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17952

Distr.
LIMITED

IPCT.104(SPEC.)
4 January 1990

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

ORIGINAL: ENGLISH

**Expert Group Meeting on Industrial
Rehabilitation and Restructuring
with Special Focus on the
Food-processing Subsector in Africa**

Vienna, Austria, 23-25 October 1989

REPORT*

* This document has not been edited.

V.90-80092

I. ORGANIZATION OF THE MEETING

1. The Expert Group Meeting on Industrial Rehabilitation and Restructuring with Special Focus on the Food-processing Subsector in Africa was held in Vienna, Austria, from 23 to 25 October 1989 as the first preparatory activity for the proposed Regional Consultation on Industrial Rehabilitation and Restructuring with Special Focus on the Food-processing Subsector in Africa.
2. The Meeting was opened by the Director of the System of Consultations Division who welcomed the participants on behalf of the Director-General of UNIDO. He invited them to articulate the causes for the serious underutilization of the capacities in this industrial sector, and to define the main characteristics of the issues to be further studied and explored at the forthcoming Global Preparatory Meeting in preparation for the Regional Consultation. In that connection, he emphasized that the System of Consultations goes beyond the identification of problems and attempts to synthesize possible solutions at the enterprise, national, regional and international levels.
3. The Expert Group Meeting focussed on the food-processing subsector because of its crucial significance both for agricultural and industrial development as well as its potential for contributing to food self-sufficiency and security in Africa.
4. It has already become apparent from studies which have been undertaken that rehabilitation at the enterprise level alone will not suffice and will have to be accompanied by subsectoral restructuring and macro-economic reforms to ensure an efficient allocation of national resources and growth of a dynamic and competitive sector. At the same time, the Director of the System of Consultations emphasized that human and social implications should not be overlooked, since this industry has crucial linkages with rural development and the role of women is considerable.
5. There is need to correct the distortions created by past linkages of this industry to metropolitan markets and to intensify co-operation amongst African countries in the fields of sourcing of raw materials, marketing, consultancy and information services, training, research and development.
6. Finally, the Director of the System of Consultations Division wished the participants a fruitful exchange of views based on their invaluable experience who, he was gratified to note, came from both private and public sector industries and government agencies dealing with agro-industry.

Election of officers

7. The following officers were elected:

Chairman:	Eric Tetteh Kloba (Ghana), General Manager of Production, Tema Food Complex Corporation (TFCC)
Vice-Chairman:	Abdoulaye Mamadou Ball (Senegal), Chef, Bureau des industries agro-alimentaires, Direction de l'industrie, Ministère du développement industriel et de l'artisanat
Rapporteur:	Oluniyi Babatunde Omosaiye (Nigeria), Chief Executive, Omory Limited.

Adoption of the agenda

8. The Meeting adopted the following agenda:

- Opening of the Meeting
- Overview of the food-processing sector in Africa: Problems and prospects
- Policies and instruments for industrial rehabilitation and restructuring at macro, sector, subsector and enterprise levels
- Institutional and infrastructural prerequisites, including technology, skills and markets
- Financing of industrial restructuring and rehabilitation in the food-processing sector
- UNIDO programmes and new areas of technical co-operation
- Identification of the issues on industrial rehabilitation and restructuring of the food-processing sector
- Consideration by and adoption of conclusions and recommendations by the Meeting
- Closure of the Meeting

II. SUMMARY OF DISCUSSIONS

Overview of the food-processing sector in Africa: Problems and prospects

9. The Meeting noted with concern the low capacity utilization in the food-processing industry in Africa estimated at a regional average of below 40 per cent in 1988. In the 1980s, food-processing output declined by 4 per cent per annum up to 1985; however, in 1986 and 1987 there were increases of 3.5 per cent and 2.5 per cent respectively. The main causes of stagnation were:

- (a) Conceptual mistakes in the establishment of enterprises;
- (b) Insufficient integration between agriculture, manufacturing and trade (related to the food-processing industry);
- (c) Technological inadequacies;
- (d) Lack of attention to stimulation of demand;
- (e) Need for subsectoral restructuring of small-scale enterprises to cater for local markets and for inter-sectoral integration between large and small enterprises;
- (f) Inability to adapt to the increasing sophistication of international markets, including the development of new packaging materials; and, above all
- (g) The severe shortage of entrepreneurial, managerial and technological capabilities at the national or local level.

