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STRUCTURAL ADJUSTMENT AND
MANUFACTURING IN SUB-SAHARAN AFRICA

Report to UNIDO's mid-July Experts
Meeting in preparation for the
Regional Workshop on Strategic
Management of the Adjustment
Process in the Industrial Sector
in Africa

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INTRODUCTION

In both the adjustment policies undertaken in the 1980s and the emerging strategies of longer term development for the SSA region in the 1990s articulated by western donors and the leading international institutions, both the place of industry - currently and in the future - is notable more for its absence in discussion and policy prescription or by the minor role that it is given. For instance in its first report on SSA, the World Bank proposed an agriculturally-oriented strategy with "industry in a supporting role, stressing that "the pace of industrialisation should not be forced" (1981:95). In its last report of the decade (World Bank and UNDP, 1989), industry is hardly given a mention at all: in the key chapters on "Policy Reforms" and "The Impact of Reforms", discussion of industry is entirely absent.

In the latter years of the past decade, when industrial issues have at least begun to appear on the agenda for attention in relation to short term structural adjustment policies (the 1989 report notwithstanding), these have tended to focus most particularly on the following issues: low levels of capacity utilisation and proposals for closing down particular unprofitable industrial undertakings; the high cost nature of African industry dominated by inward-looking/domestically-oriented production which is internationally uncompetitive; the selling off to the private sector of industries that are state-run and the high proportion of national and scarce foreign exchange resources which have been and are channelled to the industrial sector. In an attempt to reduce costs, increase overall efficiency and save foreign exchange, closing down factories has been a policy option emphasised more than rehabilitation¹. In brief, throughout the 1980s the major thrust in policy has been away from industrial expansion and towards industrial contraction, with other alternatives such as either a form of restructured industrialisation building upon present enterprises or even the maintenance of the status quo receiving little attention.

As for the longer term, if industry has been given a role it has been, at best, to place it within the overall framework of resource-based (or agriculturally-based) development, thus giving it no distinct or different place in future development. Relatedly, there has been very little rigorous analysis of the precise place of industry in the 1990s even in its down-graded role.

There are three reasons why this down-playing of the role of industry in both short term adjustment policies and in discussion of longer term development in Africa is surprising. First, industry and industrial development were given pride of place in almost all former long term strategies for African development drawn up by individual countries, often with the advice and consultation of the international agencies. Second, and relatedly, the pre-eminence (or bias) given to industry in the development process did not arise from the whim of either African scholars or the newly independent governments of African countries: it was rooted in mainstream analyses and theoretical insights of the development literature and has persisted down to the present day. Finally, the 1980s have witnessed no lessening of the emphasis placed on the role of industry in debates and strategies for long term development within Africa. Indeed, the 1980s have been termed the "Industrial Decade for Africa". In fact it is not an exaggeration to argue that over the past decade, in parallel with a process of de-industrialisation at work in a number of African countries, industry appears to have been given an even more prominent role in consensus policy statements emanating from African countries and their leaders. Not only have these continued to re-affirm in general terms the importance of industry in the process of development of the sub-Saharan African region but the two key policy documents to come from and initiatives proposed by African leaders in the 1980s - The Lagos Plan of Action for the Economic Development of Africa, 1980-2000 and A Programme for the Industrial Development Decade for Africa - have both highlighted the central place of industry in Africa's long term development.

The strong contrasts between the emphasis given to the role of industry within Africa by African governments and their advisers, its virtual absence in policy debate emanating from outside Africa² and the implicit downgrading of industry in structural adjustment programmes, all raise a series of questions for African development for the 1990s.

Are these differing views on the role and place of industry in future African development merely differences in emphasis or do they represent differences of substance? If they are differences of substance, is this a reflection of new theoretical insights into the process of development? If not, then the question arises whether the down-grading of the role of industry, apparent in so much contemporary policy discussion, might leave Africa more underdeveloped and backward at the end of the 1990s than if an alternative pro-industry strategy were adapted.

The provision of up-to-date information on industrial performance and the parameters around which the choice of future paths must needs be drawn should help to clarify controversies between those within Africa who have continued to maintain the primacy of industry in development and the external sceptics who have downgraded its role. ODI's 1987-1989 research programme is an attempt to fill this important gap in the literature on recent African development and future prospects for the region by providing in-depth analyses of manufacturing industry in seven key countries of sub-Saharan Africa: Botswana, Cameroon, Cote d'Ivoire, Kenya, Nigeria, Zambia and Zimbabwe.

The countries chosen are both sufficiently diverse and also sufficiently important in terms of their contribution to the whole SSA region as (potentially at least) to form the basis for important insights to be drawn. Thus, the seven countries combined account for some 40 percent of the total population of SSA and for 60 percent of the total GDP of the region³. Additionally, they include those in both English and French speaking Africa, big and small economies, those characterised by

substantial differences in the contribution of agriculture to their economies, different degrees of urbanisation and by different patterns of growth. In relation to manufacturing in particular, the seven include those in which manufacturing sector development has occurred in the context of widespread controls and interventionist policies and those in which the policy context has been far more open and market-oriented.

It would, however, be a mistake to draw the conclusion that therefore these seven countries in some way "represent" the general situation of manufacturing in SSA and that common features from these case-studies can be readily applied to the other 40 or so countries of the sub-continent. In part this is because one of the conclusions emanating from the case-studies is that the pattern of manufacturing development has been very different from country to country and that particular circumstances have had a significant impact in the evolution of the sector in each of them. While such a conclusion does not mean that no generalisations can be made across the continent, it does suggest that one needs to be particularly wary of those who readily advocate detailed policy prescriptions across the entire sub-continent or, perhaps more importantly, of those who believe that the conclusions drawn from this (or any other group of countries in SSA) can be applied willy-nilly to countries which have not been the subject of analysis.

More substantially, however, a red warning light needs to be displayed for those wishing to use these particular case-studies as a means of understanding the process of industrialisation in other African countries. This is for the simple reason that the choice of the majority of countries was deliberately biased towards "successful" manufacturing development. One of the most important criteria for country selection was to pick countries in which significant manufacturing capacity exists and/or where, over the past 25 years, expansion and progress has occurred - in the overall context of a continent which, in aggregate, has singularly failed to industrialise. Thus, out of 10 countries in SSA with a ratio of Manufacturing Value Added (MVA) to GDP of

over 10 percent in 1980, five are included in the current case studies. Together, the seven selected account for 60 percent of the total MVA of the 47 countries of SSA (40 percent if Nigeria is excluded)*.

Of course to group these countries together under the term "successful" is not meant to imply either that the process of industrialisation has been without blemish or that problems have not arisen which could/might impede the continuation of expansion and/or deepening of the manufacturing sector. Indeed in some cases, for instance Côte d'Ivoire, it is argued that the widely-held perception of industrial success is largely misplaced. Nonetheless, almost all of the seven countries (with the partial exception of Zambia) have achieved industrial expansion on a par with the best in the sub-region. Past success, however, is by no means a guarantee of success in the future. Indeed another conclusion is that unless policies are altered, in some cases quite dramatically, it is likely that the successes which have been achieved will be at risk in almost all the countries.

On the other hand, it is to be hoped that the evidence provided in and the discussion of these seven case-studies will help to throw light on two important questions for African development. First and rather negatively, in isolating those factors which have led to expansion of the manufacturing sectors in these selected countries, we should be more able to understand why the majority of African countries have failed to set in motion a process of sustained industrialisation. Second, by analysing in some detail the evolution of manufacturing in these (mostly) "vanguard" countries, together with their prospects for further expansion into the 1990s, we should be in a better position to appraise the extent to which, in the context of the constraints facing African development as the 1990s begin, the route to development which provides a role for further industrialisation is a realistic strategy to be followed.

OVERVIEW OF INDUSTRIAL PERFORMANCE

The Importance of Non-manufacturing Sector Growth

Rates of growth of Manufacturing Value Added (MVA) and the share of MVA in Gross Domestic Product (GDP) are two key indicators commonly used to evaluate the performance of the manufacturing sector and to judge success. On this basis, the seven countries selected for detailed analysis - Botswana, Cameroon, Côte d'Ivoire, Kenya, Nigeria, Zambia and Zimbabwe - would each be judged successes, certainly in the SSA context and, at least in relation to growth rates of MVA, internationally. This is confirmed by the trends shown in Table 1. All of the countries except for Botswana and Nigeria have MVA/GDP ratios higher than the SSA average of 10, Zambia double and Zimbabwe three times the regional average while Botswana and Nigeria have experienced the longest sustained expansion of MVA of all countries in SSA. All seven countries have had higher annual growth rates of MVA in the 1980s than the SSA average, four out of the seven having higher growth rates of MVA in the 1965 to 1980 period - an average figure itself raised significantly by the inclusion of Nigeria.

Even though (as will become clearer below) rates of growth of MVA and the MVA/GDP ratio in isolation give a partial and, in the end, wholly inadequate basis for judging "success", it is still important to try to understand why for the selected countries these particular indicators have been amongst the highest in SSA from the 1960s to the end of the 1980s². This question is approached, and the subsequent discussion structured, by examining the different sources of growth of manufacturing output.

For the purposes of the sources of growth analysis³, manufacturing output growth is decomposed into three elements: domestic demand, import substitution and export growth. Difficult though it often is to gather long term sources of growth data, these were calculated or made available for five out

of the seven countries (Botswana, Cameroon, Kenya, Nigeria and Zimbabwe)⁷. Across all of these economies, the results consistently show that the predominant source of growth of manufacturing has been domestic demand. For Botswana 54 percent of output growth was derived from domestic demand, for Cameroon about 55 percent, for Kenya 69 percent, Nigeria 76 percent and Zimbabwe 72 percent⁸, while for Côte d'Ivoire and Zambia (where these particular data could not be derived or were unavailable for more than a short time-period) the case-studies suggest that domestic demand has been no less important⁹. Additionally, as the case-studies also stress, manufacturing growth has been dependent on access to sufficient amounts of foreign exchange required in order to finance both the purchase of plant and equipment and a significant proportion of inputs, which the manufacturing sector itself has in large measure been unable to earn. In the pre-1980s period, rapid growth of MVA was significantly enhanced by expansion of the more dominant productive sectors, led most frequently by agriculture¹⁰. In the 1980s, however, it was policies adopted to address broad macro-economic distortions (and therefore largely external to either agriculture or extractive industries) which played a major role in the slowdown in manufacturing growth in six of the seven countries, while, in the unique case of Botswana, it was a combination of a favourable macro-economic climate and rapid expansion of the leading (non-manufacturing) productive sectors which boosted manufacturing sector growth.

It would thus appear that a major cause of manufacturing growth in SSA has had its root in the establishment of an environment conducive to steady expansive growth outside the sector itself and principally primary product-related. As this conclusion seems to be confirmed for those countries in SSA with the most advanced manufacturing sectors, it would seem safe to add that for countries of the region with even smaller manufacturing sectors (the vast majority), substantial growth of manufacturing would be highly unlikely to take place unless their leading productive sectors were also experiencing sustained growth and expansion.

Table 1

Growth Rate of MVA and Ratio of MVA to GDP
Case Study Countries and SSA Averages

Country	MVA/GDP 1986	Growth Rate of MVA		Comment
		1965- 1980	1980-1986	
Botswana	6	13.5	6.2 ³	Highest growth rate of MVA in SSA
Cameroon	12	7.0	5.4 ²	Given its size, most rapid increase in MVA in SSA post 1980
Côte d'Ivoire	16	9.1	2.8 ¹	Higher than average on all three scores
Kenya	12	10.5	4.1	Higher than average on all three scores
Nigeria	8	14.6	1.0	Greatest Growth in absolute MVA in all SSA
Zambia	20	5.3	0.6	Largest increase of MVA/GDP ratio in SSA 1965-80 (6% to 20%)
Zimbabwe	30	4.0 ¹	1.3	Highest MVA/GDP ratio in SSA
All Sub-Saharan Africa	10	8.5	0.3	

Source: World Bank, (1983) World Development Report 1983, Tables 2 and 3.

Note: 1. Own calculations from national sources, see Part II.
2. World Bank data not used, rather EIU and country case study estimates for 1985 and 1986.
3. See text below for discussion of this particular estimate.

It is important, however, not to over-emphasize the role of domestic (and as we shall see, sub-regional) demand in stimulating the expansion of manufacturing output: predominant does not mean exclusive. The figures quoted above of the share of growth attributable to domestic demand also imply that a far from insignificant part of output growth originated in import substitution and/or export growth - ranging from 24 percent for Nigeria to 46 percent for Botswana - with the data suggesting,

tion, that the absolute size of a country's manufacturing sector does not appear necessarily to have provided either a particular benefit or impediment to achieving high relative shares of these items in overall output growth. We thus need to examine trends in these particular sources of growth in more detail.

The Poor Record of Manufacturing Exports

When the contribution to total manufactured output of export growth and import substitution is analysed over different time periods, what is particularly striking is the manner in which key features have been common to all the countries for which data are available, with a number of them also occurring in similar historical sequence. For instance, after domestic demand the next most important source of output growth has always been import substitution, accounting in all countries, frequently, for four and five times the contribution made by export growth. Additionally, it has not been uncommon (in Nigeria, Kenya and Zimbabwe, for instance) for export growth to make a negative contribution to output growth for certain manufacturing sub-sectors, particularly over more recent time periods. Not only is the share of output originating in export growth extremely small but the case-study data for all the countries show that manufactured exports make only a minor contribution to total output - indeed in most of the countries (Botswana is the exception here and Cameroon for a short period) manufactured exports have declined in fixed price terms over long periods since the early 1960s.

