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MID-TERM EVALUATION OF THE IDDA PROGRAMME

DP/RAF/88/034

Terminal report

Prepared by the members of the evaluation team

United Nations Industrial Development Organization
Vienna

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ANNEXES

EXECUTIVE SUMMARY

Chapter I of the report reviews the changing perceptions of industrial development on the part of African political leaders, and later policy-makers and planners, from the mid-1950s until the proclamation of the Industrial Development Decade for Africa (IDDA) in 1980. It notes that the IDDA Programme - in particular those parts of it that bear on the relationship between factor inputs and core industries (metallurgical, engineering, chemical) and between core industries and strategic sectors (agriculture, transport, construction, energy etc.) - is a major component of the internal engines of growth envisaged by the Lagos Plan of Action and the Final Act of Lagos. Other components of these engines of growth include: expanded and consolidated domestic markets, combined through economic co-operation arrangements to form larger markets providing economies of scale for core industries; a growing volume and variety of factor inputs or other resources (entrepreneurship, management, materials, equipment, technology, and physical and institutional infrastructure). It points out that, in spite of the series of crises that have afflicted Africa since 1980, and in spite of countries' having to adopt short-term policies and measures to cope with those crises, progress has been made in respect of some components of the internal engines of growth. This progress includes development in the area of: multinational markets; human resources; institutional infrastructure; natural resources; and transport and communications.

Chapter II examines, with a critical eye, the IDDA Programme itself (as set out in "A Programme for the Industrial Development Decade for Africa" (ID/287)). It finds that the Programme does not have the characteristics appropriate to the particular situation. It recognizes that the Programme, while offering useful techno-economic information and estimates is, in effect, a package of proposals from which policy-makers, planners, organizations and donors could choose at will, adapting or implementing those that seemed to reflect their own requirements or policies. The Programme neglected or paid too little attention to certain critical areas. Moreover, it failed to identify the means of acquiring the resources required for its implementation.

Chapters III and IV review post-1980 developments that severely affected Africa's capacity to promote economic growth of any kind including that envisaged for IDDA, and the measures that Governments were obliged to take just to cope with the developing socio-economic crisis. These measures included the adoption of Africa's Priority Programme for Economic Recovery 1986-1990 (APPER) and the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UNPAAERD) and, in many cases, the Structural Adjustment Programmes of the World Bank/International Monetary Fund. These measures, however, are not seen as an abandonment of the Lagos Plan of Action, the Final Act of Lagos or IDDA. Indeed, the increased attention they advocate for the development of small-scale industries, for agriculture, and for the informal rural and urban sectors, is regarded as a major step forward in promoting domestic markets - one of the basic requirements of the internal engines of growth.

Chapters V (Operational Agents for Development); VI (Factor Inputs); VII (Material and Institutional Resource Development for Industrialization); VIII (Development Finance, Resource Mobilization and Deployment); and IX (Regional and Subregional Co-operation) examine some of the major elements in the creation of internal engines of growth on a national and multinational basis and centred on IDDA. They draw attention to defects and slow progress in their development and put forward recommendations for their improvement and development. Although the principal recommendations are summarized in chapter XII, many other complementary and subsidiary recommendations are implicitly or explicitly included in chapters II to IX.

These recommendations stem from the evaluation team's findings in the course of field missions to 20 African countries. The team also visited countries and organizations in Western and Eastern Europe and in North and South America to gain an idea of the scope and direction of aid and technical assistance currently being provided and to learn how bilateral and multilateral donor agencies regard Africa's industrialization efforts, especially in light of IDDA. At Vienna, visits were made to the Permanent Missions of a number of countries which it had proved impossible to include in the field visits. The views of these countries, organizations and Missions are set out in chapters X and XI.

Owing to various constraints, IDDA could not achieve one of its policy goals: the mobilization of additional resources for the industrialization of Africa. In this connection, of the international organizations from which an input might have been expected, only the United Nations Development Programme (UNDP) and UNIDO responded.

Chapter XII summarizes the main findings of the evaluation team. They include:

(a) The IDDA Programme did not satisfy the formal conditions set for its implementation. These conditions included the incorporation of IDDA proposals in national development plans and multinational development programmes; the organization of financial and other resources for their implementation; and the establisnment and commissioning of agencies for their execution;

(b) Specific recommendations for IDDA - such as the establishment of focal points and national committees; the undertaking of feasibility studies for the core industries; and the establishment of a special fund for the implementation of the recommendations - were not widely adopted;

(c) Expectations of resource availability and of progress in economic co-operation were over-optimistic;

(d) Governments had to adopt national policies and strategies to cope with the crises of the 1980s, which shifted the focus from IDDA;

(e) During the 1980s - in addition to balance-of-payments difficulties, debt burdens, natural disasters and political disturbances - economic performance declined seriously and industrial performance even more so;

(f) In the industrial sector, the decline manifested itself in gross underutilization of production capacity which highlighted the widespread and chronic need for the rehabilitation of industrial enterprises;

(g) The decline in industrial performance has been significant in public enterprises, which performed far below expected levels;

(h) To some extent, the poor industrial performance has been due to entrepreneurial and managerial deficiencies;

(i) Not enough attention has been paid to the development of small-scale enterprises in the urban and rural sectors and there has been too little linkage.between modern, large- and medium-scale sectors and the small scale sector.

The above notwithstanding, Africa's policy-makers and planners continue to support, unreservedly, the basic concepts, goals and strategies of the Lagos Plan of Action, the Final Act of Lagos and IDDA. Indeed, a proposal has been made for a second IDDA. The evaluation team endorses this proposal and has put forward suggestions for an IDDA II Programme, based on a number of considerations of which the following are the chief features:

(a) Programme proposals for IDDA II should be specific and lead to projects that are concrete in nature and design, that include measurable inputs and outputs, and that have guaranteed budgets;

(b) Programme proposals should not contemplate massive investment, but emphasize optimum use and new resource generation;

(c) Programme proposals should be flexible enough to meet changing local situations without sacrificing the goals and objectives of the Lagos Plan of Action, the Final Act of Lagos or IDDA;

(d) Programme proposals should be capable of attracting bilateral and multilateral support;

(e) Programme proposals should have, as their underlying theme, the building up of human and institutional capabilities and material resources, as well as the encouragement, broadening and deepening of a process of inter-country and interregional co-operation and learning.

An important aspect of this approach, of which the team is aware, is the increasing likelihood of an intensification of international competition for investment resources in the 1990s. At present, the bulk of investment flow is between developed countries. It is likely that in future new centres of attraction for foreign direct investment and loans will include China, the USSR and the large, newly industrializing countries (NICs). If policy-makers and planners in Africa are to succeed in attracting some of this investment (particularly through joint ventures for large- and medium-scale projects) they must take urgent steps to expand and consolidate their markets, generate new and high-quality factor inputs, improve the range and quality of national capabilities, and devise means to develop public and private entrepreneurship.

In spite of the modesty of the IDDA II Programme proposals, Africa will, however, need increased inputs of financial and other material resources from the international community to assist it in pursuing the immediate objectives of building up human and institutional capabilities. In this connection, increased technical co-operation among developing countries within and without the region would be particularly relevant to the twelve specific Programme areas for IDDA II set out below, particularly insofar as Africa's least developed, landlocked and island developing countries are concerned:.

I, II. Rehabilitation of public and private enterprises. The objectives here are (a) to raise levels of utilization; (b) to convert enterprises into material and financial surplus-generating concerns; and (c) to improve all aspects of management;

III. Maintenance and spare parts. The objective is to create facilities for the standardization and manufacture of spare parts and to encourage the practice of preventive maintenance;

IV. Agro-industrial linkage. This programme aims at increasing domestic factor inputs for agriculture and promoting agro-based industries;

V. Entrepreneurship development. The objectives here are (a) to promote the development of entrepreneurship in both the public and the private sectors, in small- and medium-scale industries, and with special regard to core industries and strategic sectors; and (b) to promote self-employment opportunities;

VI. Market integration and development. The aim of this programme is to take measures to expand and consolidate domestic markets and to combine national into multinational markets more effectively;

VII. <u>Attracting foreign investment</u>. In this programme, emphasis is placed on the examination of international direct investment flows and on the study of codes and other conditions affecting investment decisions in NICs, as a basis for the establishment of similar codes and measures for Africa;

VIII. <u>Physical infrastructure</u>. Africa's existing physical infrastructure is still largely the heritage of the colonial era and therefore requires adaptation to the needs of the internal engines of growth seen as necessary to implementing IDDA, with special reference to forward and backward linkages, dependence or imported factor inputs and loss of employment and income multiplier effects;

IX. <u>Institutional infrastructure</u>. This programme envisages a new pattern of institutions needed to replace the partly inherited ones. New institutions would be more suitable for modernizing economies, creating internal engines of growth and facilitating the implementation of IDDA II. Studies of institutional patterns in NICs would be a useful preliminary exercise to any such reform;

X. <u>Development banks</u>. The aim of this programme would be to redefine the role of existing development banks with a view to strengthening their contribution, particularly in the context of IDDA II;

XI. <u>Regional and subregional co-operation</u>. This programme envisages the remodelling and strengthening of existing machinery for economic co-operation at national and multinational levels; to facilitate and accelerate the development of national and multinational engines of growth (including IDDA II). Special emphasis would be placed on trade policies; customs duties and procedures; transborder investment; multinational project design and execution; and the participation of the business and other economic and technical sectors;

XII. <u>Human resource development and technological capabilities</u>. This programme envisages a restructuring of educational and training systems with a view (a) to improving the relevance of the subjects offered; teaching and learning processes; access to new technologies and other resources in the business sector (with a view, especially, to encouraging entrepreneurship); managerial and professional skills; and the competence of middle-level specialists and supervisors and skilled operatives; and (b) to rehabilitate, in general, the educational facilities. This programme would also include a study of the experiences of NICs in the phases of development of technological capabilities related to investment, operation and maintenance, as a basis for national and multinational plans and programmes.

Role of UNIDO, ECA and OAU

The United Nations Industrial Development Organization (UNIDO), the Economic Commission for Africa (ECA) and the Organization of African Unity (OAU) represent an optimum combination of organizations for the conceptualization and management of IDDA. This arrangement should be continued during IDDA II. Each organization, however, should review its individual programmes with a view to incorporating in them the programme proposals approved by the Conference of Ministers. Moreover, the organizations should co-operate more closely at the professional level with other agencies of the United Nations system, as well as multinational and bilateral donors, in planning their support of IDDA II. Some organizational restructuring within UNIDO would also be necessary in order to make IDDA co-ordination and monitoring more realistic. Such restructuring would involve the merger of the Co-ordination Unit for the IDDA with the Africa Programme and closer links with the Arab Countries Programme and the Least Developed Countries Branch.

Annexes to the report include:

I. Terms of reference for the in-depth evaluation of the Industrial Development Decade for Africa 1980-1990

II. List of countries, permanent missions (Vienna), United Nations agencies, international organizations, bilateral agencies, regional and subregional organizations and institutions visited or consulted

III. National seminars on industrial strategy

IV. Institutions and the development of technical and managerial competence

V. Subregional co-operation

VI. Projects financed from the $1 million IDDA allocation (1984)
Projects financed from the $5 million IDDA allocation (1985)
Projects approved for IDDA financing

INTRODUCTION

Background

1. From the Lagos Plan of Action, the Final Act of Lagos, 1980 and the adoption by African Heads of State and Governments of the concepts of self-reliance and self-sustainment, emerged the idea of a decade devoted specifically to promoting the industrial development of Africa. Proposals for an Industrial Development Decade for Africa (IDDA), 1980-1990 were adopted at the Sixth Conference of African Ministers of Industry, held at Addis Ababa (Ethiopia) in November 1981. At that Conference also, it was resolved that a mid-term progress review of IDDA should be undertaken in 1987.

2. The Eighth Conference of African Ministers of Industry, held at Bujumbura (Burundi) in September 1986, reiterated the proposal for a mid-term review, proposing, in addition, that it should be an independent evaluation. It requested the United Nations Development Programme (UNDP) to finance it and to participate in its implementation together with the United Nations Economic Commission for Africa (ECA), the Organization of African Unity (OAU) and the United Nations Industrial Development Organization (UNIDO). The same Conference also recommended the proclamation of a second IDDA to accelerate the industrialization of Africa launched during the first one. The Secretariats of ECA, OAU and UNIDO were asked to undertake, in consultation with Member States, African organizations and other relevant United Nations agencies, the preparation of a programme for IDDA II, after appropriate evaluation of IDDA I.

3. The UNDP responded positively to this request and approved a project (DP/RAF/88/034) for the mid-term evaluation. An independent six-member evaluation team commenced work in August 1988.

Terms of reference

4. The project document contained detailed terms of reference (see annex I), established the methodology, fixed a time-table and nominated a technical Steering Committee of representatives of OAU, ECA, UNDP and UNIDO "for guiding and overseeing" the evaluation. It specified that the final report of the team would be published and presented to the Ninth meeting of the Conference of African Ministers of Industry. It stated the primary purpose of the evaluation to be:

(a) To assess the overall achievements to date of the IDDA Programme in light of set objectives and expected results;

(b) To assess the relevance and likely effectiveness of the Programme components planned, under implementation and completed against IDDA objectives and targets;

(c) To identify and analyse the factors that had facilitated actions to achieve the Programme's objectives, as well as those that had impeded actions;

(d) To assess the impact and relevance of each Programme element by analysing the extent to which the element had or would likely contribute to IDDA objectives;

(e) To examine the extent to which the IDDA Programme had produced additional resource contributions for the industrial development of Africa and mobilized international support and inter-African co-operation to address African industrial development issues;

(f) To assess the effectiveness of mechanisms, networks, linkages and the like expressly set up by the organizing bodies to promote IDDA.

Methodology

5. The basis of the methodology adopted by the team was set out in the project document. The work was executed in four phases.

6. The first phase was devoted to the collection and analysis of data and documentation relating to IDDA; examination of the work of UNIDO, ECA and OAU for the promotion of IDDA; and assessment of selected components and projects of the IDDA Programme. During this phase, detailed consultations were held with senior officials of UNIDO, ECA and OAU. The team also had the opportunity of exchanging ideas with the Director-General of UNIDO and the Executive Secretary of ECA. A resultant "desk review" was presented to the Steering Committee at Addis Ababa in October 1988.

7. The second phase consisted of field visits to African countries to assess, on the spot, progress towards industrialization and the impact of IDDA. In consultation with UNIDO, ECA and OAU, a sample of 20 African countries was agreed upon, covering all regions of the continent. The reference frame of the field visits was adopted in consultation with the Steering Committee. The selected countries were notified of the purpose of the team's visits and sent detailed questionnaires in advance of the visits. For the field visits, the team divided itself into three groups which collected and analysed extensive documentation and data. The teams also had the opportunity to consult with and ascertain the views of more than 200 African political leaders, planners, senior civil servants, heads of institutions, enterprise managers and academics. (See annex II for a list of the countries, agencies and institutions visited.) A "synthesis review" of the findings of the field visits was presented to the Steering Committee at Vienna (Austria) in January 1989.

8. The third phase consisted of extensive consultations with representatives of agencies within the United Nations system, other multilateral agencies, and bilateral donor countries. The objective was to ascertain the nature, content and direction of assistance being provided by these agencies and Governments

towards African industrial development; to assess the prospects of assistance in IDDA II; and to understand their perception of African industrial development problems. The team again divided itself into three groups for this purpose. During this phase, relevant documentation and data were again collected and the teams were able to consult with more than 100 senior officials in the organizations and countries visited. Visits were made to the Permanent Missions at Vienna of countries which it had proved impossible to include in the third phase. (See annex II for a list of the countries, agencies and institutions visited or consulted in this phase.)

9. The fourth phase was devoted to reviewing all the data and findings emerging from the first three phases and to the preparation of the team's report. The draft report was presented to the Steering Committee at Vienna in the first week of March 1989. The present, final report incorporates many of the suggestions made by the Steering Committee.

Structure of the report

10. The report has been organized on a thematic basis in twelve chapters. Chapter I examines the evolution of African perceptions of the role of industrialization up to the adoption of IDDA. Chapter II offers a critical analysis of the IDDA Programme, approach and mechanisms. Chapter III reviews developments during the 1980s and their impact on the IDDA Programme. Chapter IV analyses the policies and practices of African countries in designing industrial development strategies and the relationship of country approaches to IDDA. Chapter V examines the role and functioning of the operational instruments set up to promote industrialization. Chapters VI and VII deal with the central issue of domestic factor inputs. Chapter VIII covers questions relating to resource mobilization and development finance. Chapter IX examines progress made towards regional and subregional co-operation. Chapters X and XI examine the role of external agencies and of multilateral and bilateral support. Chapter XII summarizes the team's findings and makes recommendations for the content and design of IDDA II.

I. THE EVOLUTION OF AFRICAN PERCEPTIONS OF THE ROLE OF INDUSTRIALIZATION IN AFRICAN DEVELOPMENT SINCE THE 1950s

11. The object of this chapter is not to make another normative statement on the desirability and reasonableness of policies, strategies, plans and programmes for the industrial development of Africa. That debate may be said to have been settled by the industrialization efforts undertaken by many developing countries - some in Asia, some in Latin America, and some, such as Algeria and Egypt, in Africa - since the Second World War. What persists is a debate on what kind of industrial development policies should be contemplated and assisted in Africa, especially in Africa south of the Sahara, and what purposes should these policies serve. There have even been suggestions that they should differ from those adopted in other industrializing countries of the third world (see chapter XI).

12. It is useful, therefore, to examine the changing perceptions of African political leaders, and later of African policy-makers and planners, since the 1950s of what policy objectives and strategies industrial development should aim at and how it should do so.

13. These perceptions can be spelled out in terms of: objectives; factor inputs; agents and instruments; and internal and external conditions affecting decision-making and implementation. The presentation in this chapter, however, will be mainly concerned with the background and concept of IDDA.

14. Before independence, in the early 1960s, African political leaders made strong representations to the colonial Governments for a form of industrialization that placed emphasis on the local processing of the dominant primary export commodities. These proposals were opposed by powerful merchant houses which were, in effect, the procurement arms of processing companies with headquarters in the metropolitan country. Colonial administrations also opposed these representations, mainly on the grounds that existing arrangements were satisfactory.[1/]

15. The objective of that first African approach to industrialization was to seek increases in public revenue by raising the level of export earnings (since the exchange rate between the metropolitan and the colonial currency was fixed) in order to facilitate the public expenditures that African political leaders felt were desirable and necessary. The proposed increases in expenditure were limited, however, by rules of fiscal prudence imposed by the metropolitan powers. The approach did not relate to a wider utilization of local raw materials, increased employment, the acquisition of technology, the elimination of enclaves, the need to develop the capital goods industries, or the need for self-reliance and self-sustainment. Also, at that time, there was neither a fully fledged concept of the transformation of national economies as a whole nor of the role of any particular form of industrialization in the transformation process. Examples of industrializing third world countries were unknown or unfamiliar to political leaders at that time.

16. It must be borne in mind, however, that primary export commodities differed considerably in processing requirements and feasibility (bauxite and hydro-electric power), in the scope for acquiring skills and mastering technologies which could be widely utilized in economic development (diamonds, in contrast with fibre and oilseeds processing). In addition, it was argued by opponents of processing before export that not only did raw materials account for a very small share in the money value of the final product, but that there would be difficulties in exporting and disposing of by-products, thereby reducing further the economic justification for higher levels of local processing.

17. However, pressure for some kind of action led colonial Governments (at least in anglophone Africa) to institute loan boards for advancing small amounts of credit to deserving Africans wishing to set up small-scale businesses, including those based on processing raw materials.

18. By the time many African countries achieved independence, loan boards had lost their popularity: the operations were too small; decisions were strongly influenced by civil servants from metropolitan countries; African businessmen were basically traders and lacked knowledge of, or familiarity with, industrial managerial and technical processes, and so on. There was total dependence on imports for equipment, parts and components, and rights to technology. There were no substantial support services for businessmen.

19. By the mid-1960s, African Governments had conceived of bolder plans and programmes for industrialization and had accepted from external advisers the guiding principle of selecting products for local manufacture for which an import market had already been established. Since there were few, if any, African businessmen capable of, or willing to, undertake entrepreneurial responsibilities for such projects and since local foreign enterprises were also unable or unwilling to do so, Governments fell back on foreign enterprises invited from abroad to help with the preparation of feasibility studies, with designing, planning and managing the project, and with managing the enterprise in joint partnership with Government. Import substitution provided for the utilization of some local (especially agricultural) raw materials. It provided for some increase in employment. And it was sometimes assumed to be a policy for encouraging technology inflow. The net gain in terms of foreign exchange earnings was doubtful. Management (including procurement, production, marketing, finance) was usually, by contractual arrangement, entrusted to foreign partners. Protection levels were high, especially when import substitution came gradually to include the assembly of consumer durables.

20. There were overlaps in the period between processing before export and processing for local consumption. The latter included textiles, food products, shoes and leather products, some building materials, sugar, and comfiture. The former included oilseeds, timber, ores and metals, petroleum and gas. This short, illustrative list could also be used to distinguish between products dependent on imported materials, entrepreneurship, technology, and professional high- and middle-level manpower. The most

significant of these included consumer durables, most building materials, and soft drinks. Equipment, parts, implements and tools for virtually every kind of industrial process and for virtually all sectors were imported.

21. It should be noted here that the objectives of industrialization were multiple, but the piecemeal familiarity of policy-makers and planners with industrial processes made it possible for individual objectives to be aborted or simply overlooked.

22. Import substitution was organized on a national basis and was made possible by highly skewed patterns of income distribution. The failure to generate factor inputs of domestic origin meant that employment and income multiplier effects of factor input use remained external to the country paying for the final product. On these three counts, therefore, import substitution did not take account of the need to expand domestic markets or to combine them.

23. As regards the transmission of skills and the mastery of operating technology, the restriction of import substitution enterprises to assembly, packaging etc. ensured that the manufacturing process in which the mastery of technology (particularly of engineering and chemical technologies) chiefly resided was excluded from local operation.

24. Import substitution policies and practices did not positively and profoundly affect the development of national capabilities for project feasibility studies, planning, management and construction; for sub-contracting;[2/] for mobilizing and deploying savings (i.e. real factor inputs); for establishing essential linkages; for support services, and so on.

25. In the end, the breakthrough to an IDDA was reached through the much wider concept of designing and constructing internal engines of growth in Africa to replace the long and accelerating weakening of an external engine of growth resting on trade and economic relations with the developed domestic-market economies of Western Europe and the United States. IDDA cannot really be understood except in the context of the two major Lagos concepts.

26. The full significance of the Lagos Plan of Action and of the Final Act of Lagos can only be grasped, however, by placing these two decisions against a rapidly sketched and simplified background. That background consists mainly of:

(a) The colonial pattern of dependence of Africa and other developing regions on a single market for selling primary commodities and for buying capital and consumer goods and services. In other words, the relations were bilateral and the disadvantage lay with developing countries which faced something like a monopsony in the disposal of their increasing supplies of primary products and an oligopoly in obtaining their requirements of manufactured goods and services. The competition for selling primary commodities and buying capital and consumer goods and services within this pattern of trade relations had the long-run effect of depressing the prices of the former and pushing up the prices of the latter. For African countries the market dependence was intensified by the reliance of individual countries on only one or two dominant export commodities;

(b) The first and earliest prescription for relieving the consequences of the bilateral system described above. This was the diversification of primary export products (still pursued by a number of African countries), though it soon became apparent that this would merely intensify overall supply in relation to market demand;

(c) The long-term downward trend built inevitably into the bilateral structure of economic relations described above, and the dependence on a few dominant export commodities. This situation was worsened by marked fluctuations in prices and in gross earnings by Africa and other third world countries. Three solutions were considered: the enlargement of aid (to the level of 1 per cent of the gross national product (GNP)) from developed to third world countries, a proposal which has never been accepted or achieved by developed countries, the establishment of global commodity management arrangements and later, of schemes for compensating third world countries for losses of export earnings due to price fluctuations.

27. In the meantime, the concept of development decades had emerged as the United Nations, as a whole, sought to promote active programmes of development for the third world that would halt the widening of the gap between developed and developing countries. The United Nations Third Development Decade, which began in 1981, was based on the assumption that a reform of the international economic system was essential for the health of both developing and developed countries. In instructions for the formulation of regional strategies for that Decade, the Executive Secretaries of the United Nations Regional Commissions were asked to identify or propose regional components of a new international economic order. The Lagos Plan of Action was one outcome of this effort.

28. It is now necessary to recount, again briefly and simply, some of the factors which determined the concept and purposes of IDDA. The first factor was recognition of the failure, or likely failure, of cures for the weakening North-South engine of growth. This recognition came from several sources and was expressed in the adoption of the Monrovia Declaration by the Assembly of Heads of State and Government of the OAU at Monrovia in 1979 and the Lagos Plan of Action and the Final Act of Lagos in 1980.

29. Another factor was the growing conviction among policy-makers, economic planners and publicists in Africa that no region so well endowed with natural resources could justify the growing poverty of its populations and its own increasing dependence on the weakening North-South engine. Although Africa's natural resources are still inadequately explored and assessed, it is clear from what is known that the region's mineral and energy resources are considerable and in favourable relation to population size and prospective consumption. In addition, there is what has already been discovered of

natural resources in the exclusive economic zone of the western and eastern coastal ranges of Africa and in the Rift Valley.

30. A third factor was the persistence of at least three great structural weaknesses: dependence on a few primary export commodities; dependence on broadly the same markets for selling primary commodities and for buying capital and consumer goods and services; and the persistence of enclaves, semi-enclaves and dysfunctional relations within national economies.

31. Moreover, the efforts launched by Governments to initiate processes of industrial development in the mid-1960s and early 1970s do not seem to have been self-sustaining. These industries were mostly (with the exception of public utilities, and of mining and oil, over which Governments were seeking to establish majority ownership) in the area of light industries and were heavily dependent on imported and increasingly expensive factor inputs.

32. Finally, it was noted that developed countries not only produced goods and services primarily to meet domestic demand and depended on their domestic markets for the consumption of a very high share of national production but that they also depended on domestic sources for an even higher share of factor input supply. Indeed, this would seem to be the basis of the concept of markets and market effects.

33. In addition, there was the observable fact that in other regions developing countries were taking initiatives in, and successfully carrying through, processes of industrialization that included the development of the capital goods industries. The Lagos Plan of Action, the Final Act of Lagos and IDDA represented, therefore, Africa's own initiative towards a new international economic order.

34. Again, in simple terms, an internal engine of growth for Africa would comprise:

(a) The deliberate enlargement and consolidation of domestic markets and their combination, through economic co-operation, into markets capable of accommodating economies of scale essential for core industries serving multinational needs (see para. 35 below and Programme proposal VI in chapter XII);

(b) The establishment of core industries generally on a multinational basis (see chapter VII and Programme proposal XI in chapter XII);

(c) The local linkage (intra-sectoral and inter-sectoral) of core industries with strategic sectors such as agriculture; transport and communications; building and construction; mining; fuel and power; water supply; and the engineering, chemical and metallurgical sectors on the one hand (see under Planning in chapter VII and Programme proposal IV in chapter XII), and on the other with (d) below;

(d) A steadily expanding volume and variety of production and use of factor inputs of domestic origin (viz. entrepreneurship; management, procurement, production, marketing and distribution; R & D; manpower; raw and intermediate materials; equipment, parts, implements and tools; technology; physical infrastructure; institutional infrastructure and services) (see chapters VI and VII and Programme proposals IV, II, XII, III, VIII and IX in chapter XII);

(e) The development of a number of critical national capabilities (human and institutional), e.g. for project identification, development, management and construction; for negotiating foreign direct participation; for the mobilization and redeployment of financial resources; for regulating or influencing flows of factor inputs; for support services for the public and the private indigenous sector; for monitoring the pace and direction of economic growth (including the progress of self-reliance and self-sustainment) and of living standards (see chapter VI and Programme proposals IX and XII in chapter XII).

35. It will have become obvious that the industries concerned do not directly include such light manufactures as beer, gin, biscuits, lozenges and bread, and that they are to be characterized by substantial and rapidly rising levels of local manufacturing value added. In other words, the availability of growing supplies of factor inputs of domestic origin would serve little purpose unless these inputs are also incorporated in production. If they are not available or used, rules and regulations relating to origin and local purchase lose their meaning.

36. Insistence on the use of domestic factor inputs would serve more than the need to contain the continuously rising foreign exchange costs of imported factor inputs. It would also help to internalize the employment and income multiplier effects which now operate in the countries of origin of goods and services. Thus, such insistence would be a major contribution to the growth of domestic markets.

37. It can be argued, therefore, that the concept of IDDA and its connections to the concept of internal engines of growth are in no way concerned with ideological considerations. The Lagos Plan of Action, the Final Act of Lagos and the IDDA Programme all recognize the importance of viewing the region as a whole or in groups of countries rather than as 40 to 50 bits and pieces. Only in this way can various kinds of complementaries, economies of scale and economies of specialization and other synergistic effects be clearly perceived and exploited in such a way as to provide the region, or groups of its countries acting in concert, with the means of establishing a more significant and beneficial position in the emerging pattern of the international division of labour.

38. Thus, the IDDA Programme, comprising objectives, principles and priorities, constitutes one small but crucial component in the design, construction and working of the internal engines of growth. The heart of the Programme in this sense is the production, supply and use of factor inputs for

designated core industries and the use of the outputs of core industries for promoting the growth of strategic sectors.

39. To African policy-makers and planners, debates in the General Assembly and elsewhere on population growth and consequences; on the transfer of technology; on sovereignty over natural resources; on the rights and duties of States; on the accessibility of the bulk of the populations of third world countries to universal primary education, safe drinking water, improved standards of housing, and minimum health care; on the reorientation of education towards science and technology etc., all of which had rested on assumptions of the behaviour of international prices for primary export commodities exported from Africa, on the behaviour and consequences of foreign direct investment, on the purchasing power of African exports, and on the willingness of developed countries to donate 1 per cent of their gross domestic product (GDP) as aid to the third world, could now, for the first time, be set against the possibility of such burdens resting on a long-term permanent footing of African development and economic growth. The multiple objectives of the Lagos Plan of Action and IDDA, therefore, need to be considered in the light of the preceding paragraphs. They include:

(a) Reducing dependence on external demand stimuli;

(b) Reducing dependence on external factor input supply and debt;

(c) Internalizing employment and income mulitiplier effects.

40. The design and construction of internal engines of growth on a national and multinational basis was considerably slowed down by the crises of the 1980s. These included: persistent balance-of-payments deficits; external debt intensified by rising interest rates; natural disasters such as droughts, the advance of desertification and the ravages of locusts; food shortages; decline in industrial performance; and inability to deal with the rehabilitation problem on a large scale. It became necessary for Governments to adopt relatively short-term policies and strategies just to cope with the crises. Plans for the expansion of core industries were suspended or greatly reduced and attention shifted to single-purpose objectives: employment, food production.

41. The new measures included the development of small-scale industries (a) related to agricultural production or based on agricultural raw materials, and (b) in the informal urban sector. Although the small-scale sector was fully emphasized in the IDDA Programme, the reiteration of its importance for expanding domestic markets and for expanding demand for factor inputs of domestic origin is most welcome.

42. These new measures, however, did not imply abandonment of the Lagos Plan of Action, the Final Act of Lagos or IDDA.3/ Not only were resolutions passed calling for a second IDDA, but Governments, individually and collectively, took steps to push ahead with other components of the engine of growth. These steps included: efforts to set up economic co-operation

groupings, first for purposes of market expansion and later for collaboration in promoting core industries through multinational enterprises; concentration on efforts in the mineral resources field (regional centres for cartography, remote sensing and mineral resource development); promotion of data bases on, inter alia, population, household income and expenditure survey capabilities; a regional information system; activities in line with the United Nations Transport and Communications Decade; promotion of intra-African trade; work on human resource development; and the establishment of the African Regional Centre for Engineering Design and Manufacturing and the African Regional Centre for Technology. Finally, several of the countries visited expressed firm confidence in the Lagos Plan of Action and others had designed national policies and plans along the lines of the IDDA Programme.

43. The crisis in the process of designing and constructing internal engines of growth in Africa today appears to be a compound of more than debt and debt burdens; shortages of factor inputs (domestic and foreign); drought and desertification; natural disasters; and even, possibly, internal instability. There seems to be needed more familiarity on the part of policy-makers, planners, entrepreneurs and other actors with the inputs, processes and conditions of mounting a programme such as that implied in the Lagos Plan of Action and the Final Act of Lagos.

44. There seems to be needed also, again on the part of policy-makers, planners, entrepreneurs and other actors, a framework of development economics specifically for dealing with features of internal engines of growth.4/ For example, although policy-makers and planners in Africa have begun to accept the need for placing greater confidence in markets and market effects, they need a firmer basis for policy decisions and measures, i.e., one based on studies of the structures and dynamics of African national markets. General features of such markets include, for example, problems of the extension of market demand to large parts of national populations which are not more than marginally within the money economy. Then there is the probably substantial loss due to failure to develop and use factor inputs of domestic origin and thereby to internalize the associated employment and income multiplier effects. There is the considerable skewness in the pattern of income distribution which tends to constitute the main source of demand for imports of consumer durables. There is, in addition, the high degree of fragmentation of already small domestic markets by product differention, trade marks, rapid product succession, promotion of brand names and loyalties etc. Finally, there are oligopolistic arrangements, e.g. market-sharing and price leadership, to be taken into account. With regard to multinational markets, full recognition has yet to be given to the fact that they must ultimately be organized by producers and traders (private and public), no matter what contributions policy-makers and planners may make. These are fundamental matters which call for solution over many years, but which need a basis for consideration and policy-making. The sooner this basis is established, the better the prospects of internal engines of growth being realized to serve the needs of the peoples of the region.

45. With regard to IDDA, there appears also to be a lack of awareness of the resource requirements and of the conditions and the processes involved in mounting an industrialization programme of the kind envisaged, especially one that also calls for promoting effective economic co-operation. These deficiencies can, to a considerable extent, be repaired by a determined effort to share experience and information and to learn from other developing and newly industrializing countries. The organization of this learning process may well need to be given high priority in any programme for a second IDDA (see Programme proposals VII and IX).

II. IDDA: A CRITICAL ANALYSIS

Evaluation criteria

46. Analysis of the IDDA Programme and the resolutions and documents on which it is based is an essential part of the evaluation, as:

(a) The overall achievements of IDDA can only be assessed against the objectives and expected results defined in the Programme;

(b) The relevance and the effectiveness of IDDA will be determined to a large extent by the fact (i) whether the Programme provided a comprehensive, implementable and clear basis for action and a useful guidance for donors and international organizations, and finally (ii) whether the Programme represented any addition to the concepts of on-going assistance programmes;

(c) The examination of various components of the Programme will show whether the approach taken to planning and promoting IDDA was leading to optimal results or if another, or modified, approach could have led to improved implementation.

47. Finally, as programme implementation is largely dependent on the efficiency of the mechanisms and networks set up by the Programme and the relevant organizing institutions, the analysis is therefore extended to the examination of the mechanisms, channels of communication and responsible actors expected to operate within and for the IDDA Programme.

Identity and structure of the IDDA Programme

48. The term "identity" is used here in the sense of something being individual, specific, distinctive. The question what IDDA really means is a question of the "identity" of the IDDA Programme. Occasionally, such a question may signal lack of communication. It may also mean, however, that the Programme is too broad: everything fits into it; it has no form; it is too general. This apparent lack of explicitness may be explained by the complexity of the tasks that national planners face in transforming the concept of IDDA into an operational programme of relevance for their countries individually or in groups.

Operational guidance; techno-economic information; experts' estimates

49. The Programme documents are based on:

(a) Resolutions adopted by the ECA Conference of Ministers, and more specifically, of the African Ministers of Industry, proposing recommending and urging action at the national, subregional and global levels. These resolutions cannot be considered programmes *per se*; they were designed to lead to the preparation of programmes. They can be called operational guidance;

(b) Data on branches and their structures, forward-backward linkages, and technological choices - often of a too general or didactic nature. The plenitude of such information in the Programme documents may help in the preparation of programmes, but does not constitute programmes. It can be called techno-economic information;

(c) Data on investment opportunities, according to sectors, branches and regions, or possibly within the time-frame of the Decade. Such data, which can only be tentative, are normally out of reach of decision-makers at national, subregional and regional levels. This part of the Programme can be called experts' estimates.

50. Most of the proposals included in the Programme documents are open-ended and timeless. They are not necessarily based on IDDA activities in the sense that many of them had, in some sense, been going on before the proclamation of IDDA. But, in most cases their intensification is proposed. They are seen as leading to sound, viable programmes provided they:

(a) Indicate a logical sequence of operations to be performed in a given time-frame;

(b) Identify the responsible actors;

(c) Imply appropriate resource availability and commitment;

(d) Define the expected measurable results (outputs);

(e) Ensure that implementation will be controlled.

Policy goals of IDDA

51. The policy objectives and the results expected of IDDA derive from the decisions taken by policy-makers and the legislative bodies of various organizations. They derive, first of all, from the declaration by the Heads of State and Government adopted in the Monrovia Strategy for the development of Africa in which it is recommended that the period 1980-1990 be declared the Industrial Development Decade for Africa "for the purpose of focusing greater attention and evoking greater political commitment and financial and technical support at the national, regional and international levels for the industrialization of Africa".[5/] These goals were underscored by the OAU Council of Ministers when it addressed an appeal to the developed countries, the multinational financing institutions and the United Nations for more resources to be committed to implementation of the IDDA Programme.

52. As regards the OAU member countries and their political commitment for the implementation of the Lagos Plan of Action, their recommendations are aimed at:

(a) The preparation of specific IDDA programmes such as the identification of core and strategic industries and the determination of needs for upgrading production and service capabilities;

(b) The adoption of a multinational approach to the development of industries, the intensification of intra-African trade and co-operation, and the strengthening of international negotiation capabilities.

53. The main political message of IDDA has been to promote the rapid industrialization of Africa within the time-frame and scope of the Lagos Plan of Action. To that effect, political commitment and resource mobilization have been the two immediate goals adopted by major political and legislative bodies in Africa.

Operational capability - the mechanisms of implementation

Political will and economic decision-making

54. Political will as well as economic and financial decision-making capabilities are required in order to make effective use of the techno-economic information and the investment opportunities or needs indicated in the IDDA Programme. To assess the availability of such capabilities, the main "actors" of the IDDA Programme need to be identified, and the action expected from them in implementing IDDA policy objectives.

OAU member countries

55. IDDA-related recommendations adopted at ministerial-level conferences have been addressed, first, to national Governments.

(a) The establishment of the national co-ordinating IDDA committees and the monitoring of their work;

(b) The preparation of a national IDDA Programme;

(c) The identification of areas where action is to be taken to implement the IDDA Programme (planning the development of core industries; developing and organizing human, material and institutional resources; and setting up and commissioning national and multinational companies etc.);

(d) The review and readjustment of existing economic co-operation agreements.

Subregional and regional organizations

56. The resolutions adopted and the Programme are also addressed to Multinational Programming and Operational Centres (MULPOCs) and to subregional organizations and institutions. These are exhorted to prepare sectoral policies and programmes; to identify major industrial projects; to strengthen or establish institutions, to convene expert working groups; and to engage in TCDC and other forms of bilateral and subregional co-operation, such as the drawing up of agreements on multinational and intergovernmental co-operation and industrial co-operation at the enterprise level; and, finally, the elaboration of projects and programmes related to the preparation and implementation of such agreements.

International agencies: General programme support

57. In support of IDDA, international agencies are called upon to redesign and intensify their programmes; set aside a greater portion of resources; report periodically (preferably annually) on IDDA-related activities; assist in popularizing IDDA; and send preparatory, high-level missions to intensify technical assistance, upon request, during the preparatory phase of IDDA and to assist in the preparation of IDDA-related national, subregional and regional programmes.

Regional and subregional programme support

58. The main co-ordinating organizations for the regional and subregional programmes of IDDA are ECA, OAU and UNIDO. These organizations were expected to prepare the subregional and regional development programmes for IDDA. They were requested to assist Governments in: initiating proposals for regional projects; harmonizing and consolidating those proposals; identifying consultants for key short-term projects; and organizing IDDA-related seminars, workshops, conferences and promotional activities.

Joint Intersecretariat Committee

59. The OAU Council of Ministers requested the Secretary-General of the United Nations to take, in co-operation with the Executive Director of UNIDO and the Executive Secretary of ECA, the measures necessary for effective monitoring of all activities related to the implementation of the IDDA Programme, and to present progress reports to the OAU Council of Ministers on a regular basis. The ECA Conference of Ministers subsequently endorsed the establishment of a joint Intersecretariat Committee (OAU/ECA/UNIDO) to follow up on this request.

IDDA Programme - assessment of the overall approach

Main policy goals

60. The general objectives of IDDA are common knowledge. Moreover, they represent the personal conviction of African Government officials, politicians and United Nations project managers. The Lagos Plan of Action has articulated the need: for reducing economic dependence; diversification and integration; the strengthening of technical capacities; subregional co-operation; and the promotion of intra-African trade. These objectives are repeated in various political declarations, subregional agreements and development plans.

61. The IDDA Programme was conceived with the aim of strengthening consciousness regarding these objectives and of mobilizing human and financial resources for their implementation, at national and international levels, within the framework of IDDA. The central issue is whether the concept and the means of the Programme have matched the broad policy goals.

Programme identity

62. Owing to its structure and all-encompassing character, the Programme could hardly create the identity required. At both national and regional levels, it calls for the intensification of measures that are under preparation and implementation in any case (at least to the extent that conditions permit). Its components permit broad and even controversial interpretations.

63. Its all-encompassing structure, which seemed to be its strength, has become its weakness. Many or most of the Programme components are appropriate, but the general lack of focus has prevented positive operational responses. The Programme's vision of industrial development is too technical, administrative and centralist, as will be explained in the second part of this chapter, in the context of its sub-programmes.

Target groups and implementation mechanisms

64. The main weakness of IDDA implementation mechanisms derives from the fact that OAU member Governments cannot be expected to change and adjust existing development plans, industrial policies or institutional structures in response to recommendations adopted at regional conferences that lack the legislative power to oblige them, or even incentives to offer them, to do so. The same applies to subregional organizations, although these might be more inclined to follow international policy recommendations, provided the means are made available by Governments.

