

Moderator: H.E. Mr. Madikaba Camara, Minister of Industry, Guinea

Speakers:

Mr. Aziz Dieye, Vice-President of African Business Round Table
Mr. Naciri Bennani, President, Consortium de Négoce et d'Investissement, Morocco
Mr. Rizwan Haider, Vice President HSBC Equator Bank, UK

19:00 - 20:30 **Reception hosted by the Director-General of UNIDO**

PROGRAMME

DAY 2

08:30 - 10:00 **Session 5:** *Concurrent Panel Meetings*
Committee Room 2 (B5/B6)

- Regional Economic Integration and Investment Promotion

Moderator: Amb. Vijay Makhan, Assistant Secretary-General, OAU

Speakers:
Mr. Laouali Baraou, Commissioner, UEMOA
Dr. Chungu Mwila, Director, Investment Promotion and Private Sector Development, COMESA
Mr. Yayi Boni, President, BOAD
Mr. Kaba Camara, Development Management Officer, ECA

Committee Room 4 (B1)

- Private Sector Capacity-Building and Promotion of Entrepreneurship

Moderator: Mr. Abdulqawi Yusuf, Assistant Director-General for African Affairs, UNIDO

Speakers:
Dr. Ousmane Kane, Executive Director, ARCT, Senegal
Dr. S. Kiruthu, Executive Secretary, ESALIA, Kenya
Mr. Wilfried Luetkenhorst, Director, Private Sector Development Branch, UNIDO

10:00 -10:30 **Break**

10:30 -12:00 **Session 6:** *Concurrent Panel Meetings*
Committee Room 2 (B5/B6)

- Private Financing of Infrastructure

Moderator: H.E. Ms. Amelia Ward, Minister of Industry and Commerce, Liberia

Speakers: Mr. Juste Rwamabuga, Representative of ADB
Mr. E. Dokouna, Director-General, BDEAC
Mr. Antoine Adou, Director-General, BNETD, Côte d'Ivoire

Committee Room 4 (B1)

- Forum on Resource Mobilization for Technical Cooperation (continued)

  Moderator: H.E. Mr. Kassahun Ayele, Minister of Industry, Ethiopia

  Statements by participants: Austria, France, Ghana, Sudan, Togo, Zimbabwe, IMO, UNIDO

13:00 - 14:30 **Break**

14:30 - 16:00 **Session 7:** *Globalization and Industrial Development in Africa*
(Amphitheater)

Moderator: H.E. Dr. Iyonchia Ayu, Minister of Industry, Nigeria

Speakers: H.E. Mr. Badr El Din Mohammed Suleiman, Minister of Industry, Sudan
Prof. S. Wangwe, Tanzania
Mr. Torben Roepstorff, Senior Industrial Development Officer, IPC, UNIDO

16:00 - 17:30 **Closing Session**
(Amphitheater)

Speakers: Mr. Carlos Magariños, UNIDO Director-General
H.E. Mr. Magued Diouf, Minister of Industry, Senegal
H.E. Mr. T. Ahoua N'Doli, Minister of Industry, Côte d'Ivoire
Mr. Mansour Kama, Président, Confédération Nationale des Employeurs du Sénégal

18:30 – 20:00 **Reception hosted by G 77 Network of Chambers of Commerce and Industry and the Chamber of Commerce of Senegal**

ADDITIONAL EVENTS

DAY 1

14:00 - 15:30 Committee Room 3 (C5)	Business Meetings on Selected Investment and Technology Opportunities
Committee Room 3 (C6)	Forum on Resource Mobilization: Consultations on Country Programmes

DAY 2

8:00 - 9:00	Business Breakfast hosted by Representative of EXIMBANK of India in South Africa
9:00 - 10:00 Committee Room 5 (C1)	Forum on Resource Mobilization: Consultations on Senegal Country Programme
08:30 - 12:00 Committee Room 3 (C5)	Business Meetings on Selected Investment and Technology Opportunities (cont'd)
10:30 - 11:30 Committee Room 5 (C1)	Presentation of INDAFTEL Regional Project (Development of Telecommunication Industry in Africa)
12:00 - 13:00 Committee Room 2 (B5/6)	Meeting of Steering Commitee of the AAI (Alliance for Africa's Industrialization)
18:00 – 20:00	Display of services of the G-77 Network of Chambers of Commerce and Industry