Other trends also indicate that the relative importance of export growth in overall production has consistently declined in countries for which these trends can be analysed with some sense of reliability¹¹. Thus for Cameroon, for instance, export growth accounted for 17 percent of manufacturing output growth in the early 1965 to 1970 period but more than halved to eight percent in the period 1970 to 1975. For Kenya, the export/output ratio dropped from over 20 percent in the early 1960s to only seven

percent by the mid-1980s, while in the case of Zimbabwe the ratio fell rapidly from around 17 percent in 1978/79 to 10 percent by 1982/83 following a trend begun in the early 1960s.

Not only have manufactured exports constituted a small and falling proportion of total output growth but these exports have tended to be dominated by further processed (largely agriculturally-linked) goods destined for markets outside SSA, thus to many analysts not - strictly speaking - manufactured exports at all. In contrast, if the major exports of processed primary products are excluded, the remaining and far smaller quantities of manufactured exports have predominantly been destined for countries within SSA, usually going to near-neighbours. It is more than coincidence that for the three countries (both from the case-studies and in the SSA region as a whole) with the largest value of manufactured exports over the post-1960s period - Côte d'Ivoire, Kenya and Zimbabwe¹² - all were initially the most industrially developed in their respective regions of the continent. For each of them, in the early years especially, these regional markets were often little more than an extended domestic market, an advantage originating in their being administrative centres in the pre-Independence period and enhanced, but probably not critically determined, by the establishment of regional trade agreements¹³.

It has, however, become increasingly difficult for these "regional export-leaders" to maintain their share - and in some cases even the absolute amounts - of regional trade in manufactures. Two main factors would appear to have contributed to these trends. First, non-African countries have grown increasingly successful in recent years in supplying the African market with manufactured goods. Thus between 1970 and 1984, for instance, imports of manufactures to developing African countries (UNCTAD definition) increased more than fivefold to \$40.5 billion. Of this amount, only \$650 million (a mere 1.5 percent) were supplied from within Africa compared with a still small, but significantly larger, four percent which developing Africa supplied in 1970 (UNCTAD, 1987:104-105). The second factor

relates to the small, yet in African terms significant, rise in manufacturing industry in other countries of the continent which have expanded the manufacture, in particular, of more simple, consumer-oriented products already manufactured by their neighbours¹⁴. The main industries here would include basic food industries, textile and/or clothing, wood and furniture, beer and beverages. The recent expansion of manufactured exports from Zambia into regional markets would, for instance, be part of the phenomenon of largely replacing products from third African countries. Equally the case of Cameroon is of interest because it managed to expand its regional manufactured exports up to the mid-1970s, exploiting markets before its neighbours began their own import-substituting industries. But in recent years it, too, has lost market shares: the ratio of manufactured to total exports had fallen to a low of just over one percent by 1982 and, at least in proportional terms, failed subsequently to recover.

In brief, the longer term trends in the role and position of manufactured exports in the evolution of the sector in SSA (a slightly more complex relationship than is often thought) can be generalised in the following manner. The absolute quantity of manufactured exports from SSA has remained minute, especially when processed primary products (including refined petroleum products or copper) are excluded. Additionally, at least over the past 20 years, not only has there been no marked movement from production for the domestic market to production for the regional market and finally to production for the overseas market¹⁵, but there has tended to be a retreat in recent years to a more exclusive reliance on the domestic market.

Reasons For Poor Export Performance

It is one thing, however, to isolate common trends, another to establish their causes. The conventional and widely-shared explanation for these trends runs along the following lines. The failure of manufacturing industry in sub-Saharan Africa to become more export-oriented lies in the fact that it is not competitive

internationally - probably because it never was and certainly because it has tended to become ever more high cost over the past two to three decades. Additionally, it is argued that its high cost structure has been due to inefficiencies originating in and perpetuated by rising levels of protection and the erection of other barriers to external competition, such as the persistence of over-valued exchange rates but, most especially, through quantitative restrictions placed on competing imports. The conclusion commonly drawn is that if the trends of the past two to three decades are to be reversed then priority should be given to policies aimed at reducing tariffs, eliminating quantitative restrictions and at ensuring that there is far closer alignment between the nominal and real exchange rates.

Does the evidence in the case studies confirm this conventional explanation and its policy conclusions? The answer is: only partially! To begin with, it is of more than passing interest to know that until recently (from the 1980s onwards), there was little if any concerted effort put into promoting manufactured exports, especially to destinations overseas, except for processed agricultural and mineral products. As a result a "climate" encouraging manufacturers to look for, promote and expand into markets beyond their borders or those of their near-neighbours was never established. Indeed a combination of, often, the absence of trade promotion activities targeted to manufacturers and few or minimal export incentives reinforced each other and effectively dampened any ambitions manufacturers might have had to try to penetrate and obtain a sure foothold in export markets.

The principle role that appears to have been assigned to manufacturing in SSA was to establish plants and factories in order to manufacture goods predominantly for the domestic (and regional) markets in the attempt to replace imports and hence reduce the overall import bill. That this provides an important element in explaining the low level of manufacturing exports is confirmed by policy changes initiated in the 1980s. In a number of countries - Kenya, Zambia and Zimbabwe - this period saw the

expansion of non-traditional manufacturing exports, especially in the mid- to late 1980s, as a result of explicit export promotion policies and the establishment or extension of export incentives. Important though these developments have been, however, they need to be placed in a broader context. Thus, it has to be acknowledged that the overall effect on raising the export/output ratio has been at best modest, at worst negligible. Additionally, in those countries where manufacturing industry has been relatively "long established" - all of the case studies, with the exception of Botswana - and where some successes in expanding into the export field in recent years have occurred, there have been only very few examples of firms originally oriented to the domestic market switching significantly to the export market - an important issue, to be discussed further below. For most enterprises, exporting has only been possible on a "marginal cost basis" with overall costs covered through charging higher prices on the domestic market or else, as appears to have occurred in Zambia, as a result of government subsidies¹⁴.

Does, then, the evidence confirm that a major reason for the increasing inward-looking nature of manufacturing arises from its increasingly high cost structure vis-à-vis competitive imports? Here the case-study evidence is far from unambiguous. While for a range of industries in most countries studied comparative price data indicate that domestic prices are higher (often considerably higher) than border prices, the evidence from a number of countries, including Zimbabwe, Cameroon, Kenya and Côte d'Ivoire indicates some contradictory trends. In these countries international competitiveness across a range of industries has been maintained in a climate of rising protectionism; indeed there is evidence to suggest that competitiveness between firms in the same industry differs often quite markedly and that the degree of competitiveness has increased for certain firms over time. For a number of firms, albeit the minority, production has always been export-oriented with well over 50 percent of output destined for the export, and not uniquely, for the extra-regional market. What this sort of evidence suggests is that the

prevailing policy framework and trade and tariff regime in these countries does not provide anything like a complete explanation for the internal/external orientation of manufacturing in SSA. Other factors are clearly involved: in all these countries other policy measures (particularly export incentives) have been able to narrow price differentials considerably. Additionally, in regard to the exchange rate, the evidence from Kenya and Zimbabwe and from the francophone countries suggests that this has not been "excessively" over-valued.

It is in the context of this discussion that the important case of Botswana needs to be considered. Botswana appears to be an exception to the general trends in three significant ways. First, the growth of manufactured exports in the ten year period to the mid-1980s accounted for a higher share of output growth than for any of the other countries in the same, and in some cases in any other, period. Second, manufactured exports (excluding meat slaughtering) have expanded at a rate of over 15 percent a year in the 1980s (to 1987, at least). Finally, the environment for the development of manufacturing in Botswana is characterised both by minimal external protection and by policies which determine that the prices of manufactures domestically produced should be similar to the price of competing imports. To deduce, however, that Botswana's manufacturing export successes have been due to its trade and tariff policies would be premature. Three other factors need to be considered. One is that, in contrast with the other case-study countries, there has always been a "climate" of exporting in Botswana. Additionally, it is important to remember that Botswana's manufacturing base and, even more, its non-traditional exports constitute a tiny volume of goods. Most importantly, however, is the fact that not even Botswana has managed to break out of its dependence on regional markets for its manufactured exports - less than five percent of its non-beef manufactured exports went to destinations other than Zimbabwe or South Africa, a share not dissimilar to most of the other case-study countries. It does not seem, therefore, that in Botswana minimal tariff barriers and a competitive exchange rate provide exclusively or even

predominantly on adequate basis for the creation, or expansion, of export-oriented manufacturing.

Returning to the general discussion, understanding the sequence of the origin of the problem and the policy response in relation to the current lack of international competitiveness of much of manufacturing in SSA has important implications for attempts to redress the problem and to diversify the structure of manufacturing. Thus, if recent events are any guide to current policy decisions it would appear that efforts to alter the structure of manufacturing and, in particular, attempts to raise both the level and share of exports in total output, are highly unlikely to succeed by tinkering with tariff levels and rapidly opening up manufacturing to internationally competitive forces unless and until changes are made to address the problems of comparative inefficiency at the enterprise level. What is more, there is little to suggest in the case-studies that drives to create more domestic competition and to remove the power and control of large firms in particular industrial sub-sectors will be likely to lead to a rapid expansion of manufactured exports. Indeed recent cross-sectional evidence would tend to confirm the view that such an approach is likely to be counter-productive¹⁷. Even the Botswanan experience would tend to confirm that a liberal trade regime is inadequate, in isolation, to create a strong manufacturing sector capable of competing internationally. What would appear to be needed, in general terms, is an overall commitment by the management and supported by politicians and financial institutions, to improve efficiency through implementing a range of policies aimed at raising productive efficiency¹⁸. What is required is typically a package of factors which would include the following: more appropriate machinery, "new" management techniques, research and technological capabilities, innovative ways of raising labour productivity, systematic attempts to enter new non-domestic markets with higher quality products packaged more attractively, attempts to reduce comparative transport disadvantages, the provision or extension of export credit guarantees and facilities to minimise foreign exchange risks.

The importance of this conclusion is confirmed by examples from some of the case studies which show that manufacturing firms (in the textile sub-sector especially, but also in others) with, until recently, little or no previous tradition of exporting outside the continent of Africa have now succeeded in establishing themselves, especially in EEC markets, following some or all of the following changes: the re-equipping of their factories with new or less antiquated plant and machinery, the mounting of a sustained export drive, often with state assistance in penetrating new markets, substantive changes in worker/machine relationships and new management techniques¹⁹. What is more, international experience suggests that such a conclusion is far from unique to SSA²⁰.

The Record of Import Substitution

Returning to the sources of growth analysis, we need to consider the third element, namely import substitution. Two initial features should be noted. First, in the countries for which evidence is available, import substitution has been a significant source of manufacturing output growth in at least one phase of the country's industrial history: it accounted for 30 percent of output growth in Nigeria from 1963 to 1973; for 37 percent in Botswana from 1973/74 to 1984/85 and for 18 percent in Kenya from 1970 to 1975. Of importance, too, in two countries for particular (albeit relatively short) periods of time, import substitution constituted the major source of growth: accounting for 55 percent of output growth in Zambia in the late 1960s and for 54 percent of output growth in manufacturing in next-door neighbour Zimbabwe from 1952/53 to 1964/65. Yet the second feature which the case-study evidence reveals is that, while the degree of import substitution has varied from country to country, the overall impact appears to have been minimal in all but one of these countries (the exception being Zimbabwe). It has resulted neither in a very significant degree of inter-linkages with other sub-sectors of manufacturing (or to other productive sectors of

the economy (excepting, of course, further processing of primary products), nor to a significant fall in the importation of even simpler consumer goods. What this suggests is that the process of substituting for imports has tended to be arbitrary, confirmed by other evidence which also indicates that in many of the countries a large and, not unusually, a growing absolute quantity of manufactured imports still consist of consumer goods.

How does one explain this limited progress and patchy performance? A conventional view of import substitution in SSA is that it was aimed initially at replacing the high level of simpler consumer-good imports, its advocacy being linked to the substantial and/or expanding level of domestic demand for these products and to the fact that their manufacture required fairly simple machinery and techniques of production, few skills and frequently (though not always) a proportion of inputs which were locally available. SSA has not advanced far along the road of import substitution, it is argued, because this "easier" phase has been completed in increasing numbers of countries in the region and import substitution policies pursued in relative insularity tend to "get stuck"²¹. In the literature on African industrialisation, this view has commonly been put forward and frequently propounded as a complete and sufficient explanation for both the shallowness of African industrialisation and the fall off in the relative importance of import substitution over time.

This interpretation, however, remains incomplete, leaving as it does a range of questions unanswered. Why, for instance, has the extent of import substitution achieved tended to vary so markedly from one country to another, why, as just noted, does such a high quantity of consumer goods still have to be imported and why is it that the process of import substitution has been sustained for far longer periods in some countries than in others? To what extent has the "slowdown" in the process of import substitution been due to "natural" factors rather than to the absence or decline of additional steps to promote the establishment of new and non-consumer oriented industries? To

which also needs to be added the question of the alternative on offer.