65. In principal, United Nations organizations are in a better position to respond, and more flexibly, but their financial resources are limited and their role is determined by established procedures. Furthermore, because of the broadness and vagueness of its objectives, the IDDA Programme has not had sufficient appeal for bilateral donors looking for specific and well defined projects. Because of this inability to mobilize the target groups, the gap between IDDA objectives and their practical implementation remains large.

Indirect impact

66. The Programme, however, through its articulation of many important issues, has kept alive and occasionally strengthened interest in industrial development in Africa and in the various components and factors (subregional co-operation, linkages, intra-African trade, rehabilitation etc.) related to and conditioning the progress of that development.

Other problems and weaknesses in the IDDA Programme

67. There are other problems and weaknesses inherent in the Programme, and these are important because of the need to avoid them in any future, similar set of proposals. The first is the concept of self-reliance and self-sustainment. Self-reliance and self-sustained industrialization are key goals of the Lagos Plan of Action as well as the IDDA Programme. They are

certainly goals dear to every State wishing to maintain its political, economic and cultural identity. To interpret these goals in a static manner, having regard to the structure of the industrial sector, whether in a national or a broader sense (e.g. as collective self-reliance encompassing a subregion or the whole of Africa) would be to miss the point. For example, first-level processing of raw materials for export does not decrease dependence, rather it deepens it by causing a heavy strain on the economy.

68. Self-reliance can be defined in many ways. In the IDDA Programme, it is referred to, inter alia, as a "will to reduce the extent of dependence on former metropolitain powers in particular and on developed countries in general".[5/] This implies a diversified and internally integrated economy, disposing of various options and of the capability to change. The capability to change in pace with a fast changing economic environment seems to be an important criterion of self-reliance today.

69. The transition of Africa's highly vulnerable economies to economies such as the one just described would take 30 years or more. The IDDA Programme, however, has made much too little provision for the time required for the political, social and technical changes involved even in the first 10 years. Comparative studies of changes over time in the newly industrializing countries (NICs) may be of use in any future, similar exercise.

70. It must also be recognized that the creation of capital goods (particularly heavy) industries frequently leads to increased, not decreased, dependence in the middle years of industrialization, when the easy phase is over. This is often due to the fact that the rate of growth of demand for factor inputs tends to exceed the rate of growth of domestic supply; and this applies particularly to products involving increasingly complex technologies. Even in countries where a tight rein is kept on imports and end-uses of equipment, this phenomenon occurs. Policy-makers and planners must be prepared for this and find ways of compensating for it. Again, some countries have intentionally strengthened their dependence on monoproduct sectors, allocating heavy investments to those sectors. Furthermore, it would appear that they will be obliged to continue doing so, because of their foreign-exchange constraints and immediate needs.

71. In conclusion, the principles of self-reliance, stated in general terms, can be applied in the preparation of national and regional industrial sector programmes, provided regard is had to:

(a) The complexity of the decision-making process;

(b) The danger of their being used as criteria or even justification for economic decisions for which they are inappropriate (e.g. on choices of industrial sectors or technologies);

(c) The difficulty in planning and assessing, in advance, the results of their application.

Industrial planning

72. According to the IDDA Programme, the implementation of a well-defined self-reliant industrial development strategy requires the elaboration of a coherent industrial development plan. It goes on to state that the African continent as a whole still suffers from lack of clear and methodical planning, stressing that "In an industrial planning process, the various elements, in particular raw materials, manpower, technology and finance are well conceived, systematically integrated within a well-defined time schedule and intimately linked with the development plans of the other sectors".7/ This approach reflects the thinking of the 1960s and 1970s and would be difficult to pursue in a period of rapid and sometimes fundamental change of the kind characteristic of the 1980s and probably of the 1990s. Much greater flexibility is needed, including the ability to cope with contingencies (see "Planning" in chapter VII).

Core industries and priority sectors

73. The IDDA Programme places great emphasis on the selection of industrial sectors and subsectors according to criteria explicitly related to the notion of self-reliance. It needs to be emphasized, however, that, as in the case of the Lagos Plan of Action, the notion of core or strategic industries is conditioned in the IDDA Programme by "objective political, economic and social conditions which constrain the formulation of industrial plans and policies at the national, subregional, regional and interregional level".8/ Moreover, "In view of this, the list of priority industries contained in the IDDA documents have to be viewed as illustrative and suggestive. IDDA provides adequate flexibility for each country to determine its industrial investment priorities in accordance with national circumstances and policies." Another, more complex, dimension of the concept of self-reliance is recognition of the need to implement a plan for the collective industrialization of Africa, based on the concept of self-reliance as stressed in the Lagos Plan of Action. The need is also seen (a) to lay the foundations for the phased development of the basic industries which are essential for self-reliance since they produce inputs for other sectors, and (b) at the national level, to design industrialization policy which lays down priorities and targets and identifies the human, financial and institutional resources required.9/

74. It is made clear in the IDDA Programme, however, that the guidelines are "not intended as an industrial programme for Africa, a region which comprises 50 independent States at different stages of economic development and with varying resource endowments", and that such an exercise is "virtually impossible".10/ The first section of chapter II attempts to identify major industrial project ideas in the priority subsectors. The second section, which comprises two parts, deals with the implications of factor inputs. There appear to be a need to underline these aspects of the IDDA Programme in order to defend it against simplistic interpretations.

75. Analyses concerning upstream and downstream linkages, or backward and forward integration, are fundamental to the elaboration of industrial

development plans and strategies. Lack of integration within the industrial sector and between that sector and other sectors represents a major area of concern for the IDDA Programme.11/ However, while the IDDA Programme has correctly placed emphasis on the technical aspects of linkages, it has failed to draw attention to the economic, managerial and market-related conditions of their transformation into effective production.

Industrial enterprises

76. The manufacturing firm is the centrepiece of industry. Its creation and proper functioning determine the extent of industrial development. There is no prosperous industry without efficient enterprises.

77. The IDDA Programme does not have much to say about industrial enterprises as such. In a reference to public-sector enterprises, it proposes the setting up of a co-ordination body, such as a bureau of public enterprises.12/ In addition, national consultations, study tours, TCDC-type actions, permanent national machineries, and national associations of State enterprises are recommended as means of activating "the agents of production and distribution".

78. With regard to private-sector enterprises, a forum for discussion is proposed. In view of the importance of securing the involvement of this sector in any production programme geared to the objectives of IDDA, a forum for discussion, that would include the public sector, is needed. Such a forum would make the private sector aware of the need to achieve the aims and objectives of IDDA and ascertain the types of assistance that Government could provide to strengthen production in the sector.

79. A great number of policy measures are proposed in the Programme to promote small-scale entrepreneurs. It underlines that, "since a well-structured small-scale industry sector can contribute significantly to meeting the needs of the people, activity in that sector is a fundamental element in the Lagos Plan of Action. This is a major area for the development of indigenous pivate and co-operative entrepreneurship."13/ While the Programme does not make specific reference to the informal sector, some of the measures proposed for promoting integration within the national economy may cover that sector as well. The informal sector is, however, recognized as of great importance in creating and distributing revenues; training young people at low cost, and ensuring employment once qualifications are acquired. This lack of attention to the informal sector in the IDDA Programme is regrettable.

80. To sum up: although the IDDA Programme formally encompasses all areas of industrial development, it puts too much emphasis on direct Government action. There is no substantial perception of the role of autonomous enterprises (public or private), entrepreneurship, the market, on other factors of efficiency. Too little attention is given to the need for and effective means of better economic integration within national borders.

Research, engineering, process design and development, and consultancy

81. The IDDA Programme places great emphasis on the strengthening of indigenous technical and professional capabilities. African countries need to acquire, on a large scale, the capacity to absorb and adapt technologies developed elsewhere. The ability to unpackage technology would presumably have to be acquired first within the context of regional co-operation. Specific research projects are proposed for indigenous development which focus on the basic needs of the masses, such as food, forest products, low-c... housing, alternative energy, medicine and chemicals. Emphasis is also given to genetic engineering, engineering design, fabrication and production.14/

82. The IDDA Programme emphasizes the desirability of building institutions. At times, however, the results expected have not been in conformity with the capabilities of such institutions. A number of points may be added in this connection:

(a) Not sufficient attention is given to the legal and economic structure of the institutions, or to ensuring their long-term financing;

(b) In some promotional, consultancy or engineering institutions, new schemes need to be developed, with the participation of development and commercial banks, other institutions and private firms;

(c) Many promotional institutions are bureaucratic, slow-moving and characterized by weak external relationships;

(d) It is still not sufficiently recognized that in professional service institutions people are the most important asset and a precondition of any success;

(e) The performance of institutions should be measured by comparing the expected output levels against results;

(f) The vast range of activities found at some regional institutions is counterproductive. Resources are thinly spread over meetings, conferences, training programmes and the like. The results are weak as regards development, implementation and application in the technical field. Moreover, few enquiries seem to come in;

(g) In a new IDDA, more realism would be called for in proposing the establishment of institutions and in determining the possible impact they might have on development.

Subregional co-operation and intra-African trade

83. In line with the Lagos Plan of Action, the IDDA Programme proposed the following framework for programmes at the subregional and regional levels:15/ establishment and strengthening of subregional structures (existing economic communities); identification of priority branches and

requisite intersectoral structures; preparation of subsectoral industrial masterplans; selection of industries to ensure integration of the economy by creating effective linkages between industry and agriculture, industry and transport, industry and natural resources, and industry and energy; co-ordination of industrial development strategies, plans and policies of the countries concerned; utilization of financial resources for subregional projects; joint industrial training projects; development, adaptation and transfer of industrial technology; dissemination of industrial information; implementation of measures aimed at expanding intra-African trade; promoting regional co-operation in high-priority sectors (through regional institutions); and facilitating African consultation arrangements.

84. Even before their field mission to Africa, it was clear to the evaluation team that the components of economic co-operation set out in the IDDA Programme were unlikely to be realized within 10 years. The situation in Africa, as described in chapter IX, confirms the over-optimism of the original proposals.

III. DEVELOPMENTS DURING THE 1980s AND THEIR IMPACT ON IDDA

85. The Lagos Plan of Action, designed jointly by all countries of Africa, constitutes for the period 1980-2000 a charter for the development of the continent. The Final Act of Lagos, adcpted in 1980, generated a feeling of optimism and expectation that the last two decades of the century would, through the individual and collective efforts of countries, witness a major breakthrough in African economic and social development and establish a firm foundation for progress in the twenty-first century.

86. A short while thereafter, and emanating from the concepts and objectives of the Lagos Plan of Action, IDDA was proclaimed, covering the period 1980-1990. While the Lagos Plan of Action is wide-ranging, covering all sectors of the economy, the IDDA Programme concentrated specifically on industrialization as a key element and prerequisite of economic progress, self-reliance and self-sustainment in Africa. The Lagos Plan of Action, the Final Act of Lagos and IDDA received the warm endorsement of the General Assembly and the support of the world community.

87. However, the current decade has been disastrous for Africa, and the hopes and expectations of progress have been belied. The industrialization of the continent has not taken place, the overall economic development has not materialized and, to state the position in stark, realistic terms, Africa today is poorer than it was at the commencement of the 1980s.

88. A number of studies and assessments have been made over the past few years concerning what actually transpired during the decade. All of them paint a dismal picture. It should be noted that most of them refer to sub-Saharan Africa, where the realities of the African tragedy are most pronounced. While the North African Arab-speaking countries do have their own economic problems, they are economically and industrially far in advance of sub-Saharan Africa.

89. We have reservations abcut using per capita income to measure a country's economic and social progress, but it is nevertheless an inexorable indicator. The statistics reveal that while per capita incomes for the region as a whole rose by 4.9 per cent over the period 1965-1970 and by 5.6 per cent in the next five years (1970-1975), they remained stagnant during 1975-1980. With the commencement of the current decade, per capita incomes in most African countries have shown a decline, and there are negative rates of growth. The World Bank's <u>World Development Report 1986</u> records that in 1976 there were 11 sub-Saharan countries in the middle-income category (Cameroon, Côte d'Ivoire, Ghana, Liberia, Mauritania, Nigeria, Senegal, Sudan, Togo, Zambia and Zimbabwe) and that by 1986 there were only five (Cameroon, Côte d'Ivoire, Liberia, Nigeria and Zimbabwe).

90. Agricultural output has been the biggest casualty. The Lagos target of a 4 per cent annual growth in agricultural production has been far from achieved. Average growth was only 1.7 per cent during the first five years of

the decade. Given the exponential population growth of almost 3 per cent per annum during this period, the per capita availability of agricultural products has actually declined. African countries which were once self-sufficient in food, and even had exportable surpluses, are today net importers of food.

91. The story of industrial output is not appreciably better. Apart from the fact that the massive investments in core industries contemplated for IDDA have not been made (except in a few relatively advanced industrialized countries such as Algeria and Nigeria, where projects sanctioned at the turn of the decade are being implemented), even the existing industries have performed poorly, ranging from 35 to 60 per cent of installed capacity.

92. Added to these problems, and perhaps consequential to them, is Africa's back-breaking external debt. In 1985, the total indebtedness of the continent had reached $170 billion, of which sub-Saharan Africa accounted for $135 billion. This has meant that nearly 35 per cent of export earnings are channelled for debt repayment, thus exacerbating the critical balance-of-payments situation. In sum, the objective of reducing dependency has not been achieved; in fact, dependency has grown. There are many explanations for this state of affairs, both endogenous and exogenous.

Endogenous factors

(a) The political situation in many African countries continues to be tense. During the decade, many countries have faced internal strife amounting at times to civil war; border disputes leading to the threat of war; banditry and lawlessness; and the destabilizing actions of South Africa. We are drawing pointed attention to this issue (which is often ignored in economic studies) because it is of direct relevance to the process of economic development. A substantial amount of time, energy and resources which would otherwise have been available for development, has perforce to be diverted to maintaining armies and police forces. The noble goals of the Lagos Plan of Action and IDDA require conditions of political stability, internal tranquility and external peace if they are to be achieved;

(b) Natural calamities have plagued Africa during the decade; droughts in the Sahel region, Zimbabwe and Botswana; famines in Ethiopia; floods in Sudan; and the continuing desertification of the continent;

(c) High population growth, which in many African countries exceeds 3 per cent per annum, not only generates more mouths to feed and more jobs to be created, but also neutralizes the modest gains made in the growth of GDP;

(d) The low returns on African investments, partly due to the excessively high costs of projects, low value-added from commissioned projects, low productivity levels and the disastrously low utilization of installed capacity. In short, existing assets are not being optimally used;

(e) The relatively high costs of labour. This may seem surprising in a poor continent like Africa, but it is a fact that African wages are substantially higher than wages in Asia. This situation is compounded by the fact that African labour productivity is very much lower than that of Asia;

(f) The poor performance of public enterprises. While in many African countries the public enterprises have been pioneers in industrial development and have served a variety of social purposes, the fact remains that their business performance has been suboptimal. The heavy losses of public enterprises have become a burden on public exchequers and are a contributory factor to State deficits;

(g) The State has also played an over-dominant role in the development process while at the same time registering inadequate involvement in, and motivation of, economic instruments, particularly the private sector. State bureaucracies have tended to be slow, complex organizations more administration-oriented and regulatory in nature than developmental.

Exogenous factors

93. However valid the proposition of African self-reliance may be, Africa is part of the world economic system and cannot isolate itself from events in the global scenario. That the economic situation worsened and even reached crisis proportions during IDDA was also due to external circumstances and forces, some of which are outlined below.

(a) IDDA coincided with a period when the whole world experienced recessionary conditions, reducing the demand for African products in world markets;

(b) The international prices of primary products, which still constitute the major portion of Africa's export basket, declined sharply. The collapse of oil prices virtually pulled the carpet from under the feet of countries such as Algeria and Nigeria. The fall in copper prices created a crisis situation in Zambia and Zaire. While these were the more spectacular cases, the fall in all mineral and commodity prices weakened the economies of most African countries;

(c) While the prices of primary exports declined, there was no compensatory relief on the import side. Machinery, equipment, spare parts and technology costs continued to rise. The inflation of the industrial countries was passed on to the backs of the weaker countries;

(d) While the quantum of external aid rose in absolute terms, it declined in real terms.

94. The net consequence of the above four factors has been total distortion in the balance-of-payments situation of practically all African countries. The foreign exchange constraint, in turn, has weakened industrial production

because of restrictions on the import of much needed inputs. It has created, in large measure, the debt crisis, which has been further exacerbated by the rise in international interest rates. This combination of adverse exogenous factors could not have come at a worse time and has virtually crippled the implementation of the Lagos Plan of Action and the IDDA Programme.

95. The circumstances summarized above, both internal and external, are well known to observers of the African scene, to African planners and policy-makers, and to the donor community. This awareness of the situation has in turn brought about three important and interrelated events which have, to a very great extent, influenced the course of IDDA: the formulation of Africa's Priority Programme for Economic Recovery 1986-1990 (APPER); the adoption of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UNPAAERD); and the Structural Adjustment Programmes introduced by the World Bank and the International Monetary Fund (IMF).

Africa's Priority Programme for Economic Recovery 1986-1990

96. Realizing the gravity of the economic crisis facing the continent, the Heads of State and Government of the OAU met at Addis Ababa in July 1985 to review the situation, to assess the progress of the Lagos Plan of Action and to agree on remedial measures. The resultant document, entitled "Africa's Priority Programme for Economic Recovery 1986-1990" (APPER), is of great significance and has appreciably affected the scope and direction of IDDA.

97. APPER is a candid analysis of the deteriorating economic situation in Africa, the poor performance of the agricultural and the industrial sectors, the balance-of-payments crisis and the problem of indebtedness. Two frank statements bear repetition:

> Five years after the adoption of the Lagos Plan of Action and the Final Act of Lagos, very little progress has been achieved in the implementation of the Plan and Act.
>
> Although the philosophy, principles and objectives of the Lagos Plan of Action have been accepted by the Member States as a whole, their underlying concerns have neither always been translated into concrete action nor reflected in national development plans of Member States.

98. APPER, declaredly, is not in the nature of a volte-face from the Lagos Plan of Action. It reiterates full commitment to the principles and objectives of the Lagos Plan of Action, "which are more valid today than ever before". Having said this, however, it adds: "We have focused our discussions at the present summit on a priority programme that we will concentrate on during the next five years...". APPER consists of five elements:

(a) Measures for accelerated implementation of the Lagos Plan of Action and the Final Act of Lagos;

(b) Measures for special action to improve the food situation and the rehabilitation of agricultural development in Africa;

(c) Measures for alleviating Africa's debt burden;

(d) Measures for a common platform for action at the subregional, regional, continental and international levels;

(e) Measures for action against the effects of South Africa's destabilization policy on the economies of the southern African States.

99. Elements (a) and (d) are a reminder of the recommendations made in the Lagos Plan of Action and an exhortation to implement the agreed resolutions. The heart of APPER lies in elements (b) and (c) which are addressed to the most pressing current problems of Africa, food security and indebtedness.

100. APPER also makes specific references to industry, proposing a number of measures to be taken in the short-, medium- and long-term, as follows:

Short-term measures

(a) The critical assessment of major industrial enterprises with a view to rationalizing them;

(b) The identification of industrial skills and capabilities;

(c) The formulation of a national programme for industrial maintenance, including the production of parts;

(d) The promotion of standardization and quality control.

Medium- and long-term measures

(a) The mobilization of national capabilities for the identification, preparation, evaluation, negotiation and implementation of projects, especially the strategic core industries identified in the IDDA Programme;

(b) The taking of appropriate policy and incentive measures to facilitate the participation of nationals in equity capital and management of industrial enterprises;

(c) The development of responses to critical manpower needs.

101. These priorities indicate that, in light of the realities of the African industrial scene, concentration would now be on rehabilitation and rationalization of existing enterprises; maintenance and parts manufacture; standardization and quality control; and the building up of managerial, planning and entrepreneurial capabilities. APPER also highlights the role of industry in support of agriculture. We see APPER as a response to the crisis in Africa. Essentially, however, it is a short-term package and does not, in our view, change the long-term goals and perspectives of the Lagos Plan of Action and IDDA.

United Nations Programme of Action
for African Econom.c Recovery and Development 1986-1990

102. APPER was warmly acclaimed by the international community and received the endorsement of the General Assembly. In its resolution S-13/2 of 1 July 1986, the General Assembly adopted the "United Nations Programme of Action for African Economic Recovery and Development 1986-1990" (UNPAAERD). The resolution takes note of the "sharply focused, practical and operational set of activities, priorities and policies elaborated in APPER", in particular the emphasis on the food and agricultural sector, the strengthening of other economic sectors in support of agriculture, human resource development and policy reforms. There is practically no reference to industrialization, except in the context of the agro-industries.

103. Perhaps the most significant part of the UNPAAERD resolution is the extensive reference it makes to the economic policy reforms initiated by African Governments to promote recovery. These include: improving public management systems, institutions and practices; improving the performance of public enterprises; reforming public services to make them more development oriented; mobilizing domestic saving; improving financial management, including debt and development aid; controlling public expenditure to promote efficient use of resources; cutting wastage and misallocation; encouraging the private sector; initiating exchange-rate adjustments; implementing wage and salary reductions and public employment freezes; developing population policies; encouraging the greater participation of people in development; and involving women in development. These policy reforms have direct or indirect implications for the IDDA Programme.

104. It is estimated that APPER would require an outlay of $128.1 billion to support Africa's policy reform measures during the five-year period 1986-1990. The African countries have committed themselves to raising $82.5 billion or 64.4 per cent of this amount, and an appeal has been made to the international community and to potential donors to make good the balance of $46 billion.

105. UNDP project assistance to Africa in the current cycle, both in respect of country Indicative Planning Figures (IPFs) and the programmes of the Regional Bureau for Africa and the Regional Bureau for Arab States, takes as its policy and priority base APPER and the UNPAAERD resolution. In the programme of the Regional Bureau for Africa, the provision for promoting industrialization is minimal.

106. In January 1988, two years after the adoption of UNPAAERD, the General Assembly, in its resolution 42/163, expressed concern that the critical economic situation in Africa still persisted and that the response of the international community had not been adequate to alleviate the severe constraints on the efforts of African countries to implement the APPER programme. The appeals were renewed.

Structural Adjustment Programmes

107. The third important factor that has affected the course of events during the decade is the massive intervention by the World Bank and the IMF in the economic affairs of many African countries. The economic crisis, the collapse of their balance-of-payments situation, their growing indebtedness and their urgent need of resources and foreign currency for developmental purposes has left African countries with no option but to approach the World Bank and IMF for "bail out" support.

108. The assistance provided by the Bank and the IMF to stimulate recovery is not without strings, however. Indeed, it predicates "conditionality", viz., the adoption by the recipient country of a set of policies which the Bank considers would provide a realistic basis for growth and development. Over the years, the Bank has developed a package of views on the elements needed to promote development. This package covers:

(a) A belief that the market is a more efficient mechanism for promoting optimum resource allocation than State planning and "dirigisme";

(b) The adoption of realistic exchange rates that reflect the true value of a country's currency and will promote exports without placing a premium on imports;

(c) Interest rates that are higher than the inflation rates and that will, consequently, encourage savings;

(d) Trade liberalization and the removal of bureaucratic constraints and controls on exports and imports;

(e) The avoidance of large budgetary deficits;

(f) The avoidance of artificial subsidies;

(g) The encouragement of private entrepreneurship and a reduction of the role of parastatals, through "privatization".

109. The World Bank's approach to the development process and the strategies advocated as part of the Structural Adjustment Programmes are clearly different from those proposed in the Lagos Plan of Action and subsequently by the IDDA Programme. The programmes adopted by most African countries are not based on a "laissez-faire" or market-based approach. They propose the achievement of self-reliance and self-sustainment through active State action, through organized and conscious national planning, through State-guided resource allocations, and through the public sector as an instrument of development. (More extensive discussion of the Bank Group's position is provided in chapter XI.

IV. INDUSTRIAL DEVELOPMENT POLICIES AND PRACTICES OF AFRICAN COUNTRIES IN THE IDDA CONTEXT

110. Our principal task was to evaluate the impact of IDDA on individual countries, the extent to which the goals and suggested strategies had been adopted, and the relationship between IDDA and the designing of national development policies, strategies and plans. In order to find fair answers to these questions, we had to tackle two preliminary, but basic issues:

(a) Was IDDA perceived as proposing a particular model of industrialization, a precise recipe to be followed by all States?

(b) Was IDDA perceived as a broad developmental concept, a statement of goals, a set of guiding principles that provided a framework within which each country would have adequate flexibility to determine its own path to industrialization?

111. In our critical analysis of the IDDA Programme and concept set out in chapter II of this report, we have taken the latter view, and this is how African countries have also perceived the situation. We have also drawn attention to the fact that the IDDA documents were of three types, providing: operational guidance; techno-economic information; and expert estimates of investment needs.

112. The following questions then arise:

(a) Is there adequate consciousness of IDDA in Africa, and is there any explicit recognition of this in the designing of national development strategies?

(b) Have the basic goals of IDDA - self-reliance, self-sustainment, less dependency on external forces, promotion of internal engines of growth - been adopted as the basis of national planning?

(c) Have countries recognized the importance of national development planning, and that industrialization and the designing of a self-reliant industrial development strategy constitute a major plank of development and one that needs to be given high priority in such planning?

(d) Have countries adopted and implemented the interrelated set of recommendations contained in the IDDA documents, addressed specifically to them, and covering:

(i) The establishment of focal points and co-ordinating committees;

(ii) The preparation of an investment portfolio of identified core projects;

(iii) Attention to physical infrastructure, institutional mechanisms and environmental considerations;

(iv) Action in the areas of science and technology as well as industrial and technological manpower;

(v) An energy development plan;

(vi) A detailed assessment of the financial requirements of, and the mobilization of resources for, implementation of the IDDA Programme and its related investment projects;

(vii) Special efforts to develop and utilize local inputs for local industries;

(viii) Active participation in regional and subregional co-operation efforts;

(ix) Promotion of industrial entrepreneurship.

113. We visited 20 African countries to find answers to these questions and to assess the situation at the grass-roots level. We feel that the sample was fairly representative and, by and large, reflects the general situation in Africa. In this chapter, we propose to examine the basic issues relating to consciousness, planning and industrial development strategies. In succeeding chapters, we shall deal more specifically with institutions, mechanisms, economic operations, infrastructure, human capability, subregional co-operation and international co-operation.

Consciousness of IDDA

114. Undoubtedly, all African countries are keenly aware of the Lagos Plan of Action and its long-term vision of the continent's development. Consciousness of IDDA and its Programme is perhaps not quite so strong. The seminars organized by UNIDO to promote the concept and messages of IDDA have certainly been valuable in building up this consciousness, and this was particularly noticeable in the countries which had participated in the seminars. However, it must be recorded candidly that there is no explicit recognition of IDDA in the national development plans of most African countries. It would be difficult to sustain the position that African countries have consciously redesigned their economic planning or industrial development strategies so as to bring them into line with IDDA propositions.

Adoption of IDDA goals

115. This finding, however, by no means implies that the policies and practices of African Governments are not in harmony with the goals of IDDA. There is ample evidence to show that these Governments strongly support the concept of African solidarity and the imperative need for regional co-operation as a major instrument of economic development. All of them unreservedly accept the basic goals of self-reliance and self-sustainment. All of them believe that the solution of Africa's problem lies in promoting internal engines of growth and reducing the dependency factor. In this sense,

it could fairly be said that the concepts and approaches of IDDA are well accepted.

The role of industrialization

116. Equally, it could be recorded that all African countries perceive industrialization as a major instrument of economic development and that such industrialization should be based on fuller utilization of domestically available natural resources and other domestic factor inputs. Moreover, there is recognition of the vulnerability of dependence on single products and the consequent need for diversification.

117. This finding may create the assumption that industry is given high priority in African planning. In practice, we found that the measure of such priority varied according to the circumstances and endowments of each country. Further, as indicated in chapter III, the economic crisis of the 1980s, the recovery programmes and the short-term focus provided by APPER have, to some extent, affected the ranking of industrial development in national priorities.

National development plans

118. The African countries, almost without exception, have accepted and are implementing a central message of the Lagos Plan of Action and IDDA, namely that the industrial development of Africa can only come about through a conscious effort on the part of each country. This would involve major intervention by the State in masterminding the economy through: formulating objectives; defining priorities; mobilizing and deploying resources in the desired directions; building up infrastructures; creating the necessary operating organizations; and designing policies to provide the appropriate climate for investment and entrepreneurship. All this points to the need for considerable improvements in national development planning. (For more on the subject of planning, see chapter VII.)

119. There is a strong commonality in the goals defined in the preamble of African national plans. These goals include: eliminating poverty; raising GDP and per capita income; generating employment; developing agricultural and food security; fully utilizing domestic natural resources; developing human resources; advancing the rural areas; promoting exports; and stabilizing the balance-of-payments.

120. However, although the goals are similar, the shape and direction of national plans and the roads to industrialization are varied. This is but natural. Although the countries of Africa share a common heritage, including the fact that all of them have been victims of colonial exploitation, and although there is a strong feeling of Pan-African solidarity, it must be recognized that Africa presents a kaleidoscope of political and economic stituations. Each country has its own particular environment, set of circumstances and specific problems, and these determine the priorities and strategies of development.

121. Political situations, natural endowment, geographical location, skill levels and demographic patterns are among the factors that have conditioned the shape and direction of national development plans and industrial strategies. One consequence of this combination of factors is that the level of economic development and industrialization varies greatly. Some countries, such as Algeria, Egypt, Nigeria and Zimbabwe have a diversified industrial base, with core industries at the heart. Many others, at least from an industrialization standpoint, are at a relatively low level.

Focal points and co-ordinating committees

122. The IDDA recommendation to establish focal points and co-ordinating committees has received scant attention from the African countries. In a few, scattered cases, committees have been established, but mainly to collaborate with UNIDO in the management of IDDA seminars. Even in these cases, the committees have not played the role envisaged for them in the recommendation. In our view, however, it would not be fair to interpret this poor response as indifference to IDDA. Each country has an established institutional structure - with Ministries of Planning, Finance and Industry as well as cabinet committees - which in practice undertakes the responsibilities envisaged for the focal points and co-ordinating committees. The setting up of additional institutions was perceived as a duplicative move which risked upsetting the smooth functioning of the existing machinery.

Core industries

123. No country has implemented the specific recommendation to "undertake the preparation of an investment portfolio of identified core projects". No list of identified projects has been published. What, in practice, is happening is that investment choices are based on national goals, national priorities and national resources, and are addressed to solving national problems. In one country, we were provided with a thought-provoking definition of a "core" industry.

> An industry could be considered as "core" if it contributed to the attainment of national objectives. The basis of investment was not only financial profitability, but social profitability. In practice, such investments are likely to be in long-gestation, high-risk, low-profitability areas. Consequently, private capital is not likely to be forthcoming for such nation-building ventures and the task of supporting them would necessarily fall on the shoulders of the public sector.

124. In line with the thinking that industrial investment should be directed towards the solution of national problems,16/ the identification of such problems of concern has been the starting point. Amongst them: growing unemployment; balance-of-payments crisis; agricultural deficits; and backwardness of the rural areas.

125. Thus, a consensus appears to be emerging that investments should be made in industries that are employment generators or whose products are potential

foreign-exchange earners. Or, alternatively, in industries that are foreign-exchange savers through import substitution (provided import substitution industries have high value added, are based on local inputs and do not exacerbate dependency); that lend support to agriculture by providing inputs or processing agricultural output; or that are located in backward areas to stimulate growth.

Investment finance

126. None of the countries surveyed had undertaken, as a separate exercise, "a detailed assessment of financial requirements, mobilization of financial domestic and external financial resources to implement the Decade Programme, especially the investment projects identified", as recommended by IDDA.

127. Yet, although no specific "Decade Programme" has been prepared, all the national plans contain a section on industrial development. The prevailing view is that industrial development is part of a wider exercise of socio-economic development planning and that this exercise cannot be fragmented; it must be intersectoral in nature. Hard choices have to be made between the demands of various sectors of the economy apart from industry: agriculture, transport, communication, education, health, defence and so on. Co-ordination of the exercise lies principally in the hands of the Ministries of Planning and Finance. The practices adopted by the countries are in keeping with the flexibility provided by the IDDA Programme.

Entrepreneurship

128. With regard to the IDDA recommendation that African countries should promote industrial entrepreneurship, these countries are confronted with a major lacuna, namely, the lack of an entrepreneurial base. With few exceptions, there are no stock exchanges or organized capital markets in Africa. Private enterprise has been mainly in the hands of transnational corporations or expatriate communities. There is no genuine indigenous industrial private sector. It is for this reason that the bulk of industrial investments made in the last two decades have been in the public sector. This has given birth to the large public industrial sector in Africa, whose performance record, alas, is below par. The World Bank's prescription of privatization has little reality in Africa, where there is no substantial indigenous private sector. Chapter VI contains an examination of African entrepreneurship for core industries and strategic sectors.

129. This situation suggests that a major thrust in IDDA II should be towards the creation of the African entrepreneur and the African manager. In realistic terms, this will have to be promoted partly at the small- and medium-scale levels, a strategy that will not only help to solve the employment problem, but will provide a training ground for entrepreneurs. We shall examine later in this report, in greater detail, the role of the various economic operators.

Rehabilitation of existing industries

130. While the IDDA Programme does not deal particularly with the problem of industrial rehabilitation, we found in most countries visited distressing evidence of low productivity, low capacity utilization, inadequate input-output ratios and consumption co-efficients in existing industres, both in the public and the private sectors. It is clear - and the countries themselves recognize this - that before attempting further large-scale efforts at industrialization, the first priority must be to rehabilitate, modernize and revitalize existing industries. Relieving bottle-necks, replacing obsolete equipment, introducing preventive maintenance systems, manufacturing parts locally - these and other steps to upgrade productivity should be a major plank in IDDA II.

131. Improvement of the performance of both public and private enterprises, the local production of industrial parts and components, and the training of skilled and semi-skilled manpower, the widespread institution of preventive maintenance arrangements in industrial enterprises would all help to minimize the rehabilitation crisis that is a general feature of the industrial sector in many African countries. In the IDDA Programme, virtually all the projects listed for implementation in the core industries as well as in the strategic and other sectors, are new projects, and this is the focus too of the total capital investment of $140 billion called for. There is little attention to the benefits that could accrue by increasing the output and productivity of existing enterprises. In virtually all the countries covered by the field visits, considerable under-utilization of existing capacity, both public and private, was apparent. This was particularly the case in Ghana, Mozambique, Nigeria, Senegal, Uganda, Zaire and Zambia, to cite but a few examples. (Ethiopia, where utilization of existing capacity was high, averaging as much as 80 per cent in some cases, was a rare exception.) The weaknesses identified included: reliance on antiquated machinery and equipment; lack of parts and raw materials; high production costs; and lack of managerial know-how in marketing, production, organization, financing, etc. The managerial and technical weaknesses usually led to financial collapse.

132. This situation was recognized in APPER, which set as the new priorities for the development of the industrial sector: the rehabilitation and rationalization of existing enterprises; the maintenance and production of parts; and the building of managerial and entrepreneurial capabilities.

133. Rehabilitation was already receiving high priority in a number of the countries visited. Mozambique and Uganda, for instance, were in the process of developing rehabilitation programmes. Zimbabwe was seriously concerned about the need to replace and renovate existing equipment, much of which had been installed during the Unilateral Declaration of Independence (UDI) and had become, in many cases, antiquated. Finally, although considerable work has already been started on this area, the efforts and resources needed will be substantial. Rehabilitation, therefore, constitutes another potential area of emphasis in IDDA II.[17]

134. This brief review of the realities of the current African industrial scene holds important pointers for the shaping of IDDA II. A mere repetition of the general statements contained in the document entitled "A programme for the Industrial Development Decade for Africa" (ID/287) is likely to be as ineffective as it was in the present Decade. Greater dividends will accrue if we concentrate on more precision in the definition of priorities and areas of concern, as revealed by experience and taking cognizance of the new focus provided by APPER and UNPAAERD as well as the economic reforms being introduced in most African countries as part of the Structural Adjustment Programmes. Among the measures to be concentrated on in IDDA II are:

(a) Improving the productivity of existing capacity, through rehabilitation and modernization;

(b) Promoting intersectoral linkages between agriculture and industry, by providing inputs for agriculture and developing agro-based industries;

(c) Reviving and revitalizing public-sector industrial enterprises;

(d) Entering judiciously into new industrial investments designed to respond to Africa's endemic problems, namely investments that will generate employment, export earnings and rural development;[18]

(e) Promoting a wide base of small- and medium-scale industries, as the breeding ground for African industrial entrepreneurship;

(f) Insisting that African industry, public and private, will pay its way, generate surpluses, and not be a burden on national economies.

V. OPERATIONAL AGENTS FOR DEVELOPMENT

Introduction

135. It would seem that the formulators of the IDDA concept were much preoccupied with issues relating to planning and strategy at the national level. Whereas we share the view that industrialization is only possible if the right sort of policies and strategies are adopted, this in itself is not enough. Policies have to be translated into action. Consequently, a great deal hinges on the effectiveness of the operating units. No industry can prosper without the creation and operation of efficient units and the paying of constant attention to their productivity; input and output ratios; capacity utilization; financial, personnel and marketing skills; and overall entrepreneurial spirit.

136. These units fall into two broad ownership categories: public sector (parastatals) and private sector. Units in the latter category include transnationals and foreign-owned enterprises;19/ domestic enterprises in the medium- and large-scale range; and the small-scale sector.

137. The small-scale sector needs to be given special treatment because it may hold the key to the creation of the indigenous industrial entrepreneurship which we consider essential to a viable industrialization strategy in Africa. The IDDA Programme refers to the role of the entrepreneur in rather vague terms:

> In African society, at present, the quality and number of entrepreneurs are low, while risk perception is high. Consequently, the volume of industrial investment, its quality as well as the industrialization of the industrial sector are largely determined by the supply, as cheaply as possible, of complete services for project preparation and engineering works.

138. We did find in most of the countries visited that considerable attention was now being given to policy changes and programmes that would create a positive operating environment for industrialization. Algeria provides an example where a conscious effort has been made to assign a specific role to various agents and to introduce reforms that would make their operations more effective. This was true even in the First Five-Year Plan, where more than 90 per cent of industrial investment was directed to sectors that were considered strategic: iron and steel; metalworking; engineering; electrotechnics and electronics. While the control function of the State was emphasized, the Plan acknowledged the role of the private sector in industry.

139. The complementarity between the public and private sectors, which had not been given adequate attention in the First Plan, was emphasized in the Second Plan: provision was made for various inputs of raw materials and industrial equipment to the private sector. In addition, major structural changes were initiated in 1980 with the reorganization of the powerful oil and gas sector.

Various sector enterprises, including the national oil company, were split, creating about 500 new ones. The need for reform was recognized as essential to bringing about the growth of productivity which was seen as "the only engine of economic and social development". Emphasis was placed on the introduction of efficiency and autonomy in the management of public and private enterprises.

Public enterprises

140. The principal instrument of industrialization in post-independence Africa is the parastatal sector - the public industrial enterprises. The genesis of this development is not basically ideological. It arose out of necessity. Unlike the developing countries of Asia and Latin America, where there is a well developed private sector in industry along with the attendant institutions of capital markets and stock exchanges, Africa is characterized by the virtual non-existence of indigenous industrial entrepreneurship. State intervention was inevitable if industrialization was to be promoted.

141. The size and coverage of the public enterprise sector vary from country to country. In some countries, such as Algeria, Ethiopia, Mozambique, United Republic of Tanzania and Zambia, virtually the entire industrial economy is in the hands of the public sector. In other countries, such as Côte d'Ivoire, Egypt, Nigeria and Zaire, the public sector plays a dominant role. In only a few countries, such as Botswana, Gabon, Kenya, Mauritius and Zimbabwe, is the leadership role in industry with the private sector. It is clear, therefore, that the public enterprise sector has a significant role to play in IDDA and in promoting the process of industrial growth.

142. Unfortunately, public enterprises in Africa, as documented in a number of studies and as observed by us during our field visits, are performing far from satisfactorily. Most of them are languishing with low productivity, low utilization of installed capacity, overstaffing, and unbalanced inventories. The net result is that most such enterprises are being run at a loss the burden of which falls on public exchequers.

143. While placing on record this disappointing situation, we must hasten to clarify that we do not share the view held in some quarters that Governments are unsuited to run businesses and that the very ethos of the public enterprise system makes it prone to economic inefficiency. The record shows that a number of public enterprises in Asia and Latin America and also in the industrialized North have performed very well indeed, and some of them are emerging as world industrial leaders. For that matter, in Africa itself there are some success stories which give cause for hope. The public sector industries in Algeria and Egypt have good records of technical efficiency and have led their countries towards a higher stage of industrialization. In Zimbabwe, the public sector corporations operate like business firms and all of them are profit-making. The most remarkable case is that of Ethiopia, where, thanks to the efforts of indigenous managers, capacity utilization rose from an average of 30 per cent to over 75 per cent during a period of five years.

144. Nevertheless, the fact remains that the general record is poor. Steps need to be taken to revive and revitalize the public enterprises. The success stories indicate that, given the will, this can be done. As we have recorded earlier in this report, we do not believe that the prescription of wholesale privatization is realistic in the African context: absence of an organized private sector makes it impracticable.

145. We believe that the first task must be to undertake a courageous and objective diagnosis of what ails the public enterprises. This would need to be done separately in each country, as the circumstances and causes of weakness may differ. We take the liberty, however, of drawing attention to some critical issues.

146. First, parastatals are not effective becaue they are not staffed by professional managers. The civil servants deputed to run them have brought with them the traditions of the bureaucracy and not those of business. Often appointments are made on the basis of political considerations rather than on professional merit. There are uncertainties in tenure of office; it often happens that managing directors are removed overnight. The concept of succession planning from within the enterprises has not taken root.

147. Second, there is an inadequate system of rewards and punishments, of motivation, and of assessment of professional performance. Quite often the removal of top managers is not because of poor performance but because of conflict situations with the bureaucracy and the politicians. There is also a need to review the remuneration and incentives offered the managers. Currently, these are linked to civil service levels, terms and conditions. There is a strong case for greater parity with the private sector in order to provide for the lateral movement of good private managers to the public sector. (Here it is interesting to note a paradox: the wage levels of workers in public enterprises are generally higher than those in the private sector, whereas the reverse is the case with managers.)