10. The food-processing enterprises established in the 1970s (and in some cases earlier by the colonial powers) were generally based on requirements of international or regional markets; capacities to cater for sizeable demand; machinery and equipment, imported entirely and suited to developed country technology; and products to cater for western tastes financed and managed by foreign capital and expertise. The feasibility studies did not take account

of subsequent changes in demand in the international market, in sources of supply of raw materials, or with changing political and economic conditions. In addition, studies prepared after independence of some African countries suffered from unrealistic demand and cost estimates, underestimation of investment and working capital requirements, inadequate analysis of marketing and sources of raw material supplies, and technology and equipment not adapted to local conditions or requirements. Dependence on foreign consultants (often engaged by suppliers of plant and equipment) led to an inevitable bias which could not be corrected since Governments lacked appraisal and monitoring capability.

11. It was stated that forward and backward linkages between domestic agriculture and food-processing industries were lacking. So also were intra-industry linkages. In an integrated process, agricultural growth should lead to processing and a manufacturing industry relying on local inputs. A manufacturing industry, in turn, should supply inputs of fertilizers, chemicals, tools and equipment to agriculture. The metal subsector of industry should be able to supply tools, spare parts and repair services - and eventually equipment - to the food-processing subsector. Finally, the demand-push from growth of agricultural incomes will create or expand the market for the food-processing industry. Unfortunately, until recently, policies in most African countries were not conducive to such an integrated development. However, many countries have in the last few years formulated policies to encourage such integration, but need assistance in effective implementation.

12. Thus, the Meeting felt that beyond rehabilitation of enterprises, the need for restructuring of the food-processing subsector should be taken into account. Small and medium enterprises based on local resources should be encouraged. They should be linked to large-scale enterprises which should increasingly cater for regional markets. With regard to international markets, they would in future provide niches for sophisticated, exotic or nutritionally significant quality products. In that connection, attention should be given to developing packaging materials based on local materials (e.g. kenaf) as well as on new materials (e.g. compound of aluminium and polymers).

13. The Meeting emphasized the need for information and analysis of medium and smaller sizes of available equipment, and for adaptation of technology to meet local supply and demand conditions; development of repair services locally; organization of supply of spare parts (national or regional basis); and above all, provision of training facilities, and rapid development of national technological capabilities.

Policies and instruments for industrial rehabilitation and restructuring at macro, sector, subsector and enterprise levels

14. The discussions on the food-processing sector in Africa underlined the interdependence of problems of the enterprise, the subsector, the sector and the economy. In addition there were exogenous influences due to changes of the international economic situation and the health of the world economy. It was felt, in that context, that rehabilitation of an enterprise may provide a short-term solution, but that there was need for structural transformation in the medium to long term to remedy the basic causes of industrial stagnation and to attain sustainability. Such a transformation includes as an essential ingredient the building-up of local or national industrial capabilities - entrepreneurial, managerial and technological.

15. It was agreed that rehabilitation of an enterprise should be undertaken on the premise of its potential for efficient operation on a competitive basis. Diagnostic analyses and viability studies should indicate the need for technical and/or financial inputs/co-operation. The enterprise may become viable after technical co-operation, or after technical co-operation and financial assistance, or on the basis of an expanded multinational market. If it cannot become viable at all, due to technological, financial or market obsolescence, it should be closed down.