But perhaps the first question to ask is whether this simple view of import substitution is borne out by the facts. The case study evidence throws this into some doubt. To start with, import substitution, for instance, in Nigeria, Côte d'Ivoire, Kenya, Zambia and Zimbabwe was by no means exclusively confined to the replacement of simple consumer goods: there was a deliberate policy to establish more sophisticated industries, at different time periods in the case of the first three countries listed.

Additionally, the evidence fails to show that the share of output growth attributable to import substitution declined over time. In Kenya, for instance, the relative contribution of import substitution to overall output expansion appears to have risen from the late 1960s to the early 1970s and, after a period of decline in the late 1970s, to have continued expanding in the early 1980s, with some sub-sectors recording their highest relative expansion in import substitution in the later period. Nonetheless, and in spite of these apparent advances, even by the early 1980s Kenyan industry was not markedly diversified. In Nigeria, although the overall figures tend to confirm a relative decline over time in the share of import substitution in overall growth, the figures probably conceal more than they reveal because, as the case-study argues, import substitution in Nigeria has been very shallow, with the rise in the expansion of investment goods in the period 1973 to 1983 (compared with the period 1963 to 1973) due predominantly to the setting up of (high-cost) vehicle assembly plants. For Botswana, in the period 1973-74 to 1984/85 and following annual growth rates of 13 percent for the previous eight years, import substitution accounted for nearly 40 percent of output growth²². The Zambian case-study is also of relevance here because it shows that in spite of the high degree of import substitution, especially in the late 1960s, and a rapid and prolonged rise in the MVA/GDP ratio (see Table 1, above), dependence upon imports in the more

sophisticated sub-sectors of industry has tended to rise over time, while over the past two decades there would appear to have been little if any substantial structural shifts occurring within the sector.

The most interesting results, however, come from Zimbabwe where, in contrast with the other six countries, the degree of inter-industry linkages is high and the level of imported to total inputs is low, at least in contrast with other countries of the SSA region. There has developed in Zimbabwe a quite complex level of inter-action both between and within different manufacturing sub-sectors and forward to the agricultural, mining, construction and transport sectors, while, additionally, the imported to total inputs ratio has declined progressively at least over the last two decades²³.

These characteristics and the fact that the manufacturing sector accounts for some 27 percent of GDP point to considerable and relatively comprehensive import substitution having taken place in Zimbabwe. What is more, the sources of growth analysis strongly supports this conclusion. The Zimbabwean experience also shows that the process of import substitution has managed to lead to the production of a range of products of a quality high enough for them to be internationally traded. Finally, firm level evidence shows that import substitution has been continuing throughout the 1980s saving tens of millions of dollars of foreign exchange, even though in aggregate the decomposition of the sources of growth data tend to suggest that import substitution has now all but ceased.

Lessons From Zimbabwe

Clearly if Zimbabwe has been able to develop its industrial base in the manner described, there would appear to be no a priori reason why other countries in SSA could not also have initiated strategies of sustained and comprehensive import

substitution with as high a proportion of industrial growth derived from import substitution activities (30 percent and over) as Zimbabwe clearly did for almost 30 years. For this example to be replicated, however, one would need to attempt to isolate those factors which led Zimbabwe to succeed in reaching a level of import substitution and depth of its manufacturing base not achieved elsewhere in SSA²⁴ as well, perhaps, as pinpointing impediments absent in Zimbabwe but influential in preventing such development in other countries.

The Zimbabwe case-study discusses in some depth the reasons for its successes as well as stressing some of the weaknesses, inadequacies, unique historical circumstances and elements of good fortune which played a part in the evolution of the manufacturing sector. Some of these relate to developments within the manufacturing sector itself, others to policies and incentives within the wider economy. The most important factors highlighted (albeit at different points of time) would include the following:

government support for industrial promotion and expansion, a sustained period without balance of payments problems, a long period of overall growth and continued diversification in the rest of the economy, a fairly developed and efficiently operating supporting physical, transport and financial infrastructure, a developed capital market, high levels of local management and engineering skills, knowledge of production processes and ability to adapt machinery to local conditions, international confidence in the economy leading to inflows of foreign investment and technology (in the crucial pre-UDI period), trade agreements which ensured relatively captive neighbouring and larger markets for goods, tariffs and quantitative restrictions which provided protection to newly-established firms and, in the case of some firms, the payment of subsidies.

What seems to have been important for Zimbabwe was not so much that one or other characteristics featured more strongly at one point of time but rather the convergence of so many supportive elements for long periods of time, together with the ability of both the government and manufacturers to adapt as

circumstances, internal and externally-induced, changed - shown most clearly during the phase of the Unilateral Declaration of Independence (UDI). In contrast, most of the other case studies point to particular weaknesses in their own manufacturing history. For instance, the Botswanan, Kenyan and Zambian studies refer to the crucial role of management in pinpointing short-term success and more prolonged failure to sustain industrial expansion and deepening. For its part, the expansion of manufacturing in Côte d'Ivoire was due in no small measure to competent management, the weakness being its expatriate nature. Failures in Cameroon's attempts to expand heavy industry are attributed to poor technical design and inadequate infrastructure, especially power supplies, while for Kenya the fragility of the country's engineering base is mentioned as an important constraint. For Nigeria, inadequate levels of high-level manpower, an over-dependence upon oil revenues, politically-motivated decisions and the availability of greater incentives to entrepreneurs engaged in commerce are all highlighted as causes of failure to expand industry and develop successful import substitution industries - the lack of incentives for entrepreneurs also being a point highlighted in the case of Kenya. For Côte d'Ivoire, in a generally protection-free environment in the early post-independent years, the incentive system discriminated against the establishment and expansion of intermediate and capital goods industries.

Besides these specific impediments there were more widespread problems which arose or were far more prevalent and which contributed to the particular pattern of industrialisation which developed. Thus in Kenya, Nigeria, Côte d'Ivoire, Cameroon and Zambia, pressures to expand the sector more rapidly in the face of inadequate domestic skills, markets and a reliable supply of inputs led both to an uncoordinated establishment of enterprises and a number of substantial industrial failures, often concealed (until the 1980s when cost-cutting exercises became more urgent) by government bail-outs and escalating subsidies. In countries like Côte d'Ivoire, Zambia, Cameroon and Nigeria, at different time periods, politically-inspired

pressures to promote state-owned industries without adequate overall planning, in the absence of adequate infrastructure, with inadequate local and, not infrequently, foreign personnel all played a significant role in establishing and perpetuating inefficient industries. These pressures have by no means disappeared in the late 1980s as, for instance, the Ajaokuta steel plant in Nigeria provides testimony.

1980s CLUSL-UP:SEEKING EXPLANATIONS FOR THE POOR PERFORMANCE IN THE PRESENT DECADE

An important set of questions concerning post-independent industrialisation in SSA is raised by the apparent abrupt changes in overall performance in the 1980s compared with the 1960s and 1970s, the summarised details of which are reproduced in Table 2, below. Why was it that, in general, growth rates in manufacturing fell dramatically in the 1980s? Relatedly, however, why was it that, against this general trend, manufacturing growth rates in Cameroon and Botswana remained buoyant, Botswana's growth rate (according to World Bank data) amounting to over twice the rate of growth of manufacturing of all middle-income developing countries. Another question to ask in the light of the previous discussion is why Zimbabwe's manufacturing sector did not return to its steady pre-Independence rate of growth? Finally we need to ask why the 1980s - at least in the period 1980-86 - appear to have been characterised by so much volatility in growth rates in so many of the case-study countries, but why the expansion in Cameroon and Kenya appears, in contrast, to have been smooth and steady.

The External Environment

An initial explanation for the dramatic fall in growth rates of MVA lies beyond sub-Saharan Africa to the performance of the major actors in the world economy. In the period, 1980 to 1986, the average growth rates of the leading industrial economies dropped by 30 percent to 2.5 percent a year compared with the previous period, 1965 to 1980, the drop in their annual import growth being even greater, falling off by 36 percent to 4.3 percent a year (World Bank 1986, Tables 2-16). This slowdown in the growth of world production and trade itself adversely affected world prices of commodities leading to an even greater deceleration in industrial growth in the developing economies: the index of agricultural raw material prices fell from 100 in 1980 to 72.0 in 1986, metal prices from 100 to 65.5 (IMF,

International Financial Statistics Yearbook 1988, p. 184-185). For all middle-income economies, average growth of MVA fell from 8.2 percent for the period 1965 to 1980 to 2.5 percent from 1980 to 1986, with growth rates falling by more than half in 25 out of 29 countries for which World Bank data were available. It is thus apparent that the slowdown in manufacturing growth in SSA was part of a far wider phenomenon.

For the countries of SSA with (as the case-studies have indicated) their manufacturing sectors oriented predominantly to domestic demand and their inputs of both raw materials and machinery, spares and equipment highly dependent upon imports, the effects of trade volume and price contractions on the overall level of imports and on aggregate growth had particularly adverse, although indirect, effects on most industrial sectors. As the data in Table 2 show, substantial contractions in GDP growth rates and in export and import expansion rates coincided with major falls in MVA for most countries. In contrast, in the case of Cameroon, MVA expanded as did GDP growth rates and exports, while for Botswana, annual GDP growth still remained astonishingly high, above 11 percent, coinciding with only a relative slowdown in MVA.

Table 2

Annual Average Growth Rates of Selected Indicators,
1965-80 and 1980-86 Case-Study Countries

Country	1965 to 1980 growth rates				
	GDP	MVA	AVA ³	Imports	Exports
Botswana	14.3	13.5	7.7	24.5 ²	37.0 ²
Cameroon	5.1	7.0	4.2	5.6	5.2
Côte d'Ivoire	6.8	9.1	3.3	8.0	5.6
Kenya	6.4	10.5	4.9	1.7	0.3
Nigeria	8.0	14.6	1.7	15.1	11.4
Zambia	1.8	5.3	2.2	-5.5	1.7
Zimbabwe	4.4	4.0	15.5 ¹	-1.8	3.5
SSA average	5.6	1.6	8.5	4.9	6.6

1980 to 1986 growth rates

	GDP	MVA	AVA ³	Imports	Exports
Botswana	11.9	6.2	-9.8	2.9 ²	14.7 ²
Cameroon	8.2	5.4	1.4	-0.5	13.8
Côte d'Ivoire	-0.3	2.8	0.9	-5.4	3.5
Kenya	3.4	4.1	2.8	-5.2	-0.9
Nigeria	-3.2	1.0	1.4	-17.2	-6.0
Zambia	-0.1	0.6	-0.7	-7.3	-2.1
Zimbabwe	2.6	1.3	3.4	-6.7	-2.7
SSA average	0.0	1.2	0.3	-7.5	-2.1

Source: World Bank (1988), World Development Report 1988, World Tables 1987 and country case-study (for Cameroon).

Notes: 1. 1969 to 1980, national data.

2. Botswana trade data from World Tables 1987, for all other countries from World Development Report 1988.

3. Agricultural Value Added.

It is thus apparent that for most of the case studies a part of the explanation for both the lower rates of growth of MVA and of the greater volatility lies outside their manufacturing sectors, a fact which confirms the vulnerability of manufacturing to external influences. Lower levels of export earnings together with more restrictive access to investment and commercial finance and little if any increase in development assistance coincided with lower levels of agricultural and mining production. The effects were felt on both the demand and supply side of manufacturing: resultant falls in domestic demand for

manufactures were accompanied by lower levels of real imports which restricted the supply of inputs to manufacturing, the provision of spare parts and the availability of funds needed for rehabilitation, reinvestment or expansion. Capacity utilisation levels dropped and the overall climate put paid to much hope of new foreign investment to help bridge the growing gap in external resource requirements. For many of these countries - Côte d'Ivoire, Kenya, Nigeria, Zambia and Zimbabwe and eventually Cameroon - increased macro-economic dislocation (rising balance of payments and fiscal deficits and high and rising rates of inflation) led to pressures, internal and external, to introduce further deflationary policies through either World Bank promoted or less formalised structural adjustment programmes. The result, in the short to medium term at least, was to depress manufacturing further, with the varying effectiveness of the measures adopted and their differing duration contributing to the often substantial annual swings in MVA as the 1980s proceeded.

It took, however, in general to the latter half of the decade for more substantial policies directed specifically at manufacturing either to be introduced or to come under serious consideration in the attempt to address the more substantial structural problems inherited, and perhaps worsened, during the past 15 years. As a result it is probably too early to be able to analyse with any certainty the effects that these particular initiatives have had, both in tackling the problems of the past and in preparing manufacturing to face the problems and challenges of the 1990s - even if initial indications suggest that much will need to be done if high and sustained growth rates of manufacturing are to be attained in the decade of the 1990s.

Different Case-Study Experiences and Explanations

For Zimbabwe, the 1980s began not only with great optimism for the future but also with impressive initial economic expansion. The ending of the war, the removal of the sanctions premium and excellent rains all reinforced each other to produce

initially, in 1980 and 1981²⁵, record rates of growth of the economy. Manufacturing benefited from pent-up domestic demand while supply constraints were eased with the rapid expansion of import allocations underwritten first by aid flows but increasingly by external commercial borrowing. In many respects, however, initial post-independent success had the effect of diverting attention away from the increasingly urgent need for a change in industrial structure and for new policies to be introduced to achieve this crucial objective, especially the necessity to expand the level and share of manufactured exports and to address the related problem of raising the level of aggregate investment in the sector²⁶.