148. Third, inflated employment has plagued African enterprises, making them sluggish and cost-ineffective. The lack of courage to retrench redundant labour is essentially a failure of political will. Unproductive labour forces cannot be justified on grounds of employment generation. We must draw attention to the fact that when feasibility studies and project reports are prepared and investment decisions taken accordingly, the correct computation of staff requirements is made. There is no conscious attempt at over-employment. The situation arises only later either due to political pressures or reluctance to accept the fact that reduced output must be matched by reduced staff.

149. Fourth, although public enterprises are set up as autonomous corporations, they are, in practice, given very little autonomy. There is constant interference by bureaucrats and politicians in the affairs of the enterprises. Apart from creating internal confusion and obscuring the lines of control, the net result is that it is impossible to hold the managers accountable for performance when they are not in effective command.

150. Fifth, and this is a central issue, there is ambiguity about the meaning, purpose and character of public enterprises. As the very term implies, these organizations have two dimensions: an enterprise one and a public one. To begin with, Governments must recognize that, by a conscious act, they have created these organisms as enterprises. That is to say, they have an enterprise character - including the concepts of investment and return, commercial accounting, publication or balance sheets and profit-and-loss accounts. If they are to operate as genuine business enterprises, they must produce surpluses and profits. If this was not the intention, the more logical course would be to set them up as Government departments. There are a number of governmental activities where profitability is not a consideration. One does not ask the army, the police or the judiciary to produce balance sheets and profit-and-loss accounts.

151. On the other hand, public enterprise managers should not forget the public dimension. Their corporate strategy must harmonize with and be supportive of national goals. Otherwise, they could as well have been private companies.

152. There is a popular misconception that these two dimensions are conflicting and that there is a fundamental antithesis between financial and social objectives. We do not subscribe to this view. Empirical evidence shows that it is precisely the financially successful companies that are best placed to discharge social goals. They are better employers, they invest in R & D, they protect the environment, they promote exports and they provide a training ground for managers. They have the means and the credibility to do so. Per contra, loss-making enterprises, which are struggling for their very existence, are in no position to achieve social goals. They are poor employers, they have no resources for R & D, they cut back on quality and they cannot be effective exporters. It would seem that financial success, far from conflicting with, is a necessary prerequisite of, social responsibility.

153. Sixth, partly arising from the supposed dichotomy between commercial and non-commercial goals, there is need for transparency in accounting. A number of national objectives are perfectly relevant to business operations, such as those mentioned earlier: export promotion; model employment; R & D; environmental sensitivity; investments in backward areas; support to agriculture, and so on. On the other hand, others are not so relevant: deliberate underpricing of products on social grounds; construction of schools and hospitals for the general population etc. These are State responsibilities and must be paid for by the Treasury. It would be counter-productive to smuggle them into the balance sheets of public enterprises.

154. Seventh, and finally, there is currently no agreed system of evaluating the performance of public enterprises. While we have recommended managerial autonomy, this cannot be interpreted as total independence from the State which is, when all is said and done, the owner of the enterprises. Autonomy must be balanced by accountability. It is our view that performance evaluation must be multi-dimensional, covering three basic parameters:

(a) Productive efficiency (judged in physical terms such as capacity utilization, input-output ratios and productivity);

(b) Financial efficiency (judged in terms of cost-effectiveness and the generation of surpluses);

(c) Social efficiency (judged in terms of contributions towards national development).20/

155. What is of utmost importance is that performance evaluation should not be a purely ex-post facto exercise. The evaluation criteria should be predetermined and given to the enterprise as a mandate, to be included in its corporate objectives.21/ In this context, the system of "contract plans" used in some francophone countries is of interest.

156. We have recorded the above propositions not because they are particularly original but because, despite their evident validity, in practice they are given scant respect.

The private sector

157. The role assigned to the private sector in the industrialization programme differed from country to country. The ideological approach of a particular country might be expected to be the principal determinant of the strength or otherwise of the private sector, particularly as regards ownership and entrepreneurial patterns. Countries following a declared socialist ideology would be expected to have a relatively weak private sector. This, however, was not the general practice.

158. Zimbabwe, for instance, whose Government is Socialist, continues to maintain a dominant role for the private sector in its industry, trade and agriculture. Countries, such as Botswana, Côte d'Ivoire, Egypt, Kenya, Mauritius, and Nigeria have also encouraged the private sector to play a strong role in their industrialization. In contrast, Ethiopia and the United Republic of Tanzania have followed policies that emphasize State control and central planning and there has consequently been very little room for the private sector. In Ethiopia, private entrepreneurship is currently limited to the small-scale and cottage sector.

159. In Zambia, the laws, unlike those of Ethiopia, allow the operation of a mixed economy where both the public and private sectors are permitted to enter the industrial field. There are no legal restrictions on the growth of the private sector or on foreign investment, but private industrial companies must be registered by the Registrar of Companies and require a license to operate. Up to February 1986, industrial development in Zambia was regulated under the Industrial Development Act (IDA) of 1977, whose main function was to provide guidelines regarding the registration and issuing of licenses for the transfer of technology to manufacturing companies. In 1986, the IDA was repealed and replaced by the Investment Act which covers all areas of economic investment in the country. To promote investment, the Act provides various incentives to

eligible investors. These include foreign-exchange retention, tax exemptions on revenue and dividends, preferential borrowing, and duty drawbacks on various imported inputs.

160. The Zambia Industrial and Commercial Association, a private business association, caters for industrial and commercial interests by lobbying the Government to implement or change policies in support of business. Some current constraints on private sector investment are the reimposition of price controls; the high rate of inflation; and the system of foreign exchange allocation which requires businessmen to make front-end deposits of local currency equivalents, thereby tying up working capital and, at the same time, leaving them in the dark as to whether their applications will be approved. Also, because of the limit on the amount of foreign exchange available for repatriation of profit and other payments, foreign investors are reluctant to commit additional investment funds.

161. Zambia has an abundance of natural resources and the main objective of the new Investment Act is to encourage their exploitation, both by Zambian and outside investors, to the mutual benefit of investors and the State. The extent to which this will be realized will depend largely on the success of the present economic recovery programme.

162. In some of the countries visited, the collapse of the private sector and the subsequent growth in public ownership has not always resulted from adherence to a given ideology. The upheavals that followed independence sometimes resulted in a situation where the foreign owners and managers of industrial enterprises left, leaving the new Governments with no alternative but to take over the enterprises. This was the situation in Uganda and Mozambique.

163. In Uganda, where an industrial structure based on engineering, bottling and the production of textiles, sugar, cement, fertilizer and consumer goods had flourished in the 1960s and 1970s, principally through Asian entrepreneurship, the sudden expulsion of the Asians resulted in a near collapse of the structure. In addition to the industrial enterprises that had been set up through the State-owned Uganda Development Corporation, the Government now was compelled to take on the ventures abandoned by the fleeing Asian owners.

164. In Mozambique, the attainment of independence in 1975 saw the abrupt exodus of the Portuguese settlers who had dominated every sector of the economy. The vacuum left by the departure of all managerial, executive and technical personnel led to a total breakdown of the industrial sector which is only now, slowly and painfully, being revived.

165. In Zimbabwe, one of the most highly industrialized countries in Africa, the pattern of industrial and productive ownership is dominated by the private sector, most of which is foreign controlled. Agriculture is totally privately owned, the farms owned by white settlers providing the major portion of marketable produce. This situation is now changing, however, with the success

of the Government's efforts to revitalize the communal farms owned by indigenous Zimbabweans. The mining sector too is predominantly private, with a small share held by the Zimbabwe Mineral Development Corporation. The sector is largely foreign-owned and controlled by large international firms like LONRHO, Anglo-American and Rio Tinto. Some 85 per cent of manufacturing output is accounted for by the private sector, which again is dominated by foreign interests, white settlers and Asians.

166. In Zimbabwe, the concerns that were uppermost in the minds of private investors were, first, uncertainties regarding the availability of foreign exchange for the importation of production inputs; second, price controls, which tended to dampen profitability prospects; and third, the rigidity of laws regarding the repatriation of profits.

167. Mauritius presents a classic model of a free-enterprise pattern, with the public sector playing an infrastructural and supportive role and the private sector providing the engine of growth. The economy - agriculture (sugar plantations and refineries), trade, services and industry - is almost totally in the hands of private enterprise. This is a deliberate policy on the part of the State's planners who believe that the entrepreneurship of the private individual will provide the engine of growth. So far, they have not been wrong.

168. The comparative position of foreign interests in Mauritius is of particular importance. In the other countries visited, the term "private sector" was often synonymous with foreign capital, ownership, control and foreign know-how. Fortunately, this does not appear to be the case in Mauritius where we were informed both by Government authorities and the industry associations that almost the entire ownership outside the Export Promotion Zone (EPZ) was Mauritian. And within the EPZ, only 50 per cent was foreign-owned. The entrepreneurial capability of Mauritians is very much in evidence and is being actively promoted by the State.

169. Productive efficiency is a matter of cardinal importance to IDDA. In many of the countries visited, underutilization of installed capacity and low productivity were evident. The measurement of efficiency levels becomes imperative where local industries, public or private, grow under sheltered and protected conditions and where, consequently, financial profitability is not a true index of productivity. The situation in Mauritius is unique. There is hardly any need to monitor a set of efficiency criteria. The industrial sector is not protected. Competitive imports are freely allowed and the EPZ units have to face the full blast of international competition. Their very survival is therefore dependent on maintaining high productivity levels. The main test facing Mauritian industry is the growing inflation and wage costs.

170. Active associations of trade and industry reflect the viewpoints of entrepreneurs. These include the Mauritian Chamber of Commerce and Industry and the Mauritian Export Promotion Zone Association whose representatives expressed confidence in the national economy and the appropriateness of the national industrial development strategy. They did, however, express misgivings about rising costs caused primarily by Government pressure to raise wages.

171. Ownership is a key issue: is the industrial enterprise in foreign or local hands? The desire to see a country's industrial assets owned by nationals applies not only to Africa. In Africa, however, this sentiment must also be placed in the context of political independence which is not considered complete when large areas of the economy are under foreign ownership or control. In many of the African countries where the private sector was active, it was mainly in the hands of international firms.

172. Also significant in this respect are the small immigrant groups that settled in various countries in the wake of colonialism, such as the Asian communities in East Africa and the Lebanese in West Africa. Until the countries of these regions develop the necessary indigenous capabilities in management, technical and financial know-how and entrepreneurship, it must be accepted that the immigrant groups will continue to play an important role in the industrialization process. The issue, therefore, is how to work out arrangements that are mutually beneficial to the foreign investors and the African host countries.

173. Even where the private sector is formally established, the continued growth of industry is dependent on increased investment. In most of the countries visited, however, private investment in industry had been falling during the decade. Obstacles cited by industry representatives included: lengthy administrative and approval procedures; strict price controls; lack of the foreign exchange needed to import inputs; and low earnings.

174. Even greater efforts may be needed to attract the participation of transnational corporations whose investments in Africa have decreased considerably. Studies carried out by the United Nations Centre on Transnational Corporations (UNCTC) and the United Nations Conference on Trade and Development (UNCTAD) have confirmed this negative trend, but also the potential for considerably higher flows of private investment to Africa if favourable domestic and international climates could be created. Particularly important in this connection are political stability, adequate markets, and policy continuity to facilitate planning.

175. We did notice a conscious effort in many countries to undertake measures to encourage the growth of private investment, as well as initiatives by the African Development Bank and certain international development and investment organizations. These latter included the African Projects Development Facility and the African Equity Fund, recently established at Nairobi and Abidjan respectively.

176. Not many of these organizations placed priority on industry, as such, but some of their principal programmes, e.g. in the fields of agriculture and infrastructure, were indirectly related to industrial development. The organizations were virtually unanimous in the view that, for industry to develop, a climate and facilities would have to be created or strengthened that would encourage the role of the private sector.

The small-scale sector

177. The IDDA Programme noted the role that the small-scale sector could play in Africa's industrialization, underlining that: "since a well-structured small-scale industry sector can contribute significantly to meeting the needs of the people, activity in that sector is a fundamental element in the Lagos Plan of Action. This is a major area for the development of indigenous private and co-operative entrepreneurship." Nonetheless, the IDDA Programme, in content and approach, reflects a preoccupation with large-scale, mainly public sector, projects. In emphasizing strategies for self-reliance and self-sustainment, it failed to pay adequate attention to the ultimate objective of industrialization: to address some of the basic economic problems that policy-makers face on a day-to-day basis. One such problem is employment, an area where our findings, and many other studies, show that small-scale industries can play, and are playing, an important role. Other areas include the production of basic goods, such as food, clothing and tools for the rural and low-income urban population. Also deserving of further attention are the potential for linkage between small-scale industries and other sectors, particularly agriculture; the contribution of small-scale industry to entrepreneurial development and technological development.

178. During our mission, we found that most countries recognized the role of small-scale industry in their development plans. Moreover, most of them had established promotional institutions to provide support to small-scale industries. One of the oldest of such institutions is the Kenya Industrial Estates. Established more than 20 years ago, it has provided a model to many similar institutions subsequently set up in Africa. Zaire has the Office de Promotion des Entreprises Zairoises; Gabon has PROMOSABON and Fonds d'Aide et de Garantie; and Senegal has the Société Nationale d'Etude et de Promotion Industrielle. In Zambia, support for the small-scale sector was expressed in the formal establishment of the Small Industries Development Organization, with technical assistance from UNIDO. The Development Bank of Zambia also operates a subsidiary to finance small-scale enterprises. However, Kenyan policy-makers and planners have now evolved an approach which takes support services to entrepreneurial locations rather than bring entrepreneurs to service centres far from the entrepreneurs' preferred habitat.

179. In Uganda, we saw one of the more active small-scale industrial sectors. The high level of this development is rooted in a longstanding tradition among Ugandans for doing business. Ugandans have an aptitude, particularly after acquiring some technical training, for establishing their own businesses. For this reason, many large enterprises in Uganda find it difficult to retain their trained personnel - who prefer to go out and set up on their own.

180. This experience has stood the country in good stead, particularly with the economic disruption that followed the expulsion of the Asian entrepreneurial class in the early 1970s. The political and economic disruptions that have been a tragic but recurring feature of Uganda for most of the 1970s and 1980s have resulted in almost total collapse of the country's large-scale industrial sector. These developments, combined with the

entrepreneurial flair of the people, have provided a major impetus to small-scale industrial production in the country. The sector now accounts for over 70 per cent of the industrial output. Also, as there was also hardly any foreign exchange with which to import goods, the small-scale industries supplied many Ugandans with basic items such as clothing, building materials and parts. That there is active official promotional support for small-scale industries in Uganda is evidenced by the number of institutions set up to provide assistance. These include a Department of Small-scale Industries in the Ministry of Industry and Technology; the recently established, autonomous Uganda Small-scale Industries Development Organization; and a special institution to provide funding to the sector.

181. There is growing recognition of the role that small-scale industry can play in Africa and we believe that promotion of the sector can help to provide the most critical missing links in the continent's industrialization: the indigenous entrepreneurship referred to in the IDDA Programme.

182. Given the recent colonial history of most African countries, there is, inevitably, internal pressure for the indigenization of national industrial and other sectors as a necessary complement to political independence. Various methods of accomplishing this have been tried, the most prevalent being the whole or partial acquisition of existing enterprises or the initiation of new projects through public industrial development corporations. Many of these efforts have been stymied, however, by the lack of indigenous personnel with the necessary managerial and technical capabilities, capital resources or entrepreneurship to move into the industrial sector. Moreover, all of the ventures involved, whether existing or new, were in the large-scale high profile category. Not enough attention was given to programmes or policies to assist the small-scale entrepreneur to venture into industry and gradually develop a base for future indigenous industrial entrepreneurship and ownership. Many of the enterprises set up through the large-scale approach have failed to take off the ground or they operate as loss-makers well below the capacity initially projected, thereby contributing to the drain on their country's budgets and debt servicing.

183. Consequently, in many of the countries visited that had developed a large public industrial sector, a major preoccupation was how to restructure and improve the performance of the sector. On hindsight, therefore, if greater attention had been given from the start to the promotion of small-scale industries, some of the entrepreneurs who by now would have emerged would be providing a base of indigenous industrialists to take over from or team up with the former foreign owners and managers. For these reasons, we believe that the promotion of a wide base of small-scale industries should be one of the principal objectives of IDDA II.

VI. FACTOR INPUTS

IDDA I and the problem of factor inputs supply and use

184. The principal object of the search by developing countries for foreign exchange in connection with development and economic growth (as distinct from consumption) is to obtain command of foreign factor inputs, i.e. of all or many of the physical inputs required for agricultural and industrial production and, to a growing extent, for the supply of services. Factor inputs are thus defined to include: entrepreneurs; managers; professional and skilled manpower; raw and intermediate materials; equipment, parts, implements and tools; technology; physical infrastructure; and institutional infrastructure. Where foreign factor inputs are unavailable, or likely to be unavailable, the alternatives are to halt or reduce growth or to develop and supply substitutes of domestic origin.

185. Access to foreign exchange is usually through four channels: earnings from exports of primary commodities (especially in the case of Africa); aid and technical assistance from donor countries; foreign direct investment; and loans. But, for a decade now there has been a marked contraction, not only in quantity but in real terms, of three of these four channels (the exception being aid and technical assistance). For example, Africa's total commodity earnings reportedly fell by $ 19 billion in 1986, and in 1987 remained below their 1985 level. Existing arrangements for compensatory financing for shortfalls in commodity earnings have been insufficient to cope with drops of such magnitude. Again, it has been observed that net resource flows to Africa increased from $ 17.9 billion in 1985 to $ 19.9 billion in 1986 and to $ 22.9 billion in 1987 in nominal terms. However, when measured in real terms, resource flows were lower in 1986 and 1987 than in 1985. It has also been pointed out that official development assistance accounts for over 73 per cent of net resource flows to the region and that over the short to medium term a major, sustained improvement in commodity prices is not expected.

186. There are, however, other factors which are likely to affect the availability of foreign exchange and therefore factor input supplies to Africa. The first is the increasing intensity of movements of foreign direct investment funds between North America, the European Economic Community and Japan, i.e. between highly industrialized and developed economies. The second factor is the prospect of competition for foreign direct investment from new centres of attraction such as China, the USSR and several large, newly industrializing countries (NICs). The third factor is the growing preference of foreign direct investment for large growing markets with ample supplies of savings (i.e. factor inputs such as indigenous entrepreneurs with whom to collaborate, professional manpower, skilled industrial workers, adequate physical and institutional infrastructures, etc.). In these markets foreign direct investment appears to seek opportunities in the manufacturing and services subsectors. The fourth factor is the presence or absence of political stability and the risk reduction measures adopted by foreign investors: low equity participation and high rates of return to facilitate

rapid recovery of capital and interest. In terms of physical production and supply of factor inputs from developed countries three additional factors need to be kept in mind: the impact of changes in the age structure of the population on the balance between consumption and production; the tendency in recent years for producion patterns to shift in favour of services at the expense of goods; and the likelihood of technological trajectories developing in highly industrialized economies which are less and less relevant to the development needs of Africa.

187. Policy-makers and planners in Africa may therefore be facing, for at least the next decade, situations in which dependence on aid and technical assistance has to continue as one of the principal sources of foreign exchange, and in which the size of the financial inflow is less and less significant in relation to the inflow of foreign factor inputs. They may thus have to face the compelling necessity to build up, as fast as possible, domestic factor input supplies, making as full use as possible of existing public and private sector resources in the region as well as of the inflow of aid and technical assistance.

188. There are also many positive reasons for increasing reliance on factor inputs of domestic origin. One is that persistent and extensive dependence on extra-African sources for factor inputs excludes three major forces in the development of absorptive capacity. These are (a) the employment and income multiplier effects; (b) the availability of ample savings in the form of local factor inputs; and (c) the mastery, by increasing numbers of nationals, of organizational, mangerial and technical know-how (familiarity with materials, instruments and processes), know-what (experience), and know-why (scientific explanation) which is such a vital part of capability building and the principal justification for infant industry protection.

189. In view of the critical importance of human resources in economic growth in general and in industrialization processes in particular, this chapter is devoted to entrepreneurship, management and manpower (high-level professional; middle-level specialists and supervisors; and skilled operatives). Other factor inputs are considered in chapter VII.

Human resource development for industrialization

Entrepreneurship

190. In many of the countries visited, Governments, as early as the mid-1960s had launched industrialization programmes under public ownership and control or, in a few cases, e.g. Côte d'Ivoire and Nigeria, encouraged private efforts to do so. With two or three exceptions, the industrial sector was mainly made up of light industries dependent (a) on imports of equipment, components, parts, implements, tools, intermediate and often raw materials, and technology and (b) in part on external physical and institutional infrastructures. Neither the public nor the private sector built up much intimate familiarity with the metallurgical, engineering, chemical and other capital goods industries and services. The limit on private African initiative sometimes

took the form of regulatory devices, but it now seems clear that the real difficulty lay in the policy-makers' and planners' neglect of the crucial role of the entrepreneur in both the public and the private sectors. The entrepreneurial deficiencies of the public sector are now fully recognized, but those of the private sector are less familiar because this sector was either deliberately kept out of view or simply overlooked.

191. Policy-makers and planners in Africa did not seem to have fully recognized that the bulk of the burden of transforming African economies must, in the long run, rest on African entrepreneurship (private and public, preferably working together). Attention has been, and is still, strikingly concentrated on creating a special investment climate for foreign private enterprises and on providing increasingly comprehensive support for domestic small-scale industries.

192. The situation of the private sector has now come fully into view because policy-makers have accepted the recommendation that some of the enterprises owned and managed by Government should be sold off. This involves problems of the amount of local funds required for their purchase, and of the availability of foreign exchange for re-equipment, spares, implements, tools, raw and intermediate materials etc. (especially following substantial devaluations of the local currency). There is also the complexity of the entrepreneurial and managerial functions today as compared with even 25 years ago. Where new industrial enterprises are concerned, there are additional problems of financing and appraising feasibility studies; of handling the planning, programming and management of industrial projects; of choice of technology and equipment; of site planning and development; of plant construction, of the long gestation periods involved; and of the size and uncertainty of associated business risks. Thus, in at least two countries (Somalia and the United Republic of Tanzania), the view was expressed by some businessmen that heavy industries were properly the domain of Governments which could put together the required resources and stand up to the risks involved.

193. In a number of cases (e.g. Nigeria) attempts were made through policy and legislation to reserve segments of business opportunities for indigenous entrepreneurs and to provide a role for them by way of partnerships in medium- to large-scale enterprises. Although some success seems to have been achieved, the practice was not widely adopted in Africa and the experiment could not be said to have produced a class of industrial entrepreneur. Most African entrepreneurs confined their talents and resources to the export or import trade and to services such as banking and insurance. In several countries, although African imitators have been emerging for over two decades, entrepreneurship (industrial and other) was supplied by foreign businessmen even in such areas as restaurants; cinema chains; drug stores; pharmacies; laundries; furniture; other areas of woodworking; food-processing; oilseed and textile processing; garage services and tyre repairs. In any case, few African entrepreneurs have ventured into mining or the conversion of ores into metals or into more than simple, metal-fabricated products. In the field of chemicals, efforts have not gone much further than the final stage of mixing, according to set formulae, and packaging.

194. What seems to be clear is that large areas of potential industrial growth still remain untouched, partly because policy-makers and planners have not, in most countries, considered it necessary to assess the capabilities of the private sector to implement parts of the national plans implicitly left to them for implementation. Consultations with representatives of the private sector as well as independent investigations would soon bring out the push (consultancy and support services) and pull (special incentives) needed to bring indigenous entrepreneurs into operation in areas and at levels of the core industries and strategic sectors designated by Governments. In Ghana, for example, it is recognized that access to credit is only one (and not always the most important) element in the package needed in respect of the core industries and strategic sectors that Governments wish to see advanced. Where industries lend themselves to the sub-contractual production of components and other inputs, policy-makers, private entrepreneurs, board members of public enterprises, industrial consultants and the like must find ways to familiarize themselves with the characteristics and conditions of successful sub-contracting. This is especially true where Government designated core industries and strategic sectors are concerned.

195. Joint ventures with foreign firms is one of a mosaic of measures to help promote indigenous entrepreneurship at these levels in these industries and sectors. Other such measures include the encouragement of: local management consultancy services; national institutes or centres for project study, design, planning and management; active and innovative industrial development or investment banks; generous incentive systems that work and work quickly; a strong sense of commitment to common purposes on the part of civil servants and entrepreneurs; and contributions by reformed public enterprises to private sector development.

196. In developed countries today, high-level seminars and workshops are organized for board members and chief executives dealing with changes in the environment of the enterprise or new techno-economic aspects of its operations. For Africa, these could concentrate on, for example, the changing patterns and character of flows of foreign direct investment; public-private sector co-operation and sub-contracting; the potential role of public and private enterprises in economic co-operation; changes in South-South economic relations; the operations of transnational corporations; or matters of immediate concern to an enterprise, such as productivity, competition, protection, procurement, marketing, distribution, pricing policies, new markets and new technologies.

197. Any programme of industrialization which depends on domestic entrepreneurial initiative or participation in genuine manufacturing related to designated core industries and strategic sectors would seem to call for special programmes of support of, and incentive to, local entrepreneurs.

Recommendations

198. It is therefore proposed that formal and informal consultations be held between Governments and indigenous entrepreneurs (private and public) to consider:

(a) The principal features and problems of what Governments at national and multinational levels designate as core industries and strategic sectors;

(b) The forms of help and encouragement that Governments should provide to induce indigenous entrepreneurs to participate in the development of such industries and sectors.

199. It is also recommended that study tours, seminars and workshops be organized on the designated core industries and strategic sectors for representatives of private and public enterprises.

200. Seminars for board members and chief executives of medium- and large-scale enterprises, both private and public, should also be promoted. In developed countries, these are usually organized through private initiative. In Africa, Governments should, for some time to come, encourage them as part of the mechanism of getting the indigenous business sector into gear. Joint ventures between foreign private and indigenous private partners in core industries and strategic sectors should also be encouraged.

201. As regards foreign direct investment, UNIDO, ECA and UNCTC should prepare a study (to be brought up-to-date every two years) on changes in the global patterns of foreign investment flows (including flows into and out of Africa) and the factors responsible for such changes. This study should be submitted to the appropriate organs of the OAU, ECA and UNIDO.

202. Such studies are an essential basis for formulating realistic incentive measures for attracting some part of the flow of foreign direct investment. The present preoccupation of some Governments with tax holidays, import duty remissions, liberalization of the movement of capital and interest etc., is unlikely to yield much in the years to come. The prospective increases in the cost of foreign direct investment and of international loans as well as the assistance given to indigenous entrepreneurs clearly makes it imperative that policy-makers and planners should make every effort to ensure that the contributions of domestic and foreign enterprises to national capability building are substantial and effective. Policy-makers and planners and their colleagues should be fully familiar with studies on the role of transnational corporations in the world economy and on negotiating with them. Such knowledge is likely to be of even greater value in the next few decades than in the past.

Industrial management

203. Contact with universities and management development institutes suggested, first, that managers were mostly trained on the job and benefit from post-experience courses in management development institutions. Secondly, the number of graduates from universities and similar institutions in Africa south of the Sahara appeared to be small. Thirdly, it did not seem that any special attention was being given to industrial management or even to major challenges to management that may be coming up. Fourthly, management education and development appeared to be modelled on concepts and approaches

common in developed market economy countries where they are themselves being called into question. If African industries expect to reach high levels of productivity and to cope with international competitive pricing, etc., managers (and especially management teachers) must devote some time to considering what concept of management excellence will be required in Africa within the next 20 to 30 years. The broad scope of the challenge to excellence has been stated earlier: the need to participate in the conceptual working out, the practical design, and the implementation of a new trajectory of development and economic growth that will remove existing structural weaknesses in national and regional economies, expand savings in the form of supplies of factor inputs of domestic origin, enlarge domestic and multinational markets, encourage investment by local and foreign entrepreneurs and make long-term debt management easier. In other words, a trajectory that will not lead to a recycling of foreign debt crises, food crises, rehabilitation crises, or market crises.

204. Attempts to determine the specifics of management excellence in Africa for the next 10-20 years must include learning from the best practitioners today. The approach recommended is not a wholesale importation of foreign methods, but a careful evaluation of what Africa needs to learn from, for example, Japan and NICs for experimentation and adaptation in African conditions and for the incorporation of what emerges through changes in course contents and teaching methods. In considering the redesign of management education and development courses in Africa, the following areas for mangagement activity need to be borne in mind: raw materials (especially minerals and energy); capital goods production, including sub-contracting; resource conservation; preventive maintenance; linkages; environmental protection; competitive procurement and marketing (especially new markets and new products); R & D and innovation; distribution; intra-African and South-South trade and economic relations.

205. It will have been noted that the principal preoccupation is less with the techniques of management than with the attitude to and the environment of management. The step recommended is an examination of industrial management education, training and development in Africa to be undertaken by a team of consultants from appropriate African and non-African countries and institutions. The examination report should be considered by working groups set up at subregional levels dealing with networking in education and training.

Manpower for industrial development in Africa

206. Three of the factor inputs listed earlier are forms of manpower development (high-level professionals; middle-level specialists and supervisors; and skilled operatives) whilst all others are closely dependent on manpower development. They depend particularly on the mix, the quantities and the quality of such manpower. In respect of all three, the conclusion, including the judgement of some donor Governments and foreign companies, is that Africa is not yet getting itself ready to cope with accelerated industrialization of the scope indicated in the IDDA Programme. Human resources development is still dysfunctional not only to future but to present

needs and this is reflected in the considerable dependence on foreign experts as well as in the trend towards graduate unemployment at high and middle levels.

207. The situation cannot be improved without attempts to match the output of education and training institutions with current and anticipated demand and without some means of monitoring incipient shortages or surpluses and making arrangements to cope with them. There appears to be little real interest in many African countries in manpower planning machinery or data bases or techniques appropriate for African conditions.

208. Yet, the development of industrial manpower requires quite specific information on manpower profiles and calculations of requirements. It is noted that in at least one country policy-makers and planners now insist that manpower profiles and estimates should be included in feasibility studies. This approach is essential as not many Governments appear to have established manpower planning machinery or, more important, to have access to data on manpower profiles for specific industries.

209. Enquiries made during the field mission indicated that policy-makers and planners were not, in general, working in close touch with the administrations of post-secondary education institutions and this seems to explain the marked divergence between the pattern of courses offered and the requirements for industrial development, especially for a balanced structure of industrial development. For example, it was nowhere indicated that, even where IDDA-type industrial development plans and priorities were being pursued, had close working relations been established between university authorities and planners on how the pattern of the outputs of the universities could be redesigned to accommodate the needs of the economy. In a few instances, initiatives taken by university authorities had not been warmly received by policy-makers and planners. Furthermore, in spite of the ready acceptance of scholarships and fellowships from developed and newly industrializing countries, there do not seem to have been many attempts made to study how the latter had approached the problem of developing manpower for accelerated industrial development or indeed for the core industries and strategic sectors specified in the IDDA Programme. State scholarship policies, moreover, do not seem to have been responsive to these requirements.

210. The following is an illustrative list of essential subjects to which less than adequate attention seems to be paid: manufacturing systems analysis and design; manufacturing processes relating to core industries; manufacturing processes relating to food, fibres, timber, rubber, plastics etc; the science and technology of materials; engineering design; plant site development; plant construction; production engineering; marketing; industrial finance; energy (including petroleum, coal and gas); building materials; petrochemicals; machine building; mining; biotechnology; and computers.

211. The inadequacy of the pattern of subject offerings is underlined by the offers by universities and similar institutions in Western Europe of courses described as intended for students from third world countries and occasionally

for students from Africa: in manpower planning; in project planning and management; and in business, finance, marketing, etc.

212. Any discussion of the relevance of subject structure would be incomplete without reference to another factor: the apparent tendency for many universities in countries south of the Sahara to adopt new areas of specialization only after they have been identified, recognized and worked out in developed countries. One such area features the manufacturing engineer, specialized in manufacturing systems analysis and design and in manufacturing processes. It would seem that this is an area in which initiatives could be taken now rather than later.

213. Few post-secondary institutions provide for the exploitation of extra-mural resources (in public and private enterprises) for students to gain usable skills. (A noteworthy exception is the University of Dar-es-Salaam.) Nor are there arrangements for university teachers to undertake refresher courses in their fields of specialization within a production environment or for participation in instructing or lecturing of management or technical experts from the business world (public and private). Not much effort seems to have been put, moreover, into experimentation with new communications technologies to help self-learning.

214. Bridging courses (which help students move from professional courses leading to unemployment to related courses leading to employment opportunities) seem to be largely unkown. Teaching companies, modelled on teaching hospitals, whose main product is graduates with readily usable skills and familiarity with production environments seemed unfamiliar to policy-makers and planners in Government and in higher education circles. In any case, post-secondary institutions in Africa today produce only a handful of graduates in engineering and in technology and suffer from a state of dilapidation little better than the region's industrial enterprises.

215. Although a good deal has been said so far about high levels of education, it is now well recognized that the forward movement of a modern or modernizing economy rests on recognition of the crucial role, for long-term survival, of middle-level specialists, workshop supervisors, and skilled operatives. Perhaps the best way to illustrate the importance of middle-level specialists is to draw attention to the impracticability of establishing and operating materials or product testing services, or installing or operating information systems, or similarly of installing or operating systems of preventive maintenance without large supplies of middle-level specialists.

216. For supervisors, the most striking illustration is perhaps in plant-site planning and development and in plant construction; in tool-room services; in machine changeover and, particularly, in the devising and application of improvements in production management of the kind for which Japan is now widely recognized.

217. For skilled workers, perhaps the best indicator is the fact that 70 per cent or more of the equipment of mines and manufacturing companies is in the

hands of the skilled category of workshop operatives who are thus in a position to raise or lower the level of productive use of these assets and therefore the success of the company not only in export but in gradually unprotected domestic markets. This makes their training, flexibility, imagination and motivation matters of the highest concern to the enterprise, the Government and the community. No industrial economy that is characterized by widespread, low levels of productivity is likely to survive in the next two to three decades. Industrial training objectives and methods adopted in Africa today must be based on close attention to such prospects, and policy-makers, planners and entrepreneurs must begin to consider how to ensure future survival, especially in industries that underpin the whole economy.

218. In some countries, considerable dependence seems to be placed on industrial training schemes by which the private sector contributes to a fund that is used to finance the training of personnel almost entirely from the private sector. This arrangement tends to confine the industrial training to employees of firms and to make little provision for the growing numbers of unemployed school leavers. It also makes little provision for those in the informal sector. It is difficult to escape the feeling that these arrangements, although useful, are adaptations of arrangements and practices in developed economies where the nature of the problem is quite different. Consequently, it is felt that the problem of training large numbers of school-leavers, as well as of those who have never entered the formal system of education, needs to be re-examined taking into account (a) the experiences of NICs in this field, (b) the use of new communication technologies in training, and (c) the likelihood that many trainees under new arrangements would have to become self-employed small-scale businessmen.

219. A programme for IDDA II should therefore include the setting up of working groups, at national and multinational levels, of representatives of educational institutions, education authorities, and public and private enterprises to consider practical ways of:

(a) Preparing manpower estimates for individual or packages of projects at national and multinational levels;

(b) Bringing the structure of subject offerings of institutions of post-secondary education into line with anticipated manpower requirements for industrial development;

(c) Organizing arrangements by which particular institutions within a subregion are selected for the development of particular courses to serve the whole of the region or several member countries (networking);

(d) Reorganizing teaching/learning processes so as to (i) make student and teacher participation in direct work experience and environment obligatory conditions of obtaining degrees and diplomas or of making progress in teaching careers; (ii) exploit fully the practical experience of experts from the business world in teaching/learning processes;

(e) Organizing study tours for groups comprising officials, entrepreneur/businessmen, university/polytechnic teachers to selected countries such as Brazil, Japan, Republic of Korea and Sweden to gain insights into measures for improving the quality of education and training of middle level specialists, supervisors and skilled workers, as well as school-leavers and non-literates.

220. For financing programmes in such a crucial area, it is suggested that Governments individually or in groups:

(a) Hold consultations with the national business sector (public and private) on what contributions they are prepared to make to a national effort of such magnitude;

(b) Initiate a national "fund for survival" open to every citizen, using innovative ways of appeal for support to help cover local costs;

(c) Hold consultations, after (a) and (b), with bilateral agencies for contributions in cash or in kind to help cover external costs.

221. It is necessary to point out that many of the observations made above and the recommendations put forward have been the subject of a great many studies and reports, of numerous conferences, seminars and consultations, and of dozens of conclusions, recommendations and resolutions with little visible effect. The proposals put forward here are deliberately limited in scope. They are encouraged by the fact that in one of the countries visited by the team (Kenya), a comprehensive examination was completed in 1988 on the whole educational system, from primary to post-graduate level; in another (Ghana), a study on the rationalization of the university system is under confidential consideration. It is believed that national reviews would, in addition to helping bring outputs into line with needs, greatly assist the design of network arrangements. In Africa today, much is being said about the rehabilitation of industrial enterprises. For the rehabilitation of the economy as a whole, and for setting it on a new trajectory, as described earlier, even more would have to be done for the rehabilitation of educational systems at all levels, including universities and polytechnics.

VII. MATERIAL AND INSTITUTIONAL RESOURCE DEVELOPMENT FOR INDUSTRIALIZATION

Raw and intermediate materials

222. In a large number of the countries visited by the evaluation team (including Ghana, Nigeria, Somalia and the United Republic of Tanzania), there was growing preoccupation with the problem of (a) lack of supplies of the parts, implements and tools needed for the extensive industrial rehabilitation programmes under consideration, and (b) lack of raw and intermediate materials. This lack - exacerbated by currency devaluations, import trade liberalization, foreign-exchange auctions, and heavy service charges on the foreign debt - was having a strangling effect on small- and even medium-sized African enterprises, even though it was understood that some multilateral donors were making low-cost funds available for financing imports of the equipment needed.

223. The issue, stated simply, is that whereas the local manufacture of parts, implements and tools is now beginning to receive political and financial support, that manufacture is dependent, in most cases, on supplies of scrap metal that are not suitable for all kinds of engineering products, or on imported metals. Thus, the issue of domestic metals production based on the use of African ores remain unresolved. This is due in part to the high level of dependence in the past on foreign enterprise for mineral exploration, evaluation, extraction and processing - mainly for export. With the contraction or suspension of production, in the face of world gluts of ores and metals, many countries are now faced with the consequences of the earlier policy which had been urged on them as reasonable and practical. The first consequence has been the decline in national capabilities for exploration and evaluation of mineral resources. However, a new, more labour-intensive and less expensive (in foreign exchange costs) approach to improving national capabilities could be pursued which would combine ground or surface techniques with high- and low-altitude surveying. At the ground level, in areas already indicated by high- or low-altitude readings, equipment could be hand-carried, back-packed or transported on bicycles and motor vehicles and the samples collected subjected to preliminary analysis in mobile laboratories. Unskilled or unemployed labour could be used for this purpose, as well as students or national service personnel, after short periods of training. Information lodged in the memories of villagers and farmers could be used to supplement data obtained through modern scientific methods. This approach has already been tried in some countries, but may be unknown in others - in least developed and landlocked countries in particular.

224. Full use could also be made of existing or planned mineral resources development centres and regional cartographic and remote sensing centres (for the preparation of maps and data sheets) set up to serve several countries, especially those with only rudimentary capabilities.

225. Improvement in methods of collecting and storing information and data on natural resources and raw materials endowment, at the national level, is

essential to widening the possibilities for industrial production at that level and for exploiting sources of complementary raw materials brought to light at the multinational level through such improvement.

226. African policy-makers and planners, anxious to avoid any form of external dependence, frequently declare their intention that future industrial development will hinge on the exploitation of indigenous natural resources. This, however, if attempted, would restrict even the processing of agricultural products and lead to dependence on outside sources for complementary raw and intermediate materials inputs. And this, in turn, would considerably weaken the important link between core industries and local factor inputs and all the associated beneficial effects.

227. It is important, in policy-making and planning, to have greater regard for the treatment of complementary raw materials available within a subregion. An equally important consideration is the role of joint enterprises in the exploration, evaluation and, where necessary, processing of these materials into intermediate products for intraregional consumption. Questions of complementarity arise because of the natural distribution of industrial raw materials within a subregion. While some countries are endowed with large deposits of minerals, oil, gas, coal and other industrial raw materials, others are not. Kenya, for example, is neighbour to at least two countries endowed with such raw materials some of which could be jointly exploited, possibly in partnership with a non-African company, to meet common needs. Officials in some of the countries visited, however, displayed no enthusiasm for the idea of participation in joint exploration and evaluation work. Their attention was fixed mostly on exports of manufactured products to other African countries. Nevertheless, it is suggested that more thought be given to the upstream stages of mineral and energy resources development, in view (a) of the long lead times which normally intervene between the initiation of exploration and the commencement of extraction and processing, and (b) of the need to reduce the likelihood of crises in raw and intermediate material supplies at a time when industrial development may be reaching the take-off stage. Policy-oriented and other action may also be necessary at these stages to slow down and reverse the increasing dependence of Africa on imports of raw and intermediate materials.

228. Several of the countries visited have State mining companies, set up in the era of the emphasis on sovereignty over natural resources when Governments sought to acquire 51 per cent of the equity of mining and oil companies. It would appear, however, that it is only now that the State companies are beginning to really build up capabilities for exploration, evaluation and extraction of ores and their processing into intermediate products. Policy-makers and planners face two scenarios for the future. The first is of a resurgence of foreign direct investment in the mining sector. In this, there is a risk of repeating the policy errors of the past. Such resurgence, if it occurs, should be taken as an opportunity to build up solid national and multinational capabilities in the field of mineral resource exploration, evaluation, extraction, processing and marketing. In the other scenario, if foreign direct investment in mining fails to materialize, every effort should

be made, at the multinational level, to exploit existing national mining companies for multinational purposes.

229. Finally, policy-makers and planners appeared to be unaware (a) of data and information available on the considerable offshore non-biological resources within the exclusive economic zone of Western Africa (and probably other coastal regions), (b) of the possibilities of easier recovery of these resources than land-based minerals, and (c) of the need to consider appropriate action at national and multinational levels to exploit these resources. This subject, as well as others relating to the appraisal, production and supply of complementary raw and intermediate materials and their resource base, should be put on the agenda of economic groupings, where they have not yet been considered.

