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Industrial Development Decade for Africa (IDDA) II

Report of the Mid-Term Programme Evaluation*

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Annexes

ACRONYMS

AAI	Alliance for Africa's Industrialization
ACBF	African Capacity Building Foundation
ADB	African Development Bank
AEC	African Economic Community
AIDF	African Industrial Development Fund
AIDMO	Arab Industrial and Mining Organization
AIHTTR	African Institute for Higher Technical Training & Research
AMU	Arab Maghreb Union
ARCEDEM	African Regional Centre for Engineering, Design and Manufacturing
ARCT	African Regional Centre for Technology
ARNAM	Arab Regional Network for Agricultural Machinery
ARSO	African Regional Organization for Standardization
ASEAN	Association of South-East Asian Nations
BDEAC	Banque de Développement des Etats de l'Afrique Centrale
BERETEC	Technical Design and Construction Office (Congo)
BMC	Botswana Meat Corporation
BOT	Build-Operate-and-Transfer
CAFRAD	Centre Africain de Formation et de Recherche Administrative pour le Développement
CAMI	Conference of African Ministers of Industry
CAPME	National Centre for Assistance to Small and Medium Size Enterprises (Cameroon)
CEAO	West African Economic Community
CEMAC	Communauté Economique et Monétaire de l'Afrique Centrale
CENEEMA	Centre for Research and Agricultural Machinery and Tools
CEPEX	Export Promotion Centre (Tunisia)
CEPGL	Economic Community of the Great Lake Countries
CFA	Comité Monétaire de la Zone Francophone Africaine
CNCC	Technical Assistance to National Centre for Leather Shoes
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EADB	East African Development Bank
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECDC/TCDC	Economic Co-operation among Developing Countries/Technical Co-operation among Developing Countries
ECOWAS	Economic Community of West African States
EDP	Entrepreneurship Development Programme
EPZ	Export Processing Zone
ESABO	Eastern and Southern Africa Business Organization
FDI	Foreign Direct Investment
FEAP	Family Economic Advancement Programme
FSFC	Federal Super Phosphate Fertilizer Company (Kaduna, Nigeria)
GDP	Gross Domestic Product
HRD	Human Resource Development
IDA	International Development Assistance
IDB	Islamic Development Bank
IDDA	Industrial Development Decade for Africa
IDEP	African Institute for Economic Development and Planning
IGO	Intergovernmental organization

ILO	International Labour Organization
IMF	International Monetary Fund
IMP	Industrial Master Plan
ISTA	Sub-regional Multisectoral Institute of Applied Technology and Project Planning and Evaluation (Gabon)
LDCs	Least Developed Countries
LLPI	Leather and Leather Products Institute
LPA	Lagos Plan of Action
MCI	Ministry of Commerce and Industry
MERCOSUR	Southern Core Common Market
MIGA	Multilateral Investment Guarantee Agency
MRU	Mano River Union
MTC	Metallurgical Technology Centre
MULPOC	Multinational Programming and Operational Centre
MVA	Manufacturing Value Added
NAFCON	National Fertilizer Company of Nigeria
NAFTA	North American Free Trade Agreement
NCID	National Committee on Industrial Development
NDC	Namibia Development Corporation
NGO	Non-Governmental Organization
NIPRD	National Institute for Pharmaceutical Research and Development
OAU	Organization of African Unity
ODA	Overseas Development Assistance
ODC	Offshore Development Company
PTA	Preferential Trade Area for Eastern and Southern African States
R&D	Research and Development
RIPCO	Botswana Technology Centre - Rural Industries Promotion Company
RMC	Resource Mobilization Committee
SADC	Southern African Development Committee
SAP	Structural Adjustment Programme
SIRDCO	Scientific and Industrial Research and Development Centre (Zimbabwe)
SMEs	Small and Medium Enterprises
SMI	Small and Medium Industry
SMID	Strategic Management of Industrial Development
TPCS	Training and Production Centre for Shoe Industry
UDEAC	Central African Customs and Economic Union
UEMOA	Union Economique et Monétaire Ouest Africaine
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNTACDA	United Nations Transport and Communication Decade
WAMA	West African Monetary Agency
WB	World Bank
WTO	World Trade Organization
ZIC	Zimbabwe Investment Centre

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. The mid-term evaluation reviews the implementation of the IDDA II Programme over the period 1993-1996 at the national, sub-regional and regional levels, explains the difficulties that have been encountered and outlines proposals for the remaining period of the Development Decade.

2. The IDDA Programme was launched at a time when many African countries had already initiated action programmes and policies in response to the crises of the 1980s.

3. The crises of the eighties which had economic and political dimensions were endogenous and exogenous in nature, and therefore the African response had to be found within the international context.

4. Economic reforms and policy approaches were adopted by many countries of the region in coping with the crises which had been attributed principally to heavy external debt and the servicing burden, collapse of world commodity prices and accompanying deterioration of terms of trade, and unfavourable climatic conditions resulting in food shortages, poor physical and institutional infrastructure for lack of maintenance and of new investments, and the application of inappropriate policy measures which often created instability in the main macro-economic variables. Such reforms overshadowed the Programme.

5. The adoption by many African countries of Structural Adjustment Programmes was one of the main responses to the crises. This was intended to liberalize economic activity in general by the introduction of such measures as exchange rate adjustments, removal of subsidies, market pricing of export commodities, development of the private sector as the main engine of growth, and expansion of its scope through privatization of public assets.

6. The second major response was the transition from one-party to multi-party democracy which was expected to bring about political stability through good governance, the rule of law and the protection of human rights.

7. The perception of the IDDA as an action-oriented programme for industrialization had dwindled to the point where in most countries segments of government other than Ministries of Industry and Trade were unaware of the Programme's existence. This lack of awareness is even more pronounced within the private sector.

8. The dim perception and unawareness of the IDDA Programme was found to be directly related to the absence of special mechanisms for the implementation, coordination and monitoring of the Programme. IDDA's existence would have been kept alive if the recommended mechanisms had been operational and their activities publicized.

9. The private sector in most countries is weak and incapable of assuming responsibility as principal engine of industrial growth. Many governments have, however, articulated policies and introduced measures for private sector development by way of institutional support, training and establishment of consultative mechanism between public and private sectors on policy formulation and implementation.

10. Privatization has been widely and sometimes indiscriminately adopted by many African countries. Reasons for privatization include: governments ridding themselves of state involvement in productive sectors of the economy, particularly manufacturing; widening the scope of private sector activities; attracting fresh foreign investments, technology and management skills into the economy; getting rid of unprofitable and loss-making state enterprises; etc.

11. Structural Adjustment Programmes have been adopted by many governments with varying degrees of success. Among the adjustment measures is economic liberalization which has had both positive (industrial competitiveness) and short-term adverse results on some existing industrial enterprises, particularly textiles, leather and leather products.

12. Though dependence on external sources of financing persists, the recent slackening of ODA and FDI will impose additional strain in programme implementation. Mobilization of domestic financial resources has not been enhanced for lack of new approaches to domestic savings, remittances, etc.

13. Although agro-based industries have high priority in most countries (by virtue of forward and backward linkages) agricultural production, by which industrial raw materials could be provided, still lags behind. Dependence on rainfed agriculture has placed most countries at the mercy of weather conditions, yet large-scale irrigation schemes are too costly and far beyond the reach of many countries.

14. Industrial development has been hindered, to a large extent, by lack of adequately trained manpower, highly motivated entrepreneurs and skilled management personnel. Although efforts are being made in almost all countries to rectify these deficiencies through institutional support and relevant training schemes, the situation is far from satisfactory.

15. Inadequate physical infrastructure development and institutional capacity building have remained a major hindrance to socio-economic progress. Industrial development will hardly move ahead unless and until physical and institutional infrastructure as well as human resource development, which together constitute essential prerequisites, are given maximum support in financial terms by development partners.

16. Sub-regional institutions which have been created to support the industrial development efforts have in most cases found to:

- lack adequate financial support;
- lack skilled manpower;
- lack financial incentive and motivation resulting into high turnover of competent staff;
- lack adequate support facilities;
- compete for external resources, functions/roles with other overlapping/duplicating institutions;
- lack co-ordination and harmonization of programmes between themselves.

While these responses and other prevailing factors were taken into account in formulating the IDDA II priorities, which were based on the objectives of IDDA I and the general principles of the Lagos Plan of Action, the emergent situation from the application of reform measures and policy approaches has shifted the focus from the IDDA Programme. The most notable example is the commitment to the private sector and the redefinition of its role as the principal engine of growth with private enterprises as determinants of industrial priorities. Governments are to create the enabling environment including physical infrastructure and human resource development that will support and sustain the private sector and its business community in the industrialization process.

17. The projects developed, designed and implemented by UNIDO in the various sectors and sub-sectors at the national and sub-regional levels were compatible with the overall goals/objectives of the IDDA II national programmes objectives. Within the limited resources available, projects were developed as far as practical to meet the broad range of activities envisaged for implementation under the Programme. Thus projects which were delivered were relevant to IDDA Programme objectives. While these individual projects were normally efficiently delivered, the evaluation could not conclude how much the results achieved contributed to the overall goals of the Programme.

18. The concept of the "seed money" within the IDDA framework had a marginal effect in terms of attracting funding from other sources.

19. The evaluation provides some guidance for the relationship between the IDDA and the Alliance. During their implementation, national governments, with eventual support from the participating organizations, should ensure that IDDA and the Alliance are complementary. In short, the Alliance should be used as a tool to reach the goals of IDDA.

1. INTRODUCTION

20. The Conference of African Ministers of Industry, at its twelfth meeting held in Gaborone, Botswana in June 1995, in its resolution 1(XII) requested African countries, the Economic Commission for Africa (ECA), the United Nations Industrial Development Organization (UNIDO) and the Organization of African Unity (OAU) to undertake in 1997 a mid-term evaluation on the implementation of the Programme for the Second IDDA.

21. The Fourteenth Session of the Industrial Board which was held from 26-30 June 1995, adopted decision IDB.14/Dec.16 to conduct an in-depth evaluation of the IDDA Programme and its activities.

22. The evaluation was jointly guided by the Secretariats of OAU, ECA and UNIDO. The Secretariats prepared a detailed terms of reference, which elaborated the purpose and scope of the evaluation as well as the methodology adopted for the exercise. (See Annex 1: Terms of Reference)

23. The purpose of the mid-term evaluation as defined in the Terms of Reference is to enable African member states, UNIDO, OAU and ECA to make an objective assessment of the achievement of the Programme against set objectives and to make forward looking recommendations to take informed decisions on the future course of action.

24. The Terms of Reference described the scope of the evaluation to be:

- to assess the achievements of the Programme against its stated objectives and expected outputs;

- to identify and assess the factors that have facilitated the achievement of the Programme's objectives, as well as those factors that have impeded the fulfilment of those objectives;

- to propose a course of action, both at policy and programme implementation level and to draw lessons therefrom for the design, implementation and monitoring of the Programme for the future; and,

- to examine the relationship of the IDDA II Programme to the "Alliance for Africa's Industrialization", the new initiative that was launched by African Heads of State and Government, in Abidjan, Côte d'Ivoire, on 23 October 1996.

25. The evaluation was conducted in three phases.

- Phase 1: The conceptual stage;
- Phase 2: Field Missions; and
- Phase 3: Preparation of the final evaluation report.

26. Two consultants were recruited for the exercise:

- Ambassador K. Adusei Poku (Team Leader)
- Mr. Guy M'Bengue

27. **Phase 1:** The conceptual stage (desk review) was conducted at the level of the Secretariats. It was devoted to reviewing the IDDA Programme to date and making an assessment of available documentation and information prepared to promote, coordinate, implement, monitor and evaluate the IDDA Programme.

28. **Phase 2:** Field missions were undertaken to assess on the spot, progress towards industrialization and the impact of IDDA II at country and sub-regional levels. The field missions as stipulated in the terms of reference, covered 21 African countries selected from all sub-regions. The evaluation team was supported by the staff of the three Secretariats which divided itself into six groups so as to cover the countries in the four sub-regions (see Annex 2). Criteria for selecting countries were: countries which prepared national IDDA II programmes; geographical distribution, financial and time constraints. In most of the countries visited, the evaluation team was assisted by a national consultant specially recruited to make a pre-report on national IDDA programmes.

29. **Phase 3:** The final phase was devoted to reviewing all the findings that emerged from the first two phases and to the drafting of the evaluation report.

30. The progress and status of undertaking of each phase were presented to the UNIDO Advisory Committee established for the evaluation exercise by the representatives of OAU, ECA and UNIDO and mission team members. The mid-term evaluation of IDDA II has been carried out during the period of mid-January 1997 to end-March 1997.

31. Permanent representatives of the African missions to UNIDO Headquarters in Vienna were briefed on the evaluation methodology and Terms of Reference on 15 January 1997.

32. When the field missions were completed, the evaluation team had different meetings in Addis Ababa and at UNIDO Headquarters in Vienna with ECA, UNIDO and OAU officials to synthesize the findings and recommendations.

33. A presentation of the main findings and conclusions of the evaluation was made during the CAMI 12 Bureau meeting in Mombasa, 13-14 March 1997. The 12th CAMI Bureau fully endorsed the evaluation's main findings and conclusions. An individual briefing of the evaluation was also made and discussed with selected major donors - Germany, France and Denmark - on 24 March 1997.

34. The final report was drafted in end-March at UNIDO Headquarters, Vienna.

35. The mission team wishes to acknowledge the full support and co-operation received from government and private business officials met during its field mission as well as UNDP officials and UNIDO field offices.

36. The report has been organized in seven chapters. Chapter 2 covers the conceptual and policy framework for the Second IDDA. It deals with the background to the Second IDDA, objectives at the national, sub-regional and regional levels and the envisaged institutional framework for the implementation, monitoring and evaluation of the Programme. Chapter 3 reviews the process of industrialization in Africa in the context of the changing international environment. It provides an overview of the internal developments and changes in the continent of Africa as a response to instabilities and macro-economic imbalances. It also highlights new external developments taking place at the international level that have had profound effects on Africa's global economic relations.

37. Chapter 4 of the report provides an assessment of the implementation of the Programme of the Second IDDA. It examines the implementation of the Programme at the national and sub-regional levels covering sector priority areas, and attempts to provide an analysis on the performance of the Programme, results achieved and shortcomings observed.

38. Chapter 5 covers the range of constraints which affect Africa's industrialization and impeded implementation of the IDDA II Programme. Chapter 6 provides an analysis of the findings of the evaluation along the lines indicated in the terms of reference drawing from the assessments made at the national and regional levels. Chapter 7 makes recommendations for the effective implementation of remaining portion of the IDDA II Programme.

2 . CONCEPTUAL AND POLICY FRAMEWORK FOR THE SECOND IDDA

A. Lagos Plan of Action

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

40. The underlying spirit of the Lagos Plan of Action was the vision of African self-reliance and self-sustainment, while committing the member states to the concept of regional and sub-regional co-operation.

B. The First IDDA

41. From the concepts and objectives of the Lagos Plan of Action emerged the idea of a decade specifically devoted to translate the goals of the Lagos Plan of Action into industrial programmes and projects. Proposals for an Industrial Development Decade for Africa (IDDA), 1980-1990 were adopted at the Sixth Conference of African Ministers of Industry, held at Addis Ababa, Ethiopia in November 1981.