16. In discussing the question of privatization of public enterprises, the Meeting underlined the basic objective of competitive and efficient operation rather than ownership *per se*. It noted the socio-economic importance of public enterprises, the difficulties in attracting domestic investment to non-profitable public enterprises, and the need for gradual changeover to private ownership - wherever feasible - to be preceded by reorganization, rehabilitation and reorientation of the enterprise.

17. It was noted that subsectoral, inter-sectoral or inter-country attention was required to tackle the problems of sourcing of raw material supplies and production of spare parts. Other subsectoral, sectoral or macro-level problems were related to pricing policies, import and export regulations, customs and tariffs, commodity and sales taxes, labour legislation, training of manpower and some of the physical infrastructure required. While appropriate agricultural prices provided an incentive to the production of inputs for the food-processing industry, the import parity price imposed a limit. Subsidization by developed countries of export prices of food and agricultural raw materials may have a negative effect and needed international co-operation. The harmonization of the tax structure e.g. import duties on raw materials in relation to those on finished goods, or import duties in relation to sales taxes - would contribute to cost reduction in the manufacturing sector. If subsidies are considered necessary, they should be based on a systematic study and should be in appropriate amounts for an appropriate period. The administration of subsidies, customs and tax systems should be streamlined and simplified and straightforward in application. While policy reforms were important, there was need for dynamism in its review and for national capabilities to react to changes caused by external factors.

18. It was agreed that macro-policy measures of demand management, exchange rate adjustment, trade and market liberalization, and external financing promoted the emergence of a competitive industrial structure. The shift from import substitution industrialization to export-led industrialization should be gradual and based on interrelated measures in other sectors of the economy, e.g. agriculture, education, health, etc.

19. The Meeting was of the view that there was considerable market potential for the food-processing industry based on local, national and regional markets, even though further scope in international markets was limited to exotic and specific nutritionally significant needs. Regional integration in Africa promoting intra-African trade and investment had considerable scope and would help in the development of small and medium enterprises.

20. Last, but not least, it was stated that policies and strategies should give priority to the promotional issues of building up underlying human, technological and institutional capabilities rather than concentrating on industrial capacity creation. The consideration of technological self-reliance should be paramount for achieving competitive efficiency and viable growth.

Institutional and infrastructural prerequisites, including technology, skills and markets

21. The Meeting underlined the importance of both physical and institutional infrastructure in African countries for the sound development of the food-processing industry.

22. Physical infrastructure - roads, railways, ports and harbours, water, electricity, etc. - was of special significance in an industry which depends on efficient linkages from the farm to the factory and the market. Refrigeration and storage facilities would improve quality and safety and enable value addition to the product. Physical infrastructure was particularly required for small-scale enterprises who cannot afford to install their own utilities. On account of the high cost of physical facilities, it was felt that added value from manufacturing should be high enough to absorb the costs and leave a profit to the enterprise.

23. Education and training were crucial in making available the right kind of skills for the industry. The problem should be looked at comprehensively to meet the needs of agricultural producers, small-scale enterprises and large industry. Vocational and technical schools should have curricula based on the practical needs of farms and businesses. Some participants felt that use should be made of existing training institutions, their capacities expanded, and intra-African co-operation improved. Others felt that there was need to review this question and assess new requirements in food technology, maintenance, packaging and business management, and, where necessary, to establish new schools with the active involvement of industry and business. However, Governments should have the overall co-ordinating role in the field of education and training. In many countries, the Government needed to formulate a clear policy on technical education. Specific attention should be paid to the training of women who constitute a significant proportion in the rural sector of this industry.

24. With respect to research and development, there are institutions in Africa supported by Governments which did useful work on new varieties of raw materials and processes, but the application of results of research to industrial processes was slow and not always effective. It was felt that while Governments should take the lead role in research and development, industry should be closely involved both in financing and participation in research activities. Large multinational enterprises, should devote resources to research and development and carry out this work in Africa. There was scope for co-operation among African institutions. Furthermore, there were two fields which were not adequately covered as yet. One is the field of research on scaled-down technologies and adaptation to meet the requirements of African markets, and the other is that of marketing, where research, organization of flow of information, and promotion are all essential. It was also felt that incentives should be provided for the development of consultancy services in Africa, and increasing use should be made of local consultants.