Thus, when the worst drought in history, falling export prices and volumes, a rapid reduction in the real value of import allocations and a consequent contraction in domestic demand followed in the post-1982 period, policies towards manufacturing were altered little²⁷. It was only in the 1984-86 period that the authorities became convinced that substantive changes were required to establish a manufacturing base more immune to external shocks and even later to realize sufficiently that the new package of export incentives which had been introduced was insufficient to cope with the inter-related problems of fluctuating levels of MVA and structural torpidity.

In the case of Côte d'Ivoire, large reductions in MVA in the early 1980s were attributable to two main factors: the fall in the price of and demand for the country's dominant agricultural exports and the severely deflationary policies introduced in the post-1982 period to deal with the large and growing fiscal and current account deficits. The results were to induce a squeeze on the domestic demand for manufactures and on the supply of inputs into the sector. Additionally, regional manufactured exports were coming under challenge from expanded or new production in other west African countries. Negative MVA growth rates and concomitant falls in capacity utilisation were accompanied by a higher degree of uncertainty about the future direction of policy; this not only adversely affected the overall

investment climate but set off a major outflow of funds, aggravating still further an already serious balance of payments deficit. Successive structural adjustment programmes failed either to stem the trend of manufacturing output contraction or to come to grips with increasingly serious internal and external imbalances. Short term expansion in manufacturing value added was due primarily to changes in demand for processed agricultural exports and to an intermittent easing of import constraints following injections of new funds following on new Bank and Fund-sponsored debt rescheduling agreements. As in the Zimbabwe case, few new manufacturing-specific policy measures were introduced in the first half of the 1980s; these were planned - with some reluctance and hesitancy - for the final years of the decade but with little hope that substantial structural changes to distance manufacturing from its dominant dependent links on agriculture would be achieved.

In Zambia and Nigeria, volatile and, in general, very low average levels of growth in manufacturing in the 1980s can be traced to the high levels of reliance on imported inputs, coupled with an almost complete dependence on a single foreign exchange earner, major infrastructural bottlenecks and weak inter-linkages between manufacturing and the wider productive economy. Both the dramatic fall in the price of copper, in the case of Zambia, and of oil, in the case of Nigeria, and the stop-go nature in which attempts were made to resolve the growing foreign exchange crises underlined the unstable nature of manufacturing development in the 1980s, thereby exposing structural weaknesses previously concealed or, in part, ignored.

For Zambia, falling rates of manufacturing and overall growth had their origins in the period prior to 1980 but were reinforced by poor agricultural seasons after 1980s. The discrete and small rises in production in later years were due almost entirely to demand-led expansion from extremely low levels of capacity utilisation, resulting principally from a partial easing of the dominant foreign exchange constraint. Low levels of growth and increasing foreign debt and balance of payments

problems had a profoundly adverse effect on savings and investor confidence. The result was that levels of investment throughout most of the 1980s have remained at such a low level that even normal capital replacement was not taking place, business confidence being further eroded by the abandonment of IMF and World Bank support. It was only in the last few years of the 1970s that the problems of low levels of investment and of manufacturing exports became a focus for policy and measures to expand manufactured exports and raise investment levels were initiated. The former made only a minimal difference to aggregate exports of manufactures even though notable firm-level successes were achieved, helped, in part, by the creation of the Preferential Trade Area for Eastern and Southern Africa. More marked improvements, however, were later achieved in raising para-statal investment levels and overall efficiency, although foreign exchange limitations continued to be the major constraint to sustained expansion and structural change in manufacturing industry.

For Nigeria, the question for the 1980s was not so much why industrial contraction occurred as why it had not occurred sooner. Manufacturing expansion in the early years of the decade is explained both by a delay in the cut-back in imports (leading to higher future debt repayments) following the fall in oil prices, and because of the continuation of substantial state-sponsored investment projects in spite of the large drop in oil revenues. When the cut-backs were eventually made, the effects were severe; contractions in domestic demand for manufactured products became especially acute in the mid-1980s and massive lay-offs of workers in the sector took place. On the policy front little effective action had been taken by the mid-1980s to address the structural problems of manufacturing, although some achievements in reducing the high level of imported inputs were recorded. It was only in the second half of the 1980s that a resolution of the major macro-distortions of the economy appeared possible and that any substantially different policies toward manufacturing appeared on the agenda. Major new initiatives included attempts to raise investment levels through the twin

politics of privatisation and radically altering the investment code, efforts to improve the efficiency of sub-sectors like vehicle assembly through rationalising the number of makes of vehicles and, more generally, through the effects of exchange rate devaluations, an economy-wide tariff reform and incentives to stimulate the expansion of manufactured exports. With MVA estimated to have risen by some eight percent in 1988, it might seem that there has been some success at reversing the longer term stagnation. Yet the successes achieved have had little to do with, for instance, tariff reform, which has effectively been shelved. The growth spurt was due more to an expansion from very low (perhaps 25 percent) levels of capacity, to a partial easing of foreign exchange shortages and to a spurt in domestic demand, not expected to be repeated in any sustained fashion. Over the medium-term, therefore, manufacturing industry in Nigeria is going to continue to be constrained by the country's poor infrastructure, weak management and foreign exchange shortages.

Cameroon's manufacturing performance in the 1980s has been far less rosy than the steady growth rate during the first six years of the decade would suggest. By the second half of the decade the low-and-volatile growth syndrome of so many other SSA countries had also gripped manufacturing in Cameroon.

The initial successes in the 1980s for both manufacturing and, indeed, for the entire domestic economy are attributable almost solely to oil exports. Oil propelled the economy forward as its influence rose rapidly to achieve a (short-lived) place of prominence in the post-1976 period. Oil exports were non-existent before 1977, totalled \$1.5 billion in 1976 and had risen to \$25 million by 1984, easing foreign exchange shortages, stimulating overall domestic demand and providing adequate inflows of foreign exchange. Thus the prevailing supply and demand constraints on manufacturing industry were overcome - at least while the oil export boom lasted. But there was more. Massive public investment expansion across the domestic economy, including the manufacturing sector, together with a linked and

unprecedented boom in the building and construction industries, further helped to boost manufacturing expansion.

While some new import substitution did take place during the first half of the 1980s, it followed the historical pattern and was predominantly agriculturally-based. At the same time regional manufactured exports suffered increasingly from competing import substitution efforts in neighbouring countries. What is more, the investment-led boom had a sting in its tail: vast sums were spent on several disastrous public investment projects, some of which had to be totally abandoned and others could only be maintained through substantial and rising state subsidies. When, after 1985, the fall in oil output aggravated that in oil prices, these burdens became ever more difficult to shoulder and signalled a rapid drop in the rate of growth of manufacturing and of GDP. Compared with its rapid rise from 1979 to 1984, MVA grew by around four percent in 1985 and fell to nearly zero the year after. These aggregate rates, however, conceal more violent swings in performance in the different industrial sub-sectors: textiles and clothing sub-sectors contracted by over 15 percent as early as 1985, grain milling by over 30 percent in 1985, while, by 1987, falls of over 20 percent in food processing industries and an even greater contraction in the manufacturing-linked construction sector had taken place.

The story of industrial development in Kenya in the 1980s is less dramatic but it provides only marginally more encouragement. The steady, albeit fairly low, expansion of manufacturing in the 1980s can also be explained principally by events occurring in the wider economy together with the continued increase in tariff protection²⁰ which protected and thus stimulated expansion of manufacturing. While Kenya had to introduce a series of stabilisation measures to tackle the problems of macro-dislocation, as the degree of distortion was not as high as in many other SSA countries, the measures introduced did not have to be so intense. It was thus easier for Kenya to attract adequate amounts of external funding while comparatively high levels of official aid flows continued²¹. Additionally, agriculture, to

which manufacturing was strongly linked, continued to expand, albeit at a slower rate than in the previous decade³⁰. This, plus the shift in the internal terms of trade from agriculture and towards the manufacturing sector, allowed manufacturing in Kenya to continue to expand (but more slowly³¹) in the first half of the 1980s without major disruption. But the small amount of structural change which then occurred favoured the further expansion of consumer goods industries and reinforced the inward-looking nature of the sector.

What the Kenyan case also suggests is that, far from being an example for others to follow, the macro-economic deterioration of the economy which became increasingly apparent in the 1980s was due in no small measure to the nature of past manufacturing growth. As a result, the manufacturing sector's expansion remained predominantly linked to beneficial factors external to it such as agricultural sector expansion, improved international terms of trade and capital inflows sufficient to finance the increasing costs of a protected manufacturing sector. This tends to explain the even more bullish events which characterised the period from 1987 to 1988³². Equally it was apparent, by the end of 1988, that the stated objective of reorienting manufacturing onto a more export-oriented growth path had not yet led to any substantial changes in the structure of the sector³³.

In sharp contrast with both Kenya and Cameroon, the Botswanan experience provides a refreshingly different picture. Indeed the case-study suggests that the aggregate figures reproduced here significantly understate the development of manufacturing and its contribution to overall growth and development. Between 1979 and 1980, MVA in Botswana fell by a record and abnormal 33 percent following a similar rise between 1978 and 1979 as a result of a uniquely high level of cattle slaughters. Discounting this exceptional abnormality, and considering the growth rates of manufacturing from 1974 (the year prior to which few reliable data on manufacturing were collected) into the 1980s, MVA growth accelerated from around 10 percent in the 1970s to about 17 percent a year in the 1980s. Furthermore

the fastest rate of manufactured export expansion and the highest levels of manufacturing investment, including foreign investment inflows to the sector, also occurred in the 1980s³⁴. For Botswana's manufacturing sector, the 1980s have been a period of pronounced success in terms of aggregate growth, import substitution, the expansion of exports and overall structural change of the sector.

The explanation for this impressive performance can be found in the convergence of four sets of positive factors: the ability to earn increasing amounts of foreign exchange through expanding primary exports, favourable regional developments, macro-economic management which maintained high levels of domestic demand and, finally (but almost certainly of lesser relative importance) increased incentives provided for the manufacturing sector. These points merit brief comment.

Continued high levels of overall export growth, due principally to an expansion of mineral exports, together with high levels of foreign investment inflows, meant that Botswana did not suffer from severe balance of payments problems in the 1980s. What is more, the current account deficits of the early 1980s did not lead to policies resulting in a substantial drop in either domestic demand or government expenditure because of successful counter-cyclical measures implemented in Gaborone. Prudent exchange rate management meant that high levels of domestic demand could be maintained into the 1980s while foreign investment in manufacturing was stimulated in particular from policies restricting profit repatriation in neighbouring Zimbabwe which encouraged a number of firms to relocate to Botswana.

It was in this context that a series of measures favouring expansion of manufacturing had an impact. First was the switch away from state investment in infrastructural projects in the post-1975 period towards more productive investment. Second, use was beginning to be made of the protection of local industry clause of the South African Customs Union agreement of which Botswana was a signatory. But of more direct importance was,

thirdly, the Financial Assistance Policy (FAP) which provided subsidies largely to manufacturing enterprises involved in import substituting and exporting.

The combination of these domestic measures, together with a climate favouring investment in stable Botswana as a result of adverse developments in most other southern African countries, go a long way towards explaining Botswana's manufacturing successes in the 1980s. What is more this convergence of favourable factors has striking similarities to those which characterised Zimbabwe's success in import substitution in an earlier period. Like Zimbabwe's manufacturing development prior to 1964, Botswana's manufacturing expansion in the 1980s was achieved with a minimum of regulations and little direct protection although, also like Zimbabwe, developments occurred within the context of a protected trade area. More generally, the period after the mid-1970s paralleled, in many ways, the circumstances prevailing in the 1960s in so many other African countries: rapid industrialisation was made possible by the relative absence of foreign exchange constraints and because incipient manufacturing industry had before it a range of early import substituting opportunities.

PROSPECTS FOR MANUFACTURING IN THE EARLY 1990s

What are the prospects for the manufacturing sector in the 1990s? If these are to be judged in terms of steady expansion of MVA (and unless this happens there will be little substantial progress) then it would appear that they are not bright, especially in the first half of the decade: growth rates are likely to be even lower (on average) than during the dismal 1980s, with year to year changes continuing to follow the volatile path characteristic of the recent past. Botswana, Kenya and Zimbabwe are the countries most likely to see further expansion of their manufacturing sectors but for none of these - probably not even Botswana - is rapid growth going to be easy to achieve, given the inherited structural problems outlined above. For the others, growth rates are more difficult to predict but, barring fortuitous, significant but unexpected rises in the prices of their leading primary product exports, even lower and volatile growth is likely to characterise their manufacturing sectors in the early years of the 1990s.

Given the poor prospects for sustained expansion of the manufacturing sectors of these countries of SSA, there is even less chance that over the medium-term the manufacturing sector could provide the "answer" to their current economic crises. What is more, as these seven countries collectively hold out the best hopes for manufacturing expansion in SSA, there is not the remotest hope that in the medium term the manufacturing sector can be a major force in solving the economic malaise which pervades the sub-continent.

This pessimism about growth prospects for manufacturing in the first half of the 1990s is sharply at variance with official and semi-official assessments of the sector for the future. Development plans, official forecasts and projections and what are frequently referred to as "medium-term policy frameworks"³⁵ drawn up for these countries, particularly by the World Bank, suggest both growth rates in the years ahead higher than the

average achieved in the 1980s and steady and sustained expansion, albeit mostly at rates lower than those achieved in the heady days of the 1960s. In sharp contrast, all the case-studies argue that the figures provided in such forecasts/scenarios range from being suspect³⁴ to being totally unreliable guides to future performance: in most cases best estimates range between a half and two thirds of these forecast/projected figures.

