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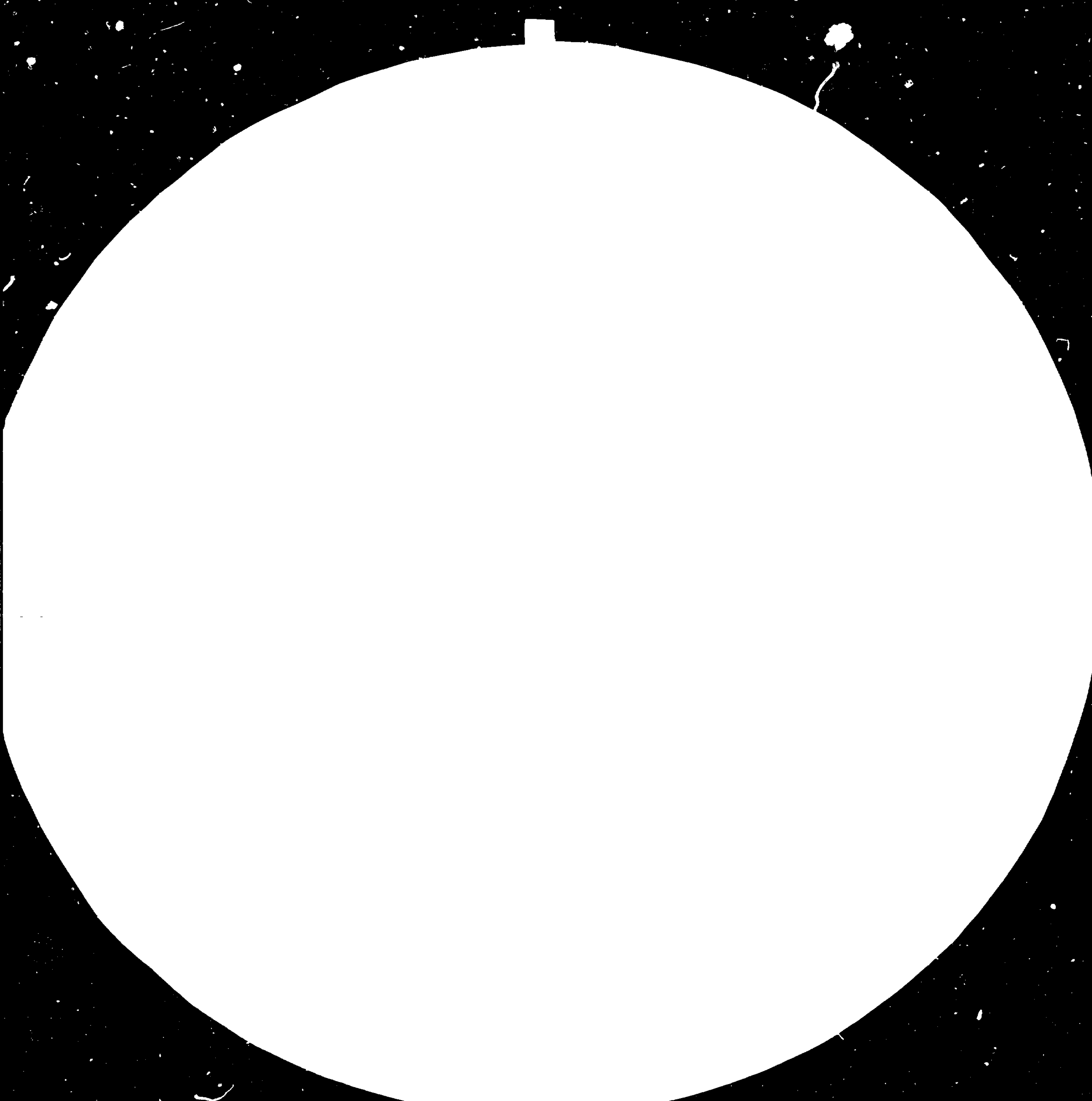

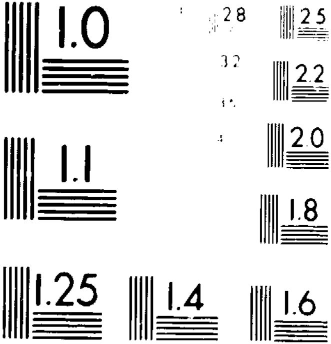

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INDUSTRIAL DEVELOPMENT STRATEGIES IN AFRICA - AN OVERVIEW *

by

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INDUSTRIAL DEVELOPMENT STRATEGIES IN AFRICA -

AN OVERVIEW

While it is difficult to generalize about industrial development in a continent as large and diverse as Africa, not least because such factors as differences in availability and quality of resources, size of domestic market, geographic location and differences in national objectives, strategies and policies, there is a widespread concern and sense of disappointment at industrial progress over the last two decades.