42. The first IDDA which was an outcome of the Lagos Plan of Action and an integral part of it was then launched with the main objective of using industrialization as a means of attaining self reliance and self-sustainment.

43. However, the decade of the 1980s was disastrous for Africa. In terms of economic performance, the record was very disappointing, the industrialization of Africa did not become a reality. Africa by the end of the 1980s was even poorer than it was at the commencement of the Decade in terms of per capita income.

44. In accordance with the proposal of the Eighth Conference of African Ministers of Industry, held at Bujumbura, Burundi, in September 1986, for an independent evaluation of the IDDA I, an appraisal of the Decade Programme was made in 1988 by an independent team of experts. The report of the evaluation which detailed the weaknesses and limited results of the Programme, was endorsed by an Intergovernmental Group of Experts and finally by the Conference of African Ministers of Industry at its ninth meeting held in Harare, Zimbabwe from 29 May to 1 June 1989.

C. The Second IDDA

a. Legislative Decisions

45. The Eighth Conference of African Ministers of Industry, held at Bujumbura, Burundi, in September 1986, recommended the proclamation of a second IDDA, to accelerate the industrialization of Africa launched during the first one. The meeting also requested the Secretariats of ECA, OAU and UNIDO to undertake, in consultation with member states, African Organizations and other relevant United Nations agencies, the preparation of a programme for IDDA II.

46. The Conference of African Ministers of Industry, at its Ninth Meeting held from 29 May to 1 June 1989, in Harare, Zimbabwe adopted resolution 2(IX) concerning the proclamation of a Second Industrial Development Decade for Africa and the formulation of a programme for the Decade.

47. The General Conference of UNIDO at its third session, adopted resolution GC.3/10 of 23 November 1989, on the proclamation of IDDA, and later the General Assembly, in resolution 44/237 of 22 December 1989, proclaimed the period 1991-2000 the Second Industrial Development Decade for Africa.

48. After the proclamation of the Decade, the General Assembly in resolution 47/177 of 22 December 1992, stressing the need to integrate the programme for the Second Decade into the overall framework of the United Nations New Agenda for the Development of Africa in the 1990s, decided to adjust the period for the Programme for the Second Decade established in its resolution 44/237, to cover the years 1993-2002, and adopted the Programme for the Second Industrial Development Decade for Africa including national, sub-regional and regional components of the Programme.

b. Goals

49. The basic goals of the Second IDDA are not fundamentally different from those adopted by the first decade. They spring from the concepts of the Lagos Plan of Action. The vision continues to be that of a programme to end the over dependency which African countries have on the industrialized world, to promote internal engines of growth, to build on Africa's wealth and natural resources and progressively to achieve self-reliance and self-sustainment.

c. Programme Components

50. Preparations of the *national programme* for the second IDDA were moved to the national level. Each member state had undertaken the task of framing a national programme for the second IDDA using the services of local experts. Building up from the nationally felt problems should ensure a sense of pragmatism. To assist the member states in the preparation of national programmes, the three Secretariats of OAU, ECA and UNIDO issued a framework and guidelines for such work. The framework emphasized that the basic objectives of the first IDDA remained valid, and categorized the proposed programmes and activities into few distinct groups.

51. Accordingly, the interim period (1991-1992) before the start of the Second Decade in 1993 was used to prepare national, sub-regional and regional programmes.

52. The sub-regional integrated programmes were adopted at sub-regional meetings, in which priority projects were identified as well as the sponsoring countries. Following the recommendation of the Eighth Meeting of African Ministers of Industry for the proclamation of a Second IDDA, the integrated sub-regional programmes were revised between 1988-1991. The *sub-regional components* of the Programme for IDDA II are, therefore, based on the revised programmes. Moreover, they have been discussed and updated with the relevant sub-regional organizations.

53. The regional projects that were selected for the *regional component* of the Programme of the first IDDA were planned for implementation during the second IDDA. The industrialization of the region was expected to contribute to the widening of sub-regional markets, to the establishment of production links between countries and to the creation of a common market and later of an African Economic Community (AEC) whose treaty was signed on 3 June 1991 at Abuja (Nigeria) by the African Heads of State and Government.

d. Strategic Approach

54. While the First Decade Programme was designed and formulated at a centralized level by the OAU, ECA and UNIDO, and approved by the Conference of African Ministers of Industry, the Second

Programme's preparation took place at the national and sub-regional levels taking into account the realities, environmental circumstances, natural resources and priorities of each member state. Secondly because of the experiences of the first decade, the changing world environment and the adoption by a large number of African countries of the World Bank sponsored Structural Adjustment Programmes there has been a perceptible change in the strategic approach to achieve the goals of IDDA II. The modified strategic approach includes the following components:

- optimizing interlinkages between industry and agriculture;
- concern at the poor performance of existing industrial investment plans for rehabilitation, and need to improve public enterprise performance;
- strengthening the African entrepreneurship base;
- the importance of the informal and small-scale sectors;
- a new emphasis on market orientation;
- stimulating an industrial culture;
- promoting regional and sub-regional co-operation;
- environmental considerations.

55. The action-oriented programme for the Second IDDA encompasses:

a) Consolidation Programmes
b) Industrial Expansion
c) Promotion of the Small-Scale and Medium Sector and entrepreneurship Development and
d) Support Services

e. Policy Approach

56. While all the member states have continued the practice of preparing national development plans, there has been a major attitudinal change in approach. There is a strong move towards market orientation and the promotion of competitive forces. There is a clear trend towards opening up and liberalization of the economies and the promotion of African entrepreneurship. At the same time, there is a trend towards reducing investments of the public sector in industry.

f. Envisaged Implementation, Coordination and Monitoring Mechanisms

57. The Programme of the Second IDDA put a greater emphasis on the mobilization of resources for the promotion of investment in national, sub-regional and regional multinational projects. The Programme categorized the financial needs in five areas and noted that it would be difficult for Africa to depend solely on its resources especially in view of heavy debt burden, the budgetary deficits and the weakness of domestic savings in almost all the African countries. The Programme thus assumed that foreign assistance and foreign investment would be necessary to finance its implementation.

58. With respect to the institutional mechanism for the follow-up on the implementation of the Programme at *the national level*, it was proposed to set up a National Coordinating Committee with the broadest base possible, including all relevant economic ministries and supporting infrastructure. At the highest political level, the appointment of a Cabinet Committee had been proposed with the ministers of industry, finance, planning and agriculture as members, to provide overall coordination, examine progress reports and authorize any necessary adjustments in the approved Programme.

59. In order to monitor progress in the implementation of the IDDA Programme at *the sub-regional level*, the Programme proposed that an Industrial Promotion Coordinating Committee be established within the framework of existing organs such as the MULPOCs and IGOs whose function would be to coordinate the formulation and implementation of all industrial programmes in the sub-region and report periodically to the legislative body of the sub-region. Such a body could be supported by a number of Sub-sectoral Strategic Management Committees in such sub-sectors as metallurgical, engineering, agro-chemical industries, basic chemicals and pharmaceuticals, building materials industries, etc.

60. At the regional level, a Committee of Ten composed of ten member countries selected in accordance with a balanced geographical distribution was set up to monitor the progress in the implementation of the Second IDDA Programme. Due to financial constraints and lack of follow-up, the Committee was not able to meet regularly and its contribution was ineffective. The 12th meeting of the Conference of African Ministers of Industry dissolved the Committee of Ten in 1995. The Bureau of CAMI assisted by the Joint Secretariat and national coordinating committee was given the mandate to monitor the progress of the implementation of IDDA Programme and report to subsequent meetings of CAMI.

Conclusions

61. The goals and objectives of the Programme were relevant and compatible with the prevailing conditions in Africa.

- Though the proposal for establishing an implementation and monitoring mechanism at the national, regional and sub-regional levels was envisaged, in practical terms it was almost non-existent or did not function;

- despite that clear knowledge prevailed among member countries that external financial resources would be required to support implementation of the Programme, no such strategy was incorporated in the Programme;

- the Programme did not consider any risk factors both internal and external which could hinder/derail Programme implementation and subsequently no alternative measures were designed to mitigate those risks;

- the Programme existed almost as a desire rather than an action-oriented programme backed by adequate financial resources with effective implementation teams;

- large bilateral and multilateral programmes were under implementation alongside the IDDA Programme. This contributed to the IDDA Programme being submerged and marginalized;

- while global changes occurred, little programme adjustments were made to allow entry of new development partners into the process of a dialogue for the design and implementation of the Programme.

3. BACKGROUND TO AFRICA'S INDUSTRIALIZATION IN THE 1990s

A. Internal Factors

a. Socio-Political Conditions

62. In response to continued political and social instabilities as well as macroeconomic imbalances, the overwhelming majority of African countries are in the processes of implementing political and economic reforms. In the political arena, the democratization process underway in the majority of African countries has led to a transition from long-established one-party rule to multi-party democratic governance. This process lends its support to national consensus building in policy formulation and decision making.

b. Economic Transformation and Adjustment

63. In the economic sphere, reform measures focusing on fiscal austerity and restrictive monetary policies, and the liberalization of foreign exchange and interest rates are being carried out. Most of the reform measures are aimed specifically at liberalizing factor and product markets, removing distortions, empowering the private sector, and making the public sector more efficient, in spite of the enormous short-term costs and the social consequences of such measures. Demand management in the form of budgetary reforms and restrictions on credit and monetary expansion constituted one of the widely used policy instruments. Containment of the growth of public expenditure and the application of austerity measures and civil service reforms aimed at the rationalization of the structure of the public sector were pursued with vigour in many countries of the region, with the brunt adjustment continuing to fall on necessary investment in vital services and infrastructure and limitations on budgetary subsidies. Privatization and commercialization of poorly run public enterprises was contemplated also in some countries, although concrete achievements and outcomes fell far short of plans in many cases. In general, the main focus has been the creation of a stable macroeconomic environment for growth. However, most countries are yet to make the necessary transition from overwhelming preoccupation with adjustment and stabilization to the long term concerns with sustainable development and structural transformation.

c. New Initiatives on African Development

64. Since the adoption of IDDA II, a number of changes and developments have taken place at the international level, and within the continent of Africa as well. Within this period African countries have also adopted various economic initiatives of which the following are the most important.

i. <u>The Treaty Establishing the African Economic Community</u>

65. The treaty establishing the African Economic Community, signed in Abuja, Nigeria on 3 June 1991, having as a major objective the promotion of economic, social and cultural development in Africa is a significant step towards economic and industrial integration in Africa. The Abuja Treaty which came into force in 1993 is yet the most comprehensive expression of Africa's political commitment to build a viable, continent-wide economic community; it places great emphasis on the role of integration in promoting economic self-reliance and an endogenous and self-sustained development. The Treaty assigns top priority to the development of regional production structures, with appropriate supportive infrastructure, and the coordination and harmonization of economic and social policies within and between the sub-regional communities. This is expected to serve as a vehicle for the rapid expansion of intra-African trade, and for enhancing Africa's effective participation in the evolving global linkages and interdependence of production enterprises.

66. In the context of the Abuja Treaty, therefore, the purpose of promoting industrial development is, among others, to harmonize the industrial policies of the member states, create a solid basis for industrialization, promote collective self-reliance, modernize the priority sectors and establish joint industrial development projects at regional level as well as to create African multinational enterprises in priority industrial sub-sectors.

ii. <u>The Cairo Agenda for Action</u>

67. The Cairo Agenda for relaunching Africa's economic and social development adopted by African heads of State and Government in Addis Ababa, Ethiopia, in June 1995, is a significant step forward towards economic and industrial integration in Africa.

68. The Cairo Agenda identified a set of priority issues which governments were committed to address and for which international support was requested in order to promote growth and economic recovery. These issues were: (i) Governance, peace stability and development; (ii) Food security; (iii) Human resources development and capacity building; (iv) Resource mobilization; and (v) Regional economic co-operation and integration.

69. In this regard, industrial development is centred to structural change and transformation of Africa's economies, to the increase in incomes and employment and to the diversification of exports.

iii. The UN System-wide Plan of Action for African Economic Recovery and Development

70. The objectives of the System-wide Plan of Action for African Economic Recovery and Development are to provide a dynamic and flexible framework for concerted and coordinated action by the United Nations system to assist Africa in achieving sustained and sustainable growth and development in the 1990s and beyond, assist in the creation of a more supportive international economic environment for economic growth and social development, assist in the restructuring of African economies, help promote employment generation, channel the sectoral expertise of the United Nations organs, agencies and bodies in efforts to foster African recovery and development, and enhance global awareness of the continent's economic crisis.

71. Based on the latest assessment of Africa's socio-economic situation and the continent's critical issues and challenges, and taking into account the directives of intergovernmental bodies, the revised System-wide Plan which was adopted in 1994, identifies key priority areas in which common strategies and shared objectives could be pursued through cooperative or joint action by several organs, organizations and bodies of the United Nations system, and also draws a closer linkage between the System-wide Plan and the United Nations New Agenda for the Development of Africa in the 1990s by reflecting in the System-wide Plan the new imperatives that have emerged from the review of the New Agenda. In recognition of the dynamic and diversified role of women as development actors at all levels, the revised Plan incorporates the role of women in key areas such as agricultural production, human resource development and capacity-building, and deals with the mainstreaming of women in the development process.

iv. Alliance for Africa's Industrialization

72. The Alliance for Africa's Industrialization which was launched by the African Heads of State and Government in Abidjan on 23 October 1996, is positioned to boost the implementation of IDDA II in light of meeting the new challenges emerging from the Uruguay Round agreements and the increasing globalization of the world economy.

73. The Alliance seeks to provide a framework under which African countries can formulate competitive national industrial development strategies based on private sector-led development, focusing on comparative advantage, and then see these translated into concrete, practical action programmes.

74. The Alliance is also complementary to the United Nations System-wide Special Initiative, synthesizing the industrial aspects of the Special Initiative into a coherent programme, incorporating key elements such as a private sector-led solution, promotion of investment, reduction of poverty and increased food security through agro-based industries.

B. External Factors

a. Changing world Economy

75. The early years of the 1990s have witnessed major changes in the international environment that are likely to have profound effects on Africa's industrial development and international economic relations in the coming years and beyond. The developed countries appeared to have emerged from a protracted recession that had previously put so much strain on national economies and caused a good deal of disruption in the international economy. Further, the globalization of world production has gathered new strength, pushing further to the periphery of the world economy those countries that have not developed the capacity to compete strongly in the world market or participate effectively in the new global economic order which is characterized by interdependent production structures cutting across national boundaries. In response to growing world economic recovery, increasing privatization of public enterprises, emerging financial markets, and a wide range of incentives provided to private investment, there has been a massive surge in private capital flows, which would mainly benefit counties with attractive investment environment and markets. African countries have not benefited as other developing countries have. The present strengthening of commodity prices has been beneficial to many producing countries, although there are fears that this has only been a temporary deviation from the long term declining trend.