Financing of industrial restructuring and rehabilitation in the food-processing sector

25. The Meeting felt that issues of financing of rehabilitation projects and restructuring programmes, as well as of new investments in the food-processing industry, were crucial for renewal of growth of this subsector. It noted that financing of rehabilitation may be less costly than the promotion of new investments and thus easier to obtain. However, the Meeting expressed concern

at the long delay in the follow-up of rehabilitation/feasibility studies into project appraisal reports and financing arrangements. The financing available from the Industrial Development Fund of UNIDO and the follow-up services of UNIDO's Investment Promotion Service should increasingly be made use of by African countries. Whilst carrying out of a feasibility study by a prospective foreign investor facilitated the availability of financing, it often had the disadvantage of possible bias towards capital-intensive technology being recommended for the enterprise. The use of national consultants and building up of national capabilities were urgently called for.

26. The participants discussed the scope and limitations of different sources and methods of financing enterprises. The further development of domestic financial institutions - both for development banking and commercial banking - was strongly advocated. A wide range of measures for mobilizing savings and channelling them for investment, linking loans to savings under the aegis of co-operatives or associations, joint ventures, leasing of equipment, loans repayable by instalment, etc. were reviewed. Collateral requirements for loans to small-scale enterprises have to be eased, and procedures developed to provide financing on the security of assets created by the loan and on the basis of potential profitability of the project, creditworthiness of entrepreneurs, etc.

27. The foreign exchange risk on external loans given in foreign currencies and risk on export credit could be covered through insurance schemes, provision of part of the loans in domestic currencies and long-term contracts.

28. Finally, the Meeting felt that criteria needed to be developed to appraise rehabilitation projects and restructuring programmes for financing. The danger of rehabilitation projects perpetuating outdated or uneconomic technologies should be avoided. Furthermore, the volume of financing should be adequate to cover the requirements during the gestation period and not lead to liquidity problems and loan repayment requirements before commencement of regular operations.

UNIDO programmes and new areas of technical co-operation

29. The Meeting noted with appreciation UNIDO's integrated approach to the problems of industrial rehabilitation and the involvement of different functional and sectoral areas in UNIDO in this activity. Since there was linkage between rehabilitation of an enterprise, subsectoral restructuring and macro-economic policy, the "top-down" "bottom-up" approach of UNIDO enabled attention to be paid to critical issues which needed to be tackled for ensuring renewed industrial growth. The common themes which emerged from several country studies related to inappropriate design and types of plant, inadequacy of middle management (including supervisors, maintenance personnel and computer programmers), insufficient marketing research and promotion, anomalous customs duty structure, and deficiencies in macro-policies.

30. The participants stressed the importance of co-ordinated follow-up action to ensure financing of rehabilitation projects and restructuring programmes. It noted with satisfaction the current negotiations between UNIDO and bilateral donors on the follow-up of studies completed and projects formulated. However, it expressed concern at the long drawn-out process and hoped for quicker implementation, since this experience will be relevant to the restructuring of other subsectors of industry, e.g. textiles.

31. The Meeting urged UNIDO to continue to provide assistance to African countries in formulating sectoral and subsectoral plans and developing capabilities in project appraisal and evaluation. Some participants expressed satisfaction with past UNIDO assistance to their countries in this matter which had enabled them to develop national capabilities.

32. Finally, the Meeting felt that there was considerable scope for regional co-operation in Africa and for the establishment of multinational enterprises as a means of enlarging the market and promoting the development of a more efficient food industry subsector on the continent.