BOTH DAYS

- Launching of the Industrial Partnerships Promotion Network (IPPN)

ANNEX 4 (a)

The Secretary-General

Message to the Conference on Industrial Partnership And Investment in Africa

Delivered on his behalf by Ms. Lalla Ben Barka,
Deputy Executive Secretary,
United Nations Economic Commission for Africa
Dakar, Senegal, 20 October, 1999

"It gives me great pleasure to convey my greeting to all the Ministers and delegates and delegates gathered here today to attend this year's Conference on Industrial Partnerships and Investment in Africa.

Industrialization is a key element in transforming Africa's economy and increasing Africa's participation in world commerce and finance. It helps countries achieve important social objectives, such as jobs and equity. It creates opportunities for the integration of women. In rural areas, linked with agricultural development, it can help stem migration and relieve pressure on cities.

Yet the level of Africa's industrialization remains low, as illustrated by three key indicators.

First, there are only a handful of countries where manufacturing as a share of gross domestic product exceeds 25 per cent, which is the benchmark for considering a country as having achieved the threshold of industrial "take-off".

Second, the export composition of African countries continues to be dominated by primary products rather than by processed or semi-finished products.

Third, Africa's contribution to global industrial production is just 0.3 percent.

In short, if Africa is to survive in today's globalized economy, it needs to catapult forward in its industrialization process. Studies have shown that a 1 percent growth in gross domestic product requires more than a 1 percent growth in value-added manufacturing. For African economies to grow fast, the industrial sector will need to grow faster.

Africa's industrialization depends on a range of factors. Financial resources, of course, are essential; their availability is linked to issues such as foreign direct investment, domestic savings, debt relief, official development assistance, and the fight against corruption and capital flight.

Other fundamental requirements are access to international markets, technology transfer and development, and adequate infrastructures for transport, energy and communications, not least so that African nations can take advantage of their natural resources. For markets and private sectors to take root, there must also be a sound underpinning of institutions, laws, regulations, policies and good democratic governance. And no industry, whether traditional or high-tech, will function without people. Training and education are essential to liberate the entrepreneurial energies of Africa's people.

The United Nations Conference on Trade and Development recently published a study showing that investment in Africa brings a higher return to American and Japanese companies than any other region of the world. This is progress to build on. We have seen many African nations adopting enlightened policies and making good-faith efforts at economic and political reform. We have seen how partnerships between the public and private sector can transform a nation's prospects. And we have seen that when the international community is committed to doing its part, it can make a significant difference.

The right kind of partnerships now, among Africans and their international partners, could help the continent turn a corner in their industrial development and set the stage for a brighter future in all realms. In that spirit, please accept my best wishes for a successful conference".

ANNEX 4 (b)

OPENING ADDRESS OF H.E. MR. ABDOU DIOUF, PRESIDENT OF THE REPUBLIC OF SENEGAL AT THE CONFERENCE ON INDUSTRIAL PARTNERSHIPS AND INVESTMENT IN AFRICA

Prime Minister,
Ministers,
Director-General,
Deputy Executive Secretary of the Economic Commission for Africa,
Assistant Secretary-General of the Organization of African Unity,
Directors of enterprises,
Esteemed guests,
Ladies and Gentlemen,

It is a particular pleasure for me to preside over the official opening of this first International Conference on Partnerships and Investment in Africa, the continent which today boasts the world's highest rates of return on investments.

This is a most welcome initiative and I should like to extend a particular expression of gratitude to UNIDO, to the Economic Commission for Africa, the Organization of African Unity and the African Development Bank for the excellent arrangements which these institutions have kindly undertaken in order to facilitate the holding of this important meeting. Permit me to pay a very special tribute to His Excellency, Mr. Carlos Magariños, Director-General of UNIDO, for the high priority which he has unfailingly accorded to our continent in UNIDO's programmes and activities since his arrival at the head of our institution.