For each of the case-study countries, the predominant cause of this pessimistic assessment of manufacturing growth during the first half of the 1990s lies outside the manufacturing sector and beyond the changes occurring there. As in the past, it appears that over the next few years manufacturing growth is going to continue to be most profoundly affected by events in other parts of the economy, eclipsing any changes occurring within the sector itself, and in the relationship between these economies and the international economy.

Pessimism about the performance of the manufacturing sector is therefore rooted in unfavourable assessments of overall growth prospects in these economies. Reasons for this revolve around a number of common threads across most of the countries. The principal one is that export prospects are likely to be poor during this period and, in particular, to be substantially worse than those contained in official and semi-official documents upon which the growth rates of manufacturing are critically related. This is largely because of the over-optimistic assumptions made for relevant primary product prices, particularly by those agencies supporting structural adjustment policies under the aegis of the Bank and Fund.

Far lower than projected levels of real export earnings would adversely affect manufacturing in a number of direct and indirect ways. They would heighten the already severe foreign debt problems crippling most of these countries (Botswana excluded), exacerbating foreign exchange shortages. Not only would this push back well into the 1990s the period when debt servicing obligations fall, but low commodity prices would

perpetuate the supply-related restrictions that have increasingly constrained manufacturing growth in the 1980s. These problems are likely to be particularly acute in Zambia, Cameroon, Zimbabwe and Nigeria, but still serious for Côte d'Ivoire and Kenya.

Additionally, lower levels of traditional export earnings would induce a general slowdown in income and thereby reduce the demand for domestically produced manufactures. Furthermore, balance of payments constraints are likely to exacerbate already strained public sector finances and, at least in the cases of Cameroon, Zambia, Nigeria, Zimbabwe and Côte d'Ivoire, lead to a slowdown in public sector demand for domestically-made consumer goods (for instance through budget constraints in relation to education and health spending), as well as further reductions in public sector capital development projects from which manufacturers have so significantly benefited as occurred, for instance, so dramatically in the case of Cameroon.

It is true that manufacturing demand could be stimulated to the extent that a range of policies in the different countries aimed at expanding agricultural sector development achieve their objectives. Most importantly, production increases of small-scale farms would lead to increases in incomes of at least middle-income farmers, raising the demand for consumer goods and, to some extent, the demand for manufactured inputs to the agricultural sector.

The overall impact of this type of effect, however, is not likely to be very great over the next few years for a number of reasons. First, in most of the case-study countries more effort still seems to be directed at expanding export than domestic food crops the effective demand for which, as we have suggested, is likely to stagnate in the near-term. Additionally even in Zimbabwe, where increases in production by small-scale farmers have been dramatic in the 1980s and where the linkages between manufacturing and agriculture are the most developed of all the countries considered, the overall impact on manufacturing has not

been significant. In large part this has been because foreign exchange constraints have continued to limit production even when money demand has risen. For a majority of the other case-study countries, average rural incomes progressively deteriorated in at least the first six years of the 1980s and there remains little optimism that sustained reversals in these trends are immediately within grasp³⁷. Even if average rural incomes were to rise quickly, it would take several years before the demand effect upon manufacturing would induce anything more than an expansion in what are extremely low levels of capacity utilisation. In West Africa in particular, when rises in rural incomes have occurred in recent years, these have tended to lead to dramatic rises in inflows of smuggled goods rather than to a stimulation to domestic manufactures. Furthermore, in Zimbabwe as elsewhere, rural incomes have fluctuated wildly from year to year as a result of varying rainfall patterns, resulting in swings in demand for manufactured goods - and if the 1990s are anything like the 1980s then they will be characterised by substantially lower than former long-term average rainfall levels. Overall, therefore, it does not seem likely that, even if there is a dramatic rise in agricultural production, this in itself would suffice to overcome the constraints on domestic demand for manufactured goods and lead to an acceleration in the rate of MVA growth.

Also in a number of the countries (particularly Nigeria, Zimbabwe, Cameroon and Botswana) manufacturing growth in the 1990s is likely to be held-back by an increasingly inadequate physical infrastructure, lack of a financial intermediation to support manufacturing expansion or the growing gap between the demand for and supply of these services.

Finally, in almost all the case-study countries - most notably Nigeria, Zimbabwe, Zambia, Côte d'Ivoire and Cameroon - potential growth in manufacturing has been increasingly constrained by extremely low and (in recent years) declining levels of investment. Levels of domestic investment are likely to continue to be constrained both by low income growth rates and

rising pressures to reign-in public expenditure programmes; as a result economies will require significant inflows of foreign investment even to maintain past growth rates and to ease the overall foreign exchange constraints besetting manufacturing. But the anticipated slowdown in traditional commodity export earnings and in aggregate growth will add yet a further disincentive to would-be foreign investors, as the case studies of Nigeria, Zimbabwe and Côte d'Ivoire suggest³⁰.

POLICY OPTIONS FOR THE 1990sThe Options Outlined

The longer term prospects for the development and deepening of the manufacturing sector in SSA, in general, and for these seven case-study countries, in particular, will be critically determined by the nature of the policy environment, the incentive system in which manufacturing enterprises operate, and by policies and stimuli targeted specifically at firms within the manufacturing sector. While the policy environment and incentive structure will clearly play a role in accelerating or constraining the immediate rate of growth of MVA, what is of particular interest here is the way in which different policy choices are likely to affect structural changes within the sector and the relationship between manufacturing and the rest of the economy. This section of the report is thus intended to provide a brief overview of the various policy options facing the different countries.

For the purposes of the present discussion, the alternative approaches to policies towards the manufacturing sector have been narrowed down and grouped together into just four options. This four-fold breakdown is intended to highlight the differing nature of the alternatives being debated in the often blurred world of practical decision-making: each is likely to lead to a substantially different type of structural change of manufacturing. The four options can be briefly summarised as follows.

- Option 1. Continue to promote the expansion of the manufacturing sector, but in a manner substantially similar to that adopted in the expansive post-independence period.
- Option 2. Leave the manufacturing sector to itself by neither introducing new policies nor by re-vamping old approaches to make them work more effectively in the changing circumstances of the 1990s.
- Option 3. Embark on a system of economy-wide reforms to which the manufacturing sector (like all others) will respond, which work to eliminate (at a varying pace) price and other financial and economic distortions. Open up the economy and its constituent sectors to international competition and, through eliminating distortions in the incentive system, re-order the structure of the whole economy and within it the manufacturing sector.
- Option 4. Embark on a series of reforms targeted specifically at the manufacturing sector which, through a system of interventionist measures, attempt to correct specific inherited weaknesses in the context of an incentive structure whose objectives are to accelerate the growth, expand the exports and deepen the inter-linkages of the manufacturing sector through further selective import substitution. Ensure, as far as possible, that reforms and incentives in the wider economy are in harmony with those devised for the manufacturing sector.

Two brief initial observations must be made. The first is the simple observation that Options (1), (3) and (4) are all active approaches while Option (2) is a passive "do nothing" approach to industry's future. The importance of Option (2) in practical terms will become clearer in a moment. Secondly, this schematic breakdown of alternative approaches to policies towards structural change of manufacturing is not meant to be a prelude to "fitting" particular case-study countries neatly into one of these groupings even though none of the seven countries could now

be said to subscribe in practice (or almost certainly in theory either) to Option (1)³⁹. In historical terms this needs to be acknowledged as a significant feature of policies towards industrialisation in SSA. It is, at least implicitly, a recognition that past approaches to industrial expansion - long term protective, high cost, internationally uncompetitive, domestically-focussed manufacturing⁴⁰ - have been a drain on national resources and should therefore not be pursued in the future. As a result, it appears unlikely that such an approach will feature on the policy agenda in the 1990s.

An abandonment of option (1), however, has by no means meant that this has been replaced by any consensus within or between the different countries to opt for or adopt an alternative active approach - of which, broadly, options (3) and (4) present, rather sharply, the two central but markedly different alternatives before the countries of SSA as they enter the 1990s. Indeed, a reading of the case-studies indicates quite clearly that none of the countries has committed itself fully to either Option (3) or Option (4). On the contrary, there are forces at work in most of the countries pulling opinion and influencing policy in the directions indicated by all the final three theoretical options, including therefore, and importantly, Option(2).

Options (3) and (4), as presented here, are brief schematic summaries of the two main and differing approaches to industrialisation which are influencing policy most profoundly in SSA today. Option (3) encapsulates the approach most closely associated with and promoted by the World Bank, (and, to a lesser extent, the IMF⁴¹) under the umbrella of its various structural adjustment programmes. It is an approach which places manufacturing industry and its development within a broader macro-economic framework and gives little attention to manufacturing-specific policies and incentives. Thus the structure of manufacturing, under this scenario, would change predominantly in response to policies implemented at the macro-

level⁴². In practice these structural changes are likely to be profound.

In contrast, Option (4) comes closest to the alternative most readily associated at a general level with Africa-wide statements of the future role of manufacturing industry as well as statements contained in country-specific development plans, particularly those not influenced by the structural adjustment thinking of the World Bank. It has tended, however, to be an approach articulated more at the level of generalities than one in which more detailed sectoral and sub-sectoral policies have been consistently articulated. (In more recent years the World Bank's approach and perspective on policy has become increasingly incorporated into official national policy documents⁴³.) Option (4) is an active interventionist approach which explicitly attempts to encourage both the expansion of manufacturing and structural change of the sector. Importantly, however, it is not a pro-industry approach blind to the demands of and constraints imposed by the "real economy"⁴⁴ and thus, like Option (3), the outcome of following through an Option (4) policy package would result in substantial structural changes for the sector. Like Option (3), it is concerned with the establishment of more efficient industries, the creation of a more export-oriented manufacturing sector and, in general, it shares the same objective of creating an industrial sector that is dynamic and less of a burden to the rest of the economy⁴⁵. Unlike Option (3), however, one of Option(4)'s basic tenets is that these objectives can best be achieved by molding market signals with the tempered use of interventionist policies through planned⁴⁶ or carefully worked out strategies for a future stretching well beyond the short term.

Under Option (4), the general objectives of economic growth and development are assumed to be enhanced by policies which promote an expanding and gradually more efficient and export-oriented manufacturing sector as well as further (efficient and integrated) import substitution⁴⁷. Under Option (3) there is no such underlying pro-industry assumption: within this letter

prospective, manufacturing industry would continue to exist and expand and manufacturing exports to be maintained and to grow to the extent that they can survive and swim in the increasingly internationally price competitive world to which they are to be exposed. A process of de-industrialisation, the closing down of enterprises and the contraction of particular industrial sub-sectors are by no means excluded under Option (3); indeed to the extent that industry is unable to survive in the increasingly competitive world to which it is to be exposed, these consequences are inevitably to be expected. This outcome could result under Option (4); it would, however, only do so as a last resort after attempts have been made to raise the efficiency of those enterprises and industries whose non-viable nature have been exposed and after the wider costs of closure have been assessed. In short it would occur if these new manufacturing-specific policy initiatives had failed the test of time.

Problems of the World Bank's Approach to Industrial Adjustment

Having summarised (or caricatured) the two alternative active approaches to industrial policy and structural change on the current policy agenda, we can now ask which of the different case-study countries best fit into the approaches of Option (3) or Option (4) in regard to the future of manufacturing industry in their respective countries. It appears - and this is an important conclusion - that none of the countries fit comfortably into the mold of either Option (3) or Option (4). At first sight this seems a conclusion considerably at variance with the facts, as a majority of the case-study countries are either implementing policies in large measure designed by the World Bank or pursuing policies in relation to their manufacturing sectors influenced strongly by the "liberalisation" approach of the Bank and the IMF. Thus in the mid-1980s, similar types of structural adjustment programme with comparable implications for manufacturing industry were being implemented or had been agreed in Côte d'Ivoire, Cameroon, Kenya and Nigeria while, as we have already seen, the approach adopted in Botswana was not

substantially different. Zambia and Zimbabwe also appeared to be adopting a number of key measures compatible with the perspective of the Bank⁴⁰. Thus Option (3) does appear not only to be influential but, overwhelmingly, to be making the running.

This interpretation, however, remains narrow and partial and on its own is, therefore, an unreliable guide to policy approaches one could anticipate for the 1990s. To understand this comment, it will be helpful to consider more explicitly the second of the four options listed above, the passive "do nothing" option. The pressures and financial inducements (both largely of external origin) brought to bear on almost all the case study countries to adopt some form of Option (3) initiative as the basis for pursuing development strategies (including manufacturing development) in the 1990s have - in varying degrees in the different countries - been challenged by elements and groupings within them. In no case-study country has Option (3) been totally accepted by the respective governments, and in those in which the World Bank's hand in policy execution has been apparent for the longest - Côte d'Ivoire, Kenya, Nigeria - resistance to these policies has persisted and been influential, leading (in Côte d'Ivoire and Nigeria most clearly) to both long delays in agreements being reached, as well as to reversals of policy.