III. CONCLUSIONS AND RECOMMENDATIONS

Overview of the food-processing sector in Africa: Problems and prospects

33. The Meeting noted that although food processing is the most important industrial subsector in many African countries, output had declined by 4 per cent per annum between 1980 and 1985. While there was positive growth in subsequent years of 2 to 3 per cent per annum, unutilized capacity in 1988 was still on an average below 40 per cent. The major causes for this situation are to be found in conceptual and historical mistakes, operational inefficiency and inadequate policy support. It was also noted that only to a limited extent do the prospects for the future lie in exports to the international market. Thus, industry needs not only rehabilitation but restructuring and reorientation to new markets, especially regional and domestic.

34. The interdependence of the food-processing industry on agriculture and rural development was emphasized. There was need for strengthening the forward linkages from food and agricultural raw materials to industrial processing, as well as backward linkages from industry to agriculture through supply of inputs (including tools and equipment). Above all, rapid agricultural development increased rural incomes and thereby the demand for industrial products.

35. The Meeting recommended that:

(a) The preparation of feasibility studies should be based on realistic estimates of demand, suitable selection of product or products, supply of domestic inputs, and choice of technology appropriate to the scale required and the sophistication needed. Over-ambitious grandiose projects should be avoided. Except for specific products for international markets, domestic and regional marketing possibilities should be more often considered;

(b) National capabilities for the preparation and appraisal of feasibility studies should be built up on an urgent basis. Increasing use should be made of national engineering consultants. These measures will reduce or eliminate the bias of consultants engaged by foreign investment and financing sources;

(c) The agricultural sector which supplies the raw materials for the food-processing industry should be strengthened through price and other incentives, extension services, credit facilities, supply of seeds and other inputs, organization into co-operatives etc., to ensure regular as well as good quality supplies;

(d) Inter-sectoral linkages between the food-processing and metal sectors should be developed to enable local fabrication of equipment and spare parts. Production of spare parts on a subregional basis should be encouraged to benefit the industrial sector as a whole;

(e) Systematic efforts should be made to exploit the potential for expanding the market size through regional and subregional co-operation under the aegis of the Preferential Trade Area for Eastern and Southern African States (PTA) or other organizations, since there is considerable scope for intra-regional trade in manufactured goods, including market niches for food products;

(f) The development of suitably adapted and competitive packaging materials based on local products as well as application of new materials should be accelerated for use by the food-processing industry. This effort may be undertaken on a co-operative basis by regional organizations, e.g. PTA, the Southern African Development Co-ordination Conference (SADCC), etc;

(g) Concerted efforts should be made by Governments, regional organizations, industrial associations and enterprises to accelerate research and development and ensure their application in the selection, acquisition and transfer of technology suitable to the requirements of African countries. National capabilities should be enhanced to enable the unbundling of the technology package and appropriate mix of labour- and capital-intensive technologies. Research and development should cover not only technological processes but also types of equipment, raw materials, packaging materials, etc.;

(h) Quality assurance programmes should be intensified to ensure quality standards and safety of food products;

(i) The food-processing industry sector should be developed to comprise large-, medium- and small-scale enterprises, in accordance with the market size for different products. There should be linkages between all sizes of enterprise within a country as well as between countries.

Policies and instruments for industrial rehabilitation and restructuring at macro, sector, subsector and enterprise levels

36. The Meeting noted that the underlying problems of high costs, low productivity, lack of export success and low local linkages are due to inappropriate macro, industrial and trade policies, as well as shortage of indigenous industrial capabilities. Therefore, besides short-term rehabilitation, structural transformation over the medium to long term was required. There is need to shift industrial structures towards high growth and competitive enterprises that are linked to the domestic economy. Furthermore, the functional issues of building up entrepreneurial, managerial and technological capabilities should be addressed instead of merely aiming at industrial capacity creation. Strategic choices, policy instruments and industrialization paths will vary by country; factors such as resource orientation, structure and pattern of industrialization achieved till now, export potential, population size, etc. have to be taken into account. The social dimension of development - such as health, education and training - should be provided for.