76. These and other developments are evidently fraught with innumerable challenges and concerns with great opportunities of far-reaching consequences that African countries must effectively manage if they are to mobilize fully their resources for development, and reverse the present tendency of marginalization in the world economy. This is not, however, an easy task knowing the serious obstacles that African countries face in their drive to meet the challenges of domestic development, including the reorganization and transformation of their economic structures.

i. Uruguay Round/WTO

77. World trade is more and more globalized, reinforced by the fact that it increased more rapidly than world production, through the creation of the World Trade Organization and conclusion of the Uruguay Round. This liberalization of world trade will be an opportunity for African states in as much as they carry out reforms intended to transform their competitive base.

ii. Regional Blocs

78. World trade liberalization process is a result of the appearance and reinforcement of regional economics blocs (European Union, ASEAN, NAFTA, MERCOSUR, AEC etc.). The final objectives of these regional arrangements are economic integration, improved economies of scale and opportunities for specialisation with optimal allocations of regional resources. As far as Africa is concerned, the implementation of Abuja Treaty establishing the African Economic Community should prepare the region for the global economy.

iii. Technological Changes and Competitiveness

79. Specially in today's globalized economy, the potential for economic prosperity depends on technological, organizational and human capital innovations that enhance the productivity of any factor of production. The emerging new industrial competitiveness increasingly depends on technological capabilities and innovation, and on the ability to apply new technologies in production, organization and marketing, and to establish appropriate linkages with global corporations in the form of subcontracting, production mandates, FDI, licensing, strategic alliances, etc. In such a scenario, international competitiveness in a large number of industries will be determined by the ability of firms to apply, at least selectively, new generic technologies in their production and organization. In this regard, Africa must face the challenge by defining technology policies that would enable it to enhance industrial capabilities and hence industrial competitiveness.

iv. Environmental Concerns

80. The new approach on environmental pressures is another challenge that faces African industry at the international level. This new approach has emerged as a result of stringent environmental regulations on pollution prevention and control. The approach allows industry to conserve resources and reduce pollution during the whole production process rather than only at the end. These environmental pressures urge governments to set up policies that ensure ecologically sustainable industrial development especially those that promote cleaner production technologies and reduction of waste during the production process.

b. Investment Flows Assistance

i. Official Development Assistance

81. While it is estimated that Africa's annual external financial requirements for development come to about US$ 60 billion, total net resource flows amount to only one third, i.e. US$ 21,7 billion in 1993 down from US$ 22.9 billion in 1990. The major part of these flows is made up of multilateral and bilateral loans. Grants also declined from US$ 21.5 billion in 1990 to US$ 19.7 billion in 1993. This decline is due mainly to budgetary constraints in many of the donor countries, the growing demand from other competing areas such as Eastern Europe, and the reorientation of assistance policy towards aid administration and greater effectiveness in its utilization. The stagnation or slowing down of official development assistance comes at a time when many recipient countries in Africa are undergoing periods of economic stress caused by macro-economic instability, civil strife, deteriorating terms of trade, increases in population growth as well as heavy debt burden. While these constraints are being addressed by many African countries through such measures as structural adjustment programmes and political reforms, however, overseas development assistance will continue to be a major player in addressing the above problems.

ii. Foreign Direct Investment

82. The flow of FDI has not essentially favoured African low-income countries because of both external and internal conditions and low credit rating. Much of the flow is directed mostly to South-East Asian countries and Eastern Europe which are stronger competitors for direct foreign investments. Africa's ability to reverse this situation depends on the extent to which internal conditions could be improved. These conditions include political instability and uncertainty, increasing levels of external debt, inadequate commitment to reform measures and the unattractive conditions of physical and institutional infrastructure. These internal disincentive factors are now being addressed through various international initiatives on Africa's recovery and development. The macro-economic reform programmes, attention on capacity building of African institutions, human resource development and the development and enhancement of the private sector taking place in many member countries are together expected to improve the general economic and political climate and stimulate investment flows to African countries.

iii. External Trade

83. The marginalisation of Africa in the global economy is reflected in her share in world merchandise trade which has been declining over the past decade, and now accounts for only 2.5%. In 1994, total African exports amounted to US$ 89.6 billion while its imports rose to US$ 97.8 billion, thereby worsening the current account deficit which has been deteriorating from US$ 6.2 billion in 1992 to US$ 10.5 billion in 1994. On the whole about 30% of Africa's export earnings goes into debt servicing, worsening further the capacity to import the necessary machinery, spare parts and other inputs for development, apart from food requirements. It is also expected that the Uruguay Round Agreements will have some adverse impact on many African countries in the initial stages trying to adapt to the new market access conditions. These conditions are said to have eroded some of the preferences that were enjoyed under the Generalized System of Preferences (GSP) and the Lomé Convention, and in particular the cases of tropical products and natural resource based products. Because of the narrow export base, the erosion of preferential margins ranging from 50% to 100% will have a great impact on the overall export earnings of the majority of African countries even though some gains will be registered in improved access in other categories of products.

iv. Debt Burden

84. Many African countries had little or no debt at the time of achieving their political independence. Today, almost all of them are heavily burdened by international indebtedness. Causes for this indebtedness vary from country to country, but on the whole Africa's ability to finance its development programmes has been partly hampered in various ways by debt obligations. Africa's total debt stock was projected to increase from US$ 297 billion in 1993 to US$ 313 billion in 1994. These debts originate from the three major sources of external loans namely, bilateral (40.6%), multilateral (21%) and commercial/private (19.5%). International efforts have been made and are still continuing to write off, reduce or swap these debts. Whatever successes are achieved, Africa's international indebtedness will continue to be a constraint in the process of economic and social development.

Conclusions

a. Internal

85. Internal conclusions are as follows:

- Africa must provide political and socio-economic stability to attract investments;

- expansion of intra-African trade is a pre-requisite for enhancing Africa's effective participation in the evolving global linkages and in inter-dependence of production enterprise;

- it is necessary to create the necessary environment to attract multinational enterprises;

- industrial policies should be harmonized to facilitate a strong functioning regional economic community;

- no matter how many resolutions and action plans may be adopted, they shall however remain as wishes unless coordination is effected and the barriers lifted to promote inter-African economic activities.

b. External

86. Africa urgently needs to meet the challenges of domestic development and a reorganization and transformation of its economic sectors:

- reforms must be carried out to meet the requirements of Uruguay Round - which is liberalization of trade to facilitate competitiveness both within and outside the region;

- participation in the regional blocs should be strengthened to promote economic integration with optimal allocation of regional resources;

- in the face of technological changes and competitiveness, Africa must face the challenge by defining technology policies that would enable it to enhance its industrial capabilities;

- the concept of sustainable human development is one of the key issues which African countries must gear themselves to - with ecologically sustainable industrial development in force - such issues must be addressed in future policy and decision making. Countries visited are yet to come up with any significant environment policy;

- development assistance should emphasise its intervention on capacity building of human resources in African institutions which in turn could provide the multiplier effect.

4. ASSESSMENT OF THE PROGRAMME IMPLEMENTATION OF IDDA II

87. It is recalled that the purpose of the evaluation exercise is to enable African member states, UNIDO, ECA and OAU to make an objective assessment of the Programme against set objectives, and to make decision on future course of action.

88. In pursuit of this goal the evaluation attempted to review the IDDA II Programme implementation within the overall objectives as outlined in the national and sub-regional programmes. The evaluation methodology has been to examine the IDDA Programme goals as stipulated, the mechanism for implementation and to assess implementation performance in contributing towards industrialization of the continent. In assessing Programme achievements, the evaluation sought to identify various factors that have facilitated these achievements as well as those factors that have impeded the fulfilment of the Programme objectives with a view to proposing a course of action both at policy and implementation levels for future revision/design, implementation and monitoring of the Programme.

89. The assessment was constrained by the following factors:

i. the limited amount of time allotted to field missions and the lack of perception of the IDDA Programme at the national level did not facilitate the collection of sufficient data and information;

ii. high turnover of staff both at ministerial/government bodies and plant levels did not help the mission team to gather information and data within the 2-3 days provided for each country visit;

iii. other bilateral/multilateral programmes which were overlapping with IDDA Programme activities.

90. The general observation is that the IDDA II Programme implementation as originally envisaged has so far not materialized, and consequently has not been able to generate the expected impact. However, this is not to say that some positive changes have not occurred. The evaluation team strongly believes that today African policy and decision makers are more aware and committed in terms of what should be done to achieve and sustain a progressive development path than in the past.

A. Mechanism for Implementation, Monitoring and Coordination of the IDDA II Programme

i. <u>At National Level</u>

91. Learning from the lessons of the last decade, the programmes for the Second IDDA were prepared at the national level, while member states themselves undertook the responsibility for ensuring Programme implementation and coordination. The mechanism proposed for this purpose and to publicize the national programmes was:

- a national agro-industries commission;
- a national commission to revitalize public sector enterprises;
- a specialized department for rehabilitation programmes, preventive maintenance and manufacture of spare parts;
- an industrial manpower task force; and
- an inter-disciplinary team to upgrade physical infrastructure.

92. The purpose of these bodies was to build teams out of existing organs for better coordination, inter-disciplinary understanding, adjustment and promotion of an integrated programme approach, and secure an effective implementation mechanism in their respective fields.

93. The evaluation team noted that none of these mechanisms proposed to publicize and coordinate the national programmes was established. This was felt necessary to avoid multiplicity of committees and agencies that would overtax the limited human resource capacity within the governmental system. Existing national machinery, i.e. the Ministries of Trade and Industry or Planning were expected to perform the implementation and coordination functions of the Programme as part of their normal activities, but even that did not work.

94. Apart from the failure to establish special mechanisms for Programme implementation, many countries do not maintain national records of industrial statistics and data that would facilitate assessment of industrial performance within the economy and impact of the Programme. This added to the difficulty of making any reasonable appraisal of the status of industry and its contribution to overall economic growth.

95. Despite the absence of centralized mechanisms for the implementation of the overall national IDDA II programme, specialized agencies exist in many countries for the promotion of specific segments of the Programme. For example, a number of promotion agencies have been established to mobilize local and foreign financial and technological resources through investment promotion activities and services. Development banks and financial markets are already operating in some countries for domestic savings mobilization and channelling of multilateral and bilateral funds into specific sectors of the economy. In the area of SMI and entrepreneurship development, there are special institutions like EMPRETEC which are also engaged in the entrepreneurship development and although privatization was not included in the initial IDDA II Programme, its subsequent adoption has led to the establishment of implementation agencies to oversee government divestiture and privatization programmes, the success of which will broaden the base and scope of private sector operations in the economy.

ii. At sub-regional Level

96. IDDA II sub-regional programmes were prepared by the Joint Secretariat which took into account the existing programmes of sub-regional economic groupings. At different sub-regional meetings convened by ECA, UNIDO and relevant sub-regional economic groupings, the programmes were revised as priority projects and host countries were identified. Major responsibility for implementing sub-regional projects was left to individual governments and their private sectors with the support of sub-regional groupings, ECA, UNIDO, OAU and development partners. Since 1995, the Bureau of CAMI has replaced the Committee of Ten to monitor and follow up on Programme implementation.

97. Coordination of sub-regional programmes was to be pursued by the Sub-regional Economic Committees through follow-up meetings with the assistance of the Joint Secretariat.

98. A Resource Mobilization Committee (RMC) comprising of relevant sub-regional economic groupings and financial institutions, ECA, UNIDO and the World Bank to be chaired by ADB was to be set up as the main mechanism for coordinating the mobilization of resources for IDDA II implementation at sub-regional level. Somehow the RMC was never constituted, leaving financial resource mobilization at sub-regional level at bay and related technical assistance programmes un-coordinated and unfocused.

B. Sectoral Assessment of the Implementation of the IDDA II under National Programmes

i. Consolidation Programmes

99. This consisted of the rehabilitation of existing industries and the improvement of performance of public sector enterprises. Poor performance of most African industries are traced to a number of factors, the most prominent being underutilization of capacity. The evaluation of IDDA I came out forcefully on the issue and recommended that IDDA II place strong emphasis on the rehabilitation and regeneration of existing industries and to ensure that these national assets are not wasted away.

100. Rehabilitation and performance improvement of existing industries: One of the strongest points in almost all national IDDA II programmes is the highest priority given to industrial rehabilitation utilization of enterprises. Causes of poor performance have been identified and remedial measures are already underway in many countries. Ethiopia has registered some successes in its rehabilitation efforts and consequently raised capacity utilization to an average level of 75% to 80%. Some of the rehabilitated industries have now been privatized. In Kenya, a number of non-strategic parastatals have successfully been rehabilitated and privatized. East African Portland Cement Factory, Kenya Meat Commission and a number of sugar and tea factories are being rehabilitated, some of which have been privatized. In Ghana, the UNIDO/ILO Industrial Sector Programming Review Mission undertook an extensive analysis of the industrial sector including the IDDA II Programme and synthesized the focus of industrial development into key areas and proposed a series of programmes likely to attract donor technical assistance for rehabilitation. The Review Mission identified factors responsible for poor industrial performance and capacity underutilization in both public and private sectors. Some of these factors were high dependence on imported inputs, small domestic markets, little or no export outlets, obsolete equipment and weak management. In tackling these weaknesses, as part of the rehabilitation programme, Ghana has established the Rehabilitation Advisory Services Agency (RASA) responsible for identifying rehabilitation needs and resource requirements as well as providing direct on-the-job assistance to selected enterprises.

101. In Mali, two textile industries (ITEMA and COMATEX) have been rehabilitated by 1994. In Niger, two enterprises (Nouvelle Imprimerie du Niger and La Société des Produits Alimentaires) have been rehabilitated out of twelve enterprises earmarked for rehabilitation. In Guinea, most of the enterprises originally identified for rehabilitation were later privatized for lack of funds for renovations.

102. Many other countries, particularly those implementing Structural Adjustment Programmes, have gone ahead to privatize industries without any attempt to first rehabilitate them, as in the case of Guinea, where the record of privatization has been disappointing.

103. Countries that have seriously tackled their rehabilitation programmes and also adopted measures for improving performance of public sector enterprises have been more successful at their privatization exercise.

ii. Industrial Expansion Programmes

104. In addition to improving the quality and performance of existing industries, national IDDA II programmes placed emphasis on expanding the industrial base. The number of industrial enterprises in most African countries is so small that no critical mass of industries could exist that will grow into self-sustaining complex of supportive industries and services in different branches. Industrialization therefore can hardly take root where needed enterprises are not being created and/or existing ones being expanded.

105. Industrial sectors identified under the IDDA II Programme for expansion have however received mixed responses in different countries where a large number of state-owned enterprises exist in ailing conditions with little or no funds for rehabilitation and improvements. Governments are sceptical about expansion programmes. The approach adopted by some countries is to proceed with rehabilitation where possible, and then privatize those which are not of strategic importance while encouraging the indigenous entrepreneurs to move into new industrial sectors or expand their existing small and medium-size enterprises.

a. Metallurgical Sector

106. This is one of the core industries identified in many national programmes. Activities within this sector include:

- rehabilitation, modernization and diversification of existing integrated iron and steel plants;
- capacity expansion of existing integrated steel plants and steel rolling mills;
- upgrading of existing smelters for copper and aluminium and establishment of new smelters;
- establishment of a Metallurgical Technology Centre for the Preferential Trade Area for Eastern and Southern African States;
- establishment of an Aluminium R&D Centre.

107. Due to the heavy capital outlay involved in the development of projects within this sector, only a few African countries have been able to move into this area of industry. Integrated iron and steel complexes have been established in only six countries and utilize about 50% of capacity on coverage. Twenty-two countries are already operating about 30 mini-steel plants and forty-five rolling mills.