While it is not possible to undertake here an exhaustive analysis of industrial development in Africa in recent decades, it is appropriate to take into account the major conclusions of available research studies. This overview draws heavily on the following extracts (which are attached for participants to consult in detail):

- A programme for the industrial development decade for Africa, 1982, prepared jointly by the Economic Commission for Africa, the Organization of African Unity and the United Nations Industrial Development Organization.

- Industry and a changing world, 1983, a special issue of the Industrial Development Survey, prepared by UNIDO for the Fourth General Conference of UNIDO to be held in Vienna in August 1984.

- Industry and Development, Volume 8, UNIDO Journal, several articles which examine the changing role of manufacturing in Africa.

The pattern of industrial development in Africa thus far

Since achieving independence, most African countries have pursued a long-term strategy of economic development, implicitly seeking to shift the focus of production from primary (mostly agricultural) to secondary (industrial) activities. Shorter term goals have also figured large such as accelerating growth of output and the creation of employment opportunities. In many national plans, manufacturing has been recognized as having a crucial role in development and has usually been thought of as a "lead sector". The pattern of industrial development in Africa thus far is one which has been largely dominated by production to meet demand formerly satisfied by imports. Real growth of domestic demand has been limited and therefore has not been a major source of growth; while data on exports of manufactures is incomplete such indicators as are available show Africa's share of the world total to be tiny, being in the range of 10-20 per cent of total manufactured output. The consequences of this skewed orientation towards import substitution have been significant for overall economic development in many countries. Such industries are often capital intensive, dependent on imported materials (raw or semi-finished), imported spares and equipment, and expatriate managerial and technical skills. These industries have been largely focused on the demands of urban markets and have tended to be located in major urban concentrations. Their production has frequently been inefficient with little incentive to improve being limited to small local markets. Industrial development policies in Africa have largely been oriented towards these larger enterprises in the formal sector with products and technologies imported from the developed countries. In contrast relatively little recognition and support has been given to smallest, less permanent and less organized enterprises in the informal sector despite their production of simple consumer goods and the significant numbers employed.

An examination of the position of individual African countries shows that the great diversity of the level of industrialization which existed in 1970 increased during the following decade (see Industry and Development, Vol. 8, pages 2 to 9). The oil exporting countries, as well as the semi-industrialized countries of North Africa together with a few others in Southern Africa, made progress, while the poorest and least developed countries showed a much lower rate of growth. Using average manufacturing value added as a measure, in 1980 the share of the region's total output held by the five main manufacturing countries (viz. Egypt, Morocco, Nigeria, Algeria and Zimbabwe) increased from 54 to 56 per cent, while 31 other countries had shares of less than 1 per cent each. In most countries in Africa industrial growth was lower in the second half of the 1970-80 decade than in the first. Furthermore, in the poorest countries, manufacturing output was less in real terms in 1980 than in 1970; in some countries growth in manufacturing value added remained below growth in Gross Domestic Product.

The economic environment

Socio-economic indicators show that Africa of all the major regions has the most countries at the earlier phases of development, almost regardless of which particular indicator or combination of indicators are chosen. Many African countries are classified by the United Nations as "least developed"; inevitably industrialization is relatively limited in these countries since manufacturing itself is an indicator as well as an instrument of economic development.

In recent decades many African countries have faced severe economic problems to the extent that overall growth rates for Sub-Saharan Africa for example slowed down in the 1970s. On the other hand, population growth accelerated. Agricultural performance has been particularly disappointing with falls in average per capita food production and in agricultural exports. Deteriorating terms of trade for the oil-importing majority of African countries, greatly increased external indebtedness, deteriorating foreign exchange reserves, and balance of payments difficulties continue to make prospects for the current decade appear bleak.