37. Enterprise level problems comprise management weaknesses, physical plant deficiencies, marketing and distribution aspects, financing difficulties, and lack of qualified manpower.

38. Some of the enterprise level problems, e.g. local production of raw materials, production of spare parts, training programmes, can only be solved under subsectoral or sectoral programmes.

39. Furthermore, macro-level policies relating to demand management, trade, exchange rates and external financing influence the prospects for individual enterprises.

40. The Meeting recommended that:

(a) Policies should be kept under constant review and capabilities developed to react in time to exogenous influences. Administrative procedures should be simplified;

(b) Since the role of the Government is important in giving direction to the economy and taking new initiatives in industrialization, it should also play an active role in achieving regional integration as well as co-operation with developed countries;

(c) The tariff and taxation structure should be reviewed and adapted to meet the requirements of industrialization to achieve harmonization of taxes on raw materials vis-à-vis finished goods as well as import duties vis-à-vis sales taxes;

(d) Since there are political and social reasons in favour of the public sector in many African countries and since it is not always easy to turn publicly-owned enterprises into private ownership, the main objective should be to make enterprises - whether public or private - more efficient in operation yielding profits to the enterprise. The substance of privatization could be achieved through joint ventures, management performance contracts, delegation of authority and building up managerial and entrepreneurial capabilities. With regard to new capacity creation, considerable scope which exists for encouraging small and medium industries - private or co-operative - should be made use of;

(e) In general, subsidization of enterprises should be avoided. However, investment and location incentives might be provided. Where circumstances necessitate the provision of subsidies, it should be at an appropriate level and time-bound;

(f) The considerable potential of intertrading in manufactured products among African countries should be utilized to expand markets for individual enterprises. This matter should be studied by Governments, industrial associations and regional organizations, and inter-country co-operation accelerated;

(g) New initiatives should be taken by Governments to encourage the development of commercially acceptable nutritionally significant food products to make up deficiencies.

Institutional and infrastructural prerequisites, including technology, skills and markets

41. The Meeting noted that restructuring of the food-processing industry in Africa and its future development would be accelerated through building up a sound institutional and physical infrastructure, both on a national and regional or subregional basis. The development of skills should cover the whole spectrum from raw materials at the farm level to production at the factory level, including packaging and marketing, as well as expertise to undertake, monitor and appraise feasibility studies and follow-up investment projects. Research and development facilities should be located in Africa and involve the enterprises themselves, with Governments taking the initiative and leading role as often as possible. In an industry like food processing, the dependence on physical infrastructure, including roads, port and harbour services, energy and water supplies, storage and refrigeration facilities, is particularly important in view of the perishability of the raw materials. These infrastructural and institutional facilities would not only facilitate the normal operation of enterprises but also enable them to respond quickly to changes in market, price and other external influences.

42. The Meeting recommended that:

(a) Physical infrastructure including roads, port and harbour services, energy and water supply, should be developed by Governments to meet the requirements of the food-processing industry;

(b) Governments should examine, in consultation with industrial associations, the requirements of technical skills and the extent to which they are being met. Skill upgrading courses and programmes should be built into the education system. The capacity of existing schools should be expanded and new institutes established where required. While Governments should take the lead role, industry - especially large industry - should contribute through financing and offering job training facilities;

(c) Subregional and regional organizations in Africa should strengthen co-operation in the field of training through identifying institutions of excellence and offering their facilities to member countries;

(d) Since the role of women is significant in this subsector, particularly in the smaller and more rural enterprises, special attention should be paid to providing them with upgrading courses, including part-time courses;

(e) The programmes of existing research and development institutes should be more closely integrated with the requirements of industry, including the development of the right type of raw materials and appropriate processes and technologies. Industrial enterprises should participate in such research activities and, wherever possible, financially assist research and development programmes;

(f) Technical faculties and laboratories of university and polytechnic should be encouraged to take up research projects as well as to provide testing and quality control facilities. This should be assisted by Government and industry;

(g) Co-operation through exchange of information, mutual visits and training activities should be encouraged and facilitated among research and

development institutes on a subregional/regional basis. Such activities should include the development of appropriate raw materials, products, equipment and processes.