108. Facilities for producing quality iron and steel castings are found in four countries (Algeria, Egypt, Kenya and Zimbabwe). It is estimated that only 40% of installed capacity of Africa's foundries totalling 500,000 tons per annum is utilized. On the whole the development of viable engineering industries is being hampered by the discouraging condition of the steel and metal-working enterprises in all sub-regions of the continent.

109. Africa's potential for the development of the metallurgical sector is considerable, but lack of financial resources and technological knowhow required for rehabilitation of existing plants and expansion where appropriate will continue to constrain the development of the sector in the near future.

b. Engineering and Allied Metalworking Sector

110. Areas within this sector earmarked in many national programmes are:

- manufacture of tractors and agricultural implements;
- production of pumps; and
- manufacture of household appliances.

111. While this sector commands an important place in the industrialization process of African countries, its development has also been restrained by lack of financial resources. Existing plants and installations are yet to be rehabilitated in order to enhance capacity utilization and satisfy the expanding domestic needs especially in the agricultural sector. The Akaki Spare Parts and Hand Tools Factory of Ethiopia offers a good example of a huge plant with capacity to satisfy some of the requirements of a number of African countries in terms of agricultural implements and various spare parts. Yet lack of financial resources for rehabilitation and market expansion programmes has kept this relatively new plant to a production level below breaking point. Production costs are high in this and similar plants, with the result that most countries meet their domestic requirements through imports from non-African countries.

112. Zimbabwe's production of non-electrical machinery (machine tools, guiding machines and sanders) could be expanded to increase its exports beyond PTA countries. Both examples point to the importance of sub-regional co-operation in the promotion of large-scale manufacturing plants to take advantage of bigger markets and economies of scale.

c. Chemical Sector

113. This sector comprises production in industrial gases, acids, plastics, soap and detergents, cement, pharmaceuticals, fertilizers, pesticides, etc. Apart from a few countries which have the markets and are capable of establishing basic and intermediate level chemical plants, all others may have to content themselves with formulation, blending and packaging activities.

114. Pharmaceutical, cement and fertilizer production has been the concern of many member countries some of which have already gone far in this direction. In Nigeria which is endowed with large deposits of phosphate rocks and cheap gas, a number of fertilizer plants have been established. The development of NAFCON II (National Fertilizer Company of Nigeria) in Onne, Port Harcourt and NAFCON III in Abuja has considerably reduced fertilizer importation which stood at about US$ 350 million annually. In Kenya, there are already three cement producing plants namely: Bamburi Portland Cement Company Ltd., Caloleni Lime and Cement Works Ltd., and East African Portland Cement Company Ltd. The last one is already in the process of converting the plant from wet to dry process and to expand production from the installed capacity of 350,000 tons to eventually 700,000 tons. With annual consumption increase of about 7%, Kenya plans to establish two additional plants with combined capacity of nearly 1 million tons in the near future.

115. In the field of pharmaceuticals, Kenya ranks high among COMESA countries. Out of 50 recognized pharmaceutical manufacturers in the COMESA sub-region, 24 are located in Kenya. Capacity utilization of these establishments is around 40% and about 95% of raw material inputs are imported.

116. With its endowment of medicinal and aromatic plants, Kenya plans to develop further its pharmaceutical capability using this natural resource base. The Kenya Medical Research Institute has been carrying out research into plant extracts, and commercial operations in traditional medicines and extraction of active ingredients offer new investment opportunities.

d. Agro-Industries and Food Production

117. All national programmes gave high priority to agro-industrial development concentrating essentially on:

- edible oil mills;
- fruit and meat preservation;
- fish processing;
- milk, sugar, coffee and salt production.

118. The importance of this sector was noticed in all the countries visited during evaluation missions. In francophone Africa, agro-industries account for more than 40% of total number of industries. In Mali, for example 38% of MVA is derived from agro-industry and similar observations were made in Niger, Guinea and Senegal.

119. In all these countries, the beverages sub-sector has been the fastest growing in the manufacturing sector. Uganda has two major beer production plants, the Nile Breweries and Uganda Breweries with combined industry capacity of 700,000 crates of beer per month. Expansion programmes are already underway including a new bottling assembly line.

120. In most countries food processing sub-sector accounts for over 60% of the manufacturing value added. The production at cottage or household level results in large wastage and post-harvest losses amounting in some cases to about 40%. The problem of post-harvest losses is being tackled by the construction of silos, storage facilities and cold stores as well as farm-gate purchases (fruits and vegetables) by government-supported marketing organizations. The processing of cocoa beans, for example, constitutes a small fraction of total production for which Africa accounts for 56% of world production and 60% of world exports. Processing plants exist in Ghana and Côte d'Ivoire, the latter with the largest grinding capacity in Africa ranking sixth in the world. Ghana's cocoa processing plants have been rehabilitated and expanded in the hope of increasing not only the production of cocoa butter and other intermediaries but also the manufacture of chocolates. Coffee processing faces a similar situation. Only about 100,000 tons of coffee extracts including instant coffee is locally processed out of Africa's annual green coffee production of about 1.25 million tons. Sugar and milk production, salt manufacturing and fish processing are sub-sectors where many countries pay serious attention. Uganda operates three major enterprises: Sugar Corporation of Uganda, Kakira Sugar Works and Kinyala Sugar Works Ltd., all of which have recently undergone major rehabilitation and expansion programmes.

121. Fish processing has been of major importance to a country like Namibia where canning, preservation and processing account for 26% of total manufacturing output, 30% of value added and 41% of employment in the manufacturing sector. Government policy is to keep emphasis on growth of local processing facilities with no more licenses for off shore processing.

e. Forest-based Industries

122. Under national IDDA II programmes many countries have identified need for investments and expansion in the following industrial activities:

- manufacture of doors and windows;
- pulp and paper;
- plywood, flush doors, multi-ply panels;
- fibre board.

123. In order to increase value added in the exploitation of their natural resources, some countries like Ghana have taken steps to ban the export of logs in favour of locally processed timber. Finished wood products such as wood-based panels and flush doors and furniture have great potential in many forest areas of Africa both for local and export markets.

124. Over 5 million tons of paper and packaging materials are expected to be imported yearly by the year 2000 even though many African countries have the potential to develop pulp and paper industries that would close the import gap. Only a dozen sub-Saharan countries including Kenya, Swaziland and Zimbabwe presently produce an average of 6,000 tons of paper annually. In view of the fact that pulp and paper industries require heavy investments and modern technology to be competitive, the problem and concern of desertification and because many African countries are timber-deficit, there is need for a few large-scale manufacturing plants on sub-regional joint-venture basis in partnership with external sources for finance and technology.

f. Leather and Leather Products

125. The continued development of this sector of industry is vital to many African countries especially those endowed with natural conditions for livestock development. These countries obtain over 5% of total export earnings from this industrial sub-sector. With improved infrastructure, improved methods of animal husbandry, increased animal population and meat consumption, Africa now accounts for about 18% of world livestock population. Despite the potential for the growth of this industrial sub-sector in world trade, not enough has been done because of the lack of technological knowhow, and an appropriate policy framework that will upgrade and expand this industry.

126. The leather industry has seen a steady growth in African over the past few years. With increases in hides and skins, the production of all categories of leather in African countries has been advancing at a faster rate than global averages. In Kenya, livestock production constitutes 26% of total income from the agricultural sector. On annual basis, livestock provides the tanning industry with 1.6 million raw hides and 4.3 million raw skins for processing into semi-finished and finished leather. The drawback has been the low capacity of operation averaging about 30% to 40% of installed capacity due mainly to obsolete technology and liberalization policy which has flooded the local market with cheap secondhand goods essentially footwear. Further assistance is required for rehabilitation and upgrading of institutions such as AHITI and KITI, to strengthen their capacity to train trainers and leather goods manufacturers. Kenya also produces 200,000 metric tons of fish annually from which 12,000 tons of fish skins are derived. These skins which are dumped as waste, could be processed and brought into the mainstream of leather production.

127. The importance of the leather industry has been underscored by the establishment of the Leather and Leather Products Institute (LLPI) based in Addis Ababa with units in some of the countries covered by COMESA. LLPI promotes productivity and competitiveness within the leather sector by providing training, information and consultancy services.

g. Textiles

128. Textiles industry is one area where many African countries have a long-standing tradition. In the national programmes, many countries placed emphasis on reactivating activities in this sector, including:

- rehabilitation of existing textile mills to achieve optimum production capacity;
- new investments for expansion of sector production;
- intensification of garment production;
- promotion of exports in the garment industry.

129. Being a net importer of textiles and clothing, African countries are in a position to rapidly expand the industry taking advantage of sound raw material base of natural and man-made fibres. The major problems facing most of these countries are related to obsolete machinery and outmoded technology as well as lack of quality control and funds to initiate modernization. With liberalization in the foreign exchange market, many textile manufacturers are now able to acquire foreign exchange to place orders for replacement parts and other rehabilitation equipments. This same liberalization policy has led to a massive influx of imported textile products including used apparel which in some instances has caused the collapse of local manufacturing plants.

130. In some countries, cotton production has not caught up with industry demand, resulting in the import of raw material inputs, at a time when foreign exchange restrictions were still in force. Countries which are determined to ensure growth of their textile industry have already put in place policy measures for reorganizing existing cotton growing schemes and developing new ones, encouraging textile manufacturers to engage in raw material production (backward linkages), encouraging the establishment of viscose making units where appropriate, and providing mini-irrigation schemes for cotton growing areas.

h. Construction Materials

131. While construction is among the fastest growing industries in many African countries, the development of building materials for the industry is still lagging behind. The manufacture of cement, bricks, sheet glass tiles and other roofing materials, ceramics, wood panelling, building components of iron and steel, aluminium and other metals, etc. are only partially reflected in national programmes. Some of these products are firmly in the hands of private sector operators who have responded to the increasing demand resulting from the expansion of the construction industry. The gap is filled by imports of items which can very well be produced locally.

132. In most countries, governments have not come out with concrete policies and measures that will stimulate the construction material industry and thereby bring supply in line with the demand of the expanding construction industry. For example, the exploitation of clay deposits for the manufacture of roofing tiles and other ceramic products has not been strongly encouraged. Since most governments are the largest users of such products (for construction of schools, hospitals, offices and other public buildings, etc.), it is expected that government policy will direct producers into the sector through incentive measures or direct government intervention where appropriate.

133. It has been observed that large amounts of foreign exchange are spent in the construction industry not only for the imports of materials, but for the payment of contract fees made to expatriate construction companies. The existence of local contractors should be recognized by awarding them construction contracts where their capabilities could permit. Their capacity building should also be the concern of African governments through assistance in training and special seminars, upgrading of skills and the award of joint-venture contracts for local and expatriate firms working together on the same project. Capacity building of African construction companies is strongly recommended, while efforts are being made to enhance the production of materials for the construction industry.

Conclusions

134. Consolidation Programmes: Countries that have seriously tackled their rehabilitation programmes and also adopted measures for improving performance of public sector enterprises have been more successful at their privatization exercises.

135. Industrial Expansion Programmes: Often industrial sector is so small that no critical mass can exist and grow. Industrialization can hardly take root where new enterprises are not being created and/or existing ones are not being expanded.

136. Metallurgical Sector: Africa's potential for the development of the metallurgical sector is considerable but lack of financial resources and technological knowhow required for rehabilitation of existing plants and expansion will continue to strain the development of the sector in the future. Presently on the average, only 40% of installed capacity is being utilized.

137. Engineering and Allied Metalworking Sector: Capacity utilization is low, production costs are high, most countries meet their domestic requirements through inputs from non-African countries. The need to promote intra-regional trade and sub-regional co-operation is essential.

138. Leather and Leather Products: There is lack of technological knowhow and appropriate policy framework that will upgrade and expand the industry. Assistance is required for upgrading of institutions such as AHITI and KITI to strengthen their capacity to train trainers and in leather goods manufacturing.

139. Textiles: Lack of quality control measures.

140. Construction: Capacity building of African construction companies is required to reduce use of foreign construction companies.

141. While agro-based industries are important, the linkage between agriculture and industry can only be strengthened and integrated provided the agriculture base is sound and consistent in terms of production and timely delivery. However, it is to be noted that agriculture in Africa is still dependent on nature's timely rainfall - the agriculture system is yet to be developed along the lines of a modern irrigation system.

C. Assessment at Sub-regional/Regional Level

142. The IDDA II programmes at the sub-regional level comprised the drawing of sub-regional industrialization plans and strategies in the following priority sub-sectors:

- Agro-industries
- Metals and engineering
- Chemicals
- Building materials

143. There were differences in emphasis and order of priority in the different sub-regions. These plans included programmes on capacity building (human resources, energy, technology/standardization) and physical infrastructure.

144. Projects for promotion and implementation were identified by different sub-regions.

145. In Central African sub-region 37 projects were identified in the priority sub-sectors and 12 support projects. Apart from the fact that the projects were too many, they were not selected in a methodical manner using sub-regional selection criteria provided under the Programme. Furthermore, no concerted efforts were made at the country or sub-regional level to mobilize resources for implementing the projects. As a result, only a small number of projects were implemented. These projects have been implemented through assistance by UNIDO and UNDP. These are:

- Assistance to the Central African Customs and Economic Union (UDEAC)
- Assistance to the Economic Community of the Great Lakes Countries (CEPGL)
- Production of Human Vaccines

146. The low implementation level of projects is partly due to weak sub-regional organisations and support institutions. ECCAs, UDEAC and BDEAC have almost collapsed or are being rendered ineffective. Other constraints to programme and projects implementation are poor infrastructure, dearth of skilled manpower and general political and social instability in the sub-region.

147. Private sector contributions to sub-regional projects have been negligible because of the high risks involved and lack of appropriate sub-regional incentives.

148. A number of studies have been made and publications and technical reports issued by UNIDO and ECA including UNIDO programme review missions to Cameroon and Central African Republic and ECA pre-feasibility studies on three sub-regional projects. Various workshops, follow-up meetings and expert group meetings have been held for the sub-region. Two follow-up meetings on the implementation of the sub-regional programme for IDDA II were held in 1993 in Libreville and Brazzaville. And while a number of recommendations were adopted, they have so far not been followed-up.

149. In Eastern and Southern Africa some 43 priority and 45 optional projects were listed for implementation in the IDDA II sub-regional programmes.

150. Selected sub-regional programmes were included in some national development plans because their governments were given the lead role in the implementation of these programmes. Since these governments are now implementing SAPs, the lead role for implementing IDDA II programmes and industrial projects has shifted to the private sector and little advance in such programmes has taken place.

151. Mechanisms are being put in place to involve the private sector in policy formulation, implementation and monitoring at the national and sub-regional levels. At the sub-regional level, there is the Eastern and Southern Africa Business Organization (ESABO), an organization of national chambers of commerce and industry and manufacturing associations.

152. Within the private sector only one sub-regional core project (iron and steel production) has been implemented on joint venture basis between Zimbabwe and Kenya.

153. In the area of institutional and infrastructure development the Eastern and Southern Africa sub-region has implemented a number of projects.

154. 1. COMESA has promoted sub-regional investments and trade through reduction of tariff and non-tariff barriers, information, workshops and technical reports. It has also promoted the establishment of a number of sub-regional institutions such as:

- PTA Development Bank
- PTA Clearing House
- PTA Reinsurance Company (ZEP-RE)
- Eastern and Southern Africa Business Organization (ESABO)
- Leather and Leather Products Institute (LLPI)
- Metallurgical Technology Centre (MTC)

155. 2. SADC has drawn up a sub-regional industrial strategy and is involved in the construction of multinational industrial and trade corridors.