Resistance to the wholehearted adoption of an Option (3) type strategy is manifested in a number of ways. One element of resistance is political and can be understood in relation to the dynamics of political change. Thus, while any form of new policy initiative is bound to disturb the prevailing balance of political forces and be subject to some sort of political constraint, because Option (3) is highly likely rapidly to set off fundamental changes in economic structure (with its winners and losers) and as the extent of those changes is not known beforehand, domestic opposition to Option (3) has been and will continue to be high. What is more, as political power is currently held disproportionately by those who have gained from the evolution of past patterns of economic development,

resistance from this group to Option (3)-type changes is likely to continue to be significant. The owners of manufacturing establishments benefitting from protection will not only continue to have an influential role in determining policies related to their sectoral interests but, in most of the case-study countries, their view is likely to be the dominant one emanating from the manufacturing sector.

Clearly, the manner in which political resistance to Option (3)-type changes in policy has manifested itself in the 1980s and is likely to continue into the 1990s differs from country to country. In general, however, there are few if any signs that the slowdown in growth rates of MVA which, as argued above, is to be expected in the early 1990s, will do anything but maintain, if not stiffen, domestic opposition to such approaches.

In Cameroon, for instance, the political elite has successfully continued to extend its influence in the 1980s through utilising the oil surpluses to establish a wide range of para-statal organisations which, with the majority of manufacturing enterprises (some with foreign links), have a major interest in resisting Option (3)-type changes. While Cameroon's accord with the World Bank in late 1988 is therefore unlikely to lead to a vigorous pursuit of liberal policies, the immediate closing down of some profoundly inefficient para-statals was to be anticipated with more competitive manufacturing imports being allowed into the country with the abolition of quantitative restrictions.

For Côte d'Ivoire, resistance to the World Bank's radical proposals on tariff levels and protection, of direct and immediate interest to the manufacturing sector, was manifested in the 1980s primarily by repeated delays in implementing measures apparently agreed. While major interests in the manufacturing sector, including foreign companies, were opposed to the process of liberalisation, more influential opposition has come from the farming community (tracing its support right up to the President's office) which vigorously opposed the Bank's proposals

for reducing the producer prices principally of coffee and cocoa products. More recently and with implications for the future, the disarray in public finances resulting particularly from the decline in export commodity prices in 1988 and early 1989 and controversy about both policy targets and economic strategies drawn up and agreed by the World Bank mean that the Bank will continue to find it difficult to persuade the Ivorians to implement policies which radically alter the status quo, at minimum until a change in presidency, and possibly thereafter.

In Nigeria, the manufacturing sector is of less relative importance than in these two countries but the debate about the overall direction of policy is no less vigorous. What is more, the manufacturing lobby wields considerable influence and, as the Nigerian case-study argues, substantial reversals of liberalisation policy in the late 1980s owed much of their success to "the onslaught of pressure from the industry lobby". What appears to distinguish Nigeria more from either Côte d'Ivoire or Cameroon is its more overt opposition to SAP-type initiatives⁴⁹ and the manner in which even its willingness to sit round and talk is related critically to the fortunes of the oil market. Given the continued volatility of oil prices in the future, the perennial expectation that world prices will rise again, the lack of substantial progress to date in addressing the fundamental problems of the manufacturing sector, and the undoubted political influence of the protection-dominated industrial sector, there would appear little hope that a sustained restructuring of the sector along Option (3) lines will occur in Nigeria for many years to come.

Zambia and Zimbabwe are of particular interest to this discussion as both countries have recently implemented policies which encourage further efficiencies in manufacturing - Zambia through improving the management and accounting system of INDECO and stimulating regional exports, Zimbabwe through export incentive schemes and, at least indirectly, through price squeezes. Yet these changes should more appropriately be viewed in relation to an Option (4) rather than an Option (3)-type

approach to industrial policy - they were implemented without World Bank and Fund programmes and in the context of macro-policies characterised by the maintenance of key interventionist and non-market based structures. In both countries, domestic support for radical liberalisation policies, while certainly present, is far from dominant²⁰, so a rapid switch to an Option (3)-type approach to industrial development is unlikely to be implemented under conditions other than considerable domestic hostility.

In both countries, however, the need for change does now appear to have widespread acceptance which has important implications for alternative approaches to manufacturing development. Manufacturers appear to be more influential politically than their counterparts in Cameroon and Nigeria (and probably than in Côte d'Ivoire) although in neither are they as important as, in the case of Zambia, copper interests and, in the case of Zimbabwe, the commercial farming lobby. The Zambian case-study argues that the degree of political homogeneity and lack of social and political unrest in face of severe economic contraction and the country's "go-it-alone" policies are both remarkable and an important element in assessing the ability of external actors to persuade Zambia to implement policies with which it disagrees. For Zimbabwe, the 1980s have seen large numbers of the politically influential black middle class move to highly-paid posts in the private sector, often via the route of the civil service, where they have tended to take over the conservative outlook as well as the highly paid jobs of those they have replaced. The 1980s have also seen increasing numbers of the new political elite securing individual benefit by exploiting (legally and illegally) their privileged position in the largely administered economy where short-cuts can bring windfall gains. As a result, support for any sort of radical change originating from the political elite - seen as a realistic possibility at Independence in 1980 - has been on the wane as the decade progressed. Thus a more cautious step-by-step approach to structural change is more likely to receive domestic support in the 1990s rather than the untried and highly risky approach

implicit in an Option (3)-type strategy - and acknowledged as such in the very honest discussion contained in the World Bank's 1987 report Zimbabwe - A Strategy for Sustained Growth.

The Botswanan case provides a strikingly different picture: Its tiny manufacturing sector commands minimal political influence at the national level. Farming (cattle) interests are dominant in parliament, followed some way behind by the influence of the (diamond) mining lobby, both of which have benefited from the predominantly liberal and open macro-policies that have characterised Botswana's economy to date. While elements of an interventionist approach to manufacturing have not been entirely absent in recent years, the case-study argues that, if the manufacturing sector is to maintain its expansive path in the 1990s, then a deepening process needs to occur, together with a significant expansion of manufacturing exports. Yet, it is argued, this is going to require a substantial shift in policy to a far more interventionist approach. What remains seriously in doubt is whether political support sufficient for such a change in policies can be mustered especially if external institutional pressures continue to eschew such an approach.

Domestic political pressures are by no means the only ones opposing Option (3)-type solutions to guide manufacturing development in the future. Opposition is also grounded in the careful study of the post-independence process of industrialisation. In a number of the case study countries the advantage of hindsight challenges the conclusion that market-based solutions are preferable and that interventionism and the explicit promotion of industrial expansion are incompatible with the objectives of efficiency. In their various ways, the case studies (particularly of Zimbabwe, Kenya, Zambia and Botswana) point to the following conclusions:

- * that efficient manufacturing production can occur under a far from liberal trade regime;
- * that factors other than price play a major role in determining the extreme variations in efficiency occurring within different

industrial sub-sectors; in particular the role of management, machine design and engineering skills play a critical role in explaining these differences;

- * that sustained manufactured exports require far more than short run cost advantages;
- * that management and machinery-choice questions are vital to the creation of viable industries and that in these small economies they require state intervention and careful planning;
- * that a sheltered regional market can assist the drive to create efficient manufacturing units;
- * that the development of manufacturing depends critically upon the presence and promotion of an adequate base of domestic skills;

and finally,

- * that sustained import substitution and the development of linkages between sub-sectors of manufacturing and between manufacturing and other productive sectors are unlikely to be developed without recourse to specific incentives, (far from costless) industrial promotion activities and be promoted in the context of a long term perspective.

Given these experiences and the creation of a substantial industrial base in countries like Kenya and Zimbabwe, it is understandable why a set of policies which attempts to address the problems of inefficiency, lack of export orientation and shallowness of import substitution through a gradualist approach has so much appeal and why the Option (3)-type approach, which has tended more to address short term structural problems than to approach structural change through a longer term perspective, is received with so much reserve in Africa²¹.

But Option(3)-type solutions concern policy makers within SSA for three other reasons. First, under such an approach the extent and development of manufacturing would be largely taken out of the hands of policymakers: there would be no assurance that expansion of manufacturing would proceed or that a process

of de-industrialisation would not wipe out major parts of the industrial base of a country, leaving it more vulnerable, exposed and dependent for growth upon an even narrower economic base.

Second, influencing the structure of industry and the pattern of future industrialisation predominantly by short run price signals runs the risk that the already fragile manufacturing base will be even more vulnerable to the effects of those price signals, being exposed, for instance, to the adverse effects of dumping and other externally-induced disruptive trade practices. The most likely outcome would be that industry would thus be in a weak position either to build up a comparative advantage in the manufacture of particular products or respond to the technological innovations and market changes in part engineered, in no small way, by subsidisation and other non-market force mechanisms used influentially in other parts of the world.

Three of the country case-studies well illustrate these fears. The first is Botswana where, as we have seen, it is argued that a greater degree of interventionism and explicit encouragement of manufacturing will become an increasingly urgent necessity if the gains of the past are to be built upon and the overall economy strengthened. The second example is Côte d'Ivoire. Here the "open" policies of the past have not only played a major role in creating the present structure of the manufacturing sector (still predominantly linked to the further processing of agricultural export crops) but, it is argued, the policies of structural adjustment advocated and promoted by the World Bank have been a major force preventing a re-structuring of industry away from this weak dependent link. Thirdly, the Kenya case-study suggests that the major gaps in that country's industrial base, particularly the lack of manufacturing capability to supply inputs to the agricultural sector, are unlikely to be addressed in the context of further liberalisation.

The final reservation about adopting an Option (3)-type policy framework flows from the generally pessimistic assessment of the prospects for manufacturing growth in the first half of the 1990s. Not only is there considerable resistance to implementing far-reaching change when the consequences are both unknown and substantially uncertain, but this resistance is compounded by the clearly over-optimistic scenarios for growth which the proponents of Option (3) approaches have tended to link to their particular assessment of the future. In this regard the Zimbabwe and Cameroon case-studies are of considerable interest. They not only reveal the wide margin of error in World Bank assessments of future growth paths but, of even more importance for this discussion, the Zimbabwe study also indicates that during a period in the 1980s, without adopting Option (3)-type policies higher rates of industrial growth were achieved than the Bank judged would have been possible with the adoption of such policies.

Towards Alternative Approaches: Opportunities and Constraints

What are the implications for the future of this resistance or opposition to the Option(3) type policies being applied to the manufacturing sectors of these countries? At minimum it means that these policies will only continue to be pursued under varying degrees of duress - never a sound basis for anticipating a successful outcome. But additionally it means that alternative approaches grounded in less domestic opposition, or even in substantial domestic support, are more likely to be adopted where possible. Thus the closer association of more countries with the policies and strategies associated with Option (3) should not be seen either as an emerging consensus within SSA in favour of Option (3), or for assuming that this approach to the economy, in general, and to manufacturing, in particular, will necessarily continue to be pursued into the 1990s.

But what are the alternatives and what are the prospects of

their influencing policy decisions in the 1990s? This is the question to which we now turn.

In many ways reservations about Option (3)-type policies for the future provide the context for understanding the type and range of support in SSA for Option (4)-type approaches. These are widely perceived as less risky and more in tune with efforts to promote longer term and sustainable development in the sub-continent. They are also seen as easier to execute as they are more similar to past approaches to manufacturing development, more predictable in outcome and more controllable in evolution. They are also clearly more in harmony with the objective of overseeing the expansion of the manufacturing sector, while, finally, they are supported because, in relation to a range of industrial objectives across many of the case-study countries, interventionist approaches have met with not inconsiderable success.

To these advantages (and, in part, because of them) needs to be added the important dimension of political acceptability. An Option (4)-type approach would have greater domestic political support than an Option (3)-type approach as it would be far less likely to challenge the interests of entrenched interest groups either as rapidly or as substantially as in an Option (3)-type approach. The case-studies suggest that for all countries except Botswana, there would appear to be far more domestic political acceptance of Option (4)-type approaches to manufacturing in the 1990s than for Option (3)-type ones.

There are, however, a number of factors constraining the wholesale adoption of an Option (4)-type approach as the one to be used for embarking on the process of industrial change. One is that the liberalisation/open/market-dominated approach of the Bank (and the IMF) does have its supporters and advocates within the different African countries, not infrequently holding positions of influence. There is, however, little to suggest either that their view is predominant or that it commands sizeable domestic political support.

A more significant constraining factor would arise if Option (4) policy approaches do not turn out in practice to be sufficiently different from Option (1) approaches. Thus to the extent that the elements of policy continuity which created and perpetuated the past problems of industry receive prominence (to the detriment of those aimed at enhancing efficiency, expanding exports and deepening structural linkages), risks remain of the status quo ante being perpetuated. In effect this could mean that, to a greater or lesser degree, the Option (4) approach would be still-born, giving rise to the apparently sterile but, in practice, retrogressive outcome emanating from the passive Option (2)⁵².

Of most importance, however, is that at present far greater potential domestic support for Option (4)-type policies contrasts sharply with far less international support for this particular approach. Opposition comes from the World Bank but also from the significant and increasing number of bilateral agencies which have agreed to link their financial support for SSA countries to policy arrangements made with the Bank⁵³.

The most immediate twin problems this raises are that significant amounts of external finance under an Option (4)-type approach would be far more difficult to secure than for an Option (3)-type approach, while an Option (4)-type future is likely to need greater quantities of foreign exchange, in the medium-term at least, than is an Option (3)-type future. Additional external funds would be needed to purchase plant and equipment to replace old and inefficient production methods (a sine qua non for expanding manufacturing exports), to finance the foreign exchange costs of further import substitution and, in the shorter term, to finance the accelerated skills training programme necessary to raise efficiency of current industrial undertakings and ensure that new enterprises become cost-effective more rapidly than usually occurred in the past.