230. One indication of Africa's unpreparedness to utilize its mineral, oil and coal resources may be seen in the references to manpower problems for the mining sector in each of the three regional conferences on the development and utilization of mineral resources in Africa, organized by the ECA. The mineral situation in Africa is somewhat paradoxical. As the ECA has pointed out:

> "Since the first and second regional conference on the development and utilization of mineral resources in Africa held in 1981 and 1985 respectively, the performance of the mining sector in developing Africa remained below expectations and showed hardly any improvement in terms of mine output. Some 20 commodities out of a total of 35 reviewed for the purpose of this report, show production falls of up to 92 per cent against 1980 achievements. Comparative production figures for the period 1980-86 illustrate the depressed state of Africa's mining industry since the beginning of the 1980s."

231. The paper quoted goes on to give estimates of mine production declines for a wide range of minerals, including those used in fertilizer production and other chemical raw materials. These minerals are very much needed within the region for the development of industry and agriculture. At the same time, reference is made to highly saturated "world" markets and to dumping by non-African producers. Clearly, the saturated world markets do not include most of Africa, and it would seem natural that the most important question facing the region is how to bring, through effective trade mechanisms, underutilized capacities into line with potential demand, whilst considering the needs and feasibilities of increasing production capacities. The organization of an African regional market for ores and metals would require study and adaptation of, for example, the United Nations Food and Agriculture Organization's (FAO) Fish Marketing Information System, which now operates in Africa, Latin America, Western Asia, and Asia and the Pacific.

232. This subject does not appear to have been examined sufficiently well in the ECA conferences referred to earlier. It is difficult to imagine a serious approach to general industrialization in Africa (and to core industries and strategic sectors) that would depend, to a very large extent, on imported raw and intermediate materials. Again, the ECA states:

"In 1986, the share of African countries in the world production and consumption of steel stood at 0.38 per cent and 0.82 per cent respectively, being at a level of 2.7 million tons and 5.9 million tons respectively. The gap which is about 60 per cent of requirements is covered by imports. The current average per capita steel consumption is estimated at 11 kg, the lowest in the world."

"In the coming two years, total steel consumption is projected to reach 6.7 million tons. This demand could be covered internally, given the total capacity of existing iron and steel plants in Africa estimated at around 8.2 million tons per year. However, with a capacity utilization rate of around 40 per cent, it is estimated that production of steel would reach to only about 3.1 million tons by the year 1990."

233. The first step would appear to be an attempt to bring surplus production capacities in the region into an effective relationship with current and potential demand, bearing in mind the need for and feasibility of increasing production capacity.

234. The greatest, single physical obstacle to be overcome is the lack of an adequate multi-modal transport network capable of moving bulk products over long distances. The evaluation team was unable to get a clear view of the extent to which considerations of this kind have influenced approaches to the United Nations Transport and Communications Decade in Africa. The subject may need close and urgent examination and action at the level of subregional groupings (of the kind it is already receiving in the Southern African Development and Co-ordination Conference (SADCC) countries).

235. A programme for raw and intermediate materials development should therefore include:

(a) Aid and technical assistance in strengthening national and multinational capabilities (State geological and mining services; multinational mineral resources development centres; regional cartographic and remote-sensing centres) for exploring and evaluating the mineral, coal, oil and gas resources base more exactly. This programme should include the recovery, organization, and storage of data and information available on these resources;

(b) Based on (a), the compilation of information, data and maps on a subregional basis for planning long-range industrial development, taking full account of complementarities at national and multinational levels;

(c) A substantial programme for manpower development in the earth sciences and in ocean engineering. In this connection, it is urged that the experiences of Brazil (whose manpower supply in these fields probably exceeds that available to the whole of Africa south of the Sahara) and of India should be studied. The programme should be worked out at subregional levels by working groups of representatives of education authorities, of educational institutions, of public and private enterprises in the appropriate fields, as well as of consultants;

(d) The organization of consultations among subregional mining companies on the feasibility of supplying, through joint action, raw materials to meet industrial development needs within (and even without) the subregion;

(e) A comprehensive examination of the long- and short-term prospects and problems of organizing an African regional market for ores, metals, oil, gas and coal, chemical and petrochemical intermediate materials;

(f) An examination in technical terms by the ECA (for the information of the Conference of Ministries of Industry) of the relation between the United Nations Transport and Communications Decade in Africa programme and the long-distance movement of industrial raw and intermediate materials and manufactured products.

Production and supply of equipment, parts, implements and tools

236. As pointed out earlier, the rehabilitation crisis associated with the large number of industrial enterprises established over 20 years ago (most often under public ownership and management) has now, in conjunction with the foreign exchange and debt crisis, brought into the open the question of local production of equipment, parts, components, implements and tools as well as of raw and intermediate materials for their production. In countries which already possess metal and engineering industries, the problem takes a muted form. Elsewhere, whilst bilaterals and debtor Governments are seeking ways of mitigating current debt burdens, and multilateral/bilateral agencies are providing funds for the acquisition of imported equipment etc. for small-scale industries, study of the identity and scale of needs for re-equipment and for the supply of essential imported inputs continues. It seems increasingly clear, however, that these measures, even taken together, will be unable to provide a long-term solution to the possibility of recurrent rehabilitation and foreign debt crises if they depend permanently and on a growing scale on imports.

237. Several countries are therefore going ahead with projects for establishing centres for the local manufacture of agricultural and industrial parts, implements and tools, or for rehabilitating and developing existing metal development facilities (forges, foundries, machine shops etc.).

238. Several dynamic factors make long-term dependence on scrap or raw and intermediate materials imported from hard currency sources hazardous: population growth and urbanization; the rate of growth of the building and construction industries; the expansion of mining, fuel and energy production; the development of the transport and telecommunications sectors; and agriculture. The larger the body of fixed engineering elements in the economy, the larger the requirements for equipment replacement and for parts, components, implements and tools for effective maintenance. The development of agriculture-related as well as agro-based industries and of industrial activities in urban informal sectors means meeting demand from 150 million persons, and very likely more. In addition, it would surely be impractical to ignore the needs of other enterprises and sectors simply because they do not

fit into the agro-related, agro-based and urban informal-sector-determined categories of demand. In any case demand, even as defined, will grow, and the more successful the policies and programmes of development of agro-industries and the urban informal sector, the more rapidly will demand grow, even without taking account of population growth in the next 30 years.

239. In so far as production is concerned, it is proposed that every effort should be made (from the organization and improvement of forges to larger metalworking establishments such as railway workshops) to increase and expand the range of production of parts, implements and tools, and to associate this with more determined efforts at employing common standards. This should not impede work on raw materials, on manpower for core industries and strategic sectors, on the building up of other factor inputs and capabilities, or on domestic and multinational market development.

Development of technological capabilities

240. Twenty-five years ago, the focus of attention in regard to technology was on transfer from developed to developing countries: on costs (unavoidable and avoidable); on channels and mechansims of transfer; and on the transfer process itself. There were two weaknesses in the debate: little attention was really given to the transferee; and the definition of transfer was restricted largely to making information available. Today, attention has shifted to technological mastery, i.e. the ability to operate given technology not only unaided but to adapt it, replicate the adapted form and propagate it. Technological capability may be divided into two parts: (a) capabilities required for the investment phase, i.e. for making choices of technology, for negotiation of user rights, for equipment selection etc., and (b) capabilities required for operations, improvements and adaptations and for developing and propagating new forms of technology.

241. It is widely accepted that the engineering industries in general and the capital goods industries in particular, as well as a domestic (or in the case of Africa, a multinational) market, provide the medium for technology change and development. The lack of all three would seem to deny possibilities of technological advance.

242. In developing economies in Africa, choice of technology is effected in odd ways, e.g. by consultants carrying out feasibility studies; on the basis of the latest breakthroughs; on the representation of machine sellers; on the basis of its country of origin (and, in Africa; on the basis of its not originating in Africa or other third world countries). These and similar methods of choosing technology are likely to become less and less usable as the technologies available in industrially advanced economies diverge from those needed for the transformation of African economies. Behind capabilities for choosing technology (and the information basis for technology search) lie the need for capabilities for equipment selection, negotiation and setting up. Operations and maintenance over time may involve "stretching" components of a technological system to increase output, adjusting and changing other components to improve quality, working out incremental improvements until they

are exhausted, and then making the transition to new technologies. Out of these adjustments and adaptations emerge new types of equipment or components.

243. It will be obvious that these capabilities can only be built up over many years as part of a company engaged in industrial production and that the range of technological capabilities, therefore, depends on the range of industrial activities of local companies. However, for developing countries in Africa the likelihood is a start with the bare minimum centred on a factory, and the process of building up begins with the quality and scope of the education and training effort for local personnel which precede and accompany all the preparatory stages of the factory project (project studies; engineering design; financial calculations; negotiation of technology rights; importation; site development; plant construction etc.) The mastery of this and later stages frequently helps to create a pool of experts for consultancy services in the conception, planning etc. of successive similar projects and, in time, of projects in related areas. This limited illustration makes it possible to consider the findings of the field mission in Africa.

244. The most striking finding about technology was the emphasis Governments are beginning to give to policy instruments dealing with technology, primarily by raising the subject to ministerial rank, either jointly with industry or planning or separately. The second finding was the tendency to formulate and issue policy statements. These statements tended to be very comprehensive, and it is strongly felt that they promise to be operationally unmanageable and ought to be accompanied by statements of five- to seven-year concrete programmes related to aspects for emphasis or stages to be achieved as suggested above. The third finding was that agricultural research still retained its very long, durable head-start over industrial research (materials, equipment, processes), notwithstanding the apparent (verbal) importance now given to the latter.

245. The fourth finding was that countries with large, growing markets and with ample supplies of savings (i.e. domestic factor inputs) were in a position to extract concessions on access to technology more easily than countries with small markets. This once again brings out the potentialities of substantial and effective economic co-operation in Africa.

246. The fifth finding is that not much study seems to have been undertaken of technological development policy and practice in selected NICs, in particular the role of industrial companies (public and private) in building up the capabilities described earlier and the ways in which Governments support and complement this role in search of particular objectives and targets. Industrial R & D still appears to be seen as an activity carried out in Government-established laboratories in which staff receive broad mandates to find and solve industrial problems. It does not yet seem to be familiar to policy-makers and planners that the most productive source of technological improvements is the interaction between the producer of equipment, materials or process formulae with the user of such products. Ample supplies of highly educated manpower, laboratory facilities and materials do not, by themselves, guarantee the production of useful and new technologies.

247. It is strongly felt that the formal aspects of dealing with industrial R & D (ministries, policy statements, supervisory organs, budget provisions etc.) should be given only so much attention and that much more should be made of promoting company interest in and capabilities of solving actual problems and of encouraging the interaction described above. This would include monitoring the efforts of small- and medium-scale industrial enterprises to handle problems of equipment adjustment and maintenance, of materials substitution etc.

248. It was noted that perhaps because of a tendency for approaches to technology to be influenced by the kind of image described above, Governments failed to make use of their extensive ownership and management of public utilities and public industrial enterprises to encourage the more practical aspects of industrial R & D and innovation, or to make the work of national organizations concerned with standardization, metrology and quality control effective in the industrial field. They also failed to make use of their extensive purchases of capital goods to do the same. It is recommended that United Nations bodies concerned with the use of technology to promote industrial development should design programmes for improving the familiarity of principal economic actors at national and multinational levels, with how NICs such as Brazil, India and Republic of Korea, as well as Japan built up their technological capabilities. These programmes should be heavily audio-visual in approach and should involve as many policy-makers, universities, local entrepreneurs and representatives of R & D institutions as possible. Emphasis is deliberately placed on audio-visual measures (including profiles of industrial R & D institutions; study visits; manpower profiles for selected institutions, and information on how such manpower was developed). It is further urged that this programme of audio-visual familiarization should precede the formulation or revision of existing national policies, machinery and programmes for building up technological capabilities. Furthermore, the same United Nations bodies should give thought to the means by which courses on the subject of technology (as distinct from technologies) could be introduced into the formal education of engineers, technologists, managers and development economists.

249. In the initial stage, such a familiarization programme should pay full attention to technological capability related to the core industries and strategic sectors designated by Governments.

Development of physical infrastructure

250. Physical infrastructure includes roads and bridges, railways, ports and harbours, inland waterways, telecommunications (including satellites and other modern technologies), postal services, civil aviation, coastal and intercontinental shipping, human settlements, electric power generating, and distribution systems. In Africa, the most notable feature about physical infrastructure is that it was designed to fit the needs of colonial administration and a colonial export economy, except in "colonies de peuplement", i.e. areas considered suitable for foreign immigration and permanent settlement. Even here, export needs tended to influence the pattern

of physical infrastructure. Policy-makers and planners intent on creating internal engines of growth - which include industrial development, the removal or diminution of enclaves and semi-enclaves, the better utilization of natural resources, the expansion and consolidation of domestic markets and the combination of national markets through economic co-operation - are faced with the necessity to alter considerably the pattern of physical infrastructure to fit these new objectives and purposes.

251. A few general points pertinent to proposed changes and improvements deserve to be made, however. The first is that physical infrastructure underpins virtually every form of physical change and economic growth. The second is that its importance in Africa is underscored by the fact that much of Africa is made up of open spaces: a greenfield site of continental dimensions. As is well known, the mining industry was obliged to invest large additional sums, when opening up new mines, on the construction of towns, railways, roads and ports; on installing and operating power-generating stations and transmission lines; on providing water not only for mining but also for domestic use; and so on. As a result, foreign investment in mining today is affected by nearness of the mineral deposits to human settlements or by the readiness of Governments to find alternative ways of financing mining towns and other facilities.

252. The third point is that physical infrastructure is dominated by the building and construction industry which often takes up to 30 per cent or more of plan expenditures and which is characterized today by considerable dependence on imports of materials, equipment, know-how and other factor inputs. Indeed, the internalization of factor inputs supply for this and a few other sectors could, through the operation of employment and income multipliers, considerably expand domestic employment and markets.

253. This, the fourth point, means that the development of physical infrastructure over many years in the future is bound to exert great pressures on foreign exchange resources and on debt creation if determined efforts are not made to substitute as much local for imported factor inputs as possible. Since a great deal of these inputs (cement, bricks, steel, other metals, plastics, glass, ceramics, rubber, paints, wood etc.) must come from the industrial sector, it is important that every effort be made to develop local factor input supplies and national capabilities to reduce the present level and scope of its dependence on imports.

254. At the national level, far too little attention seems to be given in many countries to an integrated approach to infrastructural change. This seems to be the result of extreme reliance in policy-making and planning on macro-aggregates which neglect such important factors as the physical distribution of population and natural resources and other locational issues. Kenya's approach to regional planning is recommended, as an example, to policy-makers and planners. A change in planning approach (proposed later in this chapter) would provide the basis for an integrated, forward-looking programme for the development of physical infrastructure.

255. Elsewhere in this report, attention is called to the possibility of increasing difficulties which could have a serious adverse effect on the flow of external factor inputs (financed as loans, as foreign direct investment, as aid and technical assistance) to the African region. If, at that time, the need for the transport network to underpin economic co-operation becomes very urgent, policy-makers and planners in several subregions and economic groupings (except the SADCC countries) may face less tractable and more agonizing choices than they do at present. Much of the work done on treaties, tariffs, trade mechanisms, core industries and strategic sectors may then turn out to be of little use.

256. In addition, the prospects of raising the level of utilization of existing capacities in ores and metals production, and ultimately of promoting a regional market for industrial raw and intermediate materials, are bound to be adversely affected by failure to develop such a network. It appears to be a matter of urging Governments in economic groupings to take more determined measures for the establishment of multinational, intermodal transport networks in their particular subregions. These measures should include some scaling down of the United Nations Transport and Communications Decade programme to essential links and the placing of much greater emphasis on do-it-yourself approaches and on less capital- and import-intensive techniques. Such efforts could involve the mobilization of: engineering cadres in the armed forces; students performing national service or on formal attachment for gaining professional and work experience; the unemployed, serving on food-for-work-type arrangements; United Nations volunteer services; non-governmental organizations; United Nations Development Fund for Women (UNIFEM) programmes; United Nations technical assistance programmes etc. They would include studies of recent developments in technologies for interface connections of inter-modal systems. Indeed, inter-modal linkages may be one way of disposing of the problem of railway linkages. For movements of heavy materials over long distances, the use of railways and inland waterways would seem to deserve fresh and close attention at subregional levels. Costs, especially in foreign-exchange terms, could be greatly reduced by a judicious balance between capital-intensive and labour-intensive methods of transport development, a factor not often taken fully into account in feasibility studies. In this, Algeria, China and probably other developing countries or NICs have useful experience to contribute. It is most unlikely, however, that these approaches can be applied if, at the same time, reliance is placed on conventional feasibility studies.

257. As regards building and construction related directly to industry, this would refer chiefly to factories where attention has been drawn to the development in NICs of capabilities in factory site planning and development and plant construction. Determined efforts may have to be made to provide for learning opportunities of this kind in turnkey projects. The same applies to dam construction. The African region is said to have the advantage of 42 international river and lake basins. Yet, there appear to be no plans under consideration for ensuring that the team experience gained in, e.g., the Senegal River Basin dams project is preserved for later, similar work. Brazil (and probably India) was able to build up permanent dam-planning and

construction capabilities by deliberate action. It is recommended that this subject be given special attention at the regional level. There is little doubt of a future in the building of industrial cities (as in Egypt) or mining towns. Once again, some thought should be given at the regional level to how best team experience could be developed for further use. It is also recommended that every effort be made to develop further and implement recommendations of the study on manpower for the transport sector already carried out by the ECA.

258. The evaluation team did not get the impression that the material components of building and construction were being identified or that projections were being made at multinational levels to judge the feasibility of subregional production. Much attention is being paid, instead, to the possibilities of national projects being extended to serve multinational needs. In view of the great direct and indirect impact of infrastructure on the construction of internal engines of growth, and in particular on the IDDA Programme, it is felt that more work on subregional projections of component inputs should be taken in hand. Even if there were prospects of obtaining foreign exchange on easy terms, it is considered that this strategic sector holds the key to the development of productive capacities for designated core industries.

Development of institutional infrastructure and services

259. As is the case with physical infrastructure, institutional infrastructure in Africa was designed to support the colonial economy and not to promote industrial development in general or of an IDDA type. However, institution building and reform appear to be proceeding very slowly and without a considered framework which takes account of the considerations set out below. On the assumption that the basic objective of the Lagos Plan of Action and the Final Act of Lagos, as well as of the IDDA Programme, is the gradual building up of internal engines of growth, the pattern of institution-building ought to include at least the following:

(a) Those (mostly Government agencies) concerned with policy-making, developing information and data bases, planning, project development, monitoring and trouble-shooting;

(b) Those (public and private agencies) concerned with human resource development (entrepreneurship, management, professional and skilled manpower);

(c) Those (business enterprises) concerned with raw and intermediate materials;

(d) Those (business enterprises) concerned with the production and distribution of equipment, components, parts, implements and tools (and other manufactured products);

(e) Those (business enterprises and Government agencies) concerned with technology acquisition, adaptation, development and innovation;

(f) Those (Government agencies and business enterprises) concerned with physical infrastructures;

(g) Those (business enterprises and Government agencies) concerned with the supply of services in support of entrepreneurship and management (information, consultancy, feasibility studies, negotiations etc.);

(h) Those (business enterprises and Government agencies) responsible for the mobilization and redeployment of financial and real factor input resources of domestic and foreign origin (banks and financial service institutions, stock markets, labour markets, commodity markets, management of technical assistance etc.);

(i) Those concerned with economic co-operation (particularly with multinational production and trade);

(j) Those entrusted with establishing and propagating standards, metrology and quality control.

260. It will be noted that most of the institutions listed above relate to domestic factor inputs or to critical national capabilities. That is, they deal with two sets of the most important deficiencies in Africa today. The principal issues considered here are:

(a) The balance in the pattern, at national, multinational and regional levels, of essential institutions;

(b) The state and level of functioning of the institution;

(c) The quality of the institution.

261. At different stages of development and economic growth, the pattern and degree of complexity of institutions change, depending on the needs and objectives sought at those stages. The degree of complexity may be moderate, but the quality (of leadership, staff and facilities) high, and the needs to be served so well articulated that functioning is also at a high level. Quality may express itself in the institution's inclination to seek higher levels of performance and to welcome and adopt innovations.

262. Elsewhere in this report, attention has been drawn to the weaknesses or the need for improvement of existing institutions dealing with some of the areas of activities listed above. In the following paragraphs, only a few are considered because of their importance today and in the near future. Among these are the institutional arrangements for policy-making and planning in Africa required in the 1990s.

Institutional arrangements for policy-making

263. Perhaps the first difficulty in improving policy-making and planning is a failure to work out and make use of development economics appropriate for the

design and construction of internal engines of growth. The following is an illustrative list of what could be included: national market characteristics and development; the design and construction of multinational markets; factor input production and use; the role of the public enterprise and its relationship with the private sector; characteristics of the capital goods industries; corporate planning concepts and methods; problems of the design of systems of protection related to free-trade areas and common markets; the problem of transport and communications; the services sector, including support services for business enterprises (public and private); the importance of standardization, metrology and quality control; transnational corporations; and problems of and approaches to economic co-operation.

264. As full use as possible should be made of audio-visual materials and of the experiences of countries in the region as well as in Asia and Latin America. Africa seems to be unable to free itself of the extreme limitations of macro-economic concepts based on conventional national accounts and to pay attention to the many important concepts and tools essential for undertaking structural transformation of the kind implied in the Lagos Plan of Action, the Final Act of Lagos, the IDDA Programme and UNPAAERD. The reshaping of the world economy and policy that is now rapidly taking place is likely to confront policy-makers and planners with the need for new, or at least modified, concepts, new policy tools and extended data bases which will not have been worked out ahead.

265. The organization of courses for policy-makers, planners and entrepreneurs (public and private) along the lines suggested, as well as the spelling out of modified or new policy tools etc. should, it is suggested, be based on a programme designed and undertaken by a revitalized African Institute for Economic Development and Planning (IDEP). It must by now be clear that development economics must change and be shaped from time to time to meet the needs of the time and the country or region.

266. Part of the IDEP programme, particularly for policy-makers and planners, should include periodic reviews of changes in the international environment significant for policy-making and planning in the region. An example, referred to earlier, are the prospects of intensified competition for foreign direct investment and for aid, as well as factors likely to affect the availability of foreign physical factor inputs to Africa.

267. A programme for IDDA II should therefore include, as regards policy-making:

(a) Acceleration of the installation and operation of data and information bases, including processing/analysis/presentation for policy-making and planning. At present, as much is lost from failures in processing, analysis and presentation as from inadequacies in collection;

(b) Review and improvement of interministerial co-ordination mechanisms;

(c) Improvement of arrangements for consultation and co-operation with the private sector. It should be noted that in many countries in which the State took the initiative for establishing a large body of industrial enterprises there did not exist until recent times substantial, independently established bodies representative of private sector interests and views. Indeed, in some countries (such as Somalia), the Chamber of Commerce was part of the machinery of Government and is only now taking normal shape. At the other end is a national association of manufacturers, staffed by professional graduates in management, engineers, statisticians and research economists, taking part in an increasing range of consultations with Governments (e.g. Nigeria);

(d) Developing and monitoring early-warning systems and designing trouble-shooting arrangements relating, in particular, to core industries and strategic sectors;

(e) Developing capabilities for estimating factor input requirements and for planning their accelerated development;

(f) Strengthening technical assistance machinery and the periodic review of their directives;

(g) Consulting NICs and other developing countries with a view to eliciting their experiences in selected areas and to negotiating technical assistance and training arrangements.

Institutional arrangements for planning

268. With regard to planning, an important consideration is the need to include the services of engineers and technologists as well as experts in: industrial business organizations (including manufacturing systems analysis and design and manufacturing processes); finance; regional planning; estimation of material inputs and outputs; preparation of industrial manpower planning for identified projects; design and implementation of forward and backward linkages; use of computers in planning and programming; market structures and dynamics; and environmental protection. Sociologists and cartographers would be associated with parts of the planning process. Planning seems, until now, to have been erroneously treated in Africa as a branch of theoretical economics.

269. Reform should, secondly, include the distribution of planning staff throughout the country, to work in association with local urban and rural planning groups. Thirdly, it would provide for effective consultations with the private sector. Public and private enterprise management would take full part in shaping as well as in accepting responsibility for implementing policy and plan. Fourthly, it would have to cover machinery for (in general) economic co-operation and (in particular) programming the establishment of joint enterprises which supply factor inputs essential for the transformation of national economies.

270. As regards technics, this would provide for an increasing body of reliabl 'ata on population growth, age and sex; shifts in location; household income expenditure; industrial enterprises; contributions to factor input supply; :cess to factor inputs and sourcing; outputs; marketing and distribution; critical current or anticipated problems etc. Information would also be required on imports and exports and particularly on end-uses of both local and imported factor inputs.

271. More guarded use would be made of macro-planning based wholly on national accounts concepts, especially the GDP, capital-output ratios, and manufacturing value-added (without reference to local value-added in manufacturing as well as in other sectors). In the Ministry of Industry, planning staff would include recruits from the industrial (private and public) sector who would be required to have some familiarity with corporate planning strategies and methods.

272. Planning reform should include the institution of wide-spread monitoring units and techniques. Some would signal external changes likely to affect the economy in general and the industrialization process in particular. Others would consist of internal early warning-systems which activate trouble-shooting machinery for critical subsectors or enterprises. As the ECA has pointed out, changes in the weather are now a far more critical force than factor inputs supply and modernization measures, for determining agricultural production, and therefore for industries supplying industrial inputs for agriculture and those dependent on agricultural raw materials.

273. In only a few of the countries visited, however, is some effort being made to reorganize p nning machinery; to build up data and information bases; or to improve the qu. l.ty and range of, and decentralize, planning staff beyond the limits of the capital city.

274. Whilst it is clear that the situation would have to be considerably improved in almost every aspect in many countries, it is also recognized that a programme of improvement needs to be given comprehensive treatment at national and multinational levels over a period of several years. UNIDO is already engaged, in a number of countries visited, in the reorganization of the Ministry of Industry, in the training of its staff, and in preparing industrial master plans.

275. It is not entirely clear how far some of the problems of general and industrial planning noted here are being taken care of in these projects, e.g. the need to broaden the professional staff base; the need for planning industrial factor input production; the need for capabilities in planning linkages; the need for planning in stages at national and multinational levels; and the need for scenario writing to supplement macro-economic projections.

276. Indeed, it is recommended that UNIDO give serious consideration to sharing the task of building up industrial capabilities with other institutions capable of dealing with aspects that lie outside the areas of

special interest of UNIDO, as well as with IDEP and other institutions engaged in teaching planning methods. The most important aspect of any industrial plan in Africa is the provision for improving capabilities and resources for its implementation.22/ On this basis, the programme for dealing with improvements in planning machinery and techniques ought to be speeded up to cover a much larger number of countries within the next, say, five years. The present arrangement for sporadic responses to sporadic requests in a matter of such widespread significance would seem, itself, to need urgent reform.

277. For the purposes of building up internal engines of growth, planning must be seen and carried out in stages so that the achievements of each stage (in factor input resources planning and development; in market expansion; in production of outputs by core industries and their use for sectoral development; in the development of instrumentation - private, public, joint enterprises etc.) constitute the foundations for the next stage.

278. In contrast (and probably as a result of preoccupations with national accounts aggregates), national development plans in Africa tend to distribute already scarce real resources over a wide range of developmental activity. Attention has been drawn to the fact that an economy grows by investment (the organization and application of factor inputs to production) in "sunrise" as opposed to "sunset" industries and sectors. There is, therefore, a need for education and training programmes (e.g. in IDEP) to bring about a recognition of this factor. A programme for improvements in planning should therefore include:

(a) Accelerated action in building up data and information bases relevant to the development of engines of growth in Africa;

(b) Reorganization of planning capabilities to cover a range of disciplines much wider than the conventional;

(c) Building up of country-wide planning capabilities and machinery;

(d) Planning the development of selected factor inputs and devising methods for relating financial stocks and flows to real factor input stocks and flows;

(e) Incorporating corporate planning strategies and techniques in national and multinational planning strategies and techniques.

Institutional costs of doing business in Africa

279. A second institution deserving of notice are the arrangements for dealing at operational level with company representatives. In Africa, Europe and South America the team heard frequent and often sharp complaints from businessmen of what it came to summarize as "the high cost of doing business in Africa". This subject is of great importance because of the need to encourage indigenous entrepreneurs and managers to move into new areas and higher levels of procurement, production and marketing, especially where this

involves trans-frontier operations. As regards foreign entrepreneurs, it is equally important, if not more, in the light of the factors which, it has been suggested, might intensify international competition for foreign loans and foreign private investment.

280. Part of these costs are said to be the wide-spread and escalating demand for ex gratia payments by business representatives for services provided by Governments formally on specified terms (e.g. the approval and issue of permits and licenses). Here, there is a double effect: extensive delays in obtaining approval of a particular form of action followed by extensive delays in the issue of licenses, permits and other authorizing documents. Whilst the team is unable to cite evidence in support of this institutional defect, it feels obliged to draw attention to it in the light of the above considerations.

281. However, other costs (information on Government policies, regulations, incentives etc.), which affect investment decisions, are widely scattered and out-of-date. The answer, clearly, is the concentration of as comprehensive and as up-to-date packages of instructions, relevant information etc. as possible in a single investment promotion office.

282. This is not all, however. Both indigenous and foreign business representatives expressed uncertainty concerning the continuity of Government policies. They claimed to recognize that, in times of rapid adverse changes in the external as well as the internal environment of Africa, Governments are obliged to respond with great flexibility to these changes. However, they expressed the view that time is required to arrive at investment decisions, to organize and commit real resources to projects, to bring projects to maturity and to at least recover capital and interest. Too-rapid changes in policies and measures affecting investment tended to drive it into short-term, fast-yielding areas and projects instead of the longer-term projects which would constitute the basis of future development and economic growth. A number of Governments are already seized of these problems and are instituting or testing remedies, but it is considered that more wide-spread examination and treatment are required.

283. In general, it appears that the subject of institutional development in support of internalizing engines of growth has been treated in a somewhat haphazard manner and it is recommended that a more systematic examination of the subject be undertaken and the results examined at subregional levels where some institutions can be developed on a network base.

VIII. DEVELOPMENT FINANCE, RESOURCE MOBILIZATION AND DEPLOYMENT

284. The IDDA Programme, recognizing the critical role of finance in activities for the Decade, states:

> "Finance is essential; it constitutes a basic parameter directly influencing the whole production process, transfer and choice of technology, product selection, corporate form and, above all, the negotiating position vis-à-vis the outside world. In Africa, this problem is aggravated by the often precarious state of a country's balance-of-payments, its public finance and budget, as well as the low level of economic transaction in most economic sectors, in particular the agricultural sector.
>
> "Governments should endeavour to mobilize their internal financial resources through effective and efficient tax or revenue earning measures or through the implementation of fiscal, industrial and other policies which stimulate savings and investment. It is imperative that each country develops, establishes or strengthens its own industrial development bank, the basic role of which would be to mobilize savings for industrial investment. By offering loan and equity capital in its own institutions as well as in the enterprises in which it invests, industrial development banks would be able to interest import-export houses, commercial and transport enterprises, insurance companies, commercial banks and local entrepreneurs in participating in and sharing in the risks and rewards of industrial development."

It would be difficult to find a more apt summary of the importance of resource mobilization and investment and the role that development banks could play in that process.

285. The IDDA Programme went even further and gave an estimate of the resources needed to finance new industrial initiatives over the ten-year period: $140 billion. This estimate did not include the investments also needed to finance the infrastructure and services (e.g. transport and energy development) needed to support the proposed enterprises. Nor did it take into account the additional investments required to maintain or revitalize certain existing industrial enterprises. Thus, it is evident that the mobilization of financial resources, and their productive deployment, is a key factor in the industrialization process. The links between the availability of financial resources and investment were also highlighted when the team discussed the issues of declining earnings from commodity exports, declining flows of official aid and private investment in Africa, and the financial drains caused by the poor performance of many enterprises.

286. The relationships between the various factors involved can be summarized as follows:

(a) When debt becomes a problem and a country is unable to meet its internal and external obligations, this in itself is a reflection of a breakdown in the financial system. Since debt is a prime contractual obligation, all available resources have to go first to service that debt rather than be deployed to investment. A high debt level reduces the resources available for a country's industrial or other investment. Apart from Botswana and Mauritius, this situation prevailed in virtually all the countries visited. After the inability to produce or buy food, unmanageable debt is probably the worst form of dependence;

(b) Export earnings are still the principal source of revenue for the purchase of imported capital goods and services for industrial and other investments in all African countries. (In a number of other countries they are also the principal source of Government revenue.);

(c) The team found that aid was still a vital source of financing for other investment in Africa south of the Sahara. In the countries of the Sahel region, the very mainframe of the economic and social structures - and indeed food for survival itself - was dependent on external aid;

(d) Ultimately, the only viable path to the generation of investment resources is when an atmosphere exists that allows individuals and firms, private or public, to save and make investments that can grow and create surpluses for additional investment. A class of people must exist or be created that is capable of playing that role. The parameters for such an environment range from political stability and peace to a reasonable expectation of a return on the investment. This is particularly important for industry where the return can only come over a longer period and where, therefore, the degree of uncertainty is higher. The existence of suitable fiscal and other policies can help to promote this expectation. Again, only in a few of the countries visited were such parameters found to be in existence. Entrepreneurs, whether local or foreign, were unwilling to invest in industrial ventures. Investments that they were prepared to make were often in activities where their money could be recovered in the shortest possible time. In many other countries, where public enterprises had been chosen as the investment vehicle, many of the projects undertaken had not even started; others were operating at well below installed capacity, generating losses and, instead of being major sources of investible funds, diverting such funds from other, possibly productive, ventures.

287. All the countries visited had set up one or more development banks (except Mozambique which was still in the process). Some of the banks were specifically oriented towards mobilizing long-term resources, both local and foreign, for investment in industrial development. Others were engaged in a wider variety of sectors such as agriculture; transport; energy and services. In virtually all the countries, Government had been involved in the establishment and ownership of these banks and financial support (lines of credit) had been provided by the African Development Bank (ADB) and some other international finance institutions, often with a component of technical assistance.

African Development Bank

288. The IDDA Programme emphasizes that "... the African Development Bank, the African Trust Fund, the African Industrial Development Fund are important examples of resource utilization and redeployment for industrial projects". As called for in the Programme, the ADB enhanced its capacity to mobilize resources by opening up its capital stock to non-regional members in 1982. This resulted in a tripling of its share capital to UA16.2 billion, two-thirds of which are held by African member countries. The remaining third has been earmarked for non-regional member countries.

289. A review of ADB commitments showed that in 1987 the agricultural sector received the largest share of total commitments: 38.8 per cent (UA 367.18 million) as against 38.1 per cent in 1986. The multisector category received the second largest share: 23.2 per cent (UA 220.00 million). This was followed by industry with 16.6 per cent (UA157.08 million) as against 23.4 per cent in 1986; transport with 14.3 per cent(UA134.88 million) as against 6.3 per cent in 1986; public utilities with 4.5 per cent(UA42.17 million) compared with 23.7 per cent in 1986; and education and health with 2.7 per cent (UA25.50 million) as against 8.5 per cent in 1986.

290. In 1987, three borrowing member countries in the North Africa subregion received 46.9 per cent of ADB commitments, as against 47.2 per cent in 1986. Morocco took the lead, followed by Algeria and Tunisia. Member countries in the Western Africa subregion obtained the second largest share of 32.5 per cent, compared with 27.7 per cent in 1986; Nigeria was the largest borrower within this subregional grouping.

291. Borrowing member countries in the Southern Africa subregion obtained 9.0 per cent in 1987, compared to 3.7 per cent in 1986. Countries in the East Africa subregion received 6.4 per cent in 1987, against 2.1 per cent in 1986; and countries in the Central Africa subregion received 5.2 per cent in 1987, compared with 24.3 per cent in 1986.

292. In 1986, the Bank's assessment of its lending programmes in the industrial sector was that they "have not been consistently satisfactory". Following this assessment, and in the light of other regional developments in the 1980s, the ADB adopted, also in 1986, "Industrial Sector Policy Guidelines" aimed at:

(a) Helping to create a proper framework for industrial development;

(b) Supporting productive enterprises (including service industries) that help to generate value-added and foreign exchange;

(c) Supporting Development Finance Corporations (DFCs) and other financial institutions in resource mobilization;

(d) Encouraging the private sector to play a more dynamic role in industrial development;

(f) Ensuring respect for commercial principles in the management of enterprises and institutions.

293. The strategies for achieving these objectives included appropriate project selection; emphasis on productive investments; emphasis on resource-based industries; expansion of the private sector; development of new institutional mechanisms (joint sponsorship by ADB, International Finance Corporation (IFC) and UNDP of the African Project Development Facility); focus on rehabilitation; strengthening of financial intermediaries; more emphasis on small- and medium-scale enterprises; emphasis on management development; and effective equity participation.

294. The relative success of the ADB Group in mobilizing financial resources, however, in no way compensates for the failure to establish an African Industrial Development Fund, as proposed in the IDDA Programme. It is disappointing to note that to date only one African country, Nigeria, has made a pledge to this Fund and there are now proposals to wind up the Fund before it has even started! The fact remains, however, that financing any programme of industrial development will require massive funding, much of which must invariably be generated from within the region itself.

295. At the subregional level, positive developments include the establishment of a Trade and Development Bank to finance multinational ventures and intra-African trade in the PTA countries. In the same region, the East African Development Bank (EADB) was the only institution to survive the collapse of the former East African Community. Its charter has now been expanded to include the financing of other productive sectors that have linkages with industry and it is in the process of mobilizing the necessary resources to undertake this new programme. With the EADB already in existence, however, further thought should perhaps have been given to restructuring it to serve the larger PTA region rather than setting up another, new institution; experience with the multiplicity and overlapping of regional institutions has not been very encouraging.

296. The role of most of the development banks visited was generally similar; namely to mobilize resources, both local and foreign, to finance productive investments. Such investments were generally to be in line with stated national development objectives such as increasing the output of the manufacturing sector and promoting foreign exchange earnings as well as employment and rural development. For instance, the Zimbabwe Development Bank (ZDB) was established as a joint venture between the Government of Zimbabwe and other development institutions: the Commonwealth Development Corporation (CDC); the Foundation for Fundamental Research on Matter (FOM), Netherlands; the European Investment Bank; and the ADB. With such a varied and strong local/external ownership base, the ZDB should provide a major vehicle for the mobilization of resources for Zimbabwe's development. It participates in development projects in most productive sectors of the economy, particularly manufacturing, mining and agro-industries, all of which hold high priority status in Zimbabwe's development.

297. During the short period in which it has been in operation, the ZDB has concentrated its investments in relatively low-risk ventures, as do many of the other financial institutions already existing in the country. It registered an operating profit of Z$619,000 for the financial year 1987, but this was a drop from the record Z$1.5 million achieved in 1986. What is particularly significant is that the drop in profits in 1987 was due entirely to the unfavourable exchange-rate movements between the Zimbabwean dollar and the foreign currencies in which most of the Bank's investments were denominated. This situation was also found to have had a generally adverse effect on the performance of other African development banks. It was, of course, tied to the whole question of debt, balance-of-payments, and exchange rate management.

298. The Development Bank of Zambia (DBZ) is a long-established principal term lender to industry, agriculture, mining and tourism. It finances new projects, but is also very active in project rehabilitation and in special schemes for financing small enterprises (through Small-scale Enterprises Promotion Limited). The DBZ's sources are comparable to those of ZDB in Zimbabwe. And although it continues to operate profitably, it too has been affected by exchange-rate fluctuations and the depressed state of the local economy.

299. In some of the countries visited (such as Côte d'Ivoire), the condition of the development finance institutions is extremely serious. Some of them are under liquidation or characterized by a high level of arrears, excessive administrative expenses, and weak procedures in project selection, appraisal and supervision. The high arrears and their impact on cash flows, combined with sharp declines in Government financial support, have resulted in severe liquidity problems.

300. In Mauritius, we saw what is perhaps one of the more successful development banks in Africa and a possible model for other such banks. The Development Bank of Mauritius (DBM) has played a catalytic role in the industrial growth of the country, basically through its role as a medium-term lender. Its main source of funding has been the Government, which wholly owns the Bank, the international and regional development finance institutions, the World Bank, the European Investment Bank, and the ADB. DBM has also played a special role in the promotion of small-scale industries and other small enterprises in Mauritius. Apart from industry, DBM is mainly involved in financing tourism, agriculture, construction and transport. DBM was also responsible for the construction and management of the first three industrial estates in Mauritius. Today, it is a substantial landowner in the country. Financially, DBM is on a very healthy footing.

301. As pointed out, the ADB and the World Bank have been among the principal supporters, mainly through lines of credit, of many of Africa's development banks. This support has often been accompanied by technical assistance, particularly the training of professional staff. This form of financing was deemed by these institutions as providing the most convenient way for them to assist a great number of enterprises in the small- and medium-scale sectors

which, by their size, were not suitable for direct financing. Evaluations by these institutions of their experience in development bank financing in Africa, however, have generally been disappointing. Most of the banks' investment portfolios are weak and there are high levels of arrears. Despite the considerable skills already built up, there still remain weaknesses in project appraisal and monitoring. Moreover, like many other public sector enterprises, these banks have often been prone to mismanagement and sometimes unsound investment decisions. In ADB's assessment, the development banks have also been major victims of Africa's economic crisis of the 1980s. Some direct results are evident in the considerable increases in portfolio arrears due to foreign exchange fluctuations (since this comprises the bulk of the banks' lending), and the reduction or even withdrawal of Government financial support due to budgetary pressures.

302. The evaluation team's overall findings on development bank performance were mixed. Most of the banks' lending policies had generally been in line with national development priorities; but the financial condition of the institutions themselves could not, on the whole, be considered strong. In terms of resources, hardly any of them had been given a chance to engage in any direct effort to mobilize, say, domestic savings from insurance companies or pension funds. Mainly, they have acted as conduits for resources made available by their Governments for local funding. Their sources of external financing were also based on Government guarantees. To a large extent, this was conditioned by the prevailing monetary policies which determined interest rates and the general allocation of savings and investments in the economy.