156. 3. The EAC is reopening transport and communication systems in East Africa while various sub-regional and regional institutions are also active in promoting industrialisation. Foremost amongst them are:

- African Regional Organization for Standardization (ARSO)
- African Capacity Building Foundation (ACBF)
- African Institute for Higher Technical Training & Research (AIHTTR)
- East African Development Bank
- Eastern and Southern Africa Minerals Resources Centre
- Crossborder Initiative

157. While developments in institutional and infrastructure development are encouraging, the technical institutions are weak as a result of under capitalization and lack of linkages with industry.

158. In North Africa, the IDDA II sub-regional programme was directed at the implementation of sub-regional and multinational projects with the assistance of international and sub-regional institutions. The programme lists 37 core and 15 support projects.

159. Implementation of sub-regional core projects has not been possible because of governments' withdrawal from implementing industrial projects in favour of the private sector.

160. Sub-regional institutions which support industrialisation are:

- Arab Industrial and Mining Organization (AIDMO)
- Arab Regional Network for Agricultural Machinery (ARNAM)
- Arab Union for Iron and Metal Industries
- Islamic Development Bank
- Arab Maghreb Union.

161. In West Africa, some 43 core projects and 17 support projects were identified in the IDDA II sub-regional programme.

162. These projects were expected to be implemented, coordinated and monitored by governments, sub-regional economic groupings and institutions including ECOWAS, CEAO, MRU, ARCEDEM, ARCT, Leather Research Institute, Niamey and MULPOC. The regional economic groupings have proved to be weak in implementation and coordination activities. Although ECOWAS revised its treaty in 1993, it has not managed to establish a customs union nor a common market. Decisions at the high official level are not translated into action. There are still a number of tariff and non-tariff barriers. Some financial institutions established by ECOWAS, such as the West African Monetary Agency, ECOWAS Fund for Co-operation and Development are still to make an impact on sub-regional trade and industrialisation. There are promising developments in UEMOA which has a single currency CFA Franc. The Mano River Union is weak and hampered by political and social instability in member states.

163. A number of meetings on implementation of IDDA II in West Africa have been held including a follow-up meeting (Abidjan 1993) and expert group meetings. The ECA has conducted studies on establishment of diverse plants such as iron and steel, and millet and sorghum. Both UNIDO and ECA have several reports for the promotion of industrialisation at the sub-regional level.

164. Specific sub-regional activities such as technical meetings, workshops, fora and studies by UNIDO, ECA, OAU and others under IDDA have been effectively and efficiently implemented. There have however been serious weaknesses in follow-up and linkages with the productive sectors. Some studies have remained on the shelf. Investment fora follow-up activities have been non-existent. Technical support in transferring technology to private sector industries has been weak. Most of these weaknesses stem from meagre financial resources applied and lack of effective coordination and co-operation among the stakeholders.

165. At the level of sub-regional intergovernmental organisations there have been weaknesses due to lack of resources, dependence on external resources, lack of political commitment and effective implementation mechanisms. There is also a lack of coordination with national IDDA implementation agencies in promoting sub-regional projects.

166. The private sector has not put in place mechanisms for implementation of sub-regional projects. Plans are under way to establish sub-regional capital markets and sub-regional private sector associations.

167. The projects identified in the IDDA Programme were not formulated using set criteria and were not focused. Resource mobilization mechanisms were not institutionalised. The limited resources available were not focused to implement core projects. The assessment of the overall Programme of IDDA is that although some projects were effectively and efficiently implemented, the Programme was not efficient or effective as reflected in the deindustrialization of Africa, weak economies and deteriorating incomes.

168. The Programme has however put into the fore the importance of industrialisation as the engine of growth and the importance of regional co-operation and integration in trade and industrialisation.

169. At the sub-regional level, the IDDA Programme impact can only be assessed by looking at sub-regional economic and industrial performance over the decade. Aggregate analysis of sub-regional macro-economic indicators however ignore wide variations between countries. These should be captured in the assessment of national programmes.

170. For instance, the output in Central Africa declined by 5.9% in 1993 and by 2.5% in 1994. In 1995 there was a modest growth of 1.1%. The sub-region accounts for only 8.7% of African GDP. The MVA growth rate has been declining since 1992.

171. The poor performance of the economy and the manufacturing sector is attributable to civil wars and political tensions in the sub-region. A number of manufacturing firms have closed down partly due to civil strife and liberalisation programmes. Capacity utilization is below 30 per cent in many enterprises.

172. Eastern Africa has recorded good GDP growth rates of 2.5%, 4.2% and 4.8% in 1993, 1994 and 1995 respectively compared to a decline of 1.3% in 1992. While agriculture contributed largely to overall output, the manufacturing sector also performed well. Manufacturing value added grew by 6.1% in 1994 and is estimated to have grown by 3.9% in 1995.

173. The Southern Africa sub-region recorded modest growth rates of 1.7%, 2.6% and 2.9% in 1993, 1994 and 1995 respectively. Manufacturing value added grew by 0.5%, 2.6% and 6.9% in the corresponding years.

174. The Eastern and Southern Africa sub-region is in the process of implementing Structural Adjustment Programmes. The entry of South Africa in the sub-regional economy has brought new opportunities and competition.

175. The institutionalisation of consultation mechanisms on industrial policies, strategies and implementation will be as crucial as the harmonisation and rationalisation of economic blocs.

176. North Africa accounts for over half of African GDP. The GDP growth rate was 1.1% in 1993 and 2.9% in 1994. The manufacturing sector share in GDP is about 15.5% and MVA growth rate was 1.5% in 1992, 1.9% in 1993 and 6.6% in 1994. Although capacity utilization in industries is estimated at an average of 50%, intra-sub-regional trade has been growing slowly due to the fact that the sub-region is oriented more and more towards Europe and the Middle East.

177. The West African sub-region's economy has been growing modestly over the decade. The GDP growth rate in 1993 was 1.4%, in 1994 it declined to 1.0% and was estimated to grow by 4.1% in 1995. Per capita GDP at 1990 prices was estimated at US$ 362 in 1994. Estimates of 9.8% growth of MVA appear to be over optimistic. Utilization of installed capacities is estimated to average 30 per cent.

178. Economic performance in West Africa seems to reflect developments particularly in Nigeria where there has been a drop in oil production, political instability and a reversal of liberalization policies. In the CFA region a massive devaluation of the CFA Franc occurred at the beginning of 1994 with important consequences.

Conclusions

179. The low level of implementation of the sub-regional programmes is partly due to weak sub-regional economic organizations, poor infrastructure, dearth of skilled manpower and general political/social instability in the region.

180. Sub-regional technical institutions have been created however, these institutions are weak as a result of under capitalization, lack of linkages to industry and non-availability of financial resources.

181. IDDA sub-regional programmes and projects have been incorporated into national programmes and are shaped by SAPs which focus on stabilization, liberalization and privatization.

182. Most governments gave priority to the implementation of SAPs while the implementation of the IDDA II Programme was left to be led by the private sector.

D. Joint Secretariat Support to Implementation of the IDDA II Programme

i. UNIDO Support Programme

183. The UNIDO Programme in support of the Second IDDA is primarily directed towards:

- the building up of viable production capacities in the form of entrepreneurship development, training, and small-scale industry development in such key industrial sub-sectors as agro-related industries;

- assistance in building up competitiveness of African industry embracing industrial rehabilitation, technology upgrading and environmental protection;

- assistance in regional and sub-regional co-operation.

184. Though the IDDA II Programme covers the period of 1993-2002, effective implementation of projects commenced in 1994.

185. UNIDO from its Regular Budget allocates funds every biennium specifically for the implementation of projects and programmes under the framework of IDDA. At the UNIDO Secretariat, the IDDA Programme is managed by a coordinator under the guidance and supervision of the Chief of the Africa Bureau. The financial allocation of the IDDA II Programme for the period 1994-1995 was US$10,536,900 and for the period 1996-1997 is US$10,600,000.

186. The UNIDO IDDA Support Programme comprises of the following types of services:

a. Technical Co-operation Activities (XA)
b. Supplementary Activities (YA)
c. Short-Term Technical Advisory Services (STAS)

187. a. <u>Technical Co-operation Programme (XA)</u> are projects carried out to support industries that establish linkages between industry and agriculture with emphasis on food production and processing, between industry and transportation and communications. It also included cross sectoral priorities such as human resource development, technology development, acquisition and transfer, formulation of industrial strategies and policies, integration of women in industrial development, energy and environment.

188. b. <u>Supplementary Activities (YA)</u> are designed to help specific IDDA objectives in respect of skills development and promotional activities intended to encourage access to technology and investment resources.

189. c. Short-term Technical Advisory Services - STAS (YA) respond quickly to specific requests from African countries and organizations to provide on the spot advice on issues related to industrial policy, programme development, private sector development, investment promotion, training and sub-regional cooperation, technology and resource mobilization.

190. Financial earmarkings for the above-mentioned types of services were as follows:

Financial Allocation and Distribution in US dollars		
	1994 - 1995	**1996-1997**
a. Technical co-operation (XA)	4,137,500	5,509,310
b. Supplementary activities (YA)	4,216,200	3,350,900
c. STAS (YA)	1,183,200	1,684,742

191. The formulation and implementation of the UNIDO Support Programme for the Second IDDA took into consideration the following IDDA goals and objectives as reflected in the IDDA II Programme:

a. Structural transformation of African economies:

- Industrial strategies and policies;
- Development of industrial sub-sectors, especially agro-industries;
- Environment and energy.

b. Linkages between industry and other economic sectors:

- Linkages between industry and agriculture;
- Support to transport and communications and linkage with UNTACDA II.

c. Mobilization of financial resources for:

- Private sector development;
- Human resource development and training

d. Promotion of regional/sub-regional industrial co-operation:

- Support to regional and sub-regional organizations;
- Coordination with OAU, ECA and ADB.

e. Co-operation with other technical organizations

192. During the period of 1994 - 1995 a total of 185 projects/activities were undertaken, broken down as follows:

During 1994-1995	Total	Regional Projects	National Projects
a. Technical co-operation	52	27	25
b. Supplementary activities	52	41	11
c. STAS	81	-	-

193. The 1996-1997 (as of 28 February 1997) projects/activities are broken down as follows:

During 1996-1997	Total	Regional Projects	National Projects	Global
a. Technical co-operation	36	12	23	1
b. Supplementary activities	37	11	26	-
c. STAS	66	-	-	-

194. UNIDO offered a wide range of technical co-operation services within the framework of the Second Industrial Development Decade for Africa (IDDA). (For details of UNIDO projects and activities carried out in 1994-1995 and 1996-1997, please see Annex 4a, 4b, 4c and 4d.) These services were provided with consideration of the objectives and areas of concentration of the United Nations New Agenda for the Development of Africa in the 1990s.

195. The support programme in Africa focused on strengthening industrial institutions, developing strategies and policies for accelerated industrial development; private sector development with emphasis on strengthening private sector institutions; small and medium industry development, rehabilitation of key industries, including the introduction of cleaner production techniques in some countries; developing human resources for industry; assisting women to meet the challenges of industrial and technological change in a competitive, global economy; and promotion of technology and investment.

UNIDO Assistance to Sub-regional Projects and Activities

196. Implementation of projects in countries of central Africa sub-region faced a number of constraints because of prevailing conditions which did not allow execution of projects approved for countries - Angola, Burundi, Rwanda and Zaire. The conditions in Angola have somewhat improve.

197. In the North Africa region which is mostly constituted by middle income countries - the proportion of projects carried is relatively low compared to Western or Eastern/Southern Africa sub-region. However, a number of regional projects were carried out which include industry-related services (in Tunisia, Morocco, Algeria); investment forum in Casablanca, Morocco, May 1996; SME umbrella programme and the automotive study (Egypt), and project on INTIB (Egypt and Algeria). The situation in Somalia did not allow the execution of projects and activities in this country.

198. With regard to Eastern/Southern and West African sub-regions - despite the high proportion of projects and activities in those sub-regions, the internal situation in some of the countries in the sub-regions also made it difficult for projects to be carried out especially in Mozambique, Liberia and Sierra Leone.

IDDA Projects and Activities in LDCs

199. Africa has 33 of the least developed countries out of the world total of 48. These are distributed among the sub-regions as follows: 3 in the North African sub-region (Djibouti, Somalia and Sudan); 10 in the Eastern/Southern region (Comoros, Eritrea, Ethiopia, Lesotho, Madagascar, Malawi, Mozambique, Uganda, United Republic of Tanzania and Zambia); 8 in the Central African sub-region (Angola, Burundi, Central African Republic, Chad, Equatorial Guinea, Rwanda, Sao Tome and Principe and Zaire); and 12 in Western African sub-region (Benin, Burkina Faso, Cape Verde, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Sierra Leone and Togo).

200. It is significant to note that LDCs accounted for a high proportion of projects and activities financed from the funds allocated for the IDDA. 63% of all STAS activities were accorded to the LDCs. The LDCs were also accorded high priority in the regional and sub-regional projects and activities financed under the technical component of XA and supplementary activities (YA) funds.

Conclusions

201. The individual projects which were implemented are in line with goals/objectives established under the IDDA II Programme.

202. The concept of the "seed money" within the IDDA framework had a marginal effect in terms of attracting funding from other sources.

203. Projects implemented were relevant and though in most cases efficiently delivered, the likelihood of positive effect and impact was hindered given the political, economic and social constraints prevailing in the continent. This is particularly true for projects which were involved in the development of manufacturing processes. Consequently, there were difficulties in effectively transferring the technologies to the private sector.

204. While the investment fora were effective and efficient in bringing the prospective investors together, very few if any, investments and joint ventures actually took place.

205. The industrial sector review missions undertaken were in many ways helpful in the identification of industrial constraints in the manufacturing industry and in highlighting measures to mitigate those problems identified. However, there were little follow-up activities actually undertaken to address the problems to improve the manufacturing industry.

206. At the project level, a number of institutions were implementing projects financed by IDDA II. However, most of these institutions, while aware that funds were coming from UNIDO, did not specifically associate them with IDDA II funds.

207. The IDDA II is not adequately publicized or sold at the national level, which may be attributed to meagre financial resources available for the Programme.

208. The projects developed, designed and implemented by UNIDO in the various sectors and sub-sectors at the national and sub-regional levels were compatible with the overall goals/objectives of the IDDA II national programmes objectives. Within the limited resources available, projects were developed as far as practical to meet the broad range of activities envisaged for implementation under the Programme. Thus projects which were delivered were relevant to IDDA Programme objectives. While these individual projects were normally efficiently delivered, the evaluation could not conclude how much the results achieved contributed to the overall goals of the Programme.

Guidance for the Future

209. In future undertakings within the IDDA framework, UNIDO should take into account that all partners in the development process (the private sector, Chambers of Commerce and Industry and industry associations) have a role to play in the formulation and implementation of national IDDA programmes.

210. An effective dialogue should be maintained as part of a continued development process between all actors with greater participation of the UNIDO field offices.

211. A greater involvement of the UNIDO field offices is required to facilitate specific assistance in identifying impediments in industrialisation efforts and in providing advisory services on strategies required to overcome them in coordination with Africa Bureau at UNIDO Headquarters.