Because manufacturing is so strongly linked to other sectors of the economy, its prospects are bound to be influenced by the economic environment. The poor performance of agriculture and the acute balance of payments difficulties have had a particularly adverse effect on manufacturing-affecting essential supplies of raw materials, limiting supplies of foreign exchange for necessary imports and reducing demand in domestic markets for industrial products. Without doubt further expansion of manufacturing in Africa may well be retarded by the lack of growth in domestic markets, the inadequacy of raw material supplies for key agro-based industries, shortages of imported raw materials, spares and capital goods. The stagnant state of domestic economies is likely to depress investment and limit the scope for future growth.

In addition, certain structural features of many African economies will constrain future manufacturing activities. As domestic markets are seldom large enough to support more than a few competing establishments, and as protectionist policies sometimes limit competition from imports, monopoly of local market situations is not uncommon with implications for the efficiency and profitability of individual enterprises and the prices paid by consumers. Small, poor populations provide weak domestic markets for manufactured consumer goods preventing the realization of economies of scale. High transport and other distribution costs reduce the size of the available market. Barriers to trade so prevalent in many economies reduce access to neighbouring or regional markets, and the predominance of foreign investors in manufacturing investment tends to divorce somewhat the pattern of investment from local priorities and concerns.

Another area of concern within many developing countries has been the rapid growth of public expenditure - which has also had undesired effects on manufacturing. This has reduced the amount of capital resources for industrial activities greatly in need of additional investment and has reduced the availability of skilled manpower and diminished incentives for entrepreneurial activity. Generally, it has also added to price inflation. Last and not least, public spending and administrative resources have tended to be devoted to the management of complex schemes of trade and price controls and public enterprises, distorting prevailing prices and patterns of profitability, thus reducing efficiency and increasing the economic cost of import substitution and exports.

Lagos Plan of Action and the Industrial Development Decade for Africa

In recognition of the need to bring about a major change in development strategy and of the role of industry in that process of change, the Organization of African Unity Heads of State and Government determined to change the economic structure of Africa through the Lagos Plan of Action for the Economic Development of Africa 1980-2000. The fundamental objective of the Lagos Plan is to promote self-reliant and self-sustaining, integrated economic and social development at the national and multinational levels in order to satisfy the basic needs of the peoples of Africa. The Plan also places emphasis on economic co-operation at the subregional and regional levels as a means of achieving this overall objective. Self-reliance and self-sustainment can be achieved when internal demand stimulates economic growth and indigenous resources - both material and human - are utilized to satisfy basic needs. In order to become self-sustained the countries of Africa must develop and strengthen their capabilities to carry out the various phases of project design and development viz. conception, identification, preparation, appraisal, implementation and operation and evaluation of production facilities.

The Lagos Plan accorded a major role to industry as a driving force for economic growth and overall development, both as a supplier of essential inputs to the industrial and other sectors and as a user or processor of the outputs of these sectors. In order to accelerate the achievement of the Plan's objectives, the Lagos Economic Summit adopted the years 1980-1990 as the Industrial Development Decade for Africa. A Programme for this decade was prepared jointly by the Economic Commission for Africa, the Organization for African Unity and UNIDO. The essence of this Programme lay in the stimulation of economic growth from within, thereby initiating a process of internal, self-sustaining growth through an integrated development strategy which links industry with agriculture, energy, human and physical infrastructure, trade and other sectors.

This multi-sectoral, multi-disciplinary approach to industrial planning was described in the guidelines for priority actions during the preparatory phase (1982-84) of the Decade also prepared by ECA/OAU/UNIDO. This approach differs in many respects from previous practice and calls for a firm rejection of isolated, piecemeal planning and a move away from preoccupation with foreign exchange problems external to the region. The new approach involves the integrated development of human resources, institutional mechanisms, and technological capabilities required to assess and utilize the natural resource and raw material endowments of the region, expand local markets and enlarge the range of complementarities between industry and other sectors of the economy. After considering the financial, labour, technological, market and other socio-economic aspects, each country is urged to adopt a national strategy based on a set of carefully selected core industries appropriate to its resources and raw materials (especially energy) complemented by strategic support projects. In this way the strategy is designed to develop industries that are required for economic development especially agricultural production, storage and processing, transport and communications, mineral extraction and processing, and for the development of indigenous energy resources.