303. The national development banks have hardly fulfilled the mandate envisaged in the IDDA Programme. The need to mobilize and channel massive funding to create a productive industrial sector still exists. We strongly believe that development banks can be redesigned in a manner that will place them where they can make such a contribution. Some of the experience gained from their operations to date would help in restructuring exercises. We recommend that the following proposals also be considered in any such exercise:

(a) First and foremost, development banks should be allowed to play the role stated in their titles. As banks, they must lend only to commercially viable enterprises - enterprises that have a sound financial base, are able to pay their costs, discharge their obligations and provide a return to their shareholders. Only then will the development banks recover their credibility in the eyes of their clients, their lenders, their staff, and their shareholders. As development agencies, their project selection criteria, after meeting the basic one of viability, would have to be in line with the national Government development priorities in terms of sectors, foreign exchange earnings, employment generation, and the building of professional and consultancy capabilities. Development banks will only be able to attract lenders and investors, and thus generate additional resources, if they meet this basic criterion;

(b) For the above to happen, development bank management must be based on sound business principles, clear of influence from any other quarter. Staffing should be on a purely professional basis;

(c) A strong portfolio of sound investment projects in a development bank could provide a new basis for industrial endeavour to which idle funds in the hands of individuals, rural and urban credit associations and Government departments could be channelled, thereby helping to develop a capital market in financial assets that is absent or extremely rudimentary in most African countries;

(d) The economic and financial data obtained through their investments will provide the development banks with a means of keeping a close scrutiny on the performance of their investments and also help in the identification of new opportunities and prospects for investment by the banks themselves and other investors;

(e) The multiplicity of skills developed within the banks through these investments and financial operations will constitute a sound national base for consultancy capability in critical areas of project development and on financial, monetary and information technology issues;

(f) Because of the critical role the private sector has to play in Africa's industrialization, development banks should be the main sources of term lending to that sector;

(g) Because of the interlinkage between industry and other productive sectors, development banks should have the right to engage in such sectors (e.g. transport and energy) as long as the projects involved are financially viable and in line with national development goals;

(h) A study of a successful national development bank in one or more NICs (e.g. Brazil) should be undertaken with a view to using it as a possible example of the proposed restructuring.

IX. REGIONAL AND SUBREGIONAL CO-OPERATION

304. Many of the core industries and strategic sectors envisaged in the IDDA Programme can only be set in markets much larger than those found in individual countries. Few countries have the population resources, the purchasing power or the market potential to single-handedly contemplate implementing a programme of the kind envisaged in IDDA. Different regions and countries are also endowed with different resources which have to be combined and complemented if many of the projects listed are to be established. The resources needed to provide services in areas such as training, research and development and financing are such that few countries can afford them on their own. Institutions providing such services would have to be set up on a regional or subregional basis to reduce the cost burden and enhance their viability. It can be stated with some certainty, therefore, that there cannot be an IDDA Programme without effective regional/subregional co-operation and integration.

305. When it proclaimed IDDA, the Lagos Plan of Action also proposed a new approach to regional and subregional co-operation. Four regions were created: the Northern; Western; Central; and Eastern and Southern. Each of these regions was to go through the stages of free trade, customs union and economic community before finally merging in a single continental union by the year 2000. The impulse for regional integration in Africa goes beyond the obvious economic benefits that would be derived from such co-operation. It also stems from elements of a common heritage, the most fundamental being colonialism and the subsequent struggle for economic and political liberation. By offering a means to attain economic self-reliance, IDDA is, in effect, part of an ongoing movement to complete the process of liberation.

306. Unfortunately, in Africa perhaps more than in any other region, the factors that create the momentum for inter-country co-operation are countered by forces that pull in the opposite direction. There are, in Africa, vast differences within and between countries in language, culture, religion, politics and geography. These differences have tended to create tensions and conflicts that are a major obstacle to co-operation. Although the creation of the OAU more than 25 years ago was an expression of the political will to overcome these differences, the fact that they still persist emphasizes the enormous task that still remains to be done.

307. These differences notwithstanding, commitment to the ideals of African unity and co-operation are reflected in the enormous number of institutions, mainly intergovernmental, that have been created to achieve the objectives of regional integration. At least 200 institutions have been set up to promote some form of intra-African co-operation. The fields covered by these institutions vary greatly. In some, such as the OAU itself, the field is all-embracing, ranging from political to economic and related issues. Others have more specific objectives, such as promoting of trade, industry and standardization, or preventing the spread of desertification. Some institutions are served by elaborate secretariats with hundreds of personnel;

others are staffed by only a couple of individuals. There is also wide variation in the effectiveness of the institutions.

308. It was not practicable for the evaluation team to cover all of the regional and subregional institutions, but it did examine a number of them in the countries visited. These included:

Preferential Trade Area for Eastern and Southern African States (PTA) Secretariat, Lusaka
PTA Clearing House, Harare
MULPOC, Lusaka, Yaounde
SADCC, Gaborone
Indian Ocean Association, Mauritius
Economic Community for West African States (ECOWAS)
Communauté Economique de l'Afrique de l'Ouest (CEAO)
Communauté Economique des Etats de l'Afrique Centrale (CEEAC)
L'autorité pour le développement integré de la région Liptako-Gourma (Burkina Faso, Mali, Niger)
Lutte contre la Sécheresse dans le Sahel (Comité Inter-Etat, CILSS)
African Regional Centre for Technology, Dakar
International Consulting Consortium for Africa (ICCA)
African Regional Standardization Organization (ARSO, Nairobi)
Centre for Engineering Design and Manufacturing (ARCEDEM), Ibadan
Metallurgical Technology Centre (MTC), Zimbabwe
United Nations African Institute for Economic Development and Planning (IDEP), Dakar
Organisme de la Mise en Valeur du Fleuve Senegal (OMVS)
The African Timber Organization
The East African Development Bank, Kampala
The African Development Bank, Abidjan
Centre Africain de Management et de Perfectionnement des Cadres (CAMPC), Abidjan

309. For comparative purposes, members of the team also visited Lima (Peru) to study the operations of the Andean Pact, a grouping that could demonstrate the problems of multinational efforts to develop industry.

310. In studying the regional institutions, the team's principal focus was on areas and activities directly related to IDDA, namely the promotion of intra-African trade and industrial development, both of which are intimately linked. The very existence of these institutions attests to the efforts made to promote intra-African co-operation, and confirms the commitment by Africans to this ideal. However, it must be stated that the sheer number of institutions and the failure to try and rationalize them within the framework proposed in the Lagos Plan of Action is in itself a setback.

311. One regional grouping, the Economic Community for West African States (ECOWAS), was already in existence before IDDA. The formation of another grouping, the PTA, which brings together the countries of the Eastern and Southern African region was a direct result of the decisions of the Lagos Plan

of Action. Along with PTA, however, other groupings, such as SADCC and the Indian Ocean Commission, have also been set up in the area with many common objectives, programmes and memberships. In North Africa, although considerable progress has been made towards regional integration in recent years, this is being done outside any formal institutional framework.

312. Again, in all the regions of the continent, and within the existing groupings, there are various countries which, for historical reasons, continue to belong to other groupings whose objectives and orientations do not tally with the basic IDDA principles. This situation does raise the potential problem of divided loyalities.

313. Another setback to the implementation of regional integration measures (such as tariff reductions and joint industrial ventures) has been fear of loss of revenue, employment and other benefits by countries that are still relatively weak compared to others in the same region. This is a serious problem and calls for an arrangement whereby the countries suffering such losses can obtain immediate financial compensation.

314. Some of the other problems were again highlighted at the recent follow-up subregional meetings on the promotion of intra-African industrial co-operation within the framework of IDDA. A meeting for the North African region was held at Tangiers (Morocco) in May 1988 and one for the Eastern and Southern African region at Harare (Zimbabwe) in November 1988. The meetings were useful in assessing the progress made, particularly with regard to multinational industrial ventures, since the programmes were first adopted in 1983 and 1984. A number of weaknesses were identified:

(a) The regional organizations are not structured to implement projects. They lack the mandates and resources;

(b) They lack the financial resources even to carry out relatively minor feasibility studies and depend largely on donor assistance;

(c) There is still little, if any, co-ordination on subregional projects, even at the national Ministry level, or between the subregional organizations. No progress has been made in preparing regional industrial master plans to synchronize with such plans at the national level, as called for in the IDDA Programme;

(d) Many projects submitted at the meetings were not adequately prepared and lacked support data. Some countries continue to submit projects to meetings on the spur of the moment;

(e) Consultations on projects are still largely confined to Government ministries or regional institutions, with little involvement on the part of the enterprises that may have to implement the projects.

The same observations can be made with regard to subregional support institutions in areas such as training, research, standardization and consultancy.

315. In reviewing the integrated programme and adopting a revised programme for each subregion, the meetings recommended new measures aimed at facilitating project implementation. Essentially, projects were proposed in priority categories for implementation within a certain time-frame. However, the critical issues of financial support and the participation of an operating agent have yet to be resolved.

316. These weaknesses notwithstanding, progress has been made in the areas of multinational industrial ventures and regional trade. The overall results, however, are still small compared to the potential for such ventures and for such trade. In the Northern region, a number of multinational industrial ventures have been implemented and are now in production. These include plants set up by Algeria and Tunisia to produce white cement, diesel engines and bricks. Plants for steel fabrication and the production of plastic-injection machines are under construction and various other projects are under joint study. Projects sponsored jointly by Algeria and the Libyan Arab Jamahiriya and that are under study cover an aluminium smelter; plants for the production of diesel motors and gearboxes; and motor vehicle assembly.

317. Considerable progress is also being made in the implementation of the SADCC subregional plan for industrial co-operation. The priority sectors for industrial development were identified and approved as early as in 1981. The first priority was given to industries for producing goods that meet basic needs; food, clothing, housing etc. Studies were carried out, funds were negotiated and 12 projects are now under implementation.

318. In the case of the Communauté Economique de l'Afrique de l'Ouest (CEAO), which was founded in 1974, well before IDDA, progress on inter-community projects has been less promising. Studies have been carried out at the community level on the production and distribution of fertilizers, metallurgical products, glass bottles, agricultural machinery, pumps and the regionalization of existing industries. There are also a number of existing enterprises of interregional importance such as the Société Ivoirienne de Raffinage, Industrie chimique du Sénégal and Cimenterie de l'Afrique de l'Ouest. A number of these ventures, however, are faced with problems. The Communauté Economique des Etats de l'Afrique Centrale (CEEAC) and the Central African Customs and Economic Union (UDEAC) are also considering the possibility of rehabilitating the Maluku Steel Mill in Zaire and transforming it into a multinational venture.

319. In the PTA region, although no regional projects have as yet been implemented, some progress has been made with regard to the strategy outlined in the protocol on industrial co-operation. The PTA, for instance, has formulated a charter on the promotion of multinational industrial enterprises. Studies on the rehabilitation and rationalization of existing industries in the metallurgical sectors (iron and steel plants and foundries) and building materials (cement) have been completed. Studies are also under way on the development of agro-based and mineral-processing industries and chemicals.

320. In the metallurgical sector, the PTA region currently produces 1.2 million tonnes of liquid steel of which 850,000 tonnes are produced by the integrated steel works of ZISCO, Zimbabwe, and the rest by 28 mini-steel plants based on scrap. The PTA strategy is to rehabilitate and rationalize national mills and maximize the utilization of ZISCO steel, produce sponge iron to supplement scrap as feedstock for the mini-steel plants, and develop mini-steel plants as and when feasible. However, even in the case of ZISCO steel, where market studies and rehabilitation proposals have been completed, and which is an excellent example of a potentially multinational venture, actual implementation is slow.

321. The success being achieved in intra-country industrial ventures in the Maghreb region is in no small measure attributable to the strong will on the part of the member countries to achieve co-operation in political, economic and cultural fields. Even at the time of the team's visit to Algeria, committees were meeting to discuss various ways of promoting this co-operation.

322. The SADCC countries have also established clear objectives and procedures for the implementation of their industrial co-operation programme. Priorities have been identified and approval given by the Council of Ministers, which meets regularly. The selection of regional projects is based on specific criteria. One country, the United Republic of Tanzania, has been given responsibility for the industrial sector. A mechanism for raising funds.has been established and is functioning. Implementation is left in the hands of the project partner or donor once one has been identified. Both the SADCC and the Maghreb approaches have avoided using cumbersome secretariats and hence the inherent delays in such arrangements. Early attention is also paid to the actual implementing agency, be it the Government itself, a Government enterprise or a local or foreign partner. Early attention is also paid to the important question of financing, whether this is at the study stage or the financing actually needed to get the project implemented.

Intra-African trade

323. The expansion of intra-African trade is a principal objective of IDDA, since the exploitation of linkages and complementarities between sectors and within industries cannot take place without the development of intra-country trade for many of the factor inputs and resultant products. A major preoccupation of many regional institutions, therefore, is the administration of mechanisms to promote this trade. These include reduction of tariff and non-tariff barriers and payment arrangements.

324. The most elaborate of these arrangements are to be found in the CEAO, in West Africa, which has been in existence since 1975 and also in the more recent PTA. Under the former, tariffs on raw materials within the community have been abolished and a system established for currency convertibility - Communauté Financière Africaine Francs (CFAF). The PTA has set up a clearing house in Harare to encourage the use of local currencies in intra-regional trade and some results in increased trade are beginning to show. It is, for instance, now estimated that up to 30 per cent of intra-PTA trade is passing

through the clearing house. Even on a bilateral basis, the recorded volume of trade taking place between various African countries still remains small. However, a substantial amount of trade takes place outside the established channels. According to some assessments, the volume of this informal trade may be equal to or even in excess of regular trade between certain countries. Its existence is an indication of the potential for expansion of intra-African trade. Therefore, in addition to implementing traditional measures to promote African trade, it is necessary also to get a better understanding of the nature of the informal trade as this may provide useful lessons on how to promote additional trade between African countries.

325. A number of specific factors have tended to hinder trade promotion and thus regional co-operation:

(a) The general fear by some countries within each region of being overwhelmed by their more industrially developed neighbours. Cases in point are Nigeria and Côte d'Ivoire in West Africa and Kenya and Zimbabwe in the PTA region. Because of this concern, smaller countries are reluctant to implement tariff reduction and other trade liberalization measures; they fear the adverse effects these would inevitably have on their revenues, trade balances and industries;

(b) The serious balance-of-payments problems that many African countries have faced in the 1980s, which have also meant the imposition of further restrictive measures as a means of preserving the available foreign exchange;

(c) The relatively poor transport and communications systems in most countries and long delays at border crossings.

326. However, the stabilization measures taken to address these balance-of-payment and deficit problems are always at the national level. Some of them, such as exchange rate adjustments, are also aimed at making an individual country's products more competitive in external markets and have therefore an important bearing on trade promotion. It would therefore be useful to examine some of these aspects of macro-economic policy to determine how they could be used to expand regional trade.

The Andean Pact (Bolivia, Colombia, Equador, Peru, Venezuela)

327. The team visited the Andean Pact Group to obtain some comparative experience. The Pact, which was set up in 1969, has been hailed as probably the most successful such grouping in a developing region. There are a number of clearly favourable parameters for integration that the region enjoys. They include the fact that the political will for integration has been present for nearly 200 years. The member countries also share a common language, religion, culture and, apart from Bolivia and Equador, a comparable level of economic development. Perhaps only the Northern region in Africa enjoys such favourable attributes.

328. Apart from the Commission, which is the Pact's highest decision-making organ, and the JUNAC or Secretariat, which is the executing agency, an elaborate set of other institutions and bodies exist to implement policies adopted. The principal measures for increasing regional trade are the liberalization of trade barriers and the establishment of a common external tariff. Regional trade started from a low base, but rose substantially from 1969 to 1980 when a 16-fold increase was recorded. This development can be taken as a measure of success.

329. As far as industrial development is concerned, joint industrial planning was decided on as the principal mechanism for distributing the benefits of regional integration. Through sectoral programmes for industrial development (SPID), certain sectors were selected for location within the Group on a geographical basis. A start was made with three: metal fabrication; petrochemicals; and automotive production.

330. According to JUNAC officials, however, the economic problems that marked the 1980s have severely affected the regional integration programmes. In the absence of a mechanism for the co-ordination of macro-economic policy on matters such as inflation and exchange rates, each Government has given priority to its own programme for economic stability at the expense, inevitably, of regional trade or industrial development. In addition, the industrial sectors exercise has not succeeded because it never received support from private enterprises that were already involved in producing and marketing the goods selected. The substantial disparity in exchange rates also made it impossible for investments to be undertaken in different countries.

331. On the basis of the experience gained, the SPID has been reviewed and a new agreement signed. The principal feature is a move from programming to "flexibility". The number of industrial items under programming has been substantially reduced. It has also been recognized that the actual "operators" - i.e. business enterprises - must be involved in the integration exercise. On balance, therefore, in spite of a very favourable environment, the overall results of regional integration in the Andean Pact Group, particularly in trade and industry, are still minimal.

332. From this review of the issue of regional co-operation, a number of tentative conclusions and recommendations can be made in respect of the African region:

(a) Regional co-operation is vital to the economic development of Africa. That there is still strong commitment to the concept is evidenced by the creation and existence of a wide variety of organizations and institutions for its promotion;

(b) This same wide variety has inevitably led to overlap and even conflict in objectives and functions. This can only result (i), at the best, in the available resources (finance, personnel, high-level decision-making) being too thinly spread (since they come from the same national or international sources) or (ii), at the worst, in a total loss of confidence in the idea of regional co-operation;

(c) With regard to subregional and multinational projects, some progress has been made, but the overall record is still disappointing;

(d) As substantial financing is needed for any of the measures suggested by the IDDA Programme, the bulk of which must be generated from the African region, the proposal for an African Industrial Development Fund is still valid;

(e) Certain regional organizations, such as PTA and its clearing house, have laid a good foundation for progressive co-operation in trade, and such efforts should be supported;

(f) In the area of intra-African trade, too little attention has been given to the extent and potential for such trade through non-institutional and informal channels.

X. THE ROLE OF EXTERNAL AGENCIES

Special role of OAU/ECA/UNIDO

333. When it proclaimed the 1980s as the Industrial Development Decade for Africa, the General Assembly called upon UNIDO and ECA, in close co-operation with OAU, to formulate proposals to implement the IDDA Programme and to monitor its progress. By supporting the establishment of a "co-ordination unit or group" for IDDA within UNIDO, and providing appropriate resources, the Assembly clearly identified the leading role for UNIDO, within the United Nations system, in all matters pertaining to IDDA. The Assembly further requested the Executive Director of UNIDO and the Executive Secretary of ECA to initiate appropriate contacts with other organs, organizations and bodies of the United Nations system in order to elicit their contribution to ensuring the success of IDDA.

334. In the IDDA Programme itself, in most cases, only OAU, ECA and UNIDO are explicitly mentioned. Furthermore, with regard to its mandate, financial and institutional capacity, UNIDO has *de facto* been given the leading role within the group created to oversee inter-agency co-ordination.

335. Few other international organizations are specifically mentioned in the documents and resolutions issued on IDDA. An exception is to be found in ECA resolution 442 (XVII), "Formulation and implementation of a programme for the IDDA", which in its paragraph 9 calls on the Executive Secretary of ECA, in collaboration with the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), the Secretary-General of OAU and the Executive Director of UNIDO to take "vigorous steps" to promote intra-African trade.

336. Another exception is made in the case of the United Nations Development Programme (UNDP). The Conference of African Ministers of Industry recommended to African Governments that they ensure that the industrial sector was accorded high priority in the UNDP country and regional programmes. This would require, according to the recommendation, a constant system of communication between Governments, UNIDO, UNDP and ECA.[25/]

337. As regards action by international organizations, the same conference called upon UNDP, UNIDO and ECA, as well as all other relevant international organizations, to undertake a critical examination of their policies, programmes and activities in Africa with a view to reorienting them in accordance with the framework of the IDDA Programme. It also requested them to intensify their efforts towards raising additional resources for the implementation of the special programmes referred to in OAU resolution CM/Res.888(XXXIII). The Conference further requested UNIDO, ECA as well as other United Nations agencies to intensify their programmes of industrial technical assistance in Africa.

338. This strong identification of IDDA with essentially one organization clearly strengthened the position of UNIDO as the lead agency. IDDA,

moreover, was declared "one of the most important programmes of UNIDO" and its Executive Director was requested "to provide adequate resources, including human resources, for the Co-ordination Unit for the IDDA".

339. Such strong focus on the role of one organization, however, can easily lead to passive behaviour on the part of others. When the initiative is mainly limited to the agency chosen for leadership, the other organizations tend to expect that agency to provide all the financial resources required for the implementation of proposals. Furthermore, they themselves may tend to propose projects and programmes for which no financing exists within their own resources.

Organization of African Unity

340. According to information from OAU, inter-secretariat co-operation between OAU and ECA is excellent. Industry is one of the sectors on which there is a regular review every six months between the two secretariats. Through the joint secretariat with ECA and UNIDO, OAU also participates in the preparation of the joint progress report on the implementation of IDDA and the preparatory work for the meetings of the African Ministers of Industry. The OAU secretariat, however, has not provided any IDDA-related document or report of its own. Its input in this respect is confined to the joint progress reports.

341. OAU is the highest political organization in Africa, representing and promoting the continent's goals of African unity and liberation. IDDA, which derived directly from the Lagos Plan of Action and was approved by the African Heads of State and Government, is considered an important vehicle for achieving unity at the political level. By definition, therefore, OAU has been centrally involved from the outset in the formulation of concepts and strategies for IDDA. New regional organizations established to promote African economic co-operation and integration (a major IDDA objective) could not have been set up without the political support of OAU.

342. OAU admits that, in its view, the results of IDDA to date are well below expectations. It has identified a number of major constraints that have impeded the progress of IDDA from the outset:

(a) The IDDA Programme has not received the political backing of the African Governments that a programme of this nature needs in order to succeed. There continues to be a serious gap in Africa between the resolutions passed at meetings and the related follow-up;

(b) IDDA, whose objectives are essentially long-term in nature, was launched at a time when most African Governments were more concerned with short-term crisis management than with long-term development goals. The situation was compounded by the economic crises that have affected Africa throughout the 1980s;

(c) Efforts to popularize IDDA among decision-makers such as industrialists, public officials, universities and donors have been insufficient;

(d) Lack of adequate financing and staffing constraints have also been impediments to OAU in adequately fulfilling its role.

343. With regard to the future, OAU strongly believes in the primacy of industrialization in the long-term economic development of Africa and that a new programme is needed to complete what was started in the first IDDA. The experiences of OAU during the first IDDA will be a critical input to the preparation and implementation of any future programme.

Economic Commission for Africa

344. The object of the consultations with ECA was to consider the contribution that ECA had made towards helping Member States: incorporate the objectives of IDDA in national industrial policies and plans; establish national committees and focal points, and other activities stipulated in the resolutions on the IDDA; develop data and information bases for policy-making, planning and monitoring the implementation of IDDA; begin to develop supplies of appropriate factor inputs of domestic origin; begin to build up essential institutional infrastructure and capabilities not only for the implementation of IDDA and APPER in particular, but for industrial development in general; begin to take such steps as were necessary to physically link domestic factor input supplies with actual industrial production and with major sectors of the economy such as agriculture, transport and communications, building and construction, fuel and energy, mining etc. The latter steps would require not only an appropriate information and data base, but also techniques of planning and implementing linkages. Finally, the contribution of ECA was expected to include assistance in market studies and development both at national and multinational levels.

345. The consultations were also intended to cover those necessary components of the industrialization process with which ECA was concerned and which lay beyond the direct mandate or scope of UNIDO. In this connection, the central issue was the development of capabilities among Africans at national and multinational levels to deal with the industrial development problems of their countries and regional groupings.

346. The principal point to emerge from the consultations was that whereas a great deal of the work ECA was engaged in fell within the framework of IDDA, there were no specific programmes or projects devoted to IDDA, and therefore no specific mechanisms for co-ordinating and monitoring a programme such as IDDA. Some ECA Divisions considered IDDA a project and concern of UNIDO. Others thought it was a matter involving only the Division of Industry. The Decade concept, it was argued, had not, in spite of the terms of the resolutions spelling it out, been worked out as a multidisciplinary, multi-factor operation which would have required contributions from almost all the Divisions of ECA. It appeared to have become simply a collection of projects for the production of a large variety of industrial outputs.

347. In any case, ECA had not been allocated any of the funds for IDDA. It depended wholly on its own budget for its activities and that budget had been

adversely affected by the general financial difficulties of the United Nations. It had, therefore, not been able to participate in joint field activities with UNIDO. The implementation of the new working arrangement signed by the two secretariats in May 1988 should contribute to better harmonization of IDDA-related activities in the future.

348. The only joint IDDA activities with which ECA was involved were the preparation of the joint report on IDDA to the Conference of African Ministers of Industry and the preparation and servicing of conferences within the integrated industrial promotion programme. This latter was possible because ECA's own work could easily be tied in with the objectives and priorities of IDDA.

United Nations Industrial Development Organization

Perceptions of IDDA

349. UNIDO's primary function, as declared in its constitution, is "the promotion and acceleration of industrial development in the developing countries with a view to assisting in the establishment of the New International Economic Order". To achieve this goal, specific objectives were identified, including the provision of assistance to least developed countries and the promotion of regional and subregional industrial planning and development.

350. Thus, well before IDDA, UNIDO had ongoing programmes aimed at assisting African countries to accelerate their industrial growth. These programmes covered, and continue to cover, a wide range of activities in the form of consultancy, research, training and information services.

351. There are important implication here with regard to the attitude of many UNIDO officials to IDDA. According to their perception, the objectives and programmes of IDDA contain no special strategy. IDDA objectives such as promotion of self-reliance and self-sustainment, development of internal engines of growth, advancement of human capabilities, investment in strategic industries and so forth are all "classical" approaches which UNIDO itself has been advocating and helping to promote in all developing countries. While they claim to continuously adjust their activities to specific country requirements, the substantive divisions of UNIDO see no reason for changing their traditional approaches in the light of IDDA. This, despite the fact that the Director-General of UNIDO has expressed the view that UNIDO involvement in IDDA should not be limited to specific programmes financed from special IDDA funds, but should include the totality of the Organization's efforts in Africa.

Funding IDDA

352. The General Assembly, in its resolution A/C.S/38/93 of 10 December 1983, increased the allocation to UNIDO from the United Nations regular budget by $1 million, for assistance to African countries and to intergovernmental organizations in the implementation of the IDDA Programme.

353. In 1984, the Assembly endorsed the appeal of the Seventh Conference of African Ministers of Industry for the allocation of $5 million on a permanent annual basis, from the regular budget of the United Nations to assist the implementation of IDDA. In 1985, the allocation of $5 million supported the following activities: technical advisory services; pilot and demonstration plants; manpower development; institutional infrastructure; follow-up to the implementation of subregional programmes; preparation of studies; and public information.

354. With the establishment of UNIDO as a specialized agency in 1985, the financial situation became difficult and this caused problems for the financing of IDDA. In the programme-budget for 1986-1987, as approved by the First General Conference, provision was made for $8.6 million in the regular budget for the IDDA Programme, but this amount had subsequently to be reduced to $2.7 million. The Secretariat thus had to suspend most of its IDDA projects, even those in priority areas. The cuts were partly offset by additional, special-purpose contributions that donor countries made to the UNIDO Industrial Development Fund, for the industrial development of Africa.

355. In the programme budget for 1988-1989, a total of $8.6 million was again allocated for IDDA. Of this amount, $3.85 million was available for technical co-operation activities:

(a) Establishment of pilot and demonstration plants ($2 million);

(b) Development of human resources and technical capabilities ($1.5 million);

(c) Promotion of industrial institutional infrastructure ($350,000).

The remaining allocation of $4,750,000, for supplementary activities, covers:

(a) Short-term advisory services to be provided by UNIDO staff in response to requests of African Governments. These services would be related to the already established priority activities of IDDA and assist in the identification of projects requiring UNIDO technical assistance;

(b) Studies and research in support of IDDA and consisting of sector-wide surveys of industrial rehabilitation with particular emphasis on agro-based industries and subregional manpower development programmes related to priority subsectors;

(c) Meetings in support of IDDA, such as investment promotion meetings; national and regional workshops on industrial strategies and planning, and on technology policy; subregional meetings on intra-African and interregional co-operation; and technical meetings on technology issues;

(d) Promotional activities such as film, video, slide, or radio programmes and publication of the journal "Industry Africa".

In 1988, the actual use of the funds allocated for the above activities remained at a very low level. An evaluation of some of the IDDA-funded programmes and projects is annexed to the present report (annex VI).

Co-ordination Unit for the IDDA

356. Terms of reference for this Co-ordination Unit, as of 12 August 1983, were established by inter-office memorandum of the Executive Director. Its main points were as follows: preparation of national and subregional integrated industrial investment programmes for IDDA; assistance in the formulation of technical assistance projects; mobilization of financial resources; promotion of co-operation among African countries; assistance for African countries in the preparation of their common positions for the General Conference of UNIDO; inter-Secretariat co-operation on inputs to annual reports and the Industrial Development Board; and co-ordination of UNIDO representation at various meetings.

357. The main function of the Unit was to assist the Executive Director in directing the formulation and implementation of IDDA, taking into account the recommendations of the Task Force on IDDA. The Unit was also to co-ordinate activities with different branches of UNIDO having responsibility for IDDA-related activities. It was also to accord special attention to formulating policy guidelines for projects related to IDDA; monitoring the implementation phase; strengthening contacts with competent authorities in African countries and organizations; organizing national and subregional workshops on the establishment of institutional machinery for IDDA; participating in high-level OAU and ECA meetings; and co-ordinating the preparation of policy documents and progress reports for legislative bodies.

358. The Unit acted as the secretariat of the Task Force, managed the IDDA funds and prepared the necessary documentation on IDDA for the legislative bodies of UNIDO (the General Conference, the Industrial Development Board and the Programme Budget Committee). It also represented UNIDO at meetings of the Joint OAU/ECA/UNIDO Committee (which prepared the meetings of the African Ministers of Industry). In its other task, to co-ordinate IDDA-related activities of different branches of UNIDO, the Unit was less effective. It continuously monitored the progress of projects through IDDA funds, but could not co-ordinate all IDDA-related activities within UNIDO.

359. The efficiency of the Unit has been hampered by structural and organizational problems. IDDA is an all-encompassing regional programme with limited financial resources outside the Africa Area Programme. Problems with Area Programme management and with the substantive units inevitably arose. Co-operation within the UNIDO system could have been more substantial had IDDA been better linked with Area and substantive Programme management.

Africa programme within UNIDO

360. The evaluation team experienced difficulties with the organizational system of UNIDO itself regarding programmes for Africa. Within the Department for Programme and Project Development and the Area Programme Division, there

is no Africa Branch as such, but there are units dealing with African countries: the Africa Programme; the Arab Countries Programme; and the Least Developed Countries Branch. The IDDA Programme relates to Africa as a whole, but it was almost impossible for the team to examine its general development because data on projects executed or "in the pipeline" could only be found by searching in many different places. In addition, the IDDA Co-ordination Unit is part of the Office of the Director-General. It is well understood why the Arab Programme has been dealt with separately, and it is clear that the problems of the least developed countries are not necessarily identical with those of Africa and require special attention.

361. It is suggested, therefore, that thought be given to whether this organization scheme offers the best way to handle African programmes within UNIDO, particularly in the light of the "country-region focus" principle. Africa should be dealt with as an integral, whole region. The creation of a well-structured Africa Branch within the Area Programme Division is proposed for consideration. It would include part of the Arab countries programme, and the Co-ordination Unit for IDDA. This Branch would be responsible for all African programmes. The Least Developed Countries Branch deals only with the special problems of the least developed countries, in close co-operation with the Africa Branch; but all African projects would be registered in, and managed by, the Africa Branch.

362. In the course of the field missions, the evaluation team found that UNIDO's presence in Africa needed strengthening. The SIDFAs are overloaded with administrative duties and their effectiveness is diluted by their often having to serve several countries. In most cases, they are unable to adequately follow developments in their own areas. A stronger and better managed African programme (including a second IDDA) would entail the restructuring of the present system of SIDFAs.[28/]

IDDA issues and inter-agency co-operation

363. There appears to have been little substantial communication among agencies with regard to IDDA-related co-operation. The Intersecretariat Committee, and particularly ECA and UNIDO, could have taken some initiative in this respect. At the outset of IDDA, the absence of the International Labour Organisation (ILO) from the Intersecretariat Committee was questioned in an ILO internal memorandum. There has been co-operation among agencies with regard to specific projects, but IDDA could have offered a greater opportunity for concerted action in selected fields. However, neither the Intersecretariat Committee nor the African Governments have found it necessary to engage in such joint efforts or to establish new forms of co-operation within the framework of IDDA.

364. The guidelines for priority actions during the preparatory phase of IDDA (1982-1984) were not helpful either in opening new avenues for diversifying or increasing resources. No special reference was made to the need to attract contributions from international organizations. The three organizations participating in the Intersecretariat Committee were apparently the only ones referred to in any context.

365. It would appear also that no special efforts have been made by the Intersecretariat Committee to institute programmes with other agencies: IDDA rarely appears as a point of reference in agency programmes. This absence of major United Nations agencies from activities related to IDDA implementation is cause for concern on at least three grounds. In the IDDA Programme:

(a) International organizations were explicitly asked to participate;

(b) African Governments were recommended to ask for those organizations' assistance;

(c) Some of the issues and objectives of the IDDA are explicitly related to those organizations' mandates.

Some of the activities and programmes of the major development agencies are highlighted below, with particular regard to IDDA objectives and issues and to possible areas for closer co-operation.

International Labour Organisation: the human factor

Training

366. ILO activity in the small-scale sector and in management development is particularly strong in Africa. The Organisation assists Member States to formulate national and sectoral training policies to meet the needs of all sectors of the population. Furthermore, the primary objective of the Inter-African Centre for the Development of Vocational Training in Abidjan is to promote TCDC in the field of vocational training.

Technology

367. ILO is carrying out studies on the impact on employment and development of new emerging technologies, such as biotechnology and micro-electronics. As regards intermediate technologies, ILO (also in co-operation with UNIDO) is carrying out an important promotional programme. In the field of improving maintenance in developing countries, the essence of the ILO approach is that getting the maintenance function onto a sound footing is a management problem. Poor maintenance is a "people problem", and requires human resource development for its solution. The ILO has published a detailed directory of African appropriate technology institutions and in 1986 began work on a computerized technological information system called "Information Service on Technological Alternatives for Development".

Employment

368. As regards employment in the future, the ILO, through its World Employment Programme (WEP) has made a distinctive contribution to development thinking. Some areas of work of this dynamic programme have been dropped or de-emphasized, however, because they have failed to have a noticeable impact or to lead to constructive action.

Informal sector

369. The main objective of ILO projects in the informal sector is to raise the productivity and income levels of artisans in the sector through self-help and self-management.

Structural adjustment measures

370. ILO also provides advisory services to Governments to help counterbalance adjustment measures in view of their impact on employment and on social conditions.

United Nations Conference on Trade and Development: world economy, trade and industrial development

Self-reliance and the commodities

371. The components of international action in this area include the targeting of diversification programmes in commodity-dependent developing countries as a specific heading of development expenditure, the provision of adequate volumes and modalities of finance for diversification, and the harmonization of horizontal and vertical diversification activities.

Manufactures and semi-manufactures

372. The objective here is the expansion and diversification of the trade of developing countries through the elaboration of trade-related measures in developed and developing countries. The UNCTAD Secretariat issues studies on, inter alia, ways and means of expanding and diversifying exports of manufactured goods from developing countries; on removing supply constraints in developing countries; and on policies conducive to structural change in international trade.

Intra-industry trade

373. Intra-industry or two-way trade refers to the simultaneous export and import of manufactures in the same sector or industry. It is of great relevance in creating and intensifying subregional and regional trade in manufactured goods.

Services

374. The development of service industries, particularly knowledge-intensive ones based on information technologies, is seen as essential to international competitiveness in other sectors, particularly manufacturing. New strategic aspects recently have arisen in the sense that services have become a determining factor in the competitiveness of national firms in the world market and as a source of value-added. They are also increasingly providing a medium for the development of human capital and the upgrading of employment opportunities.

South-South trade

375. During the 1970s and up to the beginning of the 1980s, South-South trade was rising and was one of the most dynamic components of world trade. The 1980s, however, saw a dramatic reversal in this trend. The relative importance of South-South trade in the total exports of developing countries has fallen substantially. Some of the recommendations regarding the promotion of South-South trade as proposed by Chambers of Commerce and Industry of the Group of 77 are directly related to IDDA. They cover the need for quality standards; the promotion of trading companies capable of handling international business; the establishment of industrial consortia; the establishment of foreign investment information and promotion centres to encourage financial and technological investments in production and services through joint ventures in the developing countries; and the encouragement of greater participation of the business community in designing, negotiating and implementing trade policies and industrial co-operation arrangements.

Promoting adjustment with growth

376. Perhaps the most important lesson of the 1980s has been that policy reforms must go hand-in-hand with building up supply capabilities, which requires new investment and access to foreign technology. Adjustment programmes should be improved to make them more supportive of growth and investment objectives and more sensitive to social objectives, while also attracting more adequate external financial support.

International Trade Centre: trade-related industry promotion

PTA trade promotion: a model for subregional projects

377. It is often suggested that (a) the small number of tradeable products manufactured in African countries is a limiting factor in intra-African trade expansion and that (b) the absence of pertinent information on African markets and products has impeded the more even development of existing trade patterns. Analysis of existing supply and demand patterns has led to the conclusion that the short-term potential for preferential trade expansion amounts, in theory, to five times the volume of current intra-PTA trade. Other conclusions are that buyer-seller meetings should focus on one product group at a time and that undertakings to establish a subregion-wide information network should aim at developing import-export statistics, an importers-exporters registry, data on economic operators in the subregion, files on trade control measures, data on tenders and offers, and bibliographical information. A similar programme is planned for the CEAO countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritania and Senegal).

Enterprise-oriented approach for export development and promotion

378. The enterprise-oriented approach is defined by ITC as covering that group of projects in which technical co-operation (on both supply and demand related aspects of export development) is provided direct to enterprises.

Product and market development

379. The trend in recent years has been towards multi-year projects of an integrated nature. The projects start with a research phase on supply and demand conditions and potential. The next stage is the identification of product adaptation requirements and the implementation of the requisite activities at the country or enterprise level. The final stage includes strengthening export marketing structures and operations leading to new, expanded or higher-value exports. Inasmuch as the success of such projects is measured in terms of actual exports, they are moving chronologically from interregional or regional research (phase I) to country-level activities and export potential analysis (phase II) and to the implementation of tailor-made, integrated export development projects (of a minimum duration of three years) for specific enterprises (phase III).

United Nations Educational, Scientific and Cultural Organization: the promotion of science and technology

Networking

380. Networking can boost the cost-effectiveness of institutional investments of donor and developing countries. It enables each participant to bring to the fore his individual comparative advantage in a common effort. Duplication and overlap can be avoided.

381. The "African Network of Scientific and Technological Institutions" project aims at bringing about close and active collaboration among African engineering, scientific and technological institutions engaged in post-graduate training. It also seeks to promote research and development in areas of development significant to the Africa region. The proposal for an "African network of technician training institutions" is aimed at the maximization of co-operation in technical manpower formation (medium technical levels) and technical resource development by all possible means (preliminary selection of about 20 existing institutions located in sub-Saharan Africa).

Endogenous technology development

Interaction between engineering institutions and the economy

382. Since 1970, another priority programme that has received much attention is that of engineering-education-industry co-operation. From an engineering point of view, the lesson is that a purely teaching-oriented institution will never have the intimate relationship with industry that can develop when an institution is so equipped with physical facilities, variety and quality of staff, research and development activities, and education extension services as well as ordinary college-based teaching that it can relate to every industrial activity in some way or other.

383. It would be necessary to create the awareness among staff of the importance of endogenous technology development in the schools of

engineering. It is only fair to add that the technology-development component is only a small aspect of the total successful technology-utilization process, because other factors, such as the availability of finance, credit, trained technical manpower and management, as well as marketing, play leading roles in successful technology applications.

Small-scale industrial sector

384. The present supply of engineers is fully occupied in maintaining the existing industry. Indeed, there is a severe shortage of scientific and technical research workers, and engineers in particular, in developing countries. With a ratio of about 30 engineers to every 100,000 inhabitants (for Africa this figure is around 20 whereas the functional minimum is estimated at 400), the average developing country cannot hope to defeat underdevelopment within a reasonable length of time, nor can it embark on the rational management and development of its natural resources unless new measures and initiatives are adopted. One such initiative would be for engineering schools to be involved in endogenous technology development. In so doing, the emphasis should be on the development of technologies that are suitable for application in rural areas and the small-scale sector in general. In focusing attention on this sector, engineering institutions will have the chance to combine the advantages of emerging technologies such as micro-electronics, biotechnology, new and renewable energy technology, and even advances in communications technology, with traditional technologies which invariably rely on the use of local raw materials.

United Nations Development Programme

385. In New York, the evaluation team exchanged views with the Regional Bureau for Africa, the Regional Bureau for Arab States, the Technical Advisory Division and the Central Evaluation office. While UNDP has not taken any formal position on IDDA, the views expressed by its senior officials indicated the current line of thinking. Among the important observations made were:

(a) UNDP is aware of IDDA, its objectives, its strategies and priorities. The general impression, however, is that IDDA is not so much a specific programme as an expression of Africa's will to develop industrially. This expression of will, it is felt, can only be effective if it is reflected in the policies and strategies of individual African countries. As the IDDA Programme declares, it is the countries of Africa themselves which will have to provide the thrust for translating declarations into programmes of action;

(b) The general view held in UNDP is that the concepts and principles underlying IDDA, flowing out of the Lagos Plan of Action, are basically valid. IDDA, however, must be viewed as a long-term vision of Africa's future. It would be unrealistic to believe that Africa's industrialization can be achieved in a short period of 10 years. The time-frame within which the industrialized countries achieved their industrial status must be borne in mind;

(c) The important issue, and one that is directly related to the IDDA concept, is the question of creating an "industrial culture". Such a culture cannot be automatically induced solely by undertaking projects and by creating industrial assets. The essence of an industrial culture lies in the capability of managing the assets so created economically and productively, and in generating surpluses. This calls for entrepreneurial and business skills, consciousness of the need for returns on capital employed, maintenance, productivity and marketing skills. The essence lies in human resource development and self-generating expansion;

(d) Keeping these important considerations in mind, UNDP views with concern the underutilization of capacity, low productivity and wastage, all of which lead to uneconomic production. It is therefore felt that the first task of African countries should be to revitalize existing industrial investments and stimulate better performance. IDDA II should pay serious attention to this;

(e) African industrialization relies heavily on the parastatal sector. This was perhaps inevitable in the absence of an organized domestic private sector. However, suggestions currently being made about privatization are unrealistic in the absence of capital market and domestic entrepreneurship. It would be desirable, therefore, to promote entrepreneurship in Africa. In pragmatic terms, this can best be done in the small- and medium-scale sectors. Institutions set up for this purpose deserve support.