212. Given the limited resources available to UNIDO's IDDA Support Programme, a strategy should be developed at an early stage in focusing levels and degree of UNIDO assistance on policy, institutional and plant levels and in determining an effective linkage between these levels.

213. There should be an effective follow-up system to ensure that results gained from the implementation of projects can be maintained and sustained.

214. The mission did not find any evidence that a participatory approach was undertaken with beneficiaries in the formulation of projects.

215. UNIDO IDDA Programme should co-operate more with national and regional development banks to facilitate the mobilizing of funds to industrial projects.

216. Despite the fact that many projects addressed issues of structural transformations at policy level and in strengthening industrial human resource development, the fact remains that many countries visited still do not have an industrial policy/strategy. The capacity and capability of personnel are still weak in not being able to adapt to the changing needs and demands of today. Shortage of adequate manpower skills in management, policy/decision-making is still lacking. Thus effective guidance cannot be extended towards industrial development.

ii. ECA Support Programme

217. ECA has undertaken a number of studies in support of IDDA II Programme implementation. These studies were:

a. possibilities and perspectives for the production of basic chemicals from natural gas in Africa;

b. promotion of investment and industrial projects in the context of the Second IDDA;

c. technology transfer, acquisition and negotiation;

d. development of African metal industries based on South-South Co-operation;

e. utilization and perspectives for integrated development of natural resources and for the production of phosphate;

f. manual for trainers for small-scale industries;

g. manufacturing of irrigation equipment in the Sahel countries;

h. the leather and leather products industry in African: current status and prospects;

i. measure to consolidate privatization in the African industrial sub-sector with special emphasis on the Second IDDA;

j. the study of institutions and modalities for promoting the financing of small and cottage industries in Africa.

218. Technical studies and ad hoc expert group meetings were also organized during the period under review in order to give opportunity to high level African experts to discuss, share their experiences on specific topics and review the studies before finalization, reproduction and distribution to African end- users including planners, policy-makers, industrialists, manufacturers and potential investors.

Technical Publications

219. Within the context of the Second IDDA, the Secretariat of the ECA has produced various technical publications. In the field of industrial policies and planning, the thrust of ECA's activities was directed at assisting African countries in reformulating existing industrial policies and plans as well as formulating new policies whenever necessary with a view to reorienting such policies and plans towards facilitating the implementation of the Programme for the Decade. The activities of ECA took the form of recurrent and non-recurrent publications.

220. Four issues of the bulletin, Focus on African Industry were published. The articles in the four publications covered a wide spectrum of issues including the critical role of the informal sector in the development of indigenous industrial capabilities, development of international competitiveness, private sector and entrepreneurship development, privatization in Africa, the Uruguay Round Agreements and implications for African industry and the present status of African metallurgy industries and prospects for the year 2000.

221. In order to assist African countries in the development and promotion of entrepreneurial and technological capabilities, two Directories of Project Profiles for Small-scale Industries were produced. The two directories provided techno-economic information on, among other things, products to be manufactured, process description, capacity and specifications for plant and machinery, raw materials and other inputs, financial requirements in the form of fixed and working capital, marketing and product distribution, and a programme to assist and advise small-scale industrial entrepreneurs in their manufacturing activities. A manual for Trainers in the Development of Entrepreneurship in Small-Scale Industries was produced and disseminated.

222. In order to assist member countries in their efforts to develop and promote industrial co-operation at sub-regional and regional levels, the Secretariat of the Commission prepared in 1993, a technical publication on Industrial Development Priorities and Sub-regional Co-operation in the context of the Second IDDA. The document identified industrial priorities in each sub-region and made concrete recommendations for accelerating African industrial development.

223. Other technical publications include:

- Investment and Financial Policies and their Impact on the Development of Indigenous Industries;
- Lessons from Selected Newly Industrialized Countries for the Effective Implementation of the Second IDDA;
- Sustainable Financing of Selected Second IDDA Multinational Industrial Projects in African sub-regions;
- Selected technologies available with or without Licensing in the context of the Second IDDA;
- Factors in Enterprise Formation in African Countries;
- Possibilities and Perspectives on the Development of Petrochemical Industries in North Africa on the Basis of Local Reserves of Oil and Gas;
- Building Materials and Construction Industries in Africa: Constraints and Prospects for Socio-Economic Development;
- Study on African Potential Industrial Comparative Advantage in an Emerging New Economic Order;
- Modalities for South-South Co-operation;
- Approach on the Formulation of Comprehensive Construction Industries Planning and Implementation Policies in Africa;
- Lessons for Africa from Selected Case Studies on the Development of the Mining and Metal Industries;
- Possibilities of Utilization of Biomass for the Production of Basic Chemicals in Africa;
- Survey of Africa's Basic Industries;
- Survey of Africa's Agro-based Industries;

- Promotion of African Fertilizers and Petrochemical Industries.

These were some of the non-recurrent publications produced with a view to providing African planners and policy-makers with necessary information for accelerating the industrialization process of the continent.

224. As basic industries require massive capital outlay and larger markets beyond the capacity of individual African countries and can therefore be optimally established through sub-regional and regional co-operation arrangements of multinational/transnational industrial enterprises, ECA's activities in the field of chemicals, metallurgical, engineering and agro-industries were to assist member countries in their efforts to lay a solid foundation for the development and promotion of those industries. The publications listed above, therefore, dealt with specific problems such as production and utilization of fertilizers in Africa and perspectives for their integrated development, manufacture of agricultural tools, implements and low cost transport equipment by small-scale engineering industries, development and repair and maintenance of industrial facilities in Africa and building materials and construction industries in Africa.

Technical Advisory Services

225. ECA undertook a number of advisory missions to about eighteen countries during the period under review with a view to facilitating improvement in capabilities for formulating policies and strategies within the context of the Second IDDA. Following the missions, detailed reports with proposals on the formulation of industrial policies and development plans were prepared and sent to the concerned countries. The reports also provided guidance for the implementation of national programmes for the Decade. In addition, the Secretariat of the Commission continued to provide the African Regional Centre for Engineering Design and Manufacturing (ARCEDEM) and the African Regional Centre for Technology (ARCT) with assistance in administrative backstopping and training of trainers in the two centres.

iii. OAU Support Activities

OAU has undertaken a number of activities in support of the IDDA II Programme implementation. The following are worth to be mentioned:

*226.*a. A comprehensive report on industry-related activities on ways and means of mobilizing resources, financial, human, institutional and infrastructural developments was presented at the 64th OAU Council of Ministers as well as the 32nd OAU Summit Conference held in Yaoundé, Cameroon in July 1996. During the conference, the resolution prepared by OAU and UNIDO on the Alliance for Africa's Industrialization was adopted.

*227.*b. The OAU organized the First ECOSOC Ministerial Meeting of the African Economic Community in Abidjan, Côte d'Ivoire (November 1996) during which a number of resolutions were adopted, some of which addressed industrial development issues.

The major outcome of that meeting was, inter alia, the adoption of strategies and approaches for the implementation of the Treaty and the adoption of the Protocol governing the relations between the African Economic Community (AEC) and the Regional Economic Commission (REC). In this connection, the OAU is planning to organize the first meeting of a Committee on Industry, Energy, Science and Technology, Natural Resources and Environment during which the draft Protocol on Industry to be annexed to the Abidjan Treaty of the AEC will be discussed.

*228.*c. The OAU has paid working visits and participated in the sub-regional meetings of COMESA and SADC in the framework of the implementation of the Programme of the Second IDDA.

229.d. The OAU initiated actions and studies for the creation of the African Energy Commission for which consultations are on-going with the African Development Bank and the ECA for the organization of an inter-agency meeting to adopt the required studies and time table.

230.e. The OAU organized the All-Africa Trade Fair in Kaduna, Nigeria in March 1997. It has also organized, in co-operation with the League of Arab States, the 2nd Afro-Arab Trade Fair which took place in Johannesburg, South Africa in October 1995. It is also organizing in November 1997 in Dubai, United Arab Emirates, the 3rd Afro-Arab Trade Fair. In these trade fairs, the OAU organizes fora on industrial investment for Africa.

5. CONSTRAINTS TO THE IMPLEMENTATION OF THE PROGRAMME OF THE SECOND IDDA

231. The Second IDDA was launched in 1993 and its implementation covers a period of barely four years. Although national programmes were prepared on the basis of common framework and guidelines, they reflected different political, economic and social diversities and scenarios that portrayed national circumstances and levels of economic and industrial development. National programme implementation has therefore differed from country to country with successes and failures originating from different country-specific factors, and although there are general impediments and constraints to Africa's industrialization as a whole, this chapter deals with constraints of common traits which appear to have impeded implementation of national and sub-regional programmes of IDDA II.

232. A summary of factors which are considered to have impeded the IDDA Programme implementation is provided below:

- no methodologies and strategies were developed to facilitate the formulation, development and implementation of the IDDA Programme by national governments, most of whom simply followed the general guidelines provided by the Joint Secretariat.

- no mechanism existed to ensure that the IDDA objectives and aims were part of the national development plans, backed up by adequate financial and human resources;

- frequent changes of government personnel at various ministry levels did not contribute to confidence building towards the IDDA Programme activities as planned;

- a lack of commitment and understanding on how to proceed with IDDA Programme implementation on the part of the national governments;

- despite liberalization of policies, investments (internal and external) did not materialize;

- poor infrastructure facilities were also bottlenecks to attracting investments and in promoting inter-regional trade;

- the UNIDO Support Programme, which encompassed delivery of some 185 projects during the 1994-1995 period and another 100 during the 1996-1997 period as of February 1997, wherein each project on the average had about a financial outlay of US$100,000, was not seen by the national governments as specific IDDA but was considered within the overall context of UNIDO-financed projects in a given country;

- programmes with much larger financial allocation coming from the World Bank and IMF addressing issues of poverty alleviation, education, infrastructural and utility development attracted much more attention of national governments; consequently, the IDDA Programme was no longer a priority but was gradually marginalized, existing only as a side line within the overall development process.

A. At National Level

Out of the above summary, the following constraints have been singled out for emphasis.

1. <u>Non-existence of National Machinery for Programme Implementation</u>

233. National programmes of IDDA II were broadbased, encompassing multi-disciplinary areas of operation. They dealt not only with purely industrial programmes such as rehabilitation and expansion of manufacturing enterprises, but also non-direct industrial activities at the plant and human resource development levels. The range of activities under the programmes were such that existing government departments like the Ministry of Industry and Trade could hardly be capable of adding to its traditional functions the responsibility of managing the IDDA II Programme. This is why in the design of the Programme, special mechanisms of implementation, monitoring and co-ordination were proposed. While governments may have had good reasons for not creating these additional committees and commissions, their non-existence has become a serious constraint to the implementation of the national programmes. Again, the non-existence of these implementation mechanisms, most of which were envisaged to be inter-ministerial and inter-disciplinary, contributed to the declining perception of the IDDA II Programme both in the public and the private sectors.

2. Inadequate Financial Resources

234. Due to the far-ranging scope of the IDDA II Programme, no estimate of implementation outlay was made. In fact, this could not be made over a ten-year period with any measure of realism. National governments were however, expected to have assessed their own capability for mobilizing external and domestic funds for Programme implementation. On the basis of specific programmes and projects within the overall national programmes, governments were expected to seek financing from bilateral sources of Overseas Development Assistance (ODA), multilateral funding institutions and relevant UN agencies. The fact that in some countries infrastructural developments as well as capacity building and human resource development through institutional support facilities and training are actively underway, shows that those governments have succeeded in mobilizing resources for those segments of the IDDA Programme. Unfortunately, these successful cases are few and far apart. The majority of countries are facing financial constraints evidenced in either total lack of infrastructural facilities (roads, ports, communications, etc.) or the poor state of disrepair of these facilities.

235. Mobilization of financial resources to implement the IDDA Programme is dealt with elsewhere in the Report (see Chapter 6). This section touches on the inadequacy of the stock and flow of funds for implementation in the industrial sector. Inadequate financial resources is a major constraint and so is the lack of capacity not only to mobilize, but also to adequately and responsibly utilize the resources. The severity of their constraint may be minimized if member governments had taken action to strengthen their machinery for financial resource mobilization.

236. First, negotiation machinery for multilateral and bilateral financing needs strengthening. Negotiators must be assisted with good and realistic projects and programmes and not just development ideas that no longer convince the donor community.

237. Second, machinery for domestic resources mobilization must be strengthened, including expansion of the tax net and deficit reductions.

238. Third, capacity to utilize resources timely and responsibly especially programme and project-related loans and aid. A programme for capacity-building in this regard is most essential and could itself be financed with ODA funds.

3. Human Resource Constraint

239. The level of human resources has hampered in the implementation of national development policies and programmes in African countries. Of all the constraints to the IDDA Programme implementation, the most critical and devastating is the lack of adequately prepared human resources, e.g. trained manpower, entrepreneurs, skilled managerial personnel, engineers, technologists, etc. After almost four decades of political independence, the majority of African countries have not been able to develop the critical mass of skills, knowledge and attitudes which enable societies to transform their natural resources into value-added commodities and products for themselves and for export. Low level of human resource development is the main cause of poor level of economic activity. Lack of trained manpower also seriously affects the quality of the public service. The importance of human resource development has been underscored in the IDDA Programme. The member countries have assigned very high priority to this area whose development is strongly supported in the assistance programme of such agencies as ILO, UNDP and the World Bank.

4. Infrastructure Constraint

240. Lack of physical infrastructure particularly transport and communication services, is another serious impediment to the Programme implementation. Lack of physical infrastructure is often associated with low standards of education especially in the rural areas of African societies.

241. During the last fifteen years, physical infrastructure has seriously deteriorated and many African countries have decreased resource allocation to the sector. Road transport, railways, energy, electricity and water supply, telecommunications and air links have deteriorated in the face of growing population and development needs. Even where these facilities are available, such as water and electricity, they are not accessible to the majority of the population which has also contributed to the decline in living standards. They also become high-cost factor inputs to industry and tend to discourage potential investment. In countries where an investor has to wait for months, if not years, to have a telephone line, water or electricity supplied to his plant, the prospects for a serious business activity is not bright, for hardly any foreigner will invest/venture into such an area. Infrastructure development, both physical and institutional is a prerequisite to industrialization and African countries cannot move further without considerable investments into this sector. The IDDA II Programme has laid strong emphasis on this sector, and governments must increase their efforts in mobilizing agency and other donor-support for development of the physical infrastructure.

5. Political Instability and Lack of Continuity in National Policy Making

242. Political stability and continuity in government policy making have a direct bearing on the implementation of any development programme or national agenda. In between the preparatory phase of the IDDA (1991-1992) and the period of mid-term evaluation (1993-1997), African countries and sub-regions have witnessed a number of local and national political upheavals, and sub-regional conflicts and civil wars. Three countries in North Africa have been affected by civil war and one by an international embargo. In Central Africa, civil conflicts in Rwanda, Burundi, Zaire and their spill over effects on neighbouring countries in terms of displaced people and refugees, in West Africa, civil wars in Liberia and Sierra Leone, in East and Southern Africa, civil strikes in Somalia, Mozambique and Angola and the uneasy relations between Sudan and its neighbours all have had heavy toll on national economic resources. In their persistence, these factors have constrained economic development and have directed valuable and scarce resources into conflict management and unproductive activities. As result, many African countries have failed to mobilize and organize human resources for national development.