Director-General,
Ladies and Gentlemen,

The African States have, during the 80s and 90s, made immense sacrifices in order to adjust their economies, restore macroeconomic balance and redefine the role of State in the new context of market liberalization and globalization. These efforts are beginning to bear fruit now that Africa, since 1995, has re-emerged with positive real growth, contrasting with the virtually continual economic recession of the previous decade and a half.

What we need now in order to convert this recovery into a real economic take-off is to achieve, over a sufficiently long period, even better results with respect to growth rates, namely a minimum of six per cent of GDP per year, which would necessitate an annual rate of investment equivalent to almost 30 per cent of GDP.

In order to accomplish this, it would be necessary first of all to mobilize saving domestically in our States and, as an essential corollary, to explore the most appropriate ways and means of increasing foreign investment flows, in particular direct investment flows, which, because they assist in developing our labour force capacities and contribute to the efficient transfer of the most advanced technologies to local affiliate enterprises and domestic suppliers and because they contribute to the spread of the best managerial practices, have a major structuring role for our economies. However, in 1998, the average rate of investment in the continent did not exceed 17 per cent of GDP, and despite the increase in the volume of private capital flows in recent years, Africa's relative share is in decline compared with other parts of the world.

Moreover, the growth, however modest it might be, in flows to Africa, conceals wide disparities. On the one hand, five of the 53 African States account alone for over half of the investment flows received by the continent. On the other hand, the 48 least developed countries, of which 33 are in Africa, have barely been able to mobilize during the same year of 1998 one per cent of the volume of direct investment available throughout the world. The principal reasons for this worrying situation lie in the weakness of our infrastructure to support economic activities and the inadequacy of our activities in the area of promotion.

With regard to infrastructure, the foreign debt burden of the continent has ever been a major constraint on the conduct of our policies, aimed at economic growth, the pressure on public finances having made it impossible to realize the assets required in order to receive foreign investment flows in an efficient manner. This is an appropriate moment to express our great satisfaction and appreciation to our development partners following the recent decisions announced by the international community in connection with the Heavily Indebted Poor Countries Debt Initiative.

As regards the promotion of Africa as a target for investment, general promotional initiatives could usefully be supplemented by specific campaigns based on the competitive advantages of each country. This is the entire point of the initiatives already undertaken within the regional economic communities with regard to the formulation of common industrial policies which respect the principles of competition, but also of solidarity.

Finally, in order to achieve this much awaited take-off, we will need to devote very special attention to the quality of the partnership to be established in the first place between the State and the private sector within countries and, in the second place, within our Regional Economic Communities and also within the dialogue linking Africa to the rest of the world.

For my part, it is this frank and forward-looking dialogue that I am endeavouring day by day to promote in Senegal within the General Development Coordination Committee which

I set up five years back and brings together, around the Government, business leaders, rural community leaders and representatives of the labour force. This exercise has yielded convincing and encouraging results on the road to the establishment of an environment favourable to private initiative.

At the sectoral level, I also decided to establish, more than a year ago, the Higher Council for Industry as a national mechanism for coordination between the State and the industrial sector and I assigned it the mission of translating my vision of Senegal for the medium and long terms into clear, predictable and universally shared industrial development strategies.

Today, within this shared context, various initiatives are being undertaken in the areas of promoting our national information and strategic monitoring network, developing micro-, small and medium-sized enterprises, and promoting quality control, standardization and metrology, as well as environmentally sustainable industrial development.

At the subregional level, in the spirit of the Treaty establishing the African Economic Community which we adopted in July 1991 at Abuja, mention should be made of the crucial role which intraregional trade and investment are called upon to play in achieving the high-growth levels to which we aspire for our economies.

The promotion of this type of regional integration agreement, promoting real growth in returns achieved through economies of scale while also encouraging healthy competition between economic operators, should be extended throughout all regions of our continent.

Lastly, as part of the necessary dialogue which we need to promote between our continent and other regions of the world, we are witnessing a proliferation of generous and clear-sighted initiatives: the Second Tokyo International Conference on African Development (TICAD II), the future agreement between the European Union and the African, Caribbean and Pacific Group (ACP Group), the American Initiative on Opportunities for Growth in Africa, to mention but a few, are combining, each day a little more, to link our continent into the global chain of wealth creation and sharing.