Access to Bank and Fund facilities undoubtedly opens up a major direct source of external funds - clearly shown in the case of Côte d'Ivoire during almost all the 1980s - as well as giving access to other funds, both concessional and not, and providing a climate more conducive to encouraging the inflow of new foreign investment and the reinvestment of profits of those companies already present. It should not be thought, however, that either the failure to adopt Bank and Fund programmes precludes access to either concessional or commercially-linked external financing, or that the adoption of such programmes will necessarily provide funds sufficient for sustained expansion to take place. In regard to the latter point, the Bank was among the first to acknowledge and has continued to express its deep concern during the second half of the 1980s that Africa's external financing gap has been widening, throwing up major problems for any attempt to raise growth rates in the sub-continent sufficient to reverse the long term decline in per capita incomes²⁴.

As for aid flows, concessional financial aid continued to flow into Zambia after it severed links with the Bank and Fund, albeit in far lower amounts, while aid to Zimbabwe has been sustained in spite of that country having had no formal Bank or Fund agreements for most of the 1980s. As for access to non-concessional finance it should be noted that Zimbabwe has managed to maintain access to international commercial bank borrowing in spite of having had no formal agreement with the Bank and Fund for most of the decade of the 1980s. It is important, however, not to overplay these points: SSA countries without Bank or IMF programmes, with high external debts and poor export prospects are unlikely to attract either concessional or non-concessional funds in quantities sufficient for them to address either their medium or longer term structural problems.

In this context we need to examine the role and place of foreign private investment. Providing its inflow can be sustained, private foreign investment has a range of positive attributes for the development and structural change of manufacturing. First and of most immediate importance, is its

injection of foreign exchange. Additionally it has the potential to further the expansion of manufacturing exports and to contribute to industrial deepening through exploiting import substitution opportunities. Equally it can assist the achievement of other crucial goals such as developing a skills base and assisting in technological upgrading or adaptation and learning.

Given the scarcity of external concessional and commercial finance, any viable long term industrial path for the SSA region would be boosted significantly by major inflows of new private capital investment. Given this context, inflows of private foreign investment into manufacturing are highly unlikely to be adequate even under an Option(3)-type approach. Thus while Fund and Bank programmes, improvements in domestic investment codes and multilateral investment guarantees enhance the host country's attractiveness, these measures have not managed to change the unfavourable environment for foreign investment in any of the case-study countries. On the other hand, the absence of Bank programmes and ambiguous investment codes have not been an insurmountable obstacle to private investment inflow into manufacturing as the recent evidence from Zambia and Zimbabwe confirms. In general, however, to the extent that the international institutions and bilateral donors fail to support an Option (4)-type approach, the filling of the external resource gap through foreign private investment is likely to be of even greater importance within this policy framework.

It is difficult to be sanguine either that the overall external funding problems of the countries of SSA will easily be solved or, more particularly, that significant increases in private foreign financial flows will occur in the early 1990s. In large part this is because SSA is caught in a downward spiral of reinforcing gloom: poor commodity prospects for the next few years mean that the foreign financing gap will remain and probably increase; private investors and commercial banks are unlikely to inject substantial amounts of new funds when the prospects for the future are so grim. Poor creditworthiness (in

the eyes of private lenders) is a reflection of existing debt burdens. Yet the artificial removal of such burdens through debt relief schemes, as currently being proposed, could even work perversely to frighten off lenders in the future. To the extent that current trends in external flows continue, the prospects for manufacturing will be adversely affected. The crucial question for the 1990s is how the different countries of the sub-continent can break out of this apparently self-perpetuating cycle of gloom and replace it with a new optimism built on firm and lasting foundations. The melding of many of the themes contained in this book suggests that seeds of hope can be found through shifting priorities and giving greater emphasis to the sustained growth of an efficient and expanding manufacturing sector.

While it is certainly true that the importance of manufacturing is enhanced because the prospects for growth in the other leading productive sectors are so poor, more positive factors supporting a sustained promotion of the manufacturing sector can be identified, in particular within a policy environment more closely aligned to an Option (4) rather than to an Option (3) approach. There are three important reasons for looking favourably upon an Option (4)-type approach to industrial expansion in the 1990s. Besides the factors already mentioned - its wider political support and its root in successes already achieved²⁵ - it is a long term approach which, in contrast to much of the previous record of industrial policy in the sub-continent, is based on both addressing and attempting to solve the main structural and policy problems which have led to the evolution of large areas of inefficient manufacturing and the sector's disproportionate use of scarce and, in particular, foreign exchange resources.

Specific Policy Initiatives

There are, however, a number of pre-requisites for these seeds of optimism to germinate. One would be for the Bank and

the bilateral agencies to look afresh at the manufacturing sector in the leading countries of SSA and revise their adverse views on both its place in overall development strategies and the role of efficiently-targeted interventionist policies in the light of all the evidence of past performance. A second would be for these funders and guarantors to join the minority which are supporting such approaches by injecting additional resources into manufacturing. Importantly in this context, foreign aid resources could assist the expansion, re-structuring and efficiency-oriented approach to manufacturing outlined here. Among the ways in which increased aid funds can assist is the following:

- * funding and, perhaps assistance to execute, sectoral and firm-based studies of inefficiencies particularly of intra-firm differences;
- * helping to establish training assistance programmes for manufacturing;
- * assisting in expanding the technical skills base of the sector;
- * evaluating weaknesses in management and entrepreneurial skills and providing both stop-gap replacement and the training of indigenous staff;
- * help in building up a domestic competence to assess reinvestment needs and appropriate machinery purchase;
- * assistance in embarking upon and sustaining manufacturing export programmes including pinpointing gaps in product range, product quality and packaging, and monitoring current and anticipated trends in world trade in manufactures;
- * finally, assistance to encourage the more rapid inflow of appropriate private foreign investment into the manufacturing sector in SSA.

A third pre-requisite would be for private foreign investors to be encouraged to support development in the sub-continent by

investing in a re-ordered manufacturing sector⁵⁶. As just noted, while international institutions and bilateral agencies can play an important facilitating role in this area, crucial to the success of this last element is for African governments to replace (or at minimum supplement) their passive attitude to foreign investment (improving the general conditions and climate for investment) with a more aggressive and welcoming policy towards private foreign investment. At minimum, this would require governments to decide what type of external manufacturing investment is required and then go out to woo particular international concerns to invest in that particular area or activity⁵⁷.

If such initiatives do occur over the next few years, there are grounds for believing that the manufacturing sector can be made to play an increasingly important and significant role in a number of countries in SSA, at least in the latter half of the 1990s: a role both different from that of the past and one which would strengthen the overall structures of their economies. It is also probable that growth and development of manufacturing are more likely to occur and would be easier to sustain if the other productive sectors of the economy also expand.

If such manufacturing-focused initiatives are not supported, then gloom is likely to deepen, dimming for another decade the prospects for the overall economic recovery of the sub-continent. If, however, these opportunities are pursued, the possibility could open up for manufacturing to be a motor of development, as has occurred in the newly industrialising countries, and for sustained African development to become a reality as we enter the third millennium.

This statement needs some elaboration. A common conclusion of the ODI research is that the prospects for growth based on primary product development are not promising in the early 1990s. Given the already acute shortages of foreign exchange across the countries of SSA, it was suggested that an induced expansion of the manufacturing sector would make a significant contribution to

development through addressing this particular, and critical, problem - by altering the structure of the manufacturing sector so that the economy has to spend less foreign exchange (through replacing imports with domestic production and imported inputs into manufacturing with domestically-procured ones) and/or can earn more foreign exchange through manufactured export expansion.

This is all very well in the abstract. The question it raises, however, is whether the structure of manufacturing in practice can be altered, and in the virtuous manner indicated. Much conventional wisdom would suggest that this is unlikely to occur because many of the same factors constraining the development of other sectors are likely to constrain the expansion and structural change of the manufacturing sector; added to which, is the fact that the growth of manufacturing has resulted principally from the expansion of domestic demand - itself determined, largely, by growth external to the manufacturing sector. As for stimulating manufacturing through further import substitution and non-traditional export expansion, such alternatives are also going to be severely constrained as both options would require (initially at least) much more (scarce) foreign exchange.

These sorts of considerations, together with the shortfall in external resource inflow and the poor climate for foreign investment, have led to the widely-held view that although it might be preferable, in the ideal world, for manufacturing sector growth and deepening to be pursued, in practice this is not going to happen and so discussion of such an alternative path to development should not feature on practical policy agendas. In consequence, so the argument proceeds, if manufacturing development is to occur at all - and this itself is not very likely - then the best prospects lie in resource-based industrialisation, linked to the further expansion of the sector with the greater immediate comparative advantage, (most commonly) agriculture. Thus (the argument concludes) while it would be nice to think that there could be an alternative - and faster-

way for SSA to develop, this is not going to occur in practice: to force the pace of manufacturing development would, sadly, be self-defeating.

This, however, is only part of the story. The evidence also suggests that manufacturing sector growth has not been exclusively dependent upon rising domestic demand. The overall growth of the economy, and the expansion of agriculture in particular, do not constitute an a priori and binding prerequisite for the expansion of manufacturing: import substitution and export growth have both been important sources of growth of manufacturing output and could continue to be. Moreover, the parasitic nature of substantial segments of manufacturing in SSA and the manner in which it has frequently evolved to become a net user of scarce foreign exchange is, at bottom, a problem of inefficient production, often associated with poor - or plain bad - initial decision-making. Constraints impeding manufacturing expansion, deepening and inhibiting increases in efficiency of production have not been entirely foreign exchange dominated. They often relate in a critically important manner to questions of skills (managerial, technical and engineering), to technology and its adaptation and to the level of information available. Quite substantial differences in productive efficiency between firms in the same industrial sub-sector point to factors other than the price, tariff and overall incentive structure do play a crucial role in determining the efficiency of manufacturing units. The conclusion to be drawn from this - equally important - evidence is that many key constraints to growth and the deepening of manufacturing, and which perpetuate inefficiencies, can be tackled without having, beforehand, to solve the overall foreign exchange constraint.

But there is more. The evidence also suggests that even in circumstances in which countries do have severe foreign exchange constraints, the option of stimulating manufacturing growth through further import substitution and/or promoting the expansion of manufacturing exports is not necessarily foreclosed. The experience with export revolving funds indicates that

manufactured exports can rise rapidly over a short period (even in less than a year) while the time-period for "saving" foreign exchange through efficient import substitution can also occur within a year or two.

Two other related points need to be made. In the immediate context, where the prospects for rapid rises in both overall domestic demand and primary product exports are so poor, it would seem a sensible (risk-averting) idea to attempt to promote alternative paths to raising aggregate growth: efficient import substitution and the expansion of non-traditional exports would appear to fit this particular bill. Looking further ahead, it is uncontroversial to argue that countries diversify their export base by growing a wider range of crops. Similarly, it would also appear sensible to welcome the further processing of primary products prior to export (in order to maximize foreign exchange earning) and to encourage diversification of the export base away from over-dependence upon primary product processing to embrace a wider range of products. Again, there is evidence in Africa to prove that this can be done^{5a}.

Combining these elements suggests that the optimal approach is for countries to address the domestically-related factors inhibiting inefficiencies within manufacturing while utilising scarce foreign exchange to best advantage. At minimum this suggests that foreign exchange shortages and low levels of overall growth do not have to rule out either promotion or achievement of manufacturing sector growth and development. More strongly, the argument made above could perhaps be turned on its head: not to force the pace of manufacturing growth and diversification would be likely to perpetuate the low-growth/high dependence syndrome which still characterises so much of SSA today.

CONCLUSIONS

Neither import substitution nor export oriented industrialisation seem a very appropriate basis for embarking on a process of further industrialisation for the countries of SSA. On the one hand this is because, with few exceptions, SSA is characterised by countries in which widespread import substitution has not really occurred. The crucial question for most of the countries of SSA embarking on the promotion of their manufacturing sectors is how to promote import substitution in the context of their foreign exchange constraints. On the other hand, as Lance Taylor, for instance, argues, there is no theoretically persuasive case in favour of the export-led growth alternative and that "the neoclassical case for export promotion runs into an empirical cul-de-sac" (1988a:19). His criticism of the Bank and the IMF is even harsher. He adds that (1988a:33):

On the basis of the foregoing arguments, it is fair to say that in the mid-1980s the trade liberalisation strategy is intellectually moribund, kept alive by life support from the World Bank and the International Monetary Fund.

It should be added that the South Korean model, shorn of its state-directed components, is held up with dreary frequency as an example to follow - even for the very different economies of SSA in a very different trading world of the 1980s and 1990s.

On the contrary what is suggested is an approach which blends in elements of both so that (although probably in relation to different industries and different sub-sectors) further inter-linked import substitution industries are established at the same time as short, medium and longer term comparative advantage in selected manufactured exports is developed in an overall environment which addresses (with care and gradualism) the current inefficiencies of the inherited manufactured sector. Thus what is needed is a path of industrialisation in which higher rates of manufacturing growth are promoted through a mix of policies (the ratios of which can only be determined in

relation to particular countries) which aim to maximize the benefits of expanded domestic demand and to stimulate both substantial import substitution and increased export orientation. This mix is likely to embrace price factors, training and skill elements, technology questions, policies related to foreign exchange saving, earning and usage as well as broader questions of promoting the wider efficiency of the physical and financial infrastructure.