243. From 1991 to the beginning of 1997, a number of countries in the region went through at least two to three changes of government. Many of these changes of government came with changes in national policies and implementation strategies. Implementation of the IDDA Programme suffered from this lack of policy continuity.

244. On the other hand, the recent move towards democratization is having a positive impact on the management and transparency in development policy. It has brought an appreciable degree of positive inter-relationships between government and the private sector. It is leading to a consensus building on the national development agenda. This will have a tremendous effect on national policy direction and the way national development is perceived by all partners. The implementation of development programmes such as the IDDA Programme will be greatly enhanced by stability and some measure of continuity in policy making.

6. Devaluation of CFA Franc

245. The devaluation of the CFA Franc was the natural outcome in the implementation of structural adjustment programmes. The affected countries export mostly agricultural raw materials (one or two) whose prices are fixed on the world market.

246. In reality, the devaluation of the CFA Franc has meant for the industrial sector of the countries concerned the doubling of, the cost of imported inputs. This has meant resources constraints and much less liquidity for entrepreneurs. The devaluation has resulted in credit squeeze, less investment in the industry and treasury problems for many enterprises. This monetary adjustment has shot up prices and interest rates. Interest rates rose in between 20% to 35%. In the process, the funding and implementation of national development plans have been adversely affected, including the implementation of the IDDA national programmes.

B. At Sub-regional Level

247. To a great extent, the constraints in the implementation of the Second IDDA Programme at the national level are also applicable to the sub-regional level. The understanding at the inception of the sub-regional programme of the Second IDDA was that each country in which a sub-regional project is located shall take the primary responsibility of mobilizing the factor inputs and of monitoring the implementation of the project while associating other countries partly to it. As in the case of the implementation of IDDA national programmes, similar constraints were encountered in the implementation of sub-regional programmes. The constraints are described below:

248. First, the awareness of the sub-regional programmes of the Second IDDA was limited to the Ministry of Commerce and Industry of the member states and did not receive adequate diffusion.

249. Secondly, political instability in many African countries and frequent change of government officials and civil servants have had serious bearing on the knowledge and follow up in the sub-regional programmes.

250. Thirdly, as in the case of national IDDA programmes, the implementation of structural adjustment programmes did not focus on industrial development. Moreover, as per SAP's prescriptions governments are no more to play an investor role in industrial projects but that of a facilitator and coordinator. Resources under SAPs are earmarked for private sector programmes and projects. Furthermore, as most African countries have limited financial resources, one should not expect government resources being allocated to sub-regional projects. Besides, governments themselves did not seem committed to sub-regional and regional industrial co-operation projects. The sub-regional IDDA programmes and projects were not subjected to national governments consideration and approval.

251. Fourthly, the structural adjustment programmes sponsored by the World Bank and IMF have compelled African governments to disengage from direct industrial manufacturing activities and privatize public enterprises. The process of privatization is still on, some countries have gone half way in it, some are having second thoughts while others have just started venturing into it. The whole and long exercise of state disengagement, privatization and laying a sound ground for the private sector to take the lead have taken African policy makers to task. Governments are much aware that until such conditionalities are met, World Bank and IMF will continue putting the pressure. One wonders if in such atmosphere interest in sub-regional IDDA projects can be sustained.

252. Fifthly, the collapse in some cases and inefficiency of many sub-regional economic groupings such as sub-regional economic communities, development banks and co-operation institutions have brought a new dimension in the perception of sub-regional industrial projects and their implementation.

253. In Central Africa, the Economic Community of the Great Lakes Countries (CEPGL) and affiliated co-operation programmes and institutions under it, viz the Development Bank of Great Lakes States (BDEGL), the Great Lakes Energy (EGL), the Agricultural and Stock-Breeding Research Institute (IRAZ) have collapsed as a result of civil wars. The PTA Development Bank in Bujumbura has relocated to Nairobi and the ECA Mulpoc sub-regional office in Gisenyi in charge of sub-regional industrial co-operation relocated in Addis Ababa.

254. The Economic Community of Central African States was expected to be the overall umbrella organization in the implementation, co-ordination and monitoring of sub-regional co-operation programmes, of which the second IDDA Programme has virtually collapsed and its offices in Gabon closed. The Central African Customs and Economic Union (UDEAC) in existence since almost two decades had no impact and is grappling for survival. UDEAC is in the process of being transformed into a Treaty establishing an Economic and Monetary Community for Central Africa along the same lines as the Economic and Monetary Union of West Africa (UEMOA) of CFA Franc Zone.

255. The Bank of Central Africa States (BDEAC) in Brazzaville has been restructured and has ceased to provide loans to national and sub-regional economies. The Bank is surviving on collection of loans disbursed before 1992 and on income from previous investments.

256. The Multisectoral Institute for Applied Technology for Planning and Evaluation of Projects (ISTA) in Gabon and the Sub-regional Institute for Statistics and Applied Economics (ISEA) in Cameroon struggle to survive, having serious financial and management problems.

257. The major problems which impede the implementation of sub-regional industrial programmes and economic activities in general are poor infrastructure; roads are accessible only during dry seasons, railway systems are outdated and telecommunication systems and connectivity are poor. The financial systems are operating inefficiently with some banks collapsing and/or providing lengthy and slow money transfer within and across countries.

258. Shortage of skilled manpower is another major constraining factor in industrial development. There is a serious dearth of qualified manpower at all levels but specially technical skills and entrepreneurial capabilities. In some countries of the sub-region, it is very difficult to find technicians such as plumbers or welders.

259. Out of forty-nine industrial and support projects listed in the IDDA II sub-regional programme, on the whole, none has been implemented.

260. In the Eastern and Southern Africa sub-region, the Common Market for Eastern and Southern Africa (COMESA) has been active in promoting subsidiary development institutions while sub-regional and regional institutions relevant to the IDDA programmes are not functioning properly and have not been effective due to lack of financial resources and commitment from member states. These include the African Regional Organization for Standardization (ARSO), the African Institute for Higher Technical Training and Research (AIHTTR), the Leather and Leather Products Institute (LLPI), the Metallurgical Technology Centre (MTC) and the Mineral Resources Centre (MRC).

261. Another constraint which has adversely affected the implementation and interest to sub-regional IDDA projects is the proliferation of co-operation institutions. Such a situation may create rivalry, duplication of efforts, lack of focus, overlapping of functions and send wrong signals to member states and development partners. Some member states belong to as many as five sub-regional economic groupings and are not able to contribute effectively to their programmes.

262. In the North African sub-region, industrial development has reached a higher level of performance and sophistication than in Sub-Saharan Africa. North African industrial development is much concerned now in the new requirements for global competitiveness through the application of requisite skills, technology, management and targeting growth industries based on international and domestic demand over the next twenty years. National and sub-regional industrial efforts are directed towards meeting ISO 9000 and ISO 14000 requirements and certification.

263. Sub-regional industrial co-operation has not made substantial headway in spite of a great number of technical and financial institutions created in virtually all the industrial sub-sectors to promote regional co-operation. North African countries are presently more European and Mediterranean-oriented in their economic, industrial and trade relations.

264. Out of seventeen core projects and fifteen support projects listed in the IDDA sub-regional programme, practically none has been effectively implemented. The reason for poor level of implementation given in the case of sub-regional projects in other sub-regions apply equally to sub-regional core and support projects in North Africa. In addition, uneasy relations among the countries, political instability and sanctions have surely contributed to sub-regional co-operation and implementation of sub-regional industrial projects not having made substantial headway.

265. In West Africa, the implementation of SAPs policies has taken precedence on issues of sub-regional industrial co-operation and implementation of the IDDA II sub-regional programme. The Economic Community of West African States (ECOWAS) has lost momentum and does not play any tangible role in fostering and strengthening sub-regional industrial co-operation.

266. As in the case of other sub-regions, out of 43 core projects and 17 support projects identified in the IDDA II Programme for West Africa, equally none has been implemented. The views of member countries is that in the prevailing context of structural adjustment programmes and market economy, IDDA II sub-regional industrial projects fall hence in the domain of the private sector.

267. Information seems to indicate that some projects identified in the IDDA II Programme have been implemented by the private sector. The project on the salt of Tidekelt in Niger is a case in point.

268. The major constraints in the implementation of IDDA II subprogramme were, inter alia, political instability which affected many countries in the sub-region, the adverse effects of the implementation of SAPs policies, to certain extent the apathy to sub-regional co-operation and the creation of parallel sub-regional economic co-operation groupings and programmes during the period of the IDDA II Programme implementation.

269. As stated above, a number of parallel sub-regional initiatives came to existence during the period 1993-1997. This has led to duplication, overlapping of efforts and resources, and a degree of confusion and distraction in member states and policy makers, and a dwindling interest in the IDDA programmes at national, sub-regional and regional levels.

270. As a matter of fact, the Treaty establishing the Economic and Monetary Union (UEMOA) of seven West African countries was signed in January 1994 by Heads of State and Government with the objective of creating a common market based on free movement of people, goods, services and capital flows. The Union having a common currency opens better opportunities for sub-regional co-operation. Similarly, a Treaty instituting the Economic and Monetary Community for Central Africa (CEMAC) was signed in March 1994. The countries, members of the Community have CFA Franc currency in common as well as other financial institutions and economic co-operation groupings.

271. While the new sub-regional initiatives have more chances of success in view of their better cohesion and immediate common interests, they have nevertheless lessened member countries interest in IDDA Programme and dampened their support to it.

C. Regional Level

272. The essence of the regional programme of the IDDA II Programme lies in the objectives of the Treaty establishing the African Economic Community (AEC) which advocates the economic, social and cultural integration of sub-regional economies through Regional Economic Communities (RECs). The IDDA regional programme derived from national and sub-regional programmes with multinational projects as its pillars.

273. In the implementation of the IDDA regional programmes, a number of technical and sectoral institutions have been set up to support and provide the main factor inputs for the industrial development of the region. These institutions are, inter alia, IDEP, ARCT, ARCEDEM, AIDF, ADB, AIHTTR, ARSO, etc.

274. However, due to time constraint, the evaluation exercise could not cover in detail the regional component of the second IDDA Programme. What could be stated here is that parallel to the fielding of IDDA evaluation, ECA with UNDP assistance has mounted a mission on the rationalization and streamlining of the above institutions. The reasons being that over the years member states have withdrawn their financial and to some extent their political support to those institutions. Because of their acute financial problems, they have become ineffective and the continuity of many of them is being questioned.

275. Again here, the lack of effectiveness and impact of most of these regional institutions on member countries economic development process has over the years contributed to the erosion of member countries' interest in them.

6. MAJOR FINDINGS AND CONCLUSIONS

276. The IDDA II Programme was prepared on the basis of national programmes. The prevailing principle was that African governments would take the lead role in formulating industrial policies, build the required infrastructures and create an enabling environment in partnership with the private sector. Goals set under IDDA II included the rehabilitation of existing industries, expansion of specific industrial sub-sectors, promotion of the SMI sector with emphasis on entrepreneurial development and the provision of physical and institutional infrastructure. For achieving these goals institutional mechanisms were to be put in place to ensure effective implementation, monitoring and coordination of the programme both at national and sub-regional levels.

277. Meanwhile certain internal and external developments (see Chapter 3) have taken place that have changed both the scenario and the role of the actors.

278. These developments, some of which were already in progress at the launching of IDDA II, have underscored the recognition that it is now the private sector that should determine which industrial priorities to focus, based on world market conditions. The private sector broadly defined as all non-governmental segments of society, thereby assumes the responsibility for leading the industrialization process. With these changes, the IDDA II programme and its priorities appeared to have been overshadowed as government after government struggled to find responses to the pressures of the fast changing internal and external conditions.

A. Perception of the IDDA II Programme

279. In the course of the evaluation missions it was noted that the perception of IDDA II as an action-oriented programme for industrialization had dwindled. Apart from ministries of industries which were responsible for preparing the national programmes, the message of the IDDA Programme was hardly disseminated to other segments of government. Most private sector organizations were unaware of the IDDA II programmes and their implications for their own activities. Both public and private sector operators were more concerned with such matters as privatization and ownership, liberalization and impact of structural adjustment programmes on every aspect of economic life.

280. The evaluation tried to identify reasons for the waning awareness of the IDDA II Programme:

- In some countries the IDDA II national programmes were regarded as industrial sector contribution to national development plans. Hardly were there any instances where the IDDA II programmes were submitted to established organs of state for approval and adoption. Consequently, the national programmes were not provided with annual budgetary allocations for implementation. In some countries, this lack of support was due to the external inputs and initiatives to prepare these programmes. Despite being "nationally" prepared, they were regarded as "externally"driven.

- Governments have often taken the position that initiatives such as the IDDA II Programme are likely to be implemented with external funds. Some referred to the Economic Recovery Programmes and/or Structural Adjustment Programmes which are funded with loans and grants from the World Bank, IDA and IMF. In spite of the fact that governments accepted responsibility for implementation of their own programmes, expectations still lingered that IDDA II would be implemented with financial support from the international community. Although some projects were financed with seed money provided under IDDA, there was little or no differentiation between this source of financing and regular UNIDO support activities. Publicity of the IDDA II Programme at the national level was inadequate.

- All African governments accepted fully the central theme/message of IDDA II, namely that industrialization is one of the most important instrument for economic and social development; but each government adopted its own path to growth and development according to national circumstances, and therefore implementation strategies advocated by IDDA were not adopted.

- The industrial sector is only one of the many economic sectors demanding national attention. While industry may have been accorded high priority in the articulation of development policies, in practice it is normally the social and infrastructure sectors that received greater external financial support. Public declarations in support of the industry were hardly translated into action.

281. The evaluation therefore took the position that what mattered most was the adoption of the goals and objective set out in the IDDA II Programme. Most of these have been reflected in some national development plans and incorporated in long-term perspectives exemplified in Nigeria as Vision 2010 and Vision 2020 in Kenya and Ghana. The team, therefore, examined the contribution of the industrial sector to the national development effort, irrespective of the perception of IDDA II.

282. The evaluation drew the conclusion that unless there is the political commitment to channel budgetary allocations and international resources to industrialization, the IDDA II Programme will suffer the fate of IDDA I.

B. Relations between Government and Private Sector

283. In practically all African countries governments have declared that the private sector should receive utmost attention and should be involved as partner in overall development of the economy; and in particular to act as the principal engine of industrial growth. This declaration notwithstanding, many African governments are yet to articulate and formulate policies specifically directed towards enhancing the role of the private sector. However, some countries have established a consultative mechanism between the government and the private sector.

284. In many of the countries visited it was noted that the emergence of a strong and dynamic private sector has been hampered by a number of factors:

- First, the private sector organizations realized that they have not been prepared to assume the new responsibility in the industrial process. Where associations of manufacturers etc. exist, they cover primarily the large and medium-scale industries. Small and micro-industrial operators are yet to be organized into viable entities capable of participating in policy formulation.

- Second, there is still a feeling of reluctance on the part of the public sector operators to share the responsibility of industrial development with the private sector. Free flow of industrial information from government ministries and agencies to the private sector operators is lacking. But policy measures are now in place to reduce and eventually abolish bureaucratic controls on enterprises: and private sector representations are gradually being brought into formal discussions with governments and public officials. What is still lacking in many member countries is the evolution of effective consultation mechanisms by which industrial policies and implementation strategies will be discussed and agreed upon in an atmosphere of mutual confidence and trust.