Ladies and Gentlemen,

In a little over a year, we shall be entering the third millennium with all our hopes and uncertainties. Even more so than today, the economy of the future will be supported by technological know-how and innovation. Already reserves of jobs and added value are to be found to an ever increasing extent in the service sectors, especially the service sectors related to the new information and communications technology. The design, production and marketing of goods and services will all be performed, in future, throughout all the continents, to the rhythm of the pulse of the microprocessor.

Africa shares, with the same momentum, the same chances and the same weaknesses, the same constraints and the same opportunities as the rest of the world, in the construction of this global village.

May your deliberations serve as inspiration to the African leaders and halt once and for all the process of the marginalization of our continent.

I wish you every success in your work and declare open the **Conference on Industrial Partnerships and Investment in Africa**.

Thank you for your kind attention.

ANNEX 4 (c)

CONFERENCE ON INDUSTRIAL PARTNERSHIPS AND INVESTMENT IN AFRICA DAKAR, SENEGAL, 20-21 OCTOBRE 1999

OPENING STATEMENT OF THE UNIDO DIRECTOR-GENERAL CARLOS MAGARIÑOS

ALLIANCE FOR AFRICA'S INDUSTRIAL DEVELOPMENT (Ver.2.2)

Your Excellency, President Abdou DIOUF
Honourable Ministers
Members of the Diplomatic Corps
Distinguished Representatives of the Private Sector
Ladies and Gentlemen

I am particularly happy to be here with President Abdou Diouf, and to join the Government of Senegal, in welcoming you on behalf of UNIDO to the Conference on Industrial Partnerships and Investment in Africa.

We are here today because African countries called on us to build partnerships with Africa for the new century. They invited us to team up with Africa's governments and private sector because this is the time for Africa. It is now Africa's turn to embark on an economic take-off. The African region's highest regional body, the Assembly of Heads of State and Governments of the OAU requested the meeting. The rest of the world, represented by the UN General Assembly, strongly supported the idea.

We are specifically here in Dakar because Senegal's President, His Excellency Abdou Diouf, kindly offered his own patronage to the Conference. My first pleasant duty, therefore, is to extend to your Excellency UNIDO's heartfelt thanks for your personal interest in the Conference and for the generous hospitality of the people and Government of Senegal for this important event.

My second task is to welcome in particular the large number of private sector representatives – both from Africa and from overseas – who are with us today. I draw special attention to their participation because nearly all the conference themes refer to the private sector'' crucial role in Africa'' industrial development. Private firms are the agents, the targets or the beneficiaries of almost everything on our agenda. Even government-oriental topics have Africa's private sector development and participation of African and non-African private firms in the region's industrial development as their main aims.

I'm sure we are here to take a serious look at Africa's potential in value-added manufacturing – for local and regional markets, and for export. Today's broad message, however, is that, after decades of investment decline and neglect by foreign investor, things are looking up for African countries. The region is now enjoying recovery and a healthy economic growth, More than a dozen countries grew faster than 5 per cent annually in recent years. Increased per capita income throughout the region is accompanied by strong growth in export earnings overall.

As a result the first generation of reforms – the reforms devoted to macroeconomic stabilization – the African region is already being drawn into the globalization process. A new generation of managers and entrepreneurs is making an impact. They are ready for partnership arrangements, and their business demands on Africa's governments are exactly the same as those of foreign investors – good governance and effective institutional support.

Mr. President,
Ladies and Gentlemen,

I think it is clear now macroeconomic reforms were just the beginning of a reform process. They are now been follow by a second generation of reforms focuses on institutional changes that are necessary to realize the benefits of macroeconomic and market reforms – reforms to the judiciary system to ensure the rule of law, reforms concerned with health and education that improve living conditions and level the field of opportunities and reforms to fight corruption and increase transparency.