386. When designing the Fourth Inter-Country Programme for Africa (1987-1991) the Regional Bureau for Africa painted a very gloomy, though no doubt realistic, picture of sub-Saharan Africa's past economic performance, highlighting the following:

(a) Per capita production has been declining at the average rate of 2 per cent per annum over the past five years;

(b) Stagnation in the agricultural sector has led to a decline in food output of approximately 10 per cent over the past decade;

(c) Dependence on external supply of cereals has more than doubled, to the extent of 7 million tonnes imported annually;

(d) With few exceptions, the other productive sectors (agro-industry, manufacture, mining) have similarly been characterized by stagnating output and employment, declining capacity utilization and erosion of the capital stock;

(e) The declining ability of most African countries to pay for their increased demand for food, fuel, manufactures and other inputs of highly import-dependent economies;

(f) Declining competitiveness in Africa's traditional external markets;

(g) The purchase of more than a third of Africa's imports on credit, thereby increasing the debt burden. Some 35 per cent of export earnings are spent on annual debt-service payments.

387. The Regional Bureau for Africa (RBA), in its analysis of the prevalent African development strategies, takes into account the mandates and recommendations of the Lagos Plan of Action, 1980; APPER, 1985; and UNPAAERD, 1986. The Regional Programme for Africa, with a budget of $211.9 million, drafted jointly by RBA and ECA, is based on four areas of concentration:

(a) Research and development for food production;

(b) Management and public administration for increased production of goods and services;

(c) Natural resources (water, energy), drought, desertification;

(d) Infrastructure (transport and communications).

388. The Regional Bureau for Africa covers only sub-Saharan Africa. North Africa is covered by the Regional Bureau for Arab States. In the team's talks with the RBA, it became clear that the concept of regional co-operation referred to co-operation between the countries of North Africa and the Arab countries of West Asia. There did not appear to be much co-ordination between the two regional bureaux for the African continent. The RBA, however, was lending support to TCDC activities between North Africa and sub-Saharan Africa.

<u>United Nations Department of Technical Co-operation for Development</u>

389. At the UNDTCD, discussions were held with the Director of the Policy Programming and Development Planning Division and the Natural Resources and Energy Division who were familiar with IDDA. They worked closely with UNDP which funded many of their TCDC projects. The Department recognized that industrialization had a critical role to play in development, but that it required support from other sectors such as energy, transport and manpower.

390. The Department places great emphasis on the need for training, human resource development and the retention of people once trained. In the latter context, the Department had found that in Africa technical personnel now provided by bilateral donors were often not up to the required standards. It expressed the view that the first IDDA had been too broad and too ambitious and had proposed a universal cure that could not in practice be applied to all countries. Every Government had its own priorities. The Department suggested that the next IDDA should be more modest and identify specific, practical programmes that could be achieved. Some of the areas to be emphasized were human resource development, including building up managerial capabilities and efficiency, and improving productivity. The next IDDA Programme should also have a built-in mechanism for review to take account of any adjustments needed over its duration.

United Nations Centre for Science and Technology for Development

391. The Centre was established to implement the Vienna Programme of Action on Science and Technology proclaimed in 1979. According to the Centre, whose main aim is to strengthen science and technology capacities in developing countries, not much has changed during the past 10 years. Only a few African countries had made any effort to integrate science and technology in their macro-planning. The Centre has done some work on the impact of new technologies in Africa, especially in areas such as biotechnology and electronics. An advanced technology unit has been set up in collaboration with ECA but is not yet operational.

Special unit for technical co-operation among developing countries (UNDP/TCDC)

392. The concept of TCDC has been a recurring one in discussions of the problems of social and economic development of the developing world, particularly in the context of collective self-reliance and the need for economic co-operation and integration. In industry, as in other sectors, African countries are at various levels of development. The more industrially developed ones certainly have a pool of expertise that could be made available to other African countries under TCDC arrangements. And African Governments are now increasingly recognizing the role that TCDC could play. Thus, there is considerable scope for TCDC in Africa. Its development has been slow in the 1980s, but it is now gradually beginning to get up steam.

United Nations Centre on Transnational Corporations

393. The experience of UNCTC, particularly with regard to the role of transnational corporations in Africa, is particularly important. The establishment of the Centre was recognition of the role that transnationals could play, and how they could affect the future of many countries and regions. For Africa, in the context of IDDA, the transnationals were, in some cases, recognized as the organizations with the capital, technology and know-how to exploit the natural resources needed for the industrial projects suggested by the IDDA Programme ranging from mining to agro-industries. When the Centre was set up, the role of transnationals was also perceived, from direct experience in certain countries, as negative. The relationship between many developing countries and the transnationals was often confrontational. The most significant observation made to the evaluation team by the UNCTC was that the investment activities of the transnationals were increasing, but that the increase was taking place in the developed countries. Investments in developing countries as a whole have been decreasing, and most of what has been going to these countries has been directed at only a small number, mainly NICs. Africa, with the possible exception of Angola, has been losing out on new foreign investment. The mere provision of liberal incentives, as is often urged, will not promote foreign investment. The deciding factors for such investment are the existence of a large domestic market and political stability. The basic question for Africa, and IDDA, then, is not so much what

economic advantages can be obtained from foreign investment, nor what should be done to control the activities of transnationals, but rather how to reverse the trend and begin to attract foreign investments back to Africa. The Centre is currently engaged in a study of this issue. Its findings will certainly be useful in the designing of a new IDDA.

394. The Centre is also in the process of implementing a programme that is quite different from its traditional activities: an entrepreneurial development programme. The main idea is to establish a linkage between medium-scale enterprises in developing countries and technology-intensive companies in developed countries. In this way, these enterprises would have access to the benefits of advanced technologies in areas such as product development and marketing. The programme has already been introduced in Argentina and it is planned to introduce it in Nigeria. If successful, the programme will help to correct the mistaken impression that advanced technological development is the province only of large-scale enterprises. As small- and medium-scale enteprises are bound to play an important role in Africa's industrialization, the programme is of particular interest in the context of IDDA.

XI. MULTILATERAL AND BILATERAL SUPPORT

European communities: diagnosis of industrial development in Africa

Preparations for Lomé IV

395. Africa, which in 1971 was the recipient of 5.5 per cent of foreign private investment in the world, accounted for no more than 2.8 per cent in 1980 (17 and 10.5 per cent respectively of total investment in the third world). These figures, moreover, should be halved in order to give the share received by sub-Saharan Africa. Lomé III (article 240) recognizing the importance of private investment for the development of the Africa-Caribbean-Pacific (ACP) States, stressed the need to promote such investment. In order to agree on the most suitable measures for doing so, the European Economic Community and the ACP States are to study the existing obstacles and decide on the action required to remove them (article 241(1, 2)).

396. Preparations for Lomé IV also allow for consideration of the issue of industrial co-operation. Emphasis is being placed on the promotion of enterprises and entrepreneurship within the context of the development of the industrial sector. The funds to be made available for the ACP States, however, are not specifically allocated for industry; they are to be used according to priorities set by the Governments themselves. Experience indicates that these priorities will be mostly related to rural development, food security or, occasionally, urban infrastructure. Having regard to the size of the ACP markets, special attention is devoted to the development of small- and medium-scale industries. Technical and managerial training, the development of a favourable political-legal environment and financing are considered particularly important. More flexible facilities are also foreseen, aimed at the promotion of the small- and medium-scale industrial sector.

Evaluation of ACP industrial development strategies

397. With regard to the conventional industrialization strategies hitherto followed by the ACP States, or which those States might be inclined to follow in the future, EEC experts consider that the way ahead is, for the most part, blocked.

398. Import substitution. This strategy, which is the most logical and - in appearance - the easiest to follow and which has been taken up almost universally, has in most cases reached its limits. The situation would be quite different were there to be progress towards subregional integration, or at least more effective subregional collaboration.

399. Processing of local raw materials for export. This strategy also occupies a certain place in the ACP countries. Here, too, some undertakings are in good shape whereas others have proved incapable of competing on world markets. According to EEC experts, it would not be realistic to expect significant developments in this context in the medium term.

400. Heavy industries and manufacture of capital goods. Market size, financial and technical requirements and the constraints of international competition are the explanation for the weak position of Africa in this field. Here, more than elsewhere, regional integration is considered vital by EEC experts.

401. Subcontracting. The requirement here is a willingness to re-site an activity because of an abundance of cheap, productive labour elsewhere. There are few ACP States which have chosen or could choose this option, which currently poses serious problems almost everywhere.

402. Self-reliant development. A different approach towards industrializatic would result from a different conception of development, namely one of endogenous development based primarily on strategies of self-reliant integrated development concentrated chiefly on rural communities, agriculture and food self-sufficiency.[23/]

Urgently needed: industrial rehabilitation[24/]

403. A survey covering 343 enterprises in sub-Saharan Africa showed that: 69 units (20 per cent) functioned satisfactorily, i.e. at over 70 per cent of their capacity; 195 units (57 per cent) were functioning unsatisfactorily, i.e. performed at well below a satisfactory production threshold; and 79 units (23 per cent) had ceased to function.

404. It is quite clear - as borne out by Lomé III - that this is a problem which must be tackled as an absolute priority. The enterprises concerned represent a not inconsiderable asset which should produce positive results (in terms of jobs, added value, foreign exchange saving or the fulfillment of certain needs). Clearly, the first concern must be, as far as possible, to return to working order what already exists before undertaking new projects. The need at this point is for "rehabilitation".

405. EEC experts emphasized, however, that rehabilitation in itself is not sufficient; one has to deal with the causes of the problem. Sometimes it will be rules and regulations which have to be questioned. As regards the undertaking itself, stress must be placed on two major aspects: maintenance (upkeep and depreciation) and management (accounting, forecasting etc.).

Centre for the Development of Industry

406. Since its foundation under the first ACP-EEC Convention (Lomé I) in 1977, the principal function of the Centre for the Development of Industry (CDI) has been to help establish and strengthen industrial enterprises in the ACP States, particularly by encouraging joint initiatives between entrepreneurs in these States and in the European Community. Other important CDI activities are project identification and encouraging EEC industrialists to put forward for promotior in ACP countries proposals which could open up valuable new possibilities for ACP entrepreneurs.

Organisation for Economic Co-operation and Development (OECD)

Diagnosis of the African development situation

407. Consultations with officials of the Organisation for Economic Co-operation and Development (OECD) covered a number of factors hampering African development. Among those cited: the lack of entrepreneurship is a shortcoming on the part of the African educational system which only turns out "functionnaires"; African exports are handicapped more by Asian competition than European protectionism; and some African countries have failed to develop in spite of strong foreign financing (e.g. from Kuwait and Saudi Arabia). The mobilization and collection of savings, it was considered, were essential for industrial development. And helping Africa to fight environmental deterioration was also in the interest of the industrialized countries.

Development Assistance Committee: aid co-ordination

408. The Development Assistance Committee (DAC), which has 18 member countries, reported that it was sending pilot missions to assess the needs of the private sector in Africa. The financing of small- and medium-scale industries, it said, had been damaged by incompetence and corruption. DAC maintains direct contact with a number of subregional organizations such as SADCC. In 1990-2000 DAC aid would be focused on the environment and on science and technology. Quantitative growth in aid would be linked to improvement in the quality of aid.

Centre for Development

409. This Centre's main function is to provide a factual and theoretical base for a better understanding of the factors influencing economic development. There is no special emphasis on the industrial sector. The issues discussed with the Centre's officials and the conclusions presented were often supported by research carried out within the Centre.

Views on the 1990s

410. The year 1988 marked the 25th anniversary of the Centre. An OECD Development Centre Symposium, organized on that occasion, was devoted to the next decade, the main theme being the vision of interdependence in a multipolar and two-track world economy. According to the President of the Centre, the main characteristics that will mark the world economy well into the next century are expected to be:

(a) Rapidly changing international competitive strengths and weaknesses between different countries and regions;

(b) Increasing economic globalization combined with growing multipolarity and thus fragmented economic hegemony;

(c) Growing dualism among (and within) countries in terms of economic participation;

(d) A growing limitation on purely national decision-making.

411. During the 1980s a large number of developing countries, mainly but not exclusively in Africa, are becoming involuntarily decoupled from the globalization process, and have less and less access to the benefits - and also to the problems - of the dynamic global markets.

Proposals for a system of development contracts[25/]

412. The present decade has been one of structural adjustment programmes in developing countries. These programmes were initially short-term in nature, focusing on stabilization measures to improve the balance-of-payments situation. The burden of responsibility for programme success was put on the adjusting Governments, even though the likelihood of adjustment success in many cases depended fundamentally on the trade and economic policies adopted in other countries. For this reason, adjustment programmes should be replaced with more comprehensive "development contracts", which could be defined as a comprehensive instrument for the financing of a medium- and long-term development plan prepared by the developing country itself (with outside technical support where appropriate).

413. A feature that distinguishes "Development Contracts" from adjustment programmes is the commitment to be made by participating donors and banks. This can be arranged in a number of ways. Participants would very often have to include the major industrialized countries, major developing countries, the Bretton Woods institutions and the appropriate international organizations (UNCTAD, GATT, UNEP, UNIDO etc.).

Creating a better environment for enterprises in Africa

414. Key issues affecting private sector development in Africa were also discussed with the Centre's officials. Five areas were examined which, according to their views, typically had been neglected by Governments in the past but are of crucial importance to a healthy development and performance of the private sector: (a) barriers to entry; (b) treatment of foreign investment; (c) financial constraints; (d) labour policies and price controls; and (e) trade policies and competition. The point was made that the most crucial limiting factor is not entrepreneurship, but weaknesses in the policy environment which inhibit effective investment. Also, earlier objections usually made in Africa against foreign investment are being replaced by a determined competition for the capital, technology and employment which industrial country investors can bring to a developing country.

Towards a better balance between the public and private sectors[26/]

415. In the view of the Centre's officials, the shifting balance between the public and private sectors has two main components: (a) measures aimed at liberalizing the economy and improving the business climate, thus encouraging greater private initiative; and (b) procedures for the privatization of public enterprises. The two measures need to be linked if they are to be effective.

As regards privatization, various forms and levels are recognized as being appropriate to specific conditions in Africa. Accordingly, privatization may involve something less than full divestiture and immediate transfer of ownership. According to this broader definition, partial equity sales might be a first step in the direction of privatization, as would a contract allowing transfer of managerial control for a fixed period of time, even though majority financial control would remain with the State. Deregulation measures and tax reform are integral components of privatization and may precede actual transactions that transfer ownership.

Various forms of international investment and co-operation

416. Foreign direct investment constitutes, with official development assistance and private bank lending, a major external source of investment resources for many developing countries. It also constitutes an activity of crucial importance for a sizeable and growing number of firms based in the industrialized countries. Their role in economic co-operation between developed and developing countries was underlined by the Centre's officials. Reference was made to the following forms of investment and co-operation: production-sharing contracts; joint ventures; turnkey contracts; licencing agreements; product-in-hand; franchising; risk-service contracts; management contracts; and international subcontracting.

Interlinkage between organized and informal financial markets in Africa

417. The Centre's officials drew particular attention to two OECD-funded studies (on Ethiopia and Zimbabwe) which report (a) on the role of financial sector intermediation in the mobilization and allocation of household savings and (b) on the interlinkages between formal and informal financial sectors, including the question of integration of the two. Some such linkages already exist.

World Bank

418. The development strategy being promoted by the World Bank is currently a reality in Africa. However, there is inadequate evidence to prove that the adoption of the Bank's formula has brought in the desired results. Misgivings about adjustment lending have, reportedly, given rise to concern and criticism from within the Bank itself, from Governments and from recipient and other countries. The concerns expressed cover:

(a) Issues of inadequate programme design and poverty-relief impact;

(b) Difficulties of programme implementation;

(c) Over-optimistic assumptions regarding the external environment and burden-sharing by commercial banks;

(d) The impact of adjustment lending on the Bank's portfolio;

(e) The need for greater diplomacy and co-ordination among all parties involved - the Bank, the country, the International Monetary Fund and others.

The net assessment is that the Structural Adjustment Programmes have not been as successful as originally anticipated.

419. The following arguments are advanced by Bank officials:

(a) The impact of economic reforms cannot be felt overnight, and the Structural Adjustment Programmes have been operational for barely six or seven years;

(b) There is still a backlash of "distortions" inherited from earlier policies;

(c) Most countries have not entirely adopted the structural reforms. The assessment quantifies implementation at 67.5 per cent.

Examples of success stories are Botswana and Mauritius which have followed market-oriented policies. It is also claimed that Ghana and the United Republic of Tanzania, which have made a "U-turn" and adopted Bank-induced policies, are experiencing an upward trend.

420. Generally, however, the evaluation team noted in the Bank a sense of disquiet. A concrete expression of this concern is the setting up of a "think tank" to re-examine development issues in Africa. The group has already produced a preliminary report entitled, significantly, Beyond Adjustment - Toward Sustainable Growth with Equity in Sub-Saharan Africa. This report was discussed at a recent meeting of African intellectuals at Arusha. General propositions set out in the Report include:

(a) The deteriorating economic situation is a shared responsibility of all the partners in development, African Governments as well as the external aid community;

(b) In order to turn around Africa's economic propsects, some fundamental reorientations in attitudes and strategies for development are required;

(c) The major strategic changes required can only come from within Africa, with external agencies playing a catalytic role;

(d) The problem is big enough for all partners in development. It is not a question of Government versus the private sector, Africans versus the donor community, official aid agencies versus NGOs. Contributions are needed from all these partners and the key issue is to identify the areas of comparative advantage of each partner;

(e) While the overall performance of Africa has been poor, there are also many "success stories" in the region, illustrating what can be done in practice and from which others can learn.

421. The Group said it was seeking "a middle ground" between the extremes of a laissez-faire market-oriented philosophy and total State control. It continues to support the basic validity of the World Bank's propositions of liberalization, respect for market forces and "getting the prices right", but it feels that these recipes are not by themselves adequate. The following important recommendations are made:

(a) While the highest priority must be given to agriculture and food security, this should under no circumstances hinder African industrial development. Thus, while a 4 per cent annual growth in agricultural output is proposed, industrial output should rise at a much higher rate;

(b) Growth by itself will not alleviate poverty or provide food security. Income distribution and poverty alleviation programmes have to be part of a long-term strategy of equitable growth;

(c) The adoption of a realistic set of public policies is not in itself enough. There is a need to promote African entrepreneurship to capitalize on the open business environment. The development of small- and medium-scale businesses holds the key. These are by no means limited to the artisanal level but can be at sophisticated and hi-tech levels;

(d) High concentration should be placed on improving the productivity of existing capital assets, to make them generate surpluses. They should be assets, not liabilities;

(e) The key lies in the creation of "an enabling environment for higher productivity", with the following parameters:

  (i) Capability building at the national, political, civil service, planning and information levels;

  (ii) Capability building for effective economic management;

  (iii) Incentive systems;

  (iv) Development of the physical infrastructure;

  (v) Science and technology infrastructure;

  (vi) Handling the external environment (trade and aid).

422. With regard to donors, the Group makes this candid statement: "For assisting Africans to develop their own capabilities, donors must reduce their dirigiste approach in development".

International Finance Corporation

423. The International Finance Corporation (IFC) is the largest source of direct investment in the private sector in developing countries. Its approach

and type of activities in Africa should be of particular interest in the context of IDDA. Its main focus in Africa is in sub-Saharan Africa. Over three quarters of its investments are in what could be called industrial enterprises in the IDDA context, such as agro- and food, textiles, mining and light industries. IFC investment in the region amounts to $164 million or 14 per cent of its world-wide portfolio. This is not an insignificant amount for an area that is faced with serious problems of attracting any form of foreign investment.

424. Investment conditions in Africa are not as attractive as those in other regions of the world where IFC is active. This notwithstanding, the Corporation has made efforts to increase its promotional role in Africa, mostly in support of smaller projects. Two regional offices were opened in Eastern and Western Africa in the mid-1970s to strengthen IFC presence in Africa. In addition, a number of important initiatives have been started to support African private entrepreneurship and investment. In 1986, IFC, jointly with UNDP and ADB set up the African Projects Development Facility to provide advisory services to private African entrepreneurs in the preparation of viable projects.

425. In the area of finance, and particularly in the problematic area of equity financing for small-enterprises, IFC has also set up the Africa Enterprise Fund to assist small- and medium-scale enterprises in Africa. This is in response to ongoing changes that many African Governments have undertaken to promote productive private-sector investment, particularly for small enterprises.

426. IFC has also taken steps with regard to managerial capability building, another crucial issue in the IDDA. In order to stimulate the development of African managers and technicians and to assist African enterprises to operate efficiently without undue reliance on external assistance, an African Management Services Company is being set up to provide high-level managerial and technical assistance to local managers to sustain high levels of performance.

Commonwealth Secretariat

427. Of the 49 members of the Commonwealth, 14 are in Africa. The Commonwealth, apart from its political role, is active in supporting technical assistance and TCDC. In the industrial field, a Commonwealth Fund for Technical Co-operation operates through an Industrial Development Unit (IDU). The methodology adopted is to provide direct help to production units and entrepreneurs in the private sector and to help them solve their technical production, maintenance, quality control and marketing problems. IDU-assisted projects are mainly in the small-scale sector in the least developed and small, island countries, primarily in the sub-sectors of food, agriculture, building materials, light engineering and textiles.

428. In their discussions with the evaluation team, officials of the Commonwealth Secretariat disclaimed that it was attempting to promote any

specific development strategy or macro-economic approach. This, they considered, was best left to each Commonwealth country. However, programmes funded by the Commonwealth Fund do indicate a line of thinking, including the belief that:

(a) Africa's industrial progress depends largely on the growth of a healthy indigenous private sector and there is, consequently, a need to promote programmes of entrepreneurship development;

(b) At the present stage of development, a concentration on small- and medium-scale business would bring quicker and more effective returns;

(c) Special focus must be on rehabilitation, reactivation and upgrading of existing assets;

(d) Resource-based industrialization should be promoted, and since the main natural resource of Commonwealth Africa is agricultural land, industrialization should be based on backward and forward linkages with agriculture. (In practice, the agro-industrial sector accounts for the largest number of IDU-assisted projects.);

(e) Technology transfer need not necessarily be from the North to the South. It could, in Africa's case, be obtained more effectively and more economically from the more industrially advanced developing countries in the Commonwealth (e.g. India, Malaysia);

(f) Subregional co-operation in Africa is an imperative. Consequently, there are several Commonwealth Fund projects in support of PTA and SADCC.

429. The Commonwealth Secretariat pursues a complementary activity in the field of science and technology. Officials felt that much of the work of IDU was in line with that of UNIDO and expressed the opinion that there should be much stronger co-operation between the two organizations than there has been in the past.

Bilateral support

430. The evaluation team visited Governments in State capitals and the Permanent Missions at Vienna. In spite of the correspondence sent in advance of the visits, however, the concept of IDDA and the objectives of the mission were often found to be unclear. IDDA was associated with UNIDO, and only discussions on UNIDO/Government co-operation were expected. IDDA as a concept was often described as vague and as not having contributed sufficiently to the identification of practical projects. It was also linked to the holding of many meetings and conferences and criticized for failing to develop subregional or inter-country projects. Of the IDDA projects, the programme of the master plans for industrial development and the national seminars on industrial strategy, implemented mostly in the francophone countries, were mentioned with appreciation by one Government. One of the pilot projects was referred to critically by two Governments.

431. In bilateral technical assistance programmes, projects directly related to industry do not have high priority. As one Government put it: industrial development projects have not been the focus of the technical assistance programme. The priority in Africa is agriculture and rural development security. An important component of assistance to this sector is helping to build managerial and technical capabilities for the departments and institutions concerned, as well as for the actual agricultural projects.

432. The development of the private sector is a principal preoccupation of aid programmes in Africa. Aid is often provided in the form of commodities imported through private firms. In one country, the revenue derived from the local sale of the commodities imported are used for development projects.

433. According to some views, the development of indigenous capabilities in Africa will only come about through support for the small-scale sector, which has also a greater impact on an economy in terms of equity and employment. In this regard, with the rapid growth of cities and market towns in Africa, great scope was seen for the development of micro-enterprises.

434. Support for an attractive policy and infrastructural environment for entrepreneurship and manufacturing enterprises in the private sector was considered essential by the developed market economy countries.

435. Governments expressed support for programmes to assist national firms to prepare and establish business contacts, joint ventures, investment channels and various forms of co-operation, mostly at the small/medium enterprise level, and often through promotional and financial intermediaries specially established for the purpose. Particular reference was made to assistance for institutional infrastructure, consultancy and other services, as well as to financial and technical aid for the creation, extension and rehabilitation of small- and medium-scale industries. Specific financial means were sometimes suggested, such as creating "fonds propres"; "quasi fonds" in the form of shares; obligations convertible into shares; and advance payment on shares.

436. The need was seen for UNIDO to develop a more strategic approach in its programmes and to build an internal capability to provide more support to Africa in the areas of policy analysis and reform. According to one view, UNIDO was too "technical". More co-ordination with other agencies and financial intermediaries was expected. Governments were concerned about duplication of efforts and lack of co-ordination in technical assistance and co-operation.

437. The donor countries (market economies) generally supported the emphasis on policy reforms in Africa through Structural Adjustment Programmes. They considered that the economic problems Africa was facing were due largely to weaknesses in policy and economic management. They were therefore working in close collaboration with the Structural Adjustment Programmes. They were also co-operating in the preparation of measures to alleviate the occasionally critical situations related to the implementation of policy reforms.

438. East European assessment of the problem of industrial development in Africa can be summarized as follows:

(a) There is a need for a long-term perspective which should provide the framework and discipline for all short- to medium-term policies, plans and programmes;

(b) Emphasis should be placed on viewing the region as a whole and in subregional groups - not in small units. This was the only way in which complementarities, economies of scale and of specialization and even synergic effects could be clearly perceived and exploited;

(c) African policy-makers, planners and entrepreneurs have to accept full and firm responsibility for deciding on the objectives, principles and priorities of long-term development and economic growth. Without this, (b) would not be realizable;

(d) It is up to African policy-makers, planners and entrepreneurs to decide on the role and functions of public enterprises and their relation to the private sector;

(e) Industrial growth and development require a vast quantity and range of material resources. African policy-makers and planners do not appear to be fully aware of this fact or to have really begun to use those resources.

439. Africa, it was stated, does not yet have sufficient technical capacity for planning and promoting industrialization on a widespread and sustained basis. Lack of technical capability is manifest, for example, in the acceptance of project proposals that are technically and financially unsound. A further indication of insufficient technical capability is to be seen in the excessive reliance of African policy-makers and planners on macro-economic concepts and tools and the relative neglect of, or indifference to, micro-economic data and calculations as tools for policy-making and planning.

440. Finally, it was explained to the team that the contraposition of import substitution and export-led growth was conceptually and operationally misleading: both were essential. In the East European countries the diversification and intensification of technical assistance and business contacts, as well as more flexibility in implementation, are expected to emerge from the on-going economic and political reforms.

441. The visit to Brazil enabled the team to consult officials on the relevance to Africa of Brazil's industrial development experience. After some comparisions were made, the team concluded that Brazilian industrial development, unlike that being tried in many African countries, is more balanced in three ways:

(a) Industrialization has been backed by agricultural, educational and infrastructural development;

(b) Industrialization has been based on entrepreneurship at small-, middle- and large-scale levels, and on domestic as well as foreign investment;

(c) While the State has acted as promoter and occasionally as investor, the main instrument of development has been the private sector (unlike most African countries where the State plays the dominant role).

442. Finally, the timing of Brazil's industrialization was fortuitous. In the 1960s, there was an abundance of foreign money seeking investment and which could be borrowed cheaply (the petro-dollar phenomenon). Brazil took full advantage of this and borrowed heavily for infrastructural and core sector investments.

443. The consultations in Brazil were extended to the study of a TCDC project entitled "Promotion of action-oriented TCDC activities between African countries and Brazil". It was approved in December 1988. The Brazilian input is $30 million (in kind). The project provides for the training of Africans in Brazilian institutions and the deployment of Brazilian experts in Africa. The focus of the project is agricultural: of the 22 areas of activity envisioned, only four could be considered industry-related.

444. In consultations held with the Permanent Missions of various developed countries, the team was informed of some of the principles governing the provision of technical assistance by those countries. For example, the following principles had been adopted by China: the recognition of equality and mutual benefit; emphasis on concrete results; diversity of forms and methods of co-operation; and common development. Also highlighted during the consultations were the emergence of regional markets in the Gulf States; the prospects being fostered under the Gulf Council for co-operation; the need for groups of African experts to study the experience of Saudi Arabia for adaptation and use; and the need for opening a dialogue between entrepreneurs and investors in Saudi Arabia and other Gulf States on the one hand and African countries on the other.

XII. FINDINGS AND RECOMMENDATIONS OF THE EVALUATION TEAM

445. We fully realize that the task assigned to us was one of great magnitude and complexity and that the issues we enquired into have a direct bearing on the life and destiny of Africa. From the very outset, we recognized three significant difficulties in carrying out the evaluation and in making meaningful recommendations:

(a) Africa is gigantic, with more than 50 sovereign States. A continent of many languages, cultures and social patterns, it presents a diversity of economic circumstances, natural endowments and demographic patterns. In consequence, the levels of development themselves vary considerably. Undoubtedly, there is a strong desire, and an equally strong expression of political will, to promote African solidarity, a will which we perceive remains undiminished. Nevertheless, the very diversity of the continent makes it hazardous to pronounce generalizations which apply across the board to all African countries. In recording our findings, we have attempted to identify common problems and trends and to find common denominators. But we must hasten to clarify that for every conclusion recorded, there are, inevitably, exceptions;

(b) We do realize that, in the course of the past few decades, and even more pronouncedly during the period of Africa's economic crisis, there has been a plethora of research studies, workshops, seminars and reports on Africa's economic problems. The studies and reports have been written by individual scholars or commissioned by institutions and bilateral and multilateral agencies. They are no doubt well intentioned, and convey the sympathetic concern of the international community for the welfare of Africa. But they are often duplicative and repetitive and sometimes convey conflicting messages. From the point of view of the intended beneficiaries of this good counsel, namely the planners, decision-makers and entrepreneurs of Africa, there could be a case of "advice fatigue". We recognize the danger that our own report may be viewed as one more addition to the already abundant literature on the subject. We have taken heart, however, from the fact that our assignment arose out of the specific request of the African countries. In approaching our task, we have taken the view that, consistent with the concept of self-reliance, the solution of Africa's problems must rest with African decision-makers and entrepreneurs. We would go further and say that even the intellectual process of designing development strategies should emanate from Africa. The findings and recommendations contained in this report should not be viewed as prescriptive but as modestly recommendatory;

(c) This last was our central difficulty. The all-embracing character of IDDA did not lend itself easily to a traditional evaluation exercise. For example, in the case of UNDP projects, there is a standardized methodology of preparing project documents which specify long- and immediate-term objectives, the inputs required, the expected outputs and a sanctioned budget. The exercise of evaluating projects of this sort is fairly straightforward since the yardsticks of performance are inherent in the project documents themselves. The IDDA documents are not of this nature. They are a collection of goals and objectives, guidelines, techno-economic information and expert estimates of investment needs. The inputs and outputs are not specifically laid down. Nor is there a budget to back the process. We had therefore to identify trends and to take account of qualitative dimensions. Our guiding yardstick was whether progress had been made in achieving the goal of self-reliance, in reducing dependency and in promoting the central message of IDDA, namely the development of internal engines of growth.

446. We have recorded our findings and suggested courses of action in a series of thematically oriented chapters. These findings we will now summarize, along with a package of recommendations for the consideration of African countries.

The evolution of African perceptions on industrialization

447. We felt that the necessary starting point of our enquiry should be an understanding of IDDA's genesis. IDDA was not created in a vacuum. It was the result of a process of thinking in Africa on the subject of industrialization. The process had several stages:

(a) The pre-independence demand, in the early 1960s, of African political leaders for an industrialization policy based on the processing of domestic raw materials rather than on exporting them in a raw form;

(b) The establishment of loan boards to provide credit for setting up small-scale businesses, as a result of public pressure;

(c) The import substitution strategy in the early years of independence, an approach still heavily dependent on imported inputs with inadequate use of domestic factor inputs;

(d) The Lagos Plan of Action, which provided a new vision of self-reliance, self-sustainment, development of internal engines of growth and the need for regional and subregional co-operation;

(e) Finally, IDDA, which was conceived as an instrument to translate into reality the Lagos Plan of Action's vision of industrialization, based on the creation of internal engines of growth, including the enlargement of domestic markets; the setting up of core industries and local interlinkages; the use of domestic factor inputs; and the building of national techno-economic capabilities.

448. The foregoing reveals that IDDA is the result of a dynamic process of thinking in Africa. The same dynamism is evidenced in the formulation of APPER in 1985 which recognized the need to make some mid-course corrections to meet the immediate African crisis, without abandoning the long-term goal of self-reliance. This gives us the confidence to believe that in designing

IDDA II, the same dynamic spirit will prevail and that the Programme for the new Decade will address itself specifically to the solution of African economic problems.

What is IDDA?

449. In chapter II of this report, we offered a critical analysis of the structure and content of IDDA. What emerges is a composite set of approaches:

(a) A proclamation of goals and objectives;

(b) A set of guidelines addressed to Governments;

(c) A set of guidelines relating to regional and subregional co-operation;

(d) Techno-economic guidance regarding core and strategic industries;

(e) Expert estimates of the quantum and direction of required industrial investments.

This comprehensive approach had its strengths and weaknesses. The basic strengths lay in:

(a) The definition of goals arising out of the Lagos Plan of Action, namely self-reliance and self-sustainment and the creation of internal engines of growth;

(b) The provision of a framework within which individual countries could design their industrial development strategies;

(c) The flexibility left to individual countries to prepare their industrialization plans to suit their own circumstances.

The weaknesses of the approach were:

(a) It lacked a programme identity;

(b) It was too diffuse and amorphous to become an operational instrument;

(c) It was over-optimistic in its assumptions of the practical possibilities of major industrial investments in the Decade;

(d) It was equally over-optimistic about the practical possibilities of regional co-operation;

(e) It lacked quantitative targets;

(f) It paid inadequate attention to the economics of investment and to resource availability;

(g) It lacked a budget.

We draw attention to these strengths and weaknesses of IDDA I in the expectation that IDDA II will build on the strengths and avoid the weaknesses.

Developments during the Decade

450. The IDDA years have been disastrous ones for Africa. In terms of economic performance, the record is very disappointing. Per capita incomes have declined; agricultural output has not kept pace with population growth, leading to food deficits; the massive investments envisaged by IDDA have not materialized; and the industrial output of existing capital assets is discouragingly low. Africa today faces a very heavy debt burden. In effect, the dependency factor has not been reduced, the industrialization of Africa has not become a reality and, to state the position in its stark reality, Africa today is poorer than it was at the commencement of the Decade in terms of per capita income.

451. The reasons for this disappointing performance are both endogenous and exogenous. Among the internal factors are unstable political situations; natural disasters such as floods, famines and desertification; high population growth; low returns on existing investments; low productivity of labour; poor performance of public enterprises; and an overdominant position of the State in the development process, with inadequate involvement and motivation of entrepreneurial forces. Among the external factors are the world recessionary conditions; decline in the price of commodities; rise in costs of imported equipment and technology; and reduction of external aid in real terms.

452. This unsatisfactory record and the underlying reasons for it are well recognized by African leaders. To meet the crisis, three significant actions were taken midway through the Decade, which affected the course of IDDA:

(a) Adoption of the APPER declaration of African Heads of State and Government, which laid particular stress on agricultural development and debt reduction;

(b) Adoption of UNPAAERD, which lent support to the APPER approach and highlighted the need for economic reforms;

(c) Adoption, by a large number of African countries of Structural Adjustment Programmes and policy reforms sponsored by the World Bank/IMF group. These were not entirely in line with the policies of the Lagos Plan of Action or IDDA.

453. The economic crisis of Africa has not ended and its adverse effects will no doubt spill over into the next Decade. Consequently, in designing IDDA II one would have to keep in mind both the pursuance of the long-term goals of the Lagos Plan of Action and IDDA, and the short-term measures called for to deal with the crisis situation.

Industrial development policies of African countries during the Decade

454. IDDA anticipated that, at the national level, Governments would implement a series of recommendations made to them relating to the redesigning of industrial development strategies and the reorganization of institutional mechanisms to promote the goals of self-reliance, self-sustainment and development of internal engines of growth. To what extent did the Governments respond? Our findings are that:

On the positive side

(a) African countries unreservedly support the basic concepts, goals and strategic approaches of the Lagos Plan of Action and IDDA;

(b) Countries have based their strategies on the objective of achieving self-reliant and self-sustaining economies;

(c) They are attempting to promote the use of domestic factor inputs and to stimulate internal engines of growth;

(d) They believe that industrialization holds the key to socio-economic advancement;

(e) They share the idea of pan-African solidarity and the need for regional co-operation;

(f) They believe in national planning involving the formulation of national goals, definition of priorities, and mobilization and deployment of resources in the desired directions;

(g) There is unanimity about the need for IDDA II.

On the "seemingly negative" side

(a) With a few isolated exceptions, no country has set up a focal point or a co-ordinating committee for the purposes of promoting the IDDA strategy;

(b) No country has published an investment portfolio of core or priority industries;

(c) No country has mobilized or deployed funds specifically for industrial development.

455. We used the phrase "seemingly negative" because we eel that it would not be correct to interpret these non-responses as a denial of the IDDA approach. The countries have taken the view, and we believe they are justified in doing so, that: their existing mechanisms of Ministries of Planning, Finance and Industry are adequate for the purpose and the superimposition of an additional mechanism may be counter-productive; it would not serve much purpose to announce an a priori list of industries but rather it would be more practical

to base industrial priorities on the needs of the country and the attainment of its own national goals; planning is a composite and integrated exercise involving all sectors with a common pool of resources for development and, consequently, that industrial planning and financing cannot be separated from the overall exercise.

456. We also found that within the framework of the Lagos Plan of Action ideals, each country had designed industrial development strategies related to its own special environmental circumstances, natural endowments, specific problems and national goals. We see this as a natural development and do not perceive it as a divergence from IDDA which implicitly, and indeed in some instances explicitly, recognizes the need for flexibility.

457. An area of great concern in practically all countries is the low productivity, low utilization of capacity and inadequate input-output ratios in existing industrial assets. Many countries have already embarked on rehabilitation programmes. This is clearly a major programme area for IDDA II.

458. Another major lacuna is the lack of an indigenous entrepreneurial class, inadequate domestic savings and the absence of capital markets. It is this situation which has made the public enterprise sector emerge as the dominant instrument of industrialization, whose performance, unfortunately, is inadequate. This situation suggests that a major thrust of IDDA II should be the creation and fostering of the African entrepreneur and the African manager.

459. These observations about the industrial investment environment in Africa point to the need for much greater care in the preparation of investment project proposals. Learning from the lessons of the past, the new investments must examine carefully the economies of the investment, must pre-define expected levels of productivity, must have a sharper market orientation and, finally, must be a part of the larger exercise of capability building.

Operational instruments

460. Valid as the formulations of strategies and plans are, their efficacy depends almost entirely on the process of implementation and consequently on the effectiveness of economic operators such as the public enterprises, the private enterprises, the small-scale sector and on supporting institutions.

Public sector

461. Public enterprises play a predominant role in Africa in the process of industrialization, in the absence of an organized private entrepreneurial sector. Attempts at privatization are unlikely to succeed and in the foreseeable future the public enterprise sector will continue to play a leading role in industrial development.

462. The performance of the public sector has been poor, with some outstanding exceptions. Consequently, very high priority has to be given to the restructuring, rehabilitation and revitalization of public enterprises. There

is a need to classify the enterprises according to their intents and purposes and also to undertake schemes of reorganization. We also emphasize the need for developing a linkage between the public and private sectors through processes of subcontracting and ancilliarization and other forms. In developing countries, it has been found that public enterprises, in addition to their normal business functions have to carry out functions related to technology development and innovation, as well as the forging of linkages and leadership within their particular area of activity. These are functions which have to be taken into account in any further programme of public enterprise development.

Private sector

463. The indigenous private sector plays a relatively small role in Africa, except in a few countries. It was noted that in those countries which have a fairly advanced private entrepreneurial class, the overall effect on the economy has been more positive. However, this does not imply that the private sector has been able to contribute specifically to IDDA-related goals such as the promotion of internal engines of growth or the use of domestic factor inputs.

464. The scale of investment and operations involved in the setting up of core industries as envisaged in IDDA is currently beyond the capability of Africa's private enterprises and would, in our view, have to be the responsibility of the public sector. The involvement of the private sector in core and strategic industries may, however, be possible through the processes of joint ventures and foreign investment.

Small-scale and informal sector

465. We note that the expert estimates of IDDA-related investments were primarily in the large- and medium-scale sectors. Thus, though the IDDA Programme recommends the promotion of small-scale enterprises, their role would appear to be restricted. Also, we found a lack of interaction and linkage between the modern large-scale sector and the small-scale and informal sectors.

466. To promote indigenous entrepreneurship and employment, many countries have built up institutional structures and support for the growth of the small-scale sector. But some of these institutions need considerable strengthening if they are to discharge the obligations mentioned above. The accepted existence of a large, informal sector in Africa indicates that there is a latent entrepreneurial capability which needs now to be brought into the mainstream of national economic endeavour.