Financing of industrial restructuring and rehabilitation in the food-processing sector

43. The Meeting noted that the question of financing covered a spectrum of issues ranging from financing of rehabilitation and feasibility studies to the provision of additional investment for existing enterprises and of investment for new enterprises, domestic financing as well as external financing. The financing of small-scale enterprises was crucial and faced special problems on account of lack of collateral and high risk and transaction costs. Foreign exchange risks reduced the possibility to utilize available external funds. Financing was also required to meet institutional and infrastructural requirements as well as for building up national capabilities.

44. The Meeting recommended that:

(a) UNIDO should accelerate the follow-up of feasibility studies through its investment promotion services in order to speed up the implementation of rehabilitation/restructuring projects;

(b) UNIDO, in co-operation with regional and international banks, should develop criteria for the financing of rehabilitation and restructuring projects. Preconditions for such financing should be taken into account in the preparation of bankable projects;

(c) Governments should - with the assistance of UNIDO and other bilateral/international agencies - accelerate the building-up of national capabilities in the commissioning and appraisal of feasibility studies as well as in the evaluation of contracts for the establishment of enterprises in order to minimize the risk of bias by foreign consultants engaged by the financing sources themselves;

(d) Governments should pay specific attention to the problems of financing small-scale enterprises through developing financial intermediation, credit guarantee schemes, encouragement of saving-loan co-operatives, etc.

UNIDO programmes and new areas of technical co-operation

45. The Meeting took note of the "top-down" "bottom-up" approach in UNIDO's diagnostic studies of rehabilitation at the country level. Thus, micro-policies, subsectoral restructuring and specific requirements of selected enterprises were taken into account. Some concern was expressed that the process of formulation and implementation of rehabilitation schemes was long drawn out. However, it was satisfying that several bilateral donors had expressed interest in the financing of follow-up activities. UNIDO's existing machinery for investment follow-up through its Investment Promotion Service could also be utilized once project reports were ready. Besides the follow-up of diagnostic studies, UNIDO, through its technical co-operation programmes, provided a machinery for assistance at policy, planning, sectoral, subsectoral and enterprise levels.

46. Several participants expressed appreciation for UNIDO's past assistance in setting up capacities for industrial planning and project evaluation in their countries.

47. With regard to the food-processing sector, the results of UNIDO's recent Consultations on the Food-Processing Industry with Emphasis on Sugar-Cane Processing and on Fruit and Vegetable Processing were noted with appreciation.

48. The Meeting recommended that:

(a) UNIDO should provide guidelines on the planning of the food-processing subsector and evaluation of subsectoral and enterprise level projects to African countries through its technical co-operation programmes;

(b) Further attention should be paid by Governments and international agencies to the potential and possibilities for inter-country co-operation in rehabilitation projects, particularly in sourcing of raw materials, development of spare parts production, and marketing of products. In that connection, joint ventures or multinational enterprises could be developed.