Together, the first and second generation reforms create the instruments required for countries to be players in the process of globalization. This is an important and unavoidable task. But let me make a point here : once our countries become full players in the process of globalization we have to ensure the benefits will be spread all along the social base. Even when the African economies become full players in the processus of globalization, we still have to link globalization with the life of those it affects.

The remedy, I propose, is a third generation of reforms devoted to link macroeconomic stability with microeconomic performance. Job creation alone is proving insufficient, for example. We also need to develop ownership solutions. The third generation of reform has to be about mobilizing the skills, information, technology and knowledge required to develop and upgrade Africa's private sector. And it calls for concrete policies at the microeconomic level – instead of slogans like « SME promotion » that lead nowhere.

These are the directions we are now taking with UNIDO's own transformation – cooperating where possible with leading institutions concerned with development issues.

Technical cooperation priorities have to be in line with this – improving Africa's own national infrastructures to attract more foreign investment. Here I am not talking about the creation of more investment promotion offices. Much more important is making Africa's own private sector more attractive as potential partners for foreign manufacturers through capacity building and skills upgrading. A development-aid-investment news would enable this. Aid would be specifically allocated to helping African countries create an environment more suited to private sector-led industrial development, and to provide more effective entry points for foreign investment and industrial partnership in Africa.

The 15 integrated country programmes that will be presented at this Conference are a joint effort by UNIDO and by African countries to move in this direction. They constitute a concrete application of the Programme of Action of the Alliance for Africa's industrialization. They are *integrated* because real life problems require complex, i.e. cross-discipline, solutions. They are large in scope because (in combination with integration) that is the best way to deliver impact at field level and value for tax payers money in donor countries. We are presenting them here because we want other partners to join us in their implementation and concrete realization.

Mr. President,
Ladies and Gentlemen,

The themes that will be covered in the next two days are an opportunity for business and policy makers to exchange views in that area. This will be one of the outcomes that, I am sure, will be carefully studied particularly by the Conference of African Ministers of Industry, which will meet here in Dakar for its fourteenth biennial meeting on 22nd and 23rd of October.

One of its traditional tasks is to prepare Africa's position at the forthcoming UNIDO General Conference. The difference this time is that the UNIDO Conference features an extensive and fundamental review of where industrial development should be heading in early part of the new millennium. Africa's considered view of the policy environment to attract and sustain industrial partnership and investment will be an important input.

It takes no great foresight for me to predict that whatever the outcome of the UNIDO review of industrial development, Africa will remain the Organization's number one development priority. But if what we are really doing is defining a new industrial development paradigm, we need answers that are applicable to Africa's particular circumstance to a number of unresolved issues. We need your inputs to questions like:

- How can all parts of the world, Africa included, participate and share the benefits of globalization? (One of the great ironies is that unprecedented global prosperity has gone hand-in-hand with unprecedented poverty and inequality, in Africa in particular).
- How African countries should deal with the market gaps that the private sector fails to supply?
- Why some policies have worked in other regions, for example in Asia, but failed to work in Africa – evident, for example, in African SMEs low contribution to employment and exports?

These are difficult questions. But they urgently need answers. We are addressing them both internally in UNIDO and in the context of the recent agreement signed by UNIDO and the University of Oxford's Centre for the Study of African Economies. I am very hopeful that our work will make an important contribution in these areas.

Mr. President,
Ladies and Gentlemen,

I have taken, perhaps, more than my share of our limited time. I will therefore conclude by noting that this Conference is an initiative of the Alliance for African Industrialization and the African Heads of State and Governments. UNIDO is a partner and a facilitator. It is through the building up of partnerships and alliances that UNIDO can be most effective in Africa. Our role is that of a catalyst: we are bringing potential partners together in the hope and expectation that they will react and bond together. This would lead particularly to cooperation between African governments and their development partners, both in the public and private sectors, and between African countries' private sector and the foreign private sector.

This is an important cornerstone of Africa's industrial development. It is part of the process for rebuilding African countries' industrial performance in the new millennium. We are taking today the first steps of this important journey into a new century, which we all hope will see the emergency of a prosperous and peaceful African continent.

Ladies and Gentlemen,
I thank you for your interest and attention, and
Look forward to the outcome of your deliberations.