467. In considering the efficiency of the three major economic operators, public sector, private sector and small-scale sector, a common thread is the low productivity and low efficiency levels. The recommendation relating to rehabilitation applies to all three sectors.

Factor inputs

468. The principal objective in the search for foreign exchange for purposes of development and economic growth is to obtain factor inputs. In circumstances where the foreign exchange supply is exiguous, and is becoming more so, the reasonable alternative is to mobilize capabilities to produce factor inputs of domestic origin. The issue is not merely quantitative, it is also qualitative. In many cases it will require multinational co-operation. It will further require a great deal of long-term perspective thinking, planning and implementation.

Manpower for industrial development

469. The most critical of all factor inputs is manpower, chiefly: industrial entrepreneurs; industrial managers; high-level professionals; middle-level specialists and supervisors; and skilled workers. Each category must be in appropriate ratio to the others. Manpower is also urgently needed for procurement; production and maintenance; marketing; research; and experimental development.

470. Existing arrangements do not appear to be designed to produce what, in quantity and quality, is required for IDDA core projects and strategic sectors or for general industrial development (including small-scale enterprises in the urban and rural sectors). There is need for: industrial manpower planning; restructuring and development of institutions, some at multinational level and involving networking arrangements; optimum utilization of resources within and without the formal system (education and training; exploitation of new communication technologies; new approaches to the organization of teaching/learning processes and, in general, a programme for the physical rehabilitation of institutions of education and training.

Material factor inputs

471. We also found gross inadequacy in the availability of raw and intermediate industrial materials; the production of equipment, parts, implements and tools; the mastery of technology; and in physical and institutional infrastructures. Our proposals and recommendations for dealing with this inadequacy are set out below.

472. Minerals, raw and intermediate materials. In this case, we propose:

(a) The accelerated development of selected parts of the programme for the United Nations Communications and Transport Decade, together with trade mechanisms, both designed to facilitate intra-African trade in ores and metals so as to raise the level of utilization of existing capacities for mineral production and processing. This should lead to an examination of the feasibility of developing regional markets for ores and metals;

(b) The strengthening of national and multinational capabilities for the exploration, evaluation, extraction and processing of mineral raw materials (using combinations of capital- and labour-intensive techniques and adapting existing national corporate organs to serve multinational needs).

473. Production of equipment, components, parts, implements and tools. In this case, we propose in addition to an intensive examination of the experiences of NICs:

(a) Greater efforts to standardize these products (imported or locally made);

(b) A systematic inventory of local facilities from forges to railway workshops, or the creation of new ones.

474. Technology. In this case, we propose:

(a) The shifting of attention from formal declarations of policy and the establishment of ministries etc. to mechanisms and processes for mastering the basic stages of operational industrial technology: (i) search and identification, technology choice, equipment selection, negotiation, site planning and development, plant construction; (ii) operation and maintenance; and (iii) ultimately, design and production of adapted or new equipment;

(b) The formulation of a programme for making available to African audiences (policy-makers and planners, managers of public and private enterprises, university teachers, staff of R & D institutions) understanding of how such mastery has been achieved in other countries, particularly NICs, as a basis for planning development in African countries individually and collectively.

475. Physical infrastructure. In this case, we propose that considerable attention be paid to physical infrastructure for four reasons:

(a) The existing pattern of physical infrastructure still bears the marks of the needs of colonial administration and an export-oriented economy which determined its purposes and shapes;

(b) Africa is a region of wide open spaces, a greenfield site of continental dimensions requiring enormous investments in infrastructure and its maintenance for many decades to come;

(c) Considerable backward and forward linkages critical for IDDA and engines of growth (including employment and income multipler effects);

(d) Present extreme dependence on imports of inputs which is likely to grow rapidly (at rising costs) with population growth and movement and economic expansion.

Our recommendations in respect of physical infrastructure include:

(a) Disaggregating the components of selected physical infrastructures (e.g. building and construction) and making projections on a multinational basis to establish the feasibility of manufacturing large volumes, taking into account possibilities of standardization. (Probably, most work now concentrated at the national level conceals multinational possibilities.);

(b) Developing, in particular, capabilities for plant-site development and construction and for the design and construction of complex structures such as ports, harbours and river works.

476. Institutional infrastructure. As with physical infrastructure, this was designed to serve the requirements of a colonial economy. It was not intended to facilitate the establishment of internal engines of growth, industrialization in general, or the IDDA approach in particular. We propose, therefore, that;

(a) A systematic approach be taken, as an imperative, to building institutional infrastructure. This is essential for the different purposes outlined;

(b) This approach should lead to changes in the orientation of education and training and of future institution building.

Development finance

477. IDDA recognized the critical role that financing must play in the successful implementation of its Programme. However, in addition to the resources needed to finance new investment, more resources would be needed to finance the rehabilitation of existing enterprises, as well as physical and other infrastructural support services. If the rehabilitation exercise is successfully pursued, and if the new investments are mindful of financial viability, the funding of these activities would become a means of subsequent resource generation. The principal sources of investment funding have declined during the Decade. These are revenues from export earnings, public finances, aid flows and revenue surpluses from existing public and private enterprises.

478. Apart from the existence of an environment that encourages savings and investments, it is necessary to establish viable intermediary institutions to mobilize the savings in the economy and channel such savings to productive industrial investments. At the continental level, the ADB has been successful in mobilizing additional resources as required by the IDDA Programme, but the failure to set up an African Industrial Development Fund is a serious setback.

479. Progress has also been made in the establishment of regional development banks that could be important in financing multinational enterprises and regional trade. A large number of national development banks also exist but their role and operations need to be redefined if they are to fulfill the critical functions expected in the area of resource mobilization and

productive investment and the creation of national consultancy capability in project development and portfolio management.

Regional co-operation

480. Both the Lagos Plan of Action and the IDDA Programme place strong emphasis on regional and subregional co-operation, almost as a precondition for the industrialization of Africa. The imperative of regional co-operation arises, we believe, because the size of the domestic markets in most African countries does not warrant the setting up of core and strategic industries. The economic viability of the latter rests on the creation of regional markets.

481. The expression of political will in promoting regional co-operation is evidenced by the great number (almost 200) of institutions set up with a wide coverage of activities ranging from trade promotion and creation of multinational industries to prevention of desertification and encouragement of standardization. Considerations of practicability enabled us to see only 18 of these institutions. However, we also discussed with individual countries their approaches to regional co-operation and we studied the functioning of the Andean Pact to see whether lessons could be drawn relevant to Africa. Our main conclusions are as follows:

(a) Regional co-operation is vital to the economic development of Africa and there is still a strong commitment to the concept by Africa, a fact that is evidenced by the creation and existence of a wide variety of organizations and institutions to promote regional co-operation;

(b) The wide variety of institutions has invariably led to an overlap and even conflict of objectives and functions. At the very minimum, this can only result in the available resources such as finance, personnel and high-level decision-making attention being very thinly spread since these must come from the very same national or international sources. At the worst, if the situation is perpetuated, it can result in a loss of confidence in the whole idea of regional co-operation;

(c) With regard to subregional and multinational projects, some progress has been made, but the overall record is still disappointing;

(d) As substantial financing is needed for any IDDA programme, the bulk of which must be generated from the African region, the proposal for a workable African Industrial Development Fund is still valid;

(e) Some regional organizations, such as PTA and its clearing house, have laid a good foundation for progressive co-operation in trade and such efforts should be supported;

(f) Little attention has been given to the extent and potential for intra-African trade through non-institutional and non-formal channels;

(g) Regional co-operation is currently promoted through intergovernmental exchanges involving political leaders, planners and civil servants. There is inadequate involvement of the business community, either public or private. The co-operation effort will only bear fruit when all these economic operators participate in the exercise;

(h) The creation of a similar economic environment among the participating countries emerges almost as a precondition to the promotion of inter-African trade, the flow of capital, labour, goods and services between them and the setting up of regional industrial projects;

(i) It would be useful to draw lessons from the Andean experience, particularly in the involvement of business firms and in the pragmatic flexibility now provided in the Quito Resolution.

External agencies, multilateral and bilateral support

United Nations agencies

482. The international agencies were expected to provide substantive support to Africa in the preparation and implementation of national, subregional and regional IDDA programmes. While most of the United Nations agencies have implemented projects and programmes to benefit industrial development in Africa during the 1980s, few of these activities have been explicitly linked with the IDDA Programme. African Governments have not addressed requests to these agencies with reference to IDDA; and the agencies themselves have not taken initiatives along these lines.

483. For the agencies, IDDA was not so much a specific programme as an expression of Africa's will to develop industrially. This expression of will, it is felt, can only be effective internationally if it is reflected in the policies, strategies and technical co-operation programmes of individual African countries.

484. ECA and UNIDO were specifically referred to in the IDDA Programme and an OAU/ECA/UNIDO Intersecretariat Committee was established for the promotion, co-ordination and monitoring of IDDA. This Committee, which also relied on and served the Conferences of African Ministers of Industry, could obtain only a very limited response from African Governments. It made attempts to establish co-operation with the various United Nations agencies. Under such conditions, the IDDA Programme has been focused almost exclusively on the institutional and financial capabilities of UNIDO. Over the years, IDDA has become more and more identified with UNIDO programmes.

485. UNIDO itself could ensure and mobilize limited financial resources for IDDA. IDDA-funded programmes and projects accounted for only a small part of the Organization's Africa programme. In 1988, even the limited funds allocated to IDDA could not be used. The lack of programme identity and structural constraints within UNIDO have hampered the full development of the Programme.

Multilateral organizations

486. The impact of the World Bank and the IMF was felt in the 1980s, inter alia, through the Structural Adjustment Programmes and many other related policy and financial measures regarding macro-economic aggregates, the role of various sectors of the national economy, and the auditing and restructuring of public-sector enterprises. The various international agencies, within and without the United Nations system, have reacted to these measures according to their mandates, assisting developing countries in alleviating the impact on employment, promoting the combination of adjustment with growth, and maintaining and better using industrial assets, both in the public and the private sectors. Compared to IDDA strategies, however, they have been rather defensive in nature. Improved strategies are in preparation by the World Bank to better define the tasks and opportunities remaining after the completion of the process of structural adjustment, placing emphasis on growth with equity.

487. Multilateral organizations (OECD and EEC) visited by the evaluation team expressed grave concern with regard to the African development situation, and especially with regard to the rapidly changing international competitive strengths and weaknesses between different regions and countries. One of the consequences was said to be the growing reluctance to move new private capital to (especially) sub-Saharan Africa. Other views expressed are summarized in (a) - (d) below.

(a) The rehabilitation of industrial units that do not function satisfactorily is considered a priority, but it is not sufficient in itself. The causes of the problem must also be dealt with;

(b) The most crucial limiting factor in Africa is not the lack of entrepreneurship, but weaknesses in the policy environment which inhibit effective investment. Attention should be given to the new forms of international investment and co-operation. Creating a better environment for enterprises in Africa is crucial. Interlinks between organized and informal sectors, as well as the rebalancing of the public and private sectors are areas of great importance;

(c) New ways are needed for channelling development assistance. Adjustment programmes, inter alia, could be replaced with more comprehensive "development contracts", defined as comprehensive instruments for financing the medium- and long-term development plans of the developing countries themselves;

(d) Participants in development would very often have to include the major industrialized countries, major developing countries, the Bretton Woods institutions, and the appropriate international organizations within and without the United Nations.

Bilateral support

488. Our discussions with representatives of Governments involved in extending bilateral support to Africa are summarized below. In most cases, projects directly related to industry do not have high priority in bilateral technical assistance programmes. However, many industry projects part of official technical assistance were referred to in consultations with the developed, planned economy countries. IDDA as a concept was generally described as vague; it had not led to the identification of practical projects and it was associated with too many meetings and conferences. Many Governments expressed concern about duplication of effort and lack of co-ordination.

489. The developed planned economy countries also suggested that a programme for the industrialization of Africa and the implementation of IDDA would require a much greater build-up of technical and managerial capabilities and of real resources than policy-makers and planners appear to recognize at this time. Institutions and policies ought to be clearly fashioned by Africans themselves. The diversification and intensification of both technical assistance and business contacts as well as more flexibility in implementation are expected from the on-going economic and political reforms in their countries.

Recommendations

490. We have recorded our findings partly as an evaluation of the impact and success or otherwise of IDDA. More positively, we propose to use these findings as a base for the designing of IDDA II. We are of the firm conviction that a realistic programme of action for the coming Decade should take note of the lessons of the past. Before presenting our specific proposals, we should like to highlight the major considerations we had in mind in making them.

(a) We have taken note of the resolution passed by the Conference of African Ministers of Industry proposing a second IDDA. We also note, from our country visits, that African countries unanimously endorse this resolution. We share the view that a second IDDA is needed to build on the initial impetus given by IDDA I;

(b) We take note of the reaffirmation by the African Heads of State and Government of their continued faith in the concepts and goals of the Lagos Plan of Action and of IDDA. We are also of the view that the basic conceptual approach of the Lagos Plan of Action and IDDA, the goals of self-reliance and self-sustainment, the importance of industrialization and the strategy of promoting internal engines of growth continue to be valid. They provide a long-term perspective of African economic development and furnish a framework for concerted action. Our proposals are based on these concepts and are aimed at strengthening them;

(c) Based on our finding that one of the weaknesses of IDDA I was its amorphous nature and its lack of programme identity, we are proposing a set of programme activities which will have specificity and which can be the basis for precisely designed projects with inputs, outputs and budgets;

(d) In view of the scarcity of resources, the package of programme proposals put forward does not rely on massive investment. Rather, it seeks to make existing investments and economic organisms more cost effective, so that they can themselves generate resources for further investment;

(e) While anchored to the long-term goals of the Lagos Plan of Action and IDDA, the proposals are also in the nature of responses to problem situations which have contributed to the creation of the African economic crisis. The proposals are directly linked to our findings;

(f) The programme proposals should not be regarded as a set of isolated projects. We perceive them as an interrelated and integrated framework of action;

(g) We believe that the nature and content of the package of programme proposals are such that they would attract multilateral and bilateral donor support;

(h) Finally, we emphasize that the underlying thread is the building up of human and institutional capabilities and of material resources. It is only on this vital base that Africa can reduce its external dependency and create the much desired internal engine of growth.

An integrated package of action programmes for IDDA II

Programme I: Rehabilitation of industrial enterprises

491. This is a high-priority area.

Objectives

(a) To raise average capacity utilization to at least 70 per cent of installed capacity by the year 2000;

(b) To convert loss-making enterprises into profitable ones, thus enabling them to plough back surpluses for new investments and to contribute taxes and dividends to the State;

(c) To create, in the process, capabilities in management, maintenance, production, technology and marketing.

Methodology

492. The programme must be executed at the national level in two stages:

(a) A diagnostic survey of the root causes of low productivity and losses;

(b) An action plan aimed at rectifying the weaknesses identified.

493. This must not be a solely governmental undertaking. The fullest participation of business enterprises is needed. It would entail setting up a techno-economic committee of professional managers from the public and private sectors, local consultants and relevant Government officials to prepare the diagnosis and monitor the action plan. This is a major area for technical assistance from UNIDO and ILO. It is also a fruitful one for TCDC.

Programme II: Revitalization of public industrial enterprises

494. Public enterprises will be also covered in Programme I. However, a special programme is needed to deal with the particular problems of State-owned enterprises.

Objectives

(a) To convert public enterprises into surplus-generating concerns;

(b) To make them effective instruments of development;

(c) To make public enterprise management more professional.

Methodology

495. Considering the importance of this matter and its political implications, we recommend that each country should set up a National Commission to examine the performance, structure and problems of the sector and to make specific proposals for:

(a) Defining and classifying public enterprises;

(b) Defining the material and financial objectives;

(c) Giving greater precision to development responsibilities;

(d) Establishing criteria for performance evaluation;

(e) Setting out "rules of the game" for the relationship between State and enterprises;

(f) Examing organization structures and the professionalization of management.

496. Some countries, such as Zimbabwe, have already established commissions of this kind. Their experience could be drawn on. International technical assistance would no doubt be forthcoming from UNIDO, ILO, the International Centre for Public Enterprises, Ljubljana (Yugoslavia) and the World Bank. This too offers a major area for TCDC.

Programme III: Maintenance and spare parts

497. This programme is directly linked to Programmes I and II, but we feel that it calls for special focus.

Objectives

(a) To set up working systems of preventive maintenance in all industrial concerns;

(b) To create domestic facilities for manufacture of spare parts and their standardization.

Methodology

498. I.. the first objective, the approach will necessarily concentrate on training and consultancy. For the second, it would be desirable to prepare a national inventory of spare part requirements and to examine possibilities of standardization. A concurrent inventory should be prepared of potential national facilities (foundries, forges, machine shops, plastic-moulding shops etc.) which could undertake spare part manufacture. (Uganda has already launched a scheme of this type. Another possibility is the setting up of a central facility for parts manufacture on the lines of the project under commission in Ethiopia.) Technical assistance from UNIDO and ILO would, we believe, be forthcoming. Also, in the light of the instances mentioned earlier, the exchange of experiences would pay dividends.

Programme IV: Agro-industrial interlinkage

499. We view both agriculture and industry as hign-priority areas. We do not perceive them as antagonistic, but as complementary to each other. Industry can provide inputs for agriculture and can process the outputs of agriculture.

Objectives

(a) To identify the industrial inputs required by agriculture;

(b) To examine ways of increasing domestically produced factor inputs;

(c) To examine practical possibilities of establishing agro-based industries.

Methodology

500. Detailed national studies will be required for this purpose. In the case of industrial inputs for agriculture, a fruitful area of endeavour will be the production of agricultural tools and equipment. Fertilizers are a key input and in this connection FAO has pointed out that the regeneration of African agriculture would call for massive imports of fertilizer. Individual countries may find it difficult to set up large fertilizer plants. This is a potential area for subregional co-operation. (The proposed Triple Super

Phosphate Plant in Uganda is a case in point.) Governments should also launch a planned programme of promoting agro-based industries. Many of these could be undertaken in the small-scale sector and in rural areas (thereby promoting employment generation and entrepreneurship). Technical assistance should be forthcoming from FAO, UNIDO, the World Bank and bilateral donors. Another major area for TCDC.

Programme V: Entrepreneurship development

501. This programme is a direct response to the current lack of indigenous African entrepreneurs.

Objectives

(a) To expand domestic, private-sector activity in industry;

(b) To widen the base of small- and medium-scale industries;

(c) To promote self-employment opportunities.

Methodology

502. The first task is to collect accurate data about the flourishing "informal sector", to find out its extent and areas of activity and also to analyse the real reasons why it seeks to keep out of the national mainstream. The results of this analysis may point to some needed changes in public policy. A review should simultaneously be made of existing institutions set up to promote small-scale industry and to "debureaucratize" them by securing greater participation of trade and industry in their operations. These institutions, with the support of development and commercial banks, should prepare a shelf of projects suitable for small-scale investment and develop capabilities tor providing consultancy support. A revolving fund for small-scale investments (on the lines of the scheme recently launched in Zambia) could be considered. A list of potential entrepreneurs should be identified from various sources - the informal sector, the trading sector, existing small businesses desiring to expand, and capable but fundless technocrats.

503. In addition, full consideration, based on studies, should be given to factors which affect the ability or willingness of African entrepreneurs to participate in the development of what Governments designate as core industries or strategic sectors and to policy and institutional arrangements designed to induce such participation. Technical assistance could be sought from UNIDO, ILO, ECA and the World Bank. This again is a fruitful area for TCDC.

Programme VI: Market orientation, development and integration

504. While all the earlier programmes do contain a marketing component, we feel that a special one is called for to provide a general framework for the market-oriented approach. This has been, so far, a neglected area.

Objectives

(a) To study national market structures and dynamics, including current market demand trends - urban, rural and national;

(b) To examine possibilities of standardizing products;

(c) To explore ways and means of expanding the domestic market and of promoting the subregional market;

(d) To link future industrial investments to assessed market demand;

(e) To promote market sensitivity in existing industries.

Methodology

505. The adoption of policies for greater dependence on market forces and effects calls for studies organized at national levels on the structures and dynamics of markets which will include extensions of the money economy, income distribution, market fragmentation and oligopolistic elements. The programme would essentially be based on market research studies, followed by training and consultancy for marketing managers. The results of these efforts would also have a bearing on public policies and, perhaps, point to their review. Technical support could be secured from UNCTAD, ITC, ECA and UNIDO.

Programme VII: Attracting foreign investment

506. This programme is based on recognition of the falling attraction of Africa for foreign investors and the need for these investors' participation in the continent's industrial development.

Objectives

507. To seek ways and means of attracting foreign capital and foreign entrepreneurship to Africa in what may become a highly competitive international situation.

Methodology

508. The starting point should be an examination of factors which affect the geographical and sectoral preferences of flows of international investment funds, as a basis for designing new and flexible investment codes related in particular to the objectives and priorities of IDDA II. In addition, consideration should be given to the correction of other defects in policies and institutional arrangements which adversely affect the climate for foreign direct investment. Reviews of investment codes should take account of such codes in other developing countries, e.g. in Latin America and Asia, and include frank consideration of the reasons for the reduced attractiveness of African countries for foreign investors. Technical assistance could be secured from ECA, UNCTC and UNIDO.

Programme VIII: Development of physical infrastructure

509. This programme is proposed in recognition of the fact that industrialization is not feasible without a supporting infrastructure.

Objective

510. To develop and expand the physical and institutional infrastructure to support existing industries and to create the climate for fresh investments.

Methodology

511. In view of their critical importance - in terms of forward and backward linkages, employment, dependence on foreign factor inputs and potential for generating debt in the future - every effort should be made at multinational and national levels to work out programmes for developing selected factor inputs of domestic origin to replace imported factor inputs. The programmes should also identify ways of intensifying the acquisition, by national corporations and other institutions, of capabilities for designing and constructing complex structures such as dams, ports, industrial cities, plants and rivers works. Multinational infrastructure should be designed to facilitate, inter alia, intra-African trade in raw and intermediate materials as well as in finished products.

512. At the national level, African countries are certainly aware of the importance of infrastructure, and their development plans do envisage efforts to build up the components of the infrastructure. What perhaps is lacking is a vision of an integrated infrastructural base and its implications for the economics of industrial investment. We therefore propose that each country undertake the preparation of an "Infrastructural Development Plan" covering such essential components as: energy; communications (roads, railways, airlines, ports); telecommunications; banking; insurance; and consultancy services. This would need to be an inter-ministerial and inter-institutional exercise which, in order to become a reality, would have to find a place in national plans and national budgets. The technical assistance of UNIDO, ECA, ILO, ADB and the World Bank could be sought.

Programme IX: Development of institutional infrastructure

Objectives

513. The existing institutional infrastructure is slowly changing, but still reflects its colonial origins which were not designed to promote industrial development, especially of the IDDA type. Institutional infrastructure, like physical infrastructure, requires a comprehensive approach, at national and multinational levels, and in light of the direction and pace of change that Governments wish, individually and collectively, to achieve in the 1990s.

Methodology

514. In considering the pattern, quality and orientation of institutional infrastructure, Governments must keep in view:

(a) The changing international environment for decision-making and implementation;

(b) The objectives of increasing self-reliance and self-sustainment by setting up internal engines of growth;

(c) The time that is left to establish a foundation for achieving these objectives in the light of (a).

515. It is suggested that ECA carry out, for consideration by the OAU Assembly, a comprehensive examination of the major institutional supports in the NICs that might lend themselves to industrial development of the IDDA type.

Programme X: Development banks

516. We propose this programme in view of the crucial role that development banks should play, but are not adequately playing, in promoting industrial development.

Objectives

(a) To recognize and redefine the role of development banks;

(b) To restructure development banks in order to make them instruments of industrial development.

Methodology

517. We propose that ADB, with the concurrence of national Governments, take a lead role in this exercise and begin with a performance review of all development finance institutions in Africa. On the basis of this review, ADB should propose steps for a reorientation of development bank policies in order to make those institutions more viable commercially and more specific regarding the nature and direction of their developmental responsibilities. TCDC could also be obtained for this programme from successful development banks in developing countries such as Brazil and India.

Programme XI: Regional and subregional co-operation

518. The practical possibilities of setting up in Africa a network of strategic and core industries hinge on the implementation of regional co-operation. Very few African countries can undertake the task alone. In this regard, we re-endorse the objectives and methodology proposed by IDDA I, but would in future focus attention on:

(a) Strengthening the work of subregional institutions such as ECOWAS, PTA and SADCC;

(b) Promoting co-operation and exchange of experiences between these institutions;

(c) Intensifying current efforts to bring about uniformity in trade policies, customs duties and procedures within a region;

(d) Identifying existing national investments for conversion into regional industrial ventures;

(e) Preparing project reports for subregional projects featuring agreement on joint investment and joint management;

(f) Encouraging the flow of capital, labour and entrepreneurship within a subregion to facilitate the creation of common markets;

(g) Involving the business sector in the effort.

519. For this programme, the technical support of UNIDO, ITC and ILO should be sought. ECA would play the lead role.

Programme XII: Human resource development and technological capabilities

520. Finally, we propose a fresh look at strategies for the development of human resources.

Objectives

521. To create the human resources development profiles and capabilities necessary to fit manpower to the economic growth process.

Methodology

522. The task must begin by identifying the existing and future manpower needs of African industry: managerial, technical, technological, financial, marketing and planning. This would be followed by manpower surveys, identifying areas of availability of and deficits of existing skills. A review of educational and training institutions and of the policies and curriculae needed to make them responsive to the needs of industry would also need to be undertaken. On the basis of this programme, each country would then work out an "Industrial manpower development plan". Technical support should be forthcoming from ILO and UNIDO for this programme.

523. While proposing this twelve-point package of programmes, we are fully conscious of the fact that none of them, individually, is startlingly new. Indeed, many African countries have already taken steps in the directions outlined in many of them. What we are proposing is a focussing of attention and a concentration and intensification of endeavour in these particular

directions. We also perceive the package as a set of interrelated measures. We are confident, however, that if they are followed through, the net result will be a major change for the better in Africa's industrial profile in the year 2000.

Financing, implementing and monitoring of IDDA II

Financing

524. The set of programme activities proposed above inevitably raises the question of costs and funding. At this stage, it is not practicable to work out detailed cost estimates. These will emerge when the specific projects under each area of programme activity are designed. For the present, we should simply like to draw attention to the following considerations:

(a) The nature and content of the programmes do not inherently involve massive investment. The funds required would be relatively modest;

(b) Many of the programmes are conceived as income-generating. The attainment of higher productivity, improvement in the performance of public enterprises, preventive maintenance, production of spare parts, and the advancement of capabilities and entrepreneurship - all of these will result in the creation of additional resources which could then be available for further development;

(c) The stimulation of foreign investment will, it is hoped, provide a major source of capital inflow;

(d) The nature of the programmes will attract donor support. Donors often express the view that the central problem is not the lack of funds, but the lack of suitable projects to finance;

(e) The pool of funds available for development consists of domestically raised resources and donor support, multilateral and bilateral. Control over these resources, and the manner of their deployment, rests with the national Governments. Even in the use of foreign funds, the determining voice regarding priorities is that of the country's decision-makers. Consequently, if the proposals we have made find acceptance at the pan-African level, and constitute the basis of the design of IDDA II, we could legitimately make the following assumptions:

(i) That these programmes will be explicitly included in national development plans;

(ii) That financial provisions will be made in annual budgets;

(iii) That the programmes will figure as a priority in negotiations for support with bilateral and multilateral donors;

(iv) That the programmes will find a place in the utilization of country indicative planning figures (IPFs).

Implementation

National level

525. The view taken in IDDA I was that the principal responsibility for implementation should rest with the African States. We believe that this was the right approach and see no plausible alternative for IDDA II. However, IDDA I went a step further. In addition to providing goals and guidelines, it recommended to the African countries the establishment of a specific machinery for co-ordination and implementation of the Decade Programme, namely focal points and co-ordination committees. This particular recommendation did not find widespread acceptance as Governments felt that it would duplicate and perhaps even disturb the work of well-established planning and decision-making mechanisms.

526. We do not, therefore, propose the revival of the idea of focal points. Our view is that the implementation of IDDA II should be a totally national endeavour, involving Ministries of Planning, Finance, Industry and Agriculture as well as other institutions responsible for providing the infrastructure. A specific focal point could never assume the authority of any of these agencies. However, we have proposed specific institutional mechanisms for certain programme activities; the national commission for the reorganization of public enterprises; the techno-economic committee for promoting productivity; the ADB for promoting development banking; and the ECA for establishing investment criteria. This approach might usefully be employed for each programme area.

527. In a number of countries, the adoption of national development plans incorporating IDDA II programmes may require the strengthening and orientation of national machinery for handling technical assistance programmes and projects.

Subregional level

528. The lead role for Programme XI (Regional and subregional co-operation) should naturally be with the established regional organizations such as PTA and ECOWAS. These organizations should, therefore, review their plans for the next decade and incorporate the suggested programme package therein. They should also be associated with all the other programme areas.

International level

529. UNIDO, ECA and OAU were the three lead agencies identified for the conceptualization and management of IDDA I. We feel that they represent an optimum combination: UNIDO, because it is the specialized agency in the United Nations system responsible for industry; ECA, because of the multisectoral development perspective of Africa; and OAU, because it represents the political will of Africa and the ideal of continental solidarity. This arrangement should be continued for IDDA II. However, while re-endorsing the role of UNIDO, ECA and OAU, we should like to add three propositions:

(a) Each of these organizations must review its projected programmes and budgets in order to incorporate the IDDA II twelve-point programme therein;

(b) While there is understanding and co-operation between the three organizations at the policy level, there seems to be inadequate collaboration at the operating and professional levels. We propose, therefore, that the professionals from the three organizations directly concerned with each suggested programme area jointly develop projects within the programme area;

(c) A concerted effort should be made by UNIDO, ECA and OAU to involve other United Nations agencies as well as multilateral and bilateral donors in a planned support of IDDA II. UNDP would also have a key role to play in this exercise. The possibility of setting up an inter-agency committee might be considered.

(d) Some organizational restructuring within UNIDO would be necessary to make the Organization's contribution to IDDA II more effective.

Monitoring

530. Since the execution of IDDA II would be principally the responsibility of the African Governments, its monitoring must also rest with them. Problems did arise in connection with the monitoring of IDDA I, partly because of its all-embracing character and partly because it was not formally incorporated in national plans. Our proposals for IDDA II seek to rectify both these weaknesses. Most of the suggested programmes are quantitively measurable in terms of progress and therefore lend themselves to more effective monitoring. For example, the starting point of Programme I will be to establish data on current levels of industrial output, average capacity utilization and a variety of input-output ratios. An annual stock-taking of the improvements achieved can then be recorded, keeping in view the targets for the Decade. It would be useful if UNIDO, ECA and OAU could jointly prepare guidelines for monitoring mechanisms at the national level.

531. When all is said and done, the responsibility must rest on the peoples and Governments of Africa. It is their consciousness, their political will and their hard work alone that will change the face of the continent.

ANNEX I

Terms of reference for the in-depth evaluation of the Industrial Developement Decade for Africa 1980-1990

Background

At the end of the 1970s, the African Heads of State, in the Monrovia Declaration and the Lagos Plan of Action, took stock of the overall economic performance of their economies. Specifically, it was recognized that earnings from raw materials exports could never be adequate for financing programmes of socio-economic transformation and accelerated development. Also the high dependence of African economies on externally generated stimuli for economic growth, especially in the industrial sector where most of the essential factor inputs had to be imported, was particularly emphasized. Given such a situation, and with Africa's mounting external debt, Africa's industrialization prospects remained dim and uncertain. The terms of reference for the evaluation, therefore, state:

"The aim of this evaluation is to help Governments, international organizations, regional and subregional institutions and other parties involved in the planning, promotion and implementation of African industrial development programmes/projects to improve the efficiency and effectiveness of their industrial development programme/project planning and implementation efforts. Special emphasis will, therefore, be given to the assessment of the co-ordination, implementation and monitoring mechanisms developed and practices established as well as constraints encountered in the planning and implementation of the IDDA Programme. Practical recommendations, including their financial implications, to improve the relevance, effectiveness and efficiency of current and future IDDA activities are expected and will be addressed jointly and severally to Governments, and international, regional and national organizations."

The terms conclude by saying: "In order to assess the overall achievements of the Programme to date and to (a) identify the needs for continuation of the IDDA Programme; (b) suggest ways and means to improve the Programme relevance and impact, it has been agreed by all parties concerned to undertake a joint in-depth evaluation. It is also expected that the results of the evaluation will help guide IDDA programme-planners to prepare proposals and programmes for the IDDA II recommended by the OAU."

Scope, purpose and methods of the evaluation

Purpose

The primary purpose of the evaluation is:

(a) To assess the overall achievements to date of the Programme against set objectives and expected results;

(b) To assess the relevance and likely effectiveness of the Programme components planned, under implementation, and completed against IDDA objectives and targets;

(c) To identify and analyse factors which facilitated the actions taken so far toward programmes objectives, as well as those factors that impeded planned actions;

(d) To assess the impact and relevance of each of the Programme elements by analyzing the extent to which the elements have and/or will likely contribute to IDDA objectives;

(e) To examine the extent to which the IDDA Programme has produced additional resource contributions towards the industrial development of Africa and has increased international support and inter-African co-operation to address African industrial development issues;

(f) To assess the effectiveness, mechanisms, networks and linkages, etc. expressly set up by the IDDA organizing bodies to promote the Decade.

As part of the above work, the evaluation team will assess whether the approach being followed to plan and promote IDDA is leading to optimal results or if another or modified approach could have improved the IDDA implementation progress.

In this connection, an assessment will be made on how IDDA planning and implementation progress has been effected by the need of the international community and national Governments to suddenly respond to Africa's emergency needs.

To accomplish the above, the evaluation will carefully analyze and assess the following issues:

(i) The extent to which the IDDA concept provided a comprehensive implementable and clear basis for action; provided useful guidance on the roles of the various donor/financing/implementing agencies active in African industrial development; and provided adequate institutional support and extra resources required to take co-ordinated action;

(ii) The extent to which the action plans, programme and programme components identified were relevant to stated mandates and objectives;

(iii) The extent to which the IDDA Programme components and projects formulated and implemented were additional to the on-going assistance programmes which would have materialized without the IDDA promotional efforts;

(iv) Programmes and projects which are not officially considered IDDA-related, but which, however, have significantly contributed to the objectives of IDDA.

With respect to IDDA implementation and action taken

The evaluation will examine the following points, among others:

- The extent to which the harmonization of economic development plans at the country, subregional and regional levels has taken place;

- In this connection the extent to which manpower requirements, technological requirements, financial implications, time-frame and a monitoring system have been identified and/or developed;

- The extent to which coherent and consistent industrial policies, strategies and guidelines for assisting African countries in implementing industrial sector, subsector, and branch development programmes have been developed and operationalized;

- The extent to which on-going and planned programmes have been planned in accordance with priorities established in the Lagos Plan of Action, especially food and agro-, building, metallurgical, mechanized, electric and electronics, chemical, forest and energy industries;

- The extent to which institutional linkages have been strengthened not only among the priority subsectors, but also between the other economic priority sectors chosen by the African Heads of State and Government;

- The extent to which resolutions and recommendations adopted by the legislative bodies of the OAU, ECA and UNIDO as well as the Conference of African Ministers of Industry and its subsidiary bodies have adequately guided preparatory and initial implementation actions and assess whether the parties addressed were able to comply with these resolutions and recommendations;

- The extent to which the activities of the three secretariats relating to the planning and implementation of individual and joint IDDA programme elements and projects have been effectively harmonized, co-ordinated and jointly and individually monitored;

- The extent to which the potential contributions of the institutions of the United Nations system, other international organizations and African organizations have agreed on harmonized, co-ordinated and/or joint IDDA programmes;

- The adequacy of the promotional efforts taken so far amongst the various target groups, i.e. Government, public/private industry, associations, international regional, subregional organizations, donor financing agencies, etc;

- Assess the extent to which the above information system has provided relevant, adequate, accurate and timely information to IDDA decision-makers.

While a thorough review of the past in itself is very important, the evaluation team will, during review of the above issues, endeavour to formulate and provide recommendations on actions required to increase the likelihood of IDDA objectives and targets being achieved.

Composition of the mission

The mission will be composed of four team members selected from a roster of experts prepared by UNIDO in consultation with the OAU, ECA and UNDP.

The team members should not have been directly involved in the planning, design, appraisal and implementation of the IDDA Programme.

All members should have African development experience. The professional qualifications of the team members should complement each other. A combination of the following qualificrtions is highly desirable:

- Micro- and macro-industrial planning, particularly human resource planning;
- Industrial economics;
- Industrial programmes and project identification, formulation, implementation and evaluation.

Candidates should be conversant with procedures and modalities of United Nations-related international and governmental industrial development programmes and projects. Language requirements: working knowledge of English and French required. The reports will be drafted in English.

Responsibilities of the parties

Overall responsibility for guiding and overseeing evaluation will rest with a Technical Steering Committee. This Committee will consist of a respresentative each from OAU, ECA, UNDP and UNIDO. The Steering Committee will convene in accordance with the following schedule:

(i) At the end of phase I, Addis Ababa;
(ii) At the end of phase II, Vienna;
(iii) At the end of phase III, Vienna.

Timetable and reports of the evaluation team

The evaluation will be completed in four phases:

Phase I:	Preparatory desk study
Phase II:	Field studies/visits
Phase III:	Synthesis of report
Phase IV:	Publication and presentation of report

A team of consultants will constitute the core team and will be responsible for the implementation of Phases I to III described above.

Phase I - Preparatory desk study - two months

Desk review at UNIDO, OAU and ECA to synthesize and analyze all actions taken prior to and since the commencement of the IDDA plan of action to date.

During the desk review, the team will collect and analyse data available in UNIDO, ECA and OAU to make a preliminary assessment of available documentation and information and management systems established to promote, co-ordinate, implement, monitor and evaluate the IDDA Programme.

During the desk study a sample of IDDA Programme components and related projects eithr planned, under implementation or completed will be selected to assess the relevance, effectiveness and efficiency of the IDDA Programme concept and approach in practice.

Staff directly or indirectly involved in IDDA programmes will be systematically interviewed. Based on the foregoing analysis, proposals for the conduct of the Phase II - field assessment will be made. This will include:

- Establishment of evaluation criteria (i.e. success indicators);
- A detailed outline of the final evaluation report;
- A timetable and list of countries and organizations to be visited;
- A set of specially designed questionnaires to be used when interviewing Governments, private and public organizations, donor and financing agencies, etc.

At the end of the desk review, the team will present a phase I preliminary assessment report to the Steering Committee at Addis Ababa which will address, to the extent possible, the evaluation issues listed under part II of the terms of reference. Preliminary findings and conclusions will be thoroughly discussed and a phase II evaluation action plan detailed. The phase II evaluation plan should be designed to enable the team to confirm, reject or modify their assessments and place the team in a position to prepare their final report.

The phase II action plan will include the design for the field study which will provide lessons to be learned for the continuation of and adjustments to the IDDA Programme plan of action.

The phase II action plan will also contain proposals for a time schedule and an itemization of costs as a basis for an amended budget.

The phase I report will be reviewed by the Steering Committee at Addis Ababa and a detailed proposal for phases II and III will be finalized for consideration of the respective approval authorities.

The following phases are given for information purposes:

<u>Phase II - field studies/visits - to be determined</u>

Over a two-month period, visits to ten representative countries, at least one week in each, is planned. Visits to a few major bilateral donor agencies are also envisaged.

Detailed terms of reference and itineraries will be mutually decided by the Steering Committee at the completion of phase I.

The Governments of the countries to be visited will be informed of the mission through the office of the UNDP Resident Representative.

Full co-operation and support of UNDP and UNIDO field representatives will be essential to the success of the field missions.

The Steering Committee will meet in Vienna to review the mission report of the second phase and to make arrangements for the synthesis of the results of the desk study and the field missions in the form of a final report in draft.

Phase III - synthesis - final report

The evaluation team will spend one month at Vienna to complete its final report. The report will be reviewed by the Steering Committee at Vienna.

Phase IV - publication and presentation of report

The final report of the core team will be published and presented to the Ninth meeting of the Conference of African Ministers of Industry through the meeting of the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa.

ANNEX II

List of countries, permanent missions (Vienna), United Nations agencies, international organizations, bilateral agencies, regional and subregional organizations and institutions visited or consulted

Countries

Africa

Algeria
Botswana
Burkina Faso
Cameroon
Côte d'Ivoire
Egypt
Ethiopia
Gabon
Ghana
Kenya
Mauritius
Mozambique
Nigeria
Senegal
Somalia
Uganda
United Republic of Tanzania
Zambia
Zaire
Zimbabwe

Europe

Belgium
France
Hungary
Italy
Poland
Switzerland
United Kingdom
USSR

America

Brazil
Canada
Peru
United States

Permanent missions (Vienna)

China
Germany, Federal Republic of
India
Japan
Kuwait
Netherlands
Saudi Arabia
Sweden

United Nations bodies and agencies

International Labour Organisation (ILO)
International Trade Centre UNCTAD/GATT (ITC)
Economic Commission for Africa (ECA), Food and Agriculture Organization of the United Nations (FAO)
United Nations Conference on Trade and Development (UNCTAD)
United Nations Centre on Transnational Corporations (UNCTC)
United Nations Centre for Science and Technology for Development (UNCSTD)
United Nations Educational, Scientific and Cultural Organization (UNESCO)
United Nations Industrial Development Organization (UNIDO)
United Nations Development Fund for Women (UNIFEM)
Inter-Agency Task Force on the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UNPAAERD)

International organizations

African Project Development Fund (APDF)
Commonwealth Secretariat
European Economic Community (EEC)
Centre for the Development of Industry (CDI)
International Finance Corporation (IFC)
Organization for Economic Co-operation and Development (OECD) and the Centre for Development
Council for Mutual Economic Assistance (CMEA)
The South Commission
World Bank

Bilateral institutions/agencies

Belgium: AGCD
France: ACTIM, Caisse Centrale de Coopération Economique (CCCE), PROPARCO
Canada: Canadian International Development Agency (CIDA)
Hungary: Organization for International Technical and Scientific Co-operation (TESCO)
Poland: Polservice
United Kingdom:British Overseas Development Administration (ODA), Commonwealth Development Corporation (CDC)
United States: US Agency for International Development (USAID), African Development Foundation
USSR: African Institute (Academy of Science)

Regional organizations/institutions

African Development Bank (ADB): Abidjan
African Regional Centre for Engineering Design and Manufacturing (ARCEDEM): Ibadan
African Regional Centre for Technology (ARCT): Dakar
African Regional Organization for Standardization (ARSO): Nairobi
African Timber Organization ATO: Libreville
Institut Africain de Développement Economique et de Planification (IDEP): Dakar
Organization of African Unity (OAU): Addis Ababa

Subregional organizations/institutions

Andean Pact: Lima
Centre Africain du Management et de Perfectionnement des Cadres (CAMPC): Abidjan
Communauté Economique de l'Afrique de l'Ouest (CEAO): Ouagadougou
Communauté Economique des Etats de l'Afrique Centrale (CEEAC): Libreville
Comité Interétats de Lutte contre la Sécheresse dans les pays du Sahel Club de Dakar (CILSS): Ouagadougou
Economic Community of Central African States (ECOWAS): Lagos
LIPTAKO-Gourma: Ouagadougou
Metallurgical Technology Centre (MTC): Zimbabwe
Multinational Programming and Operational Centres (MULPOCs): Lusaka, Yaounde
Preferential Trade Area for Eastern and Southern African States (PTA)
Secretariat: Lusaka
PTA Clearing House: Harare

ANNEX III

National seminars on industrial strategy

Objectives

In ECA resolution 442 (XVII), "Formulation and implementation of a programme for IDDA", the national co-ordinating committees and focal points are called upon to examine, adjust and realize their development plans in the light of the IDDA Programme with the support of regional and international organizations (OAU, ECA, UNIDO and others).