Such an approach is not radically different from that suggested by the case-study evidence of a selection of middle-income and non-African countries analysed in the most important analytic volume on industry to be published in over a decade: Industrialization and Growth: A Comparative Study by Hollis Chenery and Associates.

... (An) examination of the experiences of countries which have successfully pursued export-led growth policies shows that their governments followed active interventionist policies, albeit with heavy reliance on market incentives.

The final word needs to be reserved for highlighting the problems of statistical gaps and data inadequacies. Any discussion of development and development policies in SSA must necessarily be tentative because of the dubious nature of the statistics which are available, the major gaps in our knowledge of what has been happening (and thus of the processes of change that have been taking place) and because of the often unaccountably large differences in data-bases used both by different "authorities" and by the same agencies in different publications and, indeed, over relatively short time periods. Both the analysis of past patterns of industrial development and the proposals for future industrial policies in SSA contained in this report suffer from these inadequacies. Thus appropriate caution should be exercised when agreeing with or challenging the views expressed here.

NOTES

1. This comment clearly does not apply to the United Nations Industrial Development Organisation (UNIDO) which, since mid-1988 has embarked on a series of studies on industrial rehabilitation in a number of African countries including Zambia, Angola and Morocco.

2. One, of course, excludes from this generalisation those institutions which either work for or are sympathetic to the African perspective such as the United Nations' Economic Commission for Africa or, in Britain, the Institute for African Alternatives. In relation to the former see Adedeji (1989).

3. Excluding Nigeria, the six countries account for 18 percent of the (non-Nigerian) population of SSA and for 32 percent of the respective GDP. Both sets of figures exclude South Africa. They are taken from World Bank statistics.

4. World Bank data base. The importance of referencing the particular source of statistical data will be explained in Chapter 2.

5. Clearly if MVA is not expanding and the ratio of MVA to GDP is not increasing then little manufacturing expansion or deepening is taking place.

6. A description of the sources of growth analysis is provided in Lewis (1971).

7. There are, of course, also theoretical problems associated with the whole "sources of growth" approach, such as the inter-linkages and inter-relationship between the three de-composed elements. Space does not permit their being addressed here.

8. The time periods for these figures are as follows:

Botswana: 1973/74 to 1982/83;
Kenya: 1970 to 1984;
Nigeria: 1963 to 1983;
Zimbabwe: 1964/65 to 1982/83.

9. In the case of both Côte d'Ivoire and Zambia, however, it is apparent that import substitution was an important source of growth in the 1960s with, in the case of Zambia, import substitution exceeding domestic demand in the respective ratios of 55 percent and 44 percent.

10. Botswana would provide an exception here especially in the post-1980 period where mining development has been a significant "motor" of development, while in Zambia the importance of agriculture has been eclipsed continually by the vagaries of the copper mining industry.

11. The data for Botswana, however, suggest a different picture especially in the 1980s when regional exports are judged to have expanded by about 15 percent a year to 1987.

12. The rise in manufactured exports from Mauritius only occurred from the late 1970s onwards and even by 1983 manufactured exports from Côte d'Ivoire, Kenya and Zimbabwe still exceeded the value of manufactured exports from Mauritius.

13. As Zehender comments in this context (1988:57):

The relative export success of countries like Côte d'Ivoire, Cameroon, Kenya, Nigeria and Zimbabwe in their respective regions has less to do with the regional "economic community" machinery (which at best has a strengthening role) than with the historical structure of their industrial sectors.

14. Mention should also be made of South Africa which not only dominates manufactured imports within the southern African region but which has made increasing inroads into countries further north even though accurate trends are difficult to analyse because of the secrecy surrounding such trade.

15. Particularly, but not exclusively, if trade preferences are excluded.

16. "Indeco products, such as maize meal, sugar and cooking oil are all sold near or below cost price... So cheap are Indeco products in comparison with goods available in neighbouring countries that up to 20 percent of production is smuggled out." (Financial Times, 30 December 1988.)

17. As Jebuni, Love and Forsyth comment (1988:1518):

Where market power is positively related to export performance, policy emphasis on eliminating monopolistic elements or creating small competitive establishments to promote exports of manufactured goods may be misplaced. Measures to restrict the development of large firms in favor of small competing firms may be counterproductive. The simultaneous positive influence on export performance of economies of scale suggests that export success may depend on having a concentrated domestic market structure which allows companies to enjoy scale economies domestically and thereby to achieve unit costs at which companies can compete abroad....

18. The importance of radical changes in management and human resources as well as in technology is discussed in detail in Cauffin (1989) and in UNIDO (1989).

19. In Zimbabwe, Central African Cables (CAFCA) could be considered an example of a manufacturing company which in the 1980s has changed from being domestically to export-oriented. It expanded exports four-fold to over \$4.5 million from 1986 to 1988

and was expecting to raise the value by a further 16 percent in 1989; 35 percent of production was geared to export market in 1988. The company attributes its successes, inter alia, to a massive investment programme, management commitment to exporting and a sustained export drive. While almost all exports are to the regional market these markets have been secured both by overcoming South African and overseas competition.

20. Why do some companies grow rapidly to operate on an international scale, while others remain small and tied to their local market, began an article at the end of 1988 in the Financial Times, entitled "When Late Developers Produce Rapid Growth". Reporting the results of a conference, a number of common themes emerged from work carried out by academics, businessmen and venture capitalists: (Financial Times, 20 December 1988, p. 18).

"What became apparent from the companies surveyed was that... sometimes these companies slumbered for decades before the arrival of an entrepreneurial family member or professional manager led to an acceleration of growth...

Success does not depend on a single formula or even on a small number of readily identifiable factors. It is the result of welding an almost infinite number of variables into an effective combination. It is the skill with which they are mixed together rather than the raw ingredients which holds the secrets of growth.

21. "Import substitution is by its very nature a dead-end strategy, especially in a small market like Kenya" writes Professor Hawkins in an analysis of industrialisation in Kenya for the Financial Times, 12 December 1988.

22. Excluding meat products.

23. This is not to argue, however, that the ratio has reached a "satisfactory" level: reducing the level further remains a major policy objective into the 1990s.

24. South Africa almost certainly excepted.

25. Growth rates of both MVA and GDP began to pick up in 1979, prior to the formal granting of Independence in April 1980 because of expectations that the war would soon be over, a rise in exports and because of an increase in allocations of foreign exchange to manufacturers.

26. In contrast the UDI period began inauspiciously with the worst contraction of the economy for over a decade and a concomitant fall in manufacturing output, events which heralded substantial changes in policy which enabled the process of structural change in manufacturing to be maintained.

27. Thus the 'sector was buffeted by' fluctuations in the wider economy without the underlying inherited structural problems being sufficiently addressed. Perceptions of hostility to external investment among current and potential foreign investors together with increased tension in the region originating in the apartheid policies of South Africa aggravated an already poor investment climate, frustrating substantial foreign investment inflows.

28. Tariff protection accelerated especially after 1974.

29. These totalled \$2,976 million over the five years 1983 to 1987 (OECD, Development Cooperation 1988 Report, 1988:207).

30. Notwithstanding, too the 1984 drought which resulted in negative agricultural growth in that year.

31. The slowdown in manufacturing growth can, as in the case of Zambia, be traced back to the post-1977 period.

32. Thus in 1987, manufacturing growth, estimated at 5.7 percent, was close to the higher than average 5.9 percent recorded in 1986 (Republic of Kenya, Economic Survey 1988, 5), spurred by higher agriculturally-led GDP growth of 4.8 and 5.5 percent respectively, an easing of import restrictions and an overall rise in domestic demand. The annual growth rate for 1988 was expected to be even higher.

33. In mid-1988 imports in three out of five separate categories were liberalised. But, more generally, as the government's 1988 Economic Survey tersely put it (1988:117): "Liberalisation policies aimed at creating efficiency through competition have not yet borne fruit".

34. In the 18 months to March 1989, the UK's Lonrho and Metal Box and the US' Heinz and Colgate Palmolive had all made investments in Botswana's manufacturing sector.

35. Which are, as Mosley and Toye have argued (1988:402): "development plans in all but name".

36. Projections/forecasts of rates of growth of MVA in the different countries - even those produced by the World Bank - are based on extremely flimsy data. They are commonly spin-offs from more general macro-economic projections and forecasts and not based on manufacturing-specific analysis, perhaps itself a sign of the manner in which the importance of manufacturing in overall development is judged.

37. For a general discussion of the effects of economic recovery programmes on rural incomes in five African countries see Overseas Development Institute (ODI) 1989.

38. For an analysis of the prospects for and constraints on foreign investment in Africa in general see Page and Riddell (1988).

The Catch-22 situation is already occurring in the case of Nigeria. Analysts in early 1989 were all agreed that low levels of foreign investment were stunting the growth of the economy. What is more, as an official of the Bank of Netherlands has argued, the economic reconstruction objectives of the structural adjustment programme may well go unfulfilled without adequate inflows of foreign investment, thereby exacerbating the economic crisis and providing a further disincentive to foreign investors. (See West Africa, 9 January 1989, p. 8).

39. In the sense described below, Botswana never has been.

40. The issue of the role of the public and private sectors in industrial development is not one that has been resolved in the case-study countries with unanimity so is not included in this particular listing.

41. In 1986 the IMF set up a new Structural Adjustment Facility (SAF), and in 1987 an Enhanced Structural adjustment Facility. According to Killick (1989:53) the IMF's Extended Fund Facility, set up in 1974, "was a precursor of the SAF, not the least because, for the first time, it engaged the IMF in medium term policy programmes addressed to the strengthening of the productive structure".

42. In this regard, the specific export incentive package introduced under World Bank prompting in Côte d'Ivoire should be seen more as a means of redressing what are perceived as the adverse effects of an assessed over-valued exchange rate rather than as distinct policy instrument devised to boost non-traditional exports.

43. These issues are discussed in Mosley and Toye in which, inter alia, the senior author of the World Bank's 1981 report Accelerated Development in Sub-Saharan Africa, is quoted thus (1988:412):

Structural adjustment loans are not intended as relief for the balance of payments of the (recipient) country. Instead the money is mainly intended to help bring Bank representatives to the borrowers' policy-making high table, where basic policy issues are decided by policy-makers, not merely explored by technical analysts.

44. For a wide-ranging discussion of the term "real economy" see Killick et al (1984).

45. Option (4) needs to be differentiated sharply from Option (1) where neither efficiency nor explicit promotion of manufactured exports receive prominent attention.

46. The term "planning" is used here with some hesitation; it is not meant to imply the re-adoption of a system of central planning more characteristic of the 1960s.

47. Accepting the principle of infant-industry tariff protection for a certain limited period of time.

48. In 1989, for instance, Zambia re-started talks with both the Fund and the Bank after the abandonment of their programmes in the mid-1980s. Although Zimbabwe had never had a Bank or Fund programme, relations continued to be cordial throughout the 1980s, and at the end of the decade a Government Import Liberalisation Study was set in motion to examine the process of trade liberalisation following the statement by the Minister of Finance that the Zimbabwe government was committed to initiate such a process.

49. This has been seen, for instance, in a number of contradictions between verbal agreements to conform to such policies and in practice the embarking on policies at variance with the whole approach. In the 1989 budget, Nigeria decided to raise tariffs and increase domestic protection for a range of products manufactured domestically at the same time as agreeing to implement structural adjustment policies.

50. In both Zimbabwe and Zambia it is important to distinguish between support for private enterprise and support for radical liberal policies: support for the former is strong, for the latter substantially weaker.

51. Not without interest, the World Bank's own evaluations of its structural adjustment programmes (World Bank 1986a) concluded that structural change in Africa tends to take longer than had earlier been envisaged.

52. It would not entirely unfair to argue that the vigour with which (in the early 1980s) the Bank underplayed the future role of manufacturing in SSA and in later years increasingly pursued its own Option (3)-type approaches has, in part, been related to its belief that this would be the most likely outcome.

53. This move towards a closer linkage between aid funds and World Bank initiated, sponsored or approved programmes is also anticipated in relation to aid programmes of the European Economic Community under Lomé IV. For a discussion of this see Killick and Stevens (1989).

54. These issues are discussed, for instance, in Financing Africa's Recovery, Report and Recommendations of the Advisory Group on Financial Flows for Africa, United Nations Publications, February 1988 (The Wass Report), World Bank (1986) and in Mistry (1988).

55. Successes which have tended to remain unknown, ignored or overlooked in much of the literature on African development.

56. Links with international companies are also likely to become even more important both as the 1990s progress and if SSA countries are to achieve their goals of expanding non-traditional exports. As the Financial Times' 1989 "World

Industrial Review" comments (Financial Times, 23 January 1989):

All these trends point towards the development of companies able to bring together resources and expertise in different parts of the world. To achieve these ends, companies will have to find ways of entering new markets, often through mergers and acquisitions. This, in turn, suggests that the days of the old-style national conglomerate are numbered, as their role in different areas is taken over by specialist international companies. So for industrialists everywhere, the medium-term is likely to be one of increasing international involvement spiced with the prospect for global alliances or takeover of the weaker performer.

57. Ideally this approach would lead to a number of international companies becoming interested in investing which would itself lead to a certain amount of competitive bidding to obtain the best deal. This is discussed more fully in Page and Riddell (1988).

58. For instance, the Japanese investment in a zip-fastener factory in Swaziland.

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