ANNEX 4 (d)

STATEMENT BY
H.E. AMBASSADOR VIJAY S. MAKHAN,
ASSISTANT SECRETARY GENERAL
ORGANIZATION OF AFRICAN UNITY/
AFRICAN ECONOMIC COMMUNITY
AT THE OPENING OF THE CONFERENCE
ON INDUSTRIAL PARTNERSHIPS
AND INVESTMENT IN AFRICA

Dakar, Senegal, 20 October, 1999

Compliments

It is my singular honour and privilege to be amongst you today on the occasion of the convening of the Conference on Industrial Partnerships and Investment in Africa. That His Excellency President Abdou Diouf has taken time off from his busy schedule to be with us is a demonstration yet again of his personal commitment in furthering Africa's agenda for development and, in this particular case, the industrial development of and investment in Africa.

Let me, therefore, reiterate on behalf of the premier institution of Africa, the Organisation of African Unity, which I am proud to represent here today and on my own behalf, our deepest gratitude to His Excellency President Diouf, his Government and the people of Senegal for the unflinching faith and courage they demonstrate in our collective effort to see our continent emerge on the international scene and assume its rightful role. May I also express my personal appreciation to the authorities of Senegal for the personal attention and splendid reception that have been accorded to me and my delegation since our arrival here.

Mr. Chairman,

We shall be spending some two days here delving in detail on how, collectively, we can assist the countries of our continent to move into and through the new millennium, driven amongst other factors, by well-conceived and executed industrial programmes, programmes which should help to propel us into the larger sphere of the world economic order as we live it now.

Permit me, therefore, to accord special recognition to the representatives of Africa's development partners who are among us on this occasion, and to express the OAU's expectation that they have come here with a favourable spirit to contribute towards the promotion of genuine partnership with our continent.

It is not my intention to pose the begging question of why we have turned up here in Dakar. To my mind, we are not here to lament or bemoan Africa's economic misfortunes; it is not out of sympathy for the plight of the continent and its millions that we are here. We are here deliberately and hopefully to forge and promote genuine partnership for the industrial development of Africa.

Although the word 'partnership' has been sometimes misused or abused, we in the Organization of African Unity are convinced that the distinguished guests of Africa, who have responded favourably to our invitation, are here because of the conviction that Africa can, and will make it; and emerge in time as a prosperous economic partner. Indeed, we on our part are committed to ensure that this giant of a continent does not remain forever in the economic back waters of the world; eking out its economic sustenance from mineral and agricultural products alone. No! we in the Organization of African Unity will resist any continuous attempt aimed at restraining us at that level and that is why we are here, to invite the partners of Africa to join hands with us in laying a foundation for Africa's industrial take-off and help her move on to a happier and brighter future for its peoples.

Mr. Chairman,

The Organization of African Unity/African Economic Community is fully committed to the promotion of constructive partnership between Africa and the industrialized countries and as such, would encourage the partners here present to engage in frank discussions on how they perceive the industrialization prospects of Africa and how they can contribute to change the negative perception of our continent. We also expect them in so doing to come up with what they see as the requirements for the accelerated industrial development of Africa, through partnership. Two officially declared Decades for Africa's Industrialisation have not witnessed the giant strides forward we expected . Indeed, if anything, in a general manner, the result can be described as dismal. I am aware that quite a number of self-styled economic pundits including certain institutions do not believe in industrialisation as a policy for development of Africa. I, for one, am among those who consistently maintain that this continent's economic development and emergence is subject to the imperative of its industrialisation.

To my mind, therefore, Africa's industrialization has become even more urgent today than ever before. The increasing uncertainty of the future of minerals and agricultural produce in the emerging new world economy; the dumping of cheap manufactured products that flood the streets of our cities; and the recognition that the present structure of Africa's production and trade is not a viable basis for the continent's full integration into the global economy __ all these are serious challenges that Africa has to face, challenges that indeed constitute the driving motive for our industrial development effort. It is, therefore, not surprising that a consequential majority of Member States of the Organization of African Unity have embarked on the implementation of policy reform and adjustment programmes, driven by the desire to create an environment which promotes industrialization and sustained economic growth and development.