Organization and programme of the seminars

Fifteen national seminars were organized (with a major contribution from UNIDO) in various countries and on evaluation workshop was held at Vienna from 23 to 26 March 1987.

The programme of the workshops usually covered the concerns expressed in the ECA resolution referred to above:

(a) To present and draw attention to IDDA by explaining its objectives and programmes;

(b) To analyze national development plans for industry, including policies and incentive systems, and to prepare recommendations for their realignment, according to IDDA;

(c) To identify the core (priority) industrial sectors best suited to the countries' resources;

(d) To assess possibilities of and make proposals for subregional and trans-border co-operation;

(e) To provide a forum for exchange of ideas between the various actors of the system;

(f) To provide guidelines and a basic framework for planning and the drawing up of industrial policies.

In their introductory statements, UNIDO officials or experts usually explained the background and the main characteristics of the Decade Programme.

In Zaire, the issues presented and discussed centred on three principal areas of interest:

(a) The main orientation of industrialization (integration, regionalization, export and regional co-operation);

(b) Establishing a favourable industrial environment (manpower, supporting institutions, incentive systems);

(c) Promotion and consideration of industrial enterprises (rehabilitation, extension of capacities, participation of nationals in management).

The three programme areas coincided with the main political orientations adopted by the Government to industrial policies.

The national seminar held in Madagascar was particularly rich in well prepared reports. The subjects presented and discussed at the seminar were: (a) industrial policy and the Plan 1986-1990; (b) macro-economic aspects of industrial development in Madagascar; (c) industry branches in Madagascar's actual situation and perspectives; (d) regional implications of the industrial development process; (e) conditions of industrial development (enterprises, institutional environment, State).

The proposed structure of the workshop agenda for Guinea (Conakry) differed from the usual pattern. It devoted more space to macro-economic management and institutional support activities than the others. It provided an in-depth assessment of the difficulties arising from the earlier bureaucratic economic management (an analysis which is now an official Government position in the country). The problems and difficulties of economic policy in the actual transitory period were analyzed with unusual ease. The development opportunities (sectoral resources) did not take more than four pages of 70-page report.

Development plans and the policy environment

As regards the IDDA objectives quoted above, it is obvious that the seminars could only provide some guidelines and/or proposals for the development of new industries or the strengthening of existing ones. If the development process is designed for the "micro-level", then it passes through study, approval and decision-making procedures at various levels. The sub-sectoral and macro-economic approach is broader, needing in-depth economic analysis at more global levels regarding inputs and outputs. It may involve modifications in policy and regulatory matters in macro-economic management in general. Even if they are applied in a complementary fashion, the two approaches require two different sets of decision-making. The first approach, in its pure form, includes the assumption that the project will be decided upon at the official level (National Investment Board, Ministry of Industry etc.). The second approach is focussed on policy guidance and macro-economic management and includes appropriate price and other incentive systems to induce investments in preferred areas by public and private entrepreneurs. The seminars actually covered both aspects, occasionally giving more attention to branch-level issues or to policy and incentive systems. While the "support system" is normally considered, in seminar reports, as the one that needs "strengthening", critical evaluation of its functioning is rare and generally lacks precision and force. The relationship between development plan and policy environment raises the broader issue of decision-making in the economy in general and in industry specifically - an issue not sufficiently spelled out in the IDDA Programme.[a] Under the item called the enterprise and its institutional environment this topic was taken up at the seminars as an integral part of the agenda.

Many participants of the seminars still consider governmental agencies as almost the only actors in industrial development. Their important role should necessarily remain. In the new policy environment, however, the role of the industrial enterprise, of the industry manager and entrepreneur (both in the public and the private sector) needs a reinterpretation, together with the recognition of the scarcity of human resources available in most of the countries in this field. The scarcity of human resources (with knowledge, skills and experience) is the main bottleneck, combined with the need for capital, that needs to be overcome. This makes the implementation of strategies and master plans really challenging.

Subregional co-operation

Subregional co-operation was treated marginally at the national seminars. The meagre interest of the seminars in this subject is somewhat disappointing, though easily explainable:

(a) Many countries suffer from "fair" and "unfair" competition from outside, *inter alia*, because of weak protection and surveillance of the national borders: consequently there is a defensive attitude in this respect;

(b) It is felt by many that at the subregional level they have to offer up their markets without gaining additional ones;

(c) The representatives of national ministries and agencies attending the seminars are familiar with procedures within international borders; trans-border activities are more complex and more difficult to control;

(d) The basic idea of the sectoral planning proposed at the seminars (backward and forward linkages within the industry sector and with other economic sectors, as a planning exercise) fits into an (assumedly) closed economy, but it is hard to foresee and plan trans-border operations. (At the Zaire seminar, it was recommended.)

Participants

The participants in the national seminars were officials of ministries and of various national agencies (very often up to 95 per cent). Only a small part of them came from financial institutions, manufacturing enterprises, universities, consulting firms, chambers of commerce and industry. Under such conditions the seminars were largely limited to a dialogue among those responsible for planning and administering the industry sector. They necessarily lacked the capacity to objectively evaluate past developments which had led to the present situation.

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a A Programme for the IDDA (ID/287), pp. 35, 36, 40.

Recommendations and follow-up

The recommendations are organized according to the programme of the seminar. They cover branch/sector developments, including small- and medium-scale industries, the policy and regulatory environment, as well as some methodological problems of industrial planning (master plans, block planning, etc.). The major part of the conclusions or recommendations is not new for the country, although the seminar provides an opportunity to draw attention to them, to insert them into a "policy package". Recommendations often represent criticism or discontent about known bottlenecks, delays in procedures, and lack of co-ordination and co-operation. Occasionally, national organizations attempt to put through their points in competition with others. The recommendations are hardly "structural", they do not upset the actual balance between existing policies, institutions, agencies or financial resource allocations.

National seminars on industrial strategy and the implementation of the Decade objectives

These seminars were expected to contribute towards the restructuring and re-orientation of the industrialization process; an in-depth re-examination of current industrialization strategy, policy, plans and programmes; and the creation of an environment more conducive to industrial activity in the country. In the light of the seminar reports and the consultations carried out in the field, the effective contribution of the seminars towards the IDDA objectives can be assessed as follows:

Re-examination of industrial strategies and policies

(a) National seminars have taken place in 15 countries so far, mostly in West and Central Africa (approximately one third of the African countries);

(b) IDDA national co-ordinating committees and focal points (on some occasions, UNIDO committees) are hardly mentioned in the seminar reports;

(c) The seminars underline the complexity and the long duration of any structural and policy adjustment processes, including the one aimed at by the IDDA Programme as the first step in the implementation of the Lagos Plan of Action.

(d) The great majority of seminar participants were from various Ministries and Government agencies. The attendance of industrialists and banks should be encouraged;

(e) There is a growing recognition of the important role African enterprises, industrialists, managers and entrepreneurs are expected to play in the industrialization of Africa. Ways and means to create a more conducive environment to that effect are warmly recommended by most of the seminars;

(f) The impact of the seminars can be measured by their achievements in articulating the sectoral and policy changes which need to take place in the country. In the countries visited, the seminars are often referred to as a forum for sensitizing, formulating and articulating important issues;

(g) It is difficult to assess the effective continuity and the link between the work of the seminars and the adoption and implementation of the recommendations by the authorities involved. To ensure continuity and to facilitate the process of decision-making, the elaboration of a master plan for industrialization was often proposed by participants. During the Decade, master plans for industrialization have been elaborated or are in preparation.

Preparation and implementation of master plans for industrialization

Master plans for industrialization, as they have been elaborated in Côte d'Ivoire, Cameroon and Senegal during the Decade, are broad concepts (or conceptional frameworks) encompassing analysis, options and proposals for structural development (rehabilitation, modernization, new investment) and for institutional (including policy) changes. Such a master plan is under preparation in Zaire. In the countries concerned, the master plans contributed to "assessing natural resources and national capacities and capablities, and identifying core projects that can be implemented at the national and/or multinational level", as requested by the Conference of ECA Ministers.

Given the very nature of the master plans, there is, normally, no single addressee capable or entitled to take charge of their formal adoption or implementation. Their function remains informative, descriptive, as well as inspiring on encouraging. Occasionally it is their acknowledged objective to strengthen the capability of existing organizations (e.g. in Zaire) in industrial planning and implementation. In Cameroon, the master plan was presented to a large national conference. The participants were asked to make observations and to participate in the implementation. A meeting with foreign "bailleurs de fonds" is foreseen for 1989. The master plan for Senegal was presented to an international meeting at Vienna in 1988 with the same purpose.

The occasionally long retrospective chapters and the all-encompassing nature of the master plans make it difficult:

(a) To keep the documents up-to-date and relevant in a fast-changing economic and institutional environment;

(b) To appeal, by offering sufficient information to the national decision-makers, public administration, entrepreneurs (investors) as well as to potential foreign partners;

(c) To keep the balance between the impact of measures to be taken under existing pressures (foreign exchange allocations, needs for urgent repairs and rehabilitation, infrastructural priorities) and the proposals for long-term investment;

(d) To pay sufficient attention to the human resources required (entrepreneurship, managerial and technical skills, motivation etc.) and to the institutional factors having a bearing on plan implementation.

Owing to the complexity of the task, the role of Chief Technical Advisors (UNIDO) appointed in some countries visited with the aim of assisting in the implementation of the master plans seems to be rather limited. It will be determined, first of all, by their personal competence and authority as well as by their capability to mobilize additional foreign resources. In case of lack of such capabilities, their activities will be limited to those of another public official in the administration.

Seminars on industrial strategy

1.	Benin	24-28 June 1985	FP/BEN/84/001 IDDA
2.	Burkina Faso a/	14-18 October 1985	RP/BKF/85/601 IDDA
3.	Central African Republic	1-5 April 1986	XP/CAF/86/034 IDDA/LDC
4.	Côte d'Ivoire a/	3-8 June 1985	DP/IVC/83/005
5.	Ethiopia a/	October 1986	national symposium*
6.	Madagascar (Antsirabé)	10-15 November 1986	XA/RAF/86/621 IDDA
7.	Mali	18 Feb.-7 March 1985	DP/MLI/82/014
8.	Mauritania	21-25 April 1985	RP/MAU/85/601 IDDA
9.	Niger	28 Oct.-2 Nov. 1985	RP/NER/85/602 IDDA
10.	Rwanda	27-31 January 1986	SI/RWA/85/801
11.	Sierra Leone	3-6 December 1985	XA/SIL/85/602 IDDA
12.	Uganda (Jinja)	21-25 March 1985	RP/UGA/85/601 IDDA
13.	Zaire (N'Sélé) a/	23-26 July 1986	XA/RAF/86/621 IDDA
14.	Vienna (evaluation)	23-26 March 1987	XA/RAF/86/621 IDDA
15.	Senegal a/	-	-
16.	Cameroon a/	-	-

Planned under XA/RAF/86/621, but cancelled due to budgetary constraints.

a/: Countries visited by the evaluation team.

Master plans for industrialization studied: Côte d'Ivoire, Cameroon, Senegal.

ANNEX IV

Institutions and the development of technical and managerial competence

Strengthening the training capacity of management institutions

(a) Strengthening the training capacity of the management institutions in Addis Ababa (Project XA/RAF/88/638). The development objective of this project is defined as developing systematically human resources for industry in order to support the industrial development process in Africa by having managerial and technical capacity in the enterprise able to increase productivity and improve the quality of products and services. More specifically, the project (UNIDO input: $187,500) is foreseen:

(i) To strengthen the capacity of Addis Ababa training institutions by upgrading and updating their training methodologies and programmes;

(ii) To arrange training between ESAMI and a similar, more advanced, management institute in an English-speaking country whereby the partner institute could assist ESAMI in the development of its management training programmes;

(iii) To gradually establish a network system among such institutions in Africa in order to foster co-operation among them, thereby strengthening intra-African co-operation.

In the project document, there is a special reference to the IDDA Programme which, inter alia, emphasizes the establishment and improvement of industrial training facilities on a regional basis. The concept of "Centre of Excellence" is part of the project and it is expected that following the strengthening of the training function, UNIDO will encourage the organization of training programmes at national and subregional levels, promoting TCDC arrangements among the institutions.

(b) Strengthening the training capacity of the Centre Africain de Management et de Perfectionnement des Cadres (CAMPC) regarding the small and medium scale industries (Project XA/RAF/86/635). CAMPC, located at Abidjan, is a subregional organization(12 African countries are represented). By the strengthening of its capabilities, CAMPC is expected to become a Centre of Excellence and a regional documentation centre specialized in training and assistance for small- and medium-scale industries. Twinning with similar organizations is foreseen. UNIDO input US$86,600.

(c) Creation, within the Centre Ivoirien de Gestion des Entreprises (CIGE) of a pilot unit for consultancy and for the training of women entrepreneurs in French-speaking African countries in management and organization of small and medium size enterprises (project DP/RAF/84/024). This project is aimed at promoting the increasing participation of women in the industrialization process of the subregion and strengthening co-operation among the countries of the subregion in the development of human resources for industry. Special reference is made to the objectives of IDDA, the development of the subregion (CDEAO) and particularly to the group of least developed countries (Benin, Niger, Burkina Faso, Mali, Guinea). Seminars and conferences are foreseen from 1989 on. UNIDO contribution: $ 321,350.

The above projects are directly related to the IDDA objectives in industrial training. Industrial leaders, managers, entrepreneurs, policy-makers, planners, marketing experts and many other professionals are specifically mentioned as those in need of training programmes. Various measures are proposed for institution building as well as for intensive, practice-oriented short term training programmes ("A Programme for IDDA", ID/287, p. 41-42. The IDDA financed projects presented above contribute to these objectives.

Pilot demonstration plants

(a) Pilot demonstration plant for the production of vaccines for Africa (Project RAF/88/666). The development objective of the project "Establishment of a pilot demonstration plant for the production of vaccines for Africa" RAF/88/666 is to assist the African Governments in health care and immunization programmes through the creation, in Cameroon, of capabilities for production and quality control of vaccines against the most dangerous communicable diseases of childhood. The project is also aimed at promoting intra-African co-operation at a later stage through the utilization of the pilot demonstration plant for training experts from other African countries. UNIDO contribution: $1.3 million (the project is ready for implementation, commissioning is expected in 1990).

(b) Pilot demonstration plant for production of intravenous fluids in Algeria (Projects DP/ALG/87/025 and XA/ALG/88/662). Pursuant to the request of the Algerian Government, 16 international experts in various disciplines were fielded to the country during 1985. On the basis of their survey, a development plan for the pharmaceutical industry was prepared. It was recommended that within the first phase of the plan, the production facilities at the Biotic (a State enterprise) should be expanded.

The projects, now in the phase of implementation phase, are expected to be commissioned in June 1989. UNIDO contribution: $1,35 million).

Both projects seem to be well-managed and successful. There are some common elements that may explain the favourable assessment:

(i) The objectives are specific, well defined and related to pressing and concrete needs in the countries concerned and in the region;

(ii) Well qualified organizations were chosen for implementation in the assisted countries;

(iii) The new capabilities will be incorporated into organizations already available and well functioning;

(iv) Well qualified technical partners were chosen to deliver know-how, technology and equipment;

(v) Strong training elements are incorporated in the projects;

(vi) The technology, the product selected and the training elements required have been identified in a broader African context;

(vii) The technology and equipment installed are capable of inducing backward integration at a later stage;

(viii) The projects represent complex packages of market knowledge, transfer of know-how, skills and equipment;

(ix) The Cammeroonian project is related to bilateral technical assistance efforts, which also helped its implementation;

(x) The economic indicators elaborated in both countries with regard to the future efficiency of the plant operations are positive with regard to their promotional and pilot character;

(xi) The creation of pilot plants complies with various objectives of IDDA with special regard to the development of technical and production capabilities ("A Programme for IDDA", ID/287, p. 42-46)

Technical institutions

(a) Institut de la Technologie Alimentaire (Dakar). This UNIDO project is aimed at improving efficiency in the agro-food industry of Senegal. More specifically, the project was conceived to set the stage for the implementation of a training programme at the institute in Dakar, with special regard (i) to the need of technical staff of the institute; (ii) to enabling the agro-food sector of Senegal to make appropriate use of the R & D activities of the institute; and (iii) to the Need of other countries in the subregion in the agro-food sector. UNIDO contribution: $155,863.

ANNEX V

Subregional co-operation

The integrated industrial promotion programme

(a) Objectives and preparation

According to ECA resolution 442 (XVII), each member country had "to identify the group of strategic and core industrial projects at both the national and the multinational levels which by virtue of their interrelation promote each other's growth and development and which, through technical and economical linkages and complementarities, would accelerate industrial and general economic development growth".

The initial integrated industrial promotion programme is the outcome of deliberations at four OAU/ECA/UNIDO subregional meetings on intra-African industrial co-operation held in late 1983 and early 1984 (ay Abidjan, Tunis, Bangui, Addis Ababa) which centred on the potential in the region for developing multinational projects in priority subsectors of industry. The Seventh Conference of African Ministers of Industry (Addis Ababa, March 1984) endorsed the projects.

The integrated industrial promotion programme was conceived as to be reviewed at regular intervals and adjusted to the prevailing needs and priorities of the subregion. The need for intensified consultations between countries was foreseen. Further action was expected at the subregional level: endorsement, co-ordination, monitoring, provision of assistance etc.

The role of various agencies and international organizations was defined, especially in the development or human and technological capabilities, the mobilization of financial resources, and the establishment or strengthening of capabilities to service and augment the industrialization process in the subregion.

(b) Status of project implementation and the constraints encountered

As of 1988, in the North African subregion, of the 19 investment projects, five have been completed, one is under implementation, six are still being studied, two have been withdrawn and five suspended. The successful implementation of three projects out of 18 is reported from the Eastern and Southern African subregion. None of the projects inserted in the subregional programme has been implemented so far in the Western African subregion. It should be added, however, that the projects reported as "completed" or "under implementation", mostly on a national or bilateral basis, had already been well prepared before they were proposed for inclusion in the initial programme. While noting this, we hasten to add that project implementation alone cannot be singled out as the most important criterion of programme evaluation.

Consultations in the field have confirmed the following reasons given for the failure to implement the subregional programme (Abidjan, 1983) in the West African subregion:

(i) Some of the projects were not well thought out before submission. Many were submitted on the spur of the moment;

(ii) As a result, many of the projects were submitted without data or necessary studies;

(iii) Some members did not recognize the difference between a core subregional project and a national project;

(iv) Selection and location of projects were allowed to be unduly influenced by considerations other than economic;

(v) Priority subsectors for industrialization were not clearly identified beforehand;

(vi) There were too many projects;

(vii) Communication between ECOWAS Secretariat, the member countries and other intergovernmental organizations left much to be desired;

(viii) Also at the national level, communication and co-ordination between the Ministry of Planning, the Ministry of Industry and other agencies responsible for expediting action needed to be improved;

(ix) The structure and resources of the secretariats and particularly those dealing with industrial development need to be enhanced to provide efficient administrative and specialist services;

(x) Last but not least, the economic depression in almost all the countries of the s region was considered perhaps the most significant single factor militating against taking prompt measures aimed at promoting subregional industrial projects. For some countries, the funds were just not available.

In the Eastern/Southern African subregion:

(i) A major constraint identified was the duplication of activities among the various subregional and international organizations;

(ii) Certain projects had failed to make any progress since at the time of their inclusion in the initial programme they had not been backed up by any prior studies;

(iii) Stricter application of the selection criteria adopted at the first subregional meeting (Bangui 1983) would have obviated some of the subsequent difficulties;

(iv) It was clearly not sufficient to agree on a collection of projects: their further integration and the establishment of effective linkages were necessary so as to ensure optimum utilization of financial, technological and human resources within the subregion;

(v) It was further recognized that more attention had to be paid to the modus operandi. Given that neither the PTA nor the SADCC secretariats can operate subregional industrial or multinational enterprises, the adoption of policies and strategies for creating subregional projects must be based on identified mechanisms for co-ordinating the activities of the participating entities (private or public or both);

(vi) As at the national level, even communication presents a problem. It is felt that the flow of information between countries in the subregion could be improved by better using the channels of communications established by SADCC and PTA.

As regards the North African subregion, the lack of progress on some of the projects was explained by the fact that these projects were still at the conceptual stage when they were presented at the Tunis meeting in 1983. Poor communications between the co-operating countries, or at the national level between ministries, also constrained project implementation.

(c) The impact of the initial integrated industrial promotion programme on subregional co-operation

In view of the constraints upon subregional co-operation in industry, it would be unfair and unjustified to measure the success of this programme on the basis of project implementation alone, or even to use it as the main criterion of success. To identify the factors specifically related to implementation, the programme needs to be evaluated, above all, according to its own internal criteria. The IDDA Programme itself ("A Programme for IDDA" ID/287, p. 179-183) has defined the various forms of intergovernmental co-operation needed regarding industrial projects at the bilateral, subregional and regional levels. The conditions of success have been correctly foreseen by the promoters of the programme. Unfortunately, those conditions could not be met. Measures fell far below expectations as regards:

(i) Formal endorsement of the projects by Government;
(ii) Incorporation of the projects in the national plan;
(iii) Allocation of resources needed;
(iv) Strengthening or introduction of operational mechanisms such as corporations, companies, commissions;
(v) Official submission of projects to financial institutions by the lead country;
(vi) Elaboration of the necessary studies;
(vii) Review and adjustment of the programmes at regular intervals;
(viii) Various measures at the subregional level to be taken by or through:

- Intergovernmental organizations;
- Establishment of mechanisms for project co-ordination and monitoring and for consultations between countries;
- Intercountry agreements on implementation;
- Operational arrangements at the enterprise level.

The term "initial", moreover, meant that the programme would be reviewed at regular intervals and adjusted to the prevailing needs and priorities of the subregion.

In the light of the consultations carried out in the field and of the documents studied, we conclude that almost none of those preconditions could be ensured during the past years. The review meetings of 1988 and these planned for 1989 could only be implemented with delay. The large part of participants are experts, national and international civil servants, consultants and diplomats who are more inclined to propose further studies than to take decisions. The recommendations adopted at the review meetings are mostly addressed to international organizations. The measures proposed are either too modest, such as "designate a contact person at UNIDO for co-ordination", or just repeat measures the necessity of which has been recognized at the very beginning, such as monitoring systems, intercountry consultations, implementation mechanisms.

Due to various constraints, the initial integrated promotion programme has been confined to project collection and related communications using the subregional conferences (once in three to four years) as the main (or almost only) instrument of action. This is much less than what was originally planned. Such an action model is sufficient to keep consciousness about subregional co-operation alive, but it is not enough to leave a sizable and lasting impact on subregional co-operation.

Integrated development programme of the leather and leather products industry in selected African countries

This project (RP/RAF/85/610) executed in Egypt, Somalia, Sierra Leone, Guinea, Zambia, Niger, Mali, Burkina Faso and Mozambique had a pioneering role in the preparation of a major regional programme aimed at the development of the leather and leather products industry in Africa. The UNIDO contribution allocated from IDDA resources, amounted to $137,800. The dollar value of the actual on-going sectoral programme is estimated at $125,000. The Third Consultation on Leather and Leather Products, held at Innsbruck, 16-19 April 1984 concluded that "given the objectives of the Industrial Development Decade for Africa and the situation of the leather and leather products industry in that region, the Industrial Development Board should consider the convening of a regional consultation in Africa preceded by the meeting of a group of experts that would identify areas of industrial co-operation".

The expected project output was defined as national, subregional or regional master plans for the integrated development and rehabilitation of the leather and leather product industry. The master plans would present assessments and development strategies with practical guidelines/recommendations on issues of vital importance for the further development of the sector. Since the beginning of the project, sizable international and bilateral resources could be mobilized for the leather and leather products programme the expected output of which is closely related to the IDDA objectives.

The relatively low amount of $137,800 was used as seed money to develop a programme commensurate with the importance of the issues involved. The IDDA Programme emphasizes the need for the provision of local inputs to industrial and economic activities. The development of national resource inputs is considered on "the basis for self-reliant, self-sustaining, integrated, interlinked and internalized development of industry". The leather project is directly related to that IDDA objective ("A Programme for IDDA, ID/287, p. 71).

ANNEX VI

Projects financed from the $1 million IDDA allocation (1984)

	Project No.	Project Title	Country	Expenditures ($)	Section
1.	RP/ANG/84/003	Rehabilitation/expansion/ conversion of sugar industry	Angola	585	IO/SD/FEAS
2.	RP/BDI/84/001	Expert in medicinal plants	Burundi	21,457	IO/T/CHEM
3.	RP/BEN/84/001	Seminar on the IDDA	Benin	19,864	IO/IIS/PLAN
4.	RP/MAU/84/001	Seminar on the IDDA	Mauritania	44,100	IO/IIS/PLAN
5.	RP/RAF/84/024	Regional workshop on the integration of women in the industrial development process	Zimbabwe	55,989	SPA/WOMEN
6.	RP/RAF/84/028	Comprehensive case study of the CIMAO clinker factory	Côte d'Ivoire, Ghana, Togo	61,670	IO/T/CHEM
7.	RP/RAF/84/029	Assistance to African countries and institutions in the development of sectoral/functional activities within the framework of intra-African co-operation	Cameroon, Egypt Ethiopia, Kenya Nigeria, Senegal Sudan	131,140	IO/SD/TRNG
8.	RP/RAF/84/030	Promotion of technological co-operation among African countries	Algeria, Cameroon, Côte d'Ivoire, Egypt, Kenya, Nigeria, Tunisia Senegal	88,973	IPCT/DTT/TEC
9.	RP/RAF/84/031	Assistance to ECOWAS in the promotion and monitoring of the implementation of subregional industrial projects	ECOWAS Member States	45,171	IO/IIS/PLAN
10.	RP/RAF/84/032	Assistance to PTA in the promotion and monitoring of the implementation of subregional industrial projects	PTA Member States	105,505	IO/IIS/PLAN

11.	RP/RAF/84/033	Assistance to UDEAC and CEPGL in the promotion and monitoring of the implementation of sub-regional industrial projects	UDEAC and CEPGL	66,063	IO/IIS/PLAN
12.	RP/RAF/84/034	Publicity of the IDDA	All African	86,039	EPL/INF
13.	RP/RAF/84/035	Training seminar on the preparation and evaluation of industrial projects	Cape Verde, Sao Tomé and Principe Guinea-Bissau	53,851	IO/SD/FEAS
14.	RP/RWA/84/004	Solidarity meeting	Rwanda	62,257	SPA/ECDC
15.	RP/SEN/84/002	Assistance and advice on the creation of a technology transfer registration system	Senegal	11,471	IPCT/DTT/TEC
16.	RP/SOM/84/005	Assistance to the foundry and mechanical workshop (FMW), Mogadiscio	Somalia	42,255	IO/T/MET
17.	RP/SUD/84/006	Updating studies for the establishment of a pesticides formulation plant	Sudan	43,706	IO/T/CHEM
18.	RP/TOG/84/001	Strengthening the industrial documentation unit of SOTED	Togo	9,072	IO/IIS/INFR
19.	RP/UGA/84/001	Workshop on the IDDA	Uganda	31,444	IO/IIS/PLAN
20.	RP/URT/84/001	Seminar for women entrepreneurs in managerial and technical aspects of expansion of small industrial enterprises	United Republic of Tanzania	30,191	IO/SD/TRNG
21.	RP/URT/84/006	Introduction of mobile brickmaking technology	United Republic of Tanzania	145,633	IO/T/CHEM
			TOTAL	1,038,436	

Projects financed from the $5 million IDDA allocation (1985)

Project Number	Project Title	Country	Expenditures ($)	Section
1. RP/ALG/85/601	Assistance à l'institut supérieur de gestion et de planification	Algeria	193,313	IO/IIS/PLAN
3. RP/BKF/85/601	Séminaire nationale sur la stratégie industrielle dans le cadre de l'IDDA	Burkina Faso	59,500	IO/IIS/PLAN
5. RP/RAF/85/601	To strengthen the capabilities of the plastics development centre for agricultural purposes to assist Africa	Egypt	102,687	IO/T/CHEM
9. RP/ZAM/85/601	Rural industry development	Zambia	169,794	IO/IIS/INFR
10. RP/GUI/85/602	[illegible]ablishment of a pilot [illegible] demonstration plant for production of oral rehydration salts (ORS) and intravenous fluids	Guinea	1,413,254	IO/T/CHEM
11. RP/NAM/85/602	Exploratory mission for a technical visit to Namibia in the establishment of rural industry	Namibia	12,666	IO/IIS/INFR
12. RP/NER/85/602	Journées d'études sur l'industrie dans le cadre du programme de la DDIA	Niger	58,125	IO/IIS/PLAN
13. RP/SIL/85/602	IDDA National Workshop on industrial strategies	Sierra Leone	41,300	IO/IIS/PLAN
14. RP/RWA/85/603	Installation d'un laboratoire pour l'analyse et le controle de qualité des produits dérivés du quinquina	Rwanda	5,000	IO/T/CHEM
16. RP/SEN/85/603	Assistance à l'institut de la technologie alimentaire	Senegal	161,663	IO/IIS/TRNG

17.	RP/INT/85/605	Technical co-operation among developing countries in the development and transfer of appropriate technology for small-scale fuel alcohol distillery (Phase II)	Brazil, Kenya	87,246 IPCT/DTT/TEC
18.	RP/RAF/85/605	Publicity of the IDDA	All African countries	12,605 EPL/INF
20.	RP/RAF/85/606	Industrial forum for Central Africa	Burundi, Cameroon Congo, Chad, Gabon, Equatorial Guinea, Rwanda, Sao Tomé and Principe, Zaire, Central African Republic	69,444 IPCT/II/PROM
23.	RP/RAF/85/607	Analysis of the relationship between industrial projects and external debt in Africa	all African countries	34,866 PPD/SR/REG
24.	RP/RAF/85/608	Cote d'Ivoire - Formation à la mise-en-oeuvre d'une politique industrielle adaptée à l'environnement	Côte d'Ivoire 11 other countries	6,000 IO/IIS/TRNG
25.	RP/RAF/85/609	Assistance to African countries and organizations through the provision of short-term technical advisory services	all African countries	298,734 PPD/AREA
26.	RP/RAF/85/610	Integrated development programme of the leather and leather products industry in selected African countries	Tunisia, Egypt, Somalia, Niger, Mali, Burkina Faso, Sierra Leone, Guinea, Zambia, Mozambique	124,581 IO/T/AGRO
27.	RP/RAF/85/611	A survey of the iron and steel industry in African countries	Angola, Botswana, Burundi, Comoros, Djibouti, Ethiopia, Mozambique, Rwanda, Seychelles, Somalia, Swaziland, United, Republic of Tanzania, Uganda, Zambia, Zimbabwe	49,618 PPD/IPP/REG

28.	RP/RAF/85/612	Assistance to the African Regional Organization for Standardization (ARSO)	Egypt, Ethiopia, Ghana Côte d, Ivoire, Kenya, Liberia, Libyan Arab Jamahiriya, Malawi, Mauritius, Nigeria, Senegal, Togo, Tunisia, Uganda, Cameroon, United Republic of Tanzania, Burkina Faso, Guinea, Niger, Sudan,Zambia	223,962
29.	RP/RAF/85/613	Publicity of the IDDA in 1985	All African countries	54,363 EPL/INF
30.	RP/RAF/85/614	Follow-up subregional meetings for the adjustment of the integrated industrial promotion programme at the subregional level for Western and Central Africa	Western and Central Africa	185,000 ODG/IDDA
31.	RP/RAF/85/615	Africa's external debt in respect of the industrial sector	Côte d'Ivoire, Cameroon, Nigeria, Tunisia, Zimbabwe, Algeria, Liberia, Senegal, Ethiopia, Liberia, United Repulic of Tanzania	63,000 ODG/IDDA
32.	RP/RAF/85/616	Follow-up to the initial integrated industrial promotion programme at the subregional level	All African countries	188,304 IO/IIS/PLAN
33.	RP/RAF/85/617	Séminaire de perfectionnement sur le développement des petites et moyennes industries	UDEAC Member States	31,752 IO/IIS/TRNG
34.	RP/RAF/85/618	Participation of selected intergovernmental institutions and organizations at the Forum on the involvement of non-governmental organizations in the implementation of the IDDA	Selected intergovernmental organizations and NGOs	9,590 PPD/SPA/NGO
35.	RP/RAF/85/619	Strengthening the human resources in the acquisition of technology - Phase I	African countries	35,485 IPCT/IIS/TEC
36.	RP/RAF/85/620	Programme de formation sur la preparation et l'evaluation de projets industriels	CEPGL countries Congo + 4 or 6 other countries	164,525 IO/IIS/TRNG

37. RP/RAF/85/621	Establishment, strengthening and promotion of linkages between national, regional and subregional industrial technological information services in Africa and with INTIB	Nigeria, Zambia, Algeria, Cameroon, Côte d'Ivoire, Egypt, Tunisia, United Republic of Tanzania	95,300	IPCT/DTT/INF
38. RP/RAF/85/623	Training programme for the training of trainers for African Development Finance institutions	19 selected African countries	91,193	IO/IIS/TRNG
39. RP/RAF/85/624	Establishment of training capacity and capability in the field of design and production of agricultural machinery and implements	Cameroon, Sudan United Republic of Tanzania	217,225	IO/IIS/TRNG
40. RP/RAF/85/625	Formation en groupe dans le domaine de la gestion et de l'entretien des équipments frigorifiques	Selected African countries	175,160	IO/IIS/TRNG
41. RP/RAF/85/626	Training programme in the field of packaging	Morocco	137,192	IO/IIS/TRNG
42. RP/RAF/85/627	Demonstration programme on use of indigenous biomass resources for meeting energy needs	selected African countries	57,768	IO/T/CHEM
50. RP/RAF/85/639	Industrial training and consultancy services in the field of cane-sugar industry in Africa	Mauritius	92,000	IO/IIS/TRNG
51. RP/RAF/85/640	Preparatory assistance for the formulation of a programme to strengthen the training capacity and capability of the Kenya Textile Training Institute at Nairobi, Kenya, for the benefit of Kenya and other African countries	Kenya	19,509	IO/IIS/TRNG

Projects approved for IDDA financing

(as of 18 June 1988)

Pilot and demonstration plants

XA/BKF/88/661 - Renforcement des capacités d'entretien et de réparation pour le parc de tracteur agricoles et autres équipements mobiles et lourdes ($299,174)

XA/RAF/88/666 - Production of vaccines for Africa in Cameroon ($1,300,000)

XA/ALG/88/662 - Establishment of a pilot and demonstration plant for production of oral rehydration salts and intravenous fluids ($150,000)

XA/URT/88/667 - Establishment of workshops for the manufacture of school furniture and exercise books (Turkish-Tanzanian co-operation) ($257,610)

Human resource development

XA/RAF/88/668 - Renforcement des capacités de formation du CAMPC dans le domaine des PME/PMI ($101,200)

XA/RAF/88/669 - Programme de formation des formateurs aux techniques et méthodes de formation dans les institutions de financement dans les pays membres de l'UDEAC ($57,500)

XA/RAF/88/663 - Création au sein de CIGE d'une unité pilote d'intervention et de formation des femmes entrepreneurs ($321,450)

XA/RAF/88/664 - Programme de formation à la maintenance entretien et réparation industrielle ($125,000)

XA/INT/88/665 - Development of the pharmaceutical industry in Portuguese-speaking African countries ($92,850)

Institutional infrastructure

Assistance to industry for the promotion of spare parts production and the utilization of existing facilities ($143,000)

XA/RAF/88/670 - Strengthening the training capacity of the management institutions in Dakar (Senegal) and Addis Ababa (Ethiopia) (185,500)

Pilot project for strengthening training capacities in machine maintenance in selected African countries ($492,050)

NOTES

1/ It should be recalled that a similar proposal in the 1970s for the redeployment of surplus industrial capacities from developed to developing countries was resisted by representatives of industrialized countries and that developing countries were also unenthusiastic about this strategy of industrialization.

2/ Indeed, it was this lack that led to the débacle in the development of African (national) motor vehicle industries where the absence of a large number of high-quality sub-contractors made the production and inclusion of local components virtually unworkable.

3/ See, e.g., resolution taken by the Conference of Ministers of Industry at its Special Meeting Preparatory to the Second Conference of UNIDO, Addis Ababa, 16-17 October 1987. Note also General Assembly resolution A/RES/43/27 of 27 January 1989.

4/ Comment by G. Lardner (leader of the evaluation team): A modern economy grows not so much because of a given volume of investment as because of the distribution of that volume of investment among "sunrise" and "sunset" industries. These two terms are relative to the particular level and character of the economy (including linkages, mechanisms for promoting the adoption of innovations, the adaptation of the supply and quality of inputs to what happen to be identified as "sunrise" industries, and so on).

5/ United Nations, "A Programme for the Industrial Development Decade for Africa", document ID/287, Introduction, para. 3. All quotations in chapter II are taken from this document.

6/ Ibid., para. 11 on p. 28.

7/ Ibid., p. 36.

8/ Ibid., p. 34.

9/ Lagos Plan of Action, paras 60, 67 and 69.

10/ "A Programme for the Industrial Development Decade for Africa", op. cit., p. 71.

11/ Ibid., pp. 39 and 135.

12/ Ibid., paras 157, 170 and 171.

13/ Ibid., p. 172.

14/ Ibid., pp. 176-177.

15/ Ibid., pp. 53-62.

16/ Comment by G. Lardner: Amongst urgent national problems should also be included over-dependence on one or two dominant primary export commodities; the presence of enclaves, semi-enclaves and dysfunctional relations; foreign debt and debt burdens absorbing increasing shares of declining export earnings; inability to determine and exploit natural resources; too small and fragmented national markets for industrial production, etc. Investments should also be made to deal with these fundamental national problems.

17/ Comment by G. Lardner: A genuine rehabilitation programme must, if it is not to lead to increases in long-term debt and to recurrence of the phenomenon, be tied to the further development of the metallurgical and engineering industries and to the establishment of the practice of preventive maintenance (see chapter VII and Programme proposal III in chapter XII).

18/ See 16 above.

19/ Comment by G. Lardner: The role of transnational corporations and foreign private enterprise in African economies today, whilst not examined in this report, is graphically and briefly described in para. 131 of chapter IV and in paras 165 and 166 of this chapter V.

20/ Comment by G. Lardner:
A great deal of emphasis is now placed on the criterion of internal rates of return. This marks a step backwards from the recognition of the crucial role of externalities associated with linkages and concepts of social cost-benefit evaluation in cost/price relations, especially in developing countries.

21/ Comment by G. Lardner: A wider approach to the role of the public enterprise in Africa's future would require envisaging the world of the 1990s (not of the 1980s) and beyond: a world of "Fortress Europe" and "Fortress North America"; of the rise of the Pacific Basin countries and of India and Brazil; of transnational corporations pursuing the optimization of returns from financial and physical assets on a global basis; of increasing inbalances between the Africa's demand for and the rest of the world's supply of factor inputs (foreign invest flows); of steadily increasing shares of world trade being moved along inter-company channels, insulated from free market competition; of weak private sectors in Africa disconnected from a revitalized public sector and increasingly attached to foreign private enterprise etc.

22/ Comment by G. Lardner: One of the most critical weaknesses in planning in Africa is the failure to relate financial calculations of investment requirements (or money savings) to real factor input supplies. Many plans assume a high proportion (sometimes as high as 70 per cent) of financial resources as mobilizable from within the economy. These calculations (usually in US $) rest on the assumption that local money can buy the same range, quality and quantity of domestic factor inputs as foreign money can obtain from abroad. If this were true such countries would be among the most advanced of the newly industrializing countries. In reality, these plans are crippled far more by a huge domestic factor input supply gap than by the foreign exchange gap of which so much is made.

23/ Comment by G. Lardner: This definition ignores external dependence for factor inputs supplies (a major cause of external debt); the need to develop capital goods production in Africa south of the Sahara. It is remarkably similar to industrial development philosophies proposed for Africa in the 1960s, 1970s and early 1980s.

24/ See note 16.

25/ Comment by G. Lardner: In whatever guise it comes, the development contract would not serve the objectives of self-reliance, self-sustained and willed futures. It could easily lead to the creation of new enclaves, etc. This proposal should be taken together with the others such as the new definition of self-reliance and the proposal about "re-balancing", etc. Attention is invited to the comments from Eastern Europe on the African situation in later paragraphs of this chapter.

26/ Comment by G. Lardner: The bulk of productive activity in most African countries today is carried out by the private sector. The foreign private sector dominates urban business in most countries. Note paras 131 in chapter IV, 165 and 166 in chapter V and 241 in chapter VI.