IV. ISSUES IDENTIFIED

49. It was agreed that at the forthcoming preparatory meeting, the following issues for the renewed growth of the food-processing enterprises in a competitive environment ensuring economic viability and commercial profitability should be considered:

Subsectoral strategy of rehabilitation and restructuring

- (a) Subsector diagnosis and formulation of plans and policies to enable the subsector to (i) respond flexibly and efficiently to changes in market and technology; and (ii) diversify into other activities in the event that an enterprise proved to be unrehabilitatable in its current line of operations;
- (b) Definition of the main bottlenecks adversely affecting the profitability of the subsector such as lack of proper managerial, marketing and organizational skills; technology; product design; packaging; labour and other inputs;
- (c) Linkage with agriculture and input-supplying industries;
- (d) Diagnosis of enterprises to establish their problems and characteristics and to assess their rehabilitation needs over time;
- (e) Preconditions and criteria for rehabilitation versus restructuring assistance;
- (f) Capacity development for feasibility studies: preparation, appraisal, evaluation and follow-up.
- (g) Development of consultancy services to provide timely advice in management, accounting and marketing.

Reinforcing the link between enterprise rehabilitation, subsectoral restructuring and macro-economic policies

- (a) Policy reorientation;
- (b) Institutional and infrastructural development;

- (c) Human resources development;
- (d) Research and development on technology, raw materials and products;
- (e) Market development and marketing strategy.

Financial resources for restructuring

- (a) Alleviating the debt burden;
- (b) Increasing the volume of financial flows for restructuring;
- (c) Accelerated follow-up of rehabilitation/restructuring proposals/projects through the Investment Promotion Service of UNIDG;
- (d) Establishing investment promotion agencies as may be appropriate in African countries;
- (e) Strengthening the operations of domestic financial intermediaries, especially with regard to their capacities for subsectoral studies and analysis and for project appraisals, and establishing new financial institutions as might be necessary;
- (f) Improvement in methods of financing of projects by development banks to ensure adequate initial capital, taking into account the gestation period to attain normal capacity operation, environmental requirements, etc.;
- (g) Specific attention to financing of small-scale industrial enterprises, including relaxation of collateral requirements mobilizing savings for productive investments, linking savings and loans, credit guarantee schemes, etc.

Critical components of rehabilitation and restructuring

- (a) Industrial policy framework geared to promoting a competitive industrial structure;
- (b) Promotion of small and medium enterprises;
- (c) Incentive measures and taxation that support restructuring objectives and which do not have built-in biases or distortions;
- (d) Simplification of the administration of such measures as well as procedures regarding licensing, customs, storage, warehousing, etc.;
- (e) Retraining of labour to accommodate redundancies in alternative productive activities.

International co-operation

- (a) Regional co-operation within Africa in marketing, exchange of information, training and research facilities, and the creation of African associations of food-processing industries;
- (b) South-South co-operation, especially in the transfer and development of technology and in fostering new market outlets;

- (c) International co-operation with regard to financing, technology and market through such instruments as joint ventures, counter-trade, buy-back arrangements, venture capital funds, and promotion of pairing enterprises, research and development centres and training institutions, etc.;
- (d) Technical co-operation: reorientation and development of new rehabilitation and restructuring assistance programmes; establishment of networks of centres of excellence in industrial manpower development; methodologies for incorporating environmental and energy considerations; and preparation of global studies in the food-processing sector as a basis for planning, policy and strategy formulation for industrial rehabilitation and restructuring of the food-processing sector.

V. CLOSURE OF THE MEETING

50. After the adoption of the conclusions and recommendations by the Meeting, the Chairman thanked the participants for their active and enthusiastic contributions towards the discussions. He expressed his personal satisfaction at the outcome of the deliberations and thanked the Director of the System of Consultations Division and his team for their valuable inputs in the preparation for and conduct of the Meeting. In his concluding remarks, the Director of the System of Consultations Division expressed his appreciation to the participants for their fruitful contributions based on their rich experience in private or public industry as well as in government and research institutes. The very practice-oriented and realistic issues elaborated by the Meeting enlarged the UNIDO Secretariat's view of the nature and scope of the problems to be dealt with by the forthcoming Global Preparatory Meeting.

51. Finally, the participants expressed their gratitude to the Director-General of UNIDO for having given priority to the food-processing subsector, since this very subsector is of utmost concern to the majority of African countries.

ANNEX

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