But then, in general, the results of these reform and adjustment programmes have been, at best, mixed. What is abundantly clear, and indeed of serious concern, is that there are instances where some of our countries have literally been forced to deindustrialize - even in situations where, one could say, virtually no industries existed. That is, deindustrialization from zero.

Secondly, the implementation of these programmes, sometimes at very high social costs, with the generalized liberalization which is associated with it, has failed to deliver on the anticipated increases in trade and investment flows to Africa's benefit, while in the meantime, Africa has lost its competitive edge and export capacity. For how long then are our countries going to remain deprived?

On our part, both at the level of the African Economic Community and the Regional Economic Communities, we have focused attention on the building and strengthening of regional markets in order to have a viable and larger market space as a means of promoting domestic and attracting foreign direct investment. We have also given support, along with UNIDO and UN-ECA, to the programmes of the Industrial Development Decade for Africa and the Alliance for Africa's Industrialization. These are indeed important programmes that can be considered as a general framework; but which should neither constrain nor limit action, especially in view of the fast changing global economic environment, and the desire of our continent to be an integral part of that process. The dynamics in this process should be the most important determining factor to be taken into account, in formulating our actions and programmes. I have already stated my view that the programmes of the two Decades of Industrial Development for Africa have hardly had an impact in that sector in our continent. I am confident, however, that those that will emerge from the Alliance will see the concrete results desired.

Mr. Chairman,

It is important in that context, that in our discussion of industrial partnership, we identify certain specific and measurable targets that should serve as the objectives of the partnership. This approach is important in that it will enable us to focus our efforts and resources, within a certain time frame, on dealing with concrete priority programmes that will impact favourably on Africa's development. In this regard, I would like to mention, in brief, a few of these critical areas of focus:

The first is the need to tackle the supply side constraints in order to enhance the continent's productive capacity and competitiveness. The second, which is also related to the first, is the need to inject modern technology into the continent's production process, with improved methods and systems. The third is an effective transfer of management and entrepreneurial skills.

In order for these objectives to be realised, we, and our partners have to devise the most effective modalities of operation, such as the promotion of joint ventures, sub-contracting and direct investment as well as increasing the use of locally available materials and resources.

Mr. Chairman,

In presenting these ideas, I am conscious of the long-standing attitudes towards and vision of Africa as a continent which is unstable, conflict-ridden and unsafe for investment. While it is true that we do have some unfortunate pockets of tension that plague our continent, this sort of impression should not be generalized. And let me remind our partners and indeed this distinguished gathering, that despite these negative traits the African continent remains a highly profitable investment location - a fact which according to me has been intentionally hidden to the rest of the world. In my comment last year, on the findings of UNCTAD's World Investment Report, I cited the example of data for the United States and Japanese affiliates of transnational corporations (TNCs) operating in Africa, to prove that these TNCs received rates of return that far exceeded those in other developing regions. The same applies for the UK, France, Germany and the Netherlands, which are the principal home countries of TNCs investing in Africa. I believe one could ascribe this factor as a reason for the increased presence of the Asian TNCs in Africa – albeit in only a handful of countries. From whatever angle we analyse the African situation, therefore, there is every reason to expect that the partnership we are seeking to promote can only be beneficial to all parties concerned.

Mr. Chairman,

It is of course important that on our side in the continent, we need to persevere in the creation of the appropriate environment with the necessary legislation to attract and guarantee the security of foreign investment. Indeed, a number of our countries have done exactly that but the response on the Foreign Direct Investment Sector has been abysmal. The latest World Investment Report from UNCTAD underscores this point.

Mr. Chairman,

The ball then, I should like to say, is in the court of Africa's development partners here present, and we in the Organization of African Unity/African Economic Community are confident that they will come out loud and clear regarding their perception of Africa's industrialization and the issues involved in developing genuine partnership to that end. This is a challenge which we should all face, and this forum affords us a good opportunity to start on what I would like to see as a rewarding journey.

I thank you very much for your attention.

Dakar, Senegal
October 21, 1999
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