- Third, the private sector representatives often display lack of confidence in dealing with their governments. They often approach discussions and consultations from positions of weakness. This results from lack of knowledge, inability to research and prepare technical background papers and the inability to present a united front for the private sector as a whole. In countries where the public sector dominance of the economy is only now being relaxed and where the private sector was considered unimportant, it still regards with suspicion government efforts to involve it in the development process.

- Fourth, the lack of indigenous pool of entrepreneurs with requisite capacities, managerial and financial, has been a constraint to the rapid expansion of private sector participation in industrial ventures, particularly the small and medium enterprises where indigenous entrepreneurs have capacity to manage.

- Fifth, commercial and development banks do not facilitate access to long-term credits for industrial projects.

285. In enhancing the role of private sector, while extricating itself from industrial production, governments have embarked on the process of privatization which will widen the scope of private sector operations. However, privatization has not been successful in many countries because most of the public enterprises were not in marketable condition, that there were not sufficient number of capable entrepreneurs and technical expertise to take over the management of these enterprises, and that sufficient funds for expansion/modernization were not available.

286. It was also noted that privatization has highlighted additional issues of concern to both governments and the private sector. Since governments are now working within liberal economic environment, privatization has been opened to foreign investors as well. That many large-scale industries have gone into the hands of foreign nations (sometimes multinationals) has created a problem of new ownership structure with social and economic implications which are becoming worrisome to governments and the general public. Concern has been expressed about eventual repatriation rather than reinvestment of profits, and the concentration of economic power in a few wealthy hands (usually naturalized nationals) and thereby defeating efforts to empower indigenous people and narrow disparities in society.

287. Concerns have also been raised in some countries as to whether potential buyers of successfully rehabilitated enterprises should not be induced to invest in new enterprises in order to expand the industrial base rather than changing ownership with the public sector. There was, however, the feeling in some countries, particularly among government establishments that privatization of large-scale projects to foreign investors brings along not only fresh financial resources but also tends to promote the transfer of technology and competitive management in the economy.

288. The evaluation concluded that privatization as a national policy is likely to continue in most African countries. But in the pursuit of this policy governments may wish to bear some of these points in mind:

- where wholly state-owned industrial projects have been rehabilitated and are showing evidence of vitality and promise other options of privatization than outright sale may be considered, namely: joint ventureship, management contracts, leasing, subcontracting, etc.;

- the conversion of state-owned rehabilitated enterprises into limited liability companies through public subscription of shares, with reasonable proportion of guaranteed shares for employees;

- new investments should be encouraged and directed, through attractive packages of incentives, into industrial priority areas to create opportunities for additional employment and to promote industrial diversification.

C. Consolidation and Expansion Programmes

289. Rehabilitation and regeneration of existing industries was one of the major goals of the Second IDDA. This was also a concern expressed by Africa's Priority Programme for Economic Recovery.

Obviously, until existing enterprises have been rehabilitated and rationalized, it is unsound to embark on further large-scale investments, especially in the public sector. Under-utilization of installed capacity has become a common characteristic of most industries in Africa. Foreign exchange was unavailable for renewal of old machinery and equipment and purchase of spare parts; raw materials (of foreign origin) were in short supply; electricity supply was either inadequate or frequently interrupted. Markets were lost to competitors for lack of quality improvements and inability to fulfil orders, all of which were underpinned by poor and sometimes corrupt management practices.

290. IDDA II national programmes placed special emphasis on rescuing these national assets (public sector enterprises) which otherwise were not only a drain on the treasury but would eventually waste away. Remedies proposed included diagnostic studies of all ailing industries to ascertain factory-specific reasons for under-utilization and to find appropriate solutions. This rehabilitation process was not to be confined to state-owned enterprises but to include private-sector industries where appropriate since they were also victims of the foreign exchange shortages.

291. Related to the rehabilitation exercise was the improvement of performance of public sector enterprises. Performance pertained to quality of management, availability of skilled supporting staff and workers as well as the type of technology that would enhance managerial capacity and competitiveness. Political interference in the day-to-day operations of enterprises, and the mix-up of social and commercial objectives were all contributing factors to poor performance of public sector enterprises. Measures for overcoming these deficiencies and to improve productivity and overall operational performance were proposed by the IDDA Programme.

292. Evaluation findings concluded that member countries have adopted different remedial approaches to this common problem.

293. In countries where structural adjustment programmes were being implemented, privatization was the remedy adopted. The merits and problems of privatization are discussed under Chapter 6 .B of this report.

294. Some countries like Ethiopia adopted rehabilitation policies even before IDDA II. Operational improvements have been recorded, with some enterprises reaching 80% of capacity utilization and declaring profits. As a second step, some public sector enterprises of less strategic importance were selected for privatization. As profit-making concerns or at least as non-loss-making enterprises, chances of their disposal have been increased.

295. Some countries are saddled with state-owned enterprises, which can neither be got rid of or rehabilitated. Nigeria is a case in point. Selected state enterprises - iron and steel, petrochemicals, cement, sugar etc. have been opted for privatization, but the private sector both foreign and local, has shown little interest. On the other hand, the state has not been able to mobilize the financial and managerial resources to rehabilitate and regenerate them so that they can be efficiently and profitably operated. The result is that national assets of considerable value are gradually being wasted, and yet they cannot be left in their ailing conditions. Continued support by the state has become inevitable.

296. The IDDA II Programme also stressed the need for industrial expansion of selected core sub-sectors of industry with multiplier effects, and where member countries have comparative advantages. These sub-sectors included: metallurgical; engineering and allied metalwork; chemicals; agro-industries and food processing; forest-based industries; leather and leather products; industrial systems for fisheries; textiles; construction materials and packaging.

297. All these sub-sectors of industry are being pursued in one form or the other in member Countries depending on comparative advantages and country circumstances. In many of the countries visited it was noted that agro-based industries and food processing, forest-based industries, leather, fisheries, textiles, construction materials and packaging are among those that are fairly well established. These areas normally fall within the competence of many indigenous private sector companies, and the technology involved is often not sophisticated.

298. With regards to large-scale projects like metallurgical, petrochemical and engineering industries many of which are in the public sector, any expansion works are expected to be preceded by rehabilitation, rationalization and better coordination of existing enterprises. With many state-owned enterprises being privatized the wisdom for further expansion as proposed under IDDA II is being questioned. A new form of collaboration with the private sector for gradual transfer of some of the large-scale enterprises may be considered, bearing in mind that getting rid of ailing industries can be painfully slow and expensive.

D. Economic Liberalization & Industrial Competitiveness

299. Economic recovery measures taken by some African governments in mid and late eighties have been followed by structural adjustment programmes which are still being implemented in many countries of the region. Realistic and stable exchange rates, removal of subsidies, reduction of budget deficits and other macroeconomic measures have been introduced. Moreover, removal of bureaucratic controls, access to foreign exchange and liberalization of economic activity in general have been strongly advocated under adjustment programmes.

300. In some countries capital/stock markets have also been established. Industrial information is becoming readily available on new markets, sources of industrial raw materials and potential new products. Exchange bureaux have been established for the sale and purchase of foreign currency. All these measures have immensely contributed to the increasing tempo of commercial activity in some African countries.

301. Positive as these measures have been in removing import and export restrictions, the evaluation noted that they have also subjected the industrial sector, particularly manufacturing, to serious international competition. For example, it was noted that in some countries the importation of used garments and clothing at lower prices than locally manufactured products has seriously affected the very survival of the textile industry in countries where textile was once a leading industrial activity. Governments may wish to seek protection for such sectors of the economy in consultation with WTO.

302. Foreign competition at domestic markets is welcomed by citizens as a whole but private sector operators contend that its introduction should have been gradual, especially at a time when many local enterprises are engaged in rehabilitation, redesigning of their products, and general quality improvements to meet the challenges of local and foreign competition.

303. Some governments are already responding to the challenges of industrial competitiveness by a combination of policy measures including the provision of institutional support services for industry in such areas as research and development, technological development and adaptation to local industry requirements, quality standards, and export promotion. Increased competitiveness is inevitable. This is an area where both the government and the private sector may fruitfully cooperate in searching for the types of technology that would enable local industries to compete and survive.

E. Financial Resource Mobilization for Industry

304. The major constraint to industrialization in Africa is lack of financial resources. All the technical advisory services, guidelines, project documents, international proclamations and initiatives will come to naught if money is not available for implementation. This is the case with IDDA II.

305. Various financing proposals were made under the Programme in the hope of mobilizing funds for implementation. Foremost among these is the emphasis on domestic resource mobilization, by which governments were expected to demonstrate their determination to shoulder their own responsibility without undue dependence on foreign sources. This demonstration is reflected in the manner by which governments manage their budgetary resources. Budget deficit reductions to achieve public savings are often recommended but not easy to achieve. Savings can be recorded by reductions in military expenditures, reductions in subsidies to public establishments with commercial orientation, reductions in the size of the public service and elimination of wasteful and otherwise avoidable expenditures.

306. It was noted in the course of the evaluation that many governments have taken these bold steps as reflected in savings under current expenditure budgets. These measures are essential parts of policies being implemented under structural adjustment programmes. In Ghana and Uganda, for example, massive retrenchment of officials in the civil and public services has taken place. Subsidies to state enterprises have been reduced or withdrawn while privatization is progressively taking place. Unfortunately military budgets in most countries, if not all, are considered to be “state secrets” and therefore any reductions or otherwise in these budgets are kept away from the public. In a few countries military reinforcement is said to be taking place.

307. Another step in mobilizing funds through effective budgetary management is the raising of additional revenue. It has been noted that some countries have already reviewed their existing taxation structures and collection practices. Incentives are offered to revenue collectors while malpractices are gradually being reduced. Tariff structures on public utilities have also been reviewed with a view to removing subsidies and thereby increasing revenues.

308. One area where much needs to be done is the elimination of wasteful and sometimes avoidable public expenditures. These include such entrenched practices as innumerable range of allowances and entitlements (housing, transport, vacation, etc.) that public servants enjoy, some of which are legacies of the colonial past.

309. Surpluses of public enterprise operations constitute a substantial source of public revenue. Not all state-owned enterprises are inefficient and loss-making. Countries like Zimbabwe and Botswana which have followed the (Industrial) Development Corporation model and operate on purely commercial lines have demonstrated efficiency and registered high returns on public investments.

310. Public enterprises should have their functions redefined, their commercial operations divorced from social considerations and be freed from political interferences. Given a free hand to compete freely with counterparts in the private sector, revitalized public enterprises could be a substantial source of revenue for expansion and new investments.

311. Domestic resources can also be mobilized from household and corporate savings, and from financial intermediaries. In countries where average income per capita may not exceed US$ 300 per annum, and where immediate survival needs can hardly be met, household savings are scarce. Yet a large segment of self-employed persons in the informal sector - traders, artisans, crop farmers - are known to be capable of saving substantial amounts of their earnings either for refinancing and expansion of their operations or for building rental dwellings. To arrest the taxes evasion, some governments have devised measures for levying rates on these economic operations. Efforts are also being made to register these operators, assist them with consultancy services to keep proper books of accounts and encourage them to develop a culture of savings.

312. The evaluation team also noted that in some African countries there are a few individuals who are investing abroad or channelling large sums of money into foreign banks for fear of confiscation, should the political environment become hostile. Alongside this group of relatively wealthy individuals, there is a group of African professionals and others living and working abroad and who occasionally make substantial remittances to their countries. Where studies have been conducted, it has been revealed that in a some cases the volume of these remittances, which normally go into real estate development, equal if not exceed the sum total of grants and aid from the donor community bearing in mind that a good proportion of donor assistance is in the form of payments for expert and advisory services.

313. The evaluation observed that these potential sources of funds (clandestine funds outflows and remittances) have not been captured in an organized manner. Inducements should be provided to increase the flow of remittances into productive sectors of the economy. Resource outflows into foreign banks is a touchy issue but the view held in many countries is that financial flight is essentially associated with political uncertainty. The capacity of African countries to mobilize internal financial resources for their own development, therefore depends largely on the extent of financial discipline that can be imposed and the ability to overcome political instability and uncertainty through the establishment and promotion of democratic institutions. In this regard the evaluation noted that a large number of member states have accepted the principles of self-determination, pluralism and greater democratization as necessary condition for development in general.

314. Some African countries, such as Nigeria, Uganda, Ghana and Kenya, have also instituted financial sector reform measures with a view to restructuring their financial institutions, introducing measures of deregulation in their operations, freeing interest rates, checking excessive growth in money supply, and strengthening the supervisory role of central banks. A few of these countries have created domestic capital markets or strengthened their institutional, legal and operational framework in order to generate greater public confidence in their financial intermediation work. These confidence building measures are all geared towards more effective and efficient mobilization of domestic savings and channelling them into priority investments. In this regard, the restructuring of financial institutions may be considered to enable the provision of long-/medium-term credits.

315. One area which is not often associated with domestic resource mobilization is the exploitation of natural resources for which Africa has the most visible comparative advantages.

316. The enormous hydro-electric potential, oil and natural gas, minerals and endowment in livestock and forest resources, huge resources of rivers and lakes, together constitute a vast natural resource base that must be adequately exploited, processed and transformed for Africa's sustainable development. Due to the shortage of development finance, lack of technological knowhow, inadequate industrial capacity for transformation into finished products, and the urgent need for funds, Africa's enormous natural resource endowments are exported in raw form, leaving the transformation process and value added to the industrialized countries as the major beneficiaries.

317. In order to arrest and reverse this trend, African countries are expected to acquire the necessary technological knowhow and critical capacities for industrial transformation of natural resources into finished products that would enhance manufacturing value added and industrial competitiveness. The evaluation team concluded that governments should cooperate with external sources of finance and technology, which are usually the multinational and transnational corporations, and seek the assistance of such international intermediaries as the International Finance Corporation and MIGA of the World Bank.

318. Mobilization of external resources has been crucial in Africa's development. Multilateral assistance, bilateral aid, foreign direct investments and foreign commercial loans have been the principal sources of external funding. With the present grim financial condition of African countries resulting from heavy indebtedness, adverse terms of trade due to falling commodity prices, inability to raise additional taxes, etc., it may safely be concluded that in the foreseeable future Africa's continued dependence on external sources of financing can hardly be reversed. Unfortunately this is the time when these flows are showing signs of stagnation.

319. The evaluation team has observed that while external official flows can hardly be influenced, foreign direct investments can to a large extent. Foreign investments may be attracted if proper conditions, namely favourable investment climate and stable political environment exist.

320. To this end, a number of countries have revamped their investment promotion agencies and rewritten their investment codes removing legal and administrative obstacles, offering financial and other incentives, creating export processing zones and trying to improve general conditions of physical infrastructure. Many countries have received international assistance for organizing national and sub-regional investment promotion fora where foreign investors and local partners meet to discuss and promote specific investment projects. But in all these the results have been minimal. The evaluation team came to the conclusion that the provision of liberal incentives may not necessarily promote foreign investments; and that African governments should look for more deciding factors such as political stability, legal protection of investors and their investments. The traditional approach to Investment Promotion through meetings would need to be revised, bearing in mind that serious investors can no longer be enticed with any half-baked project ideas. In a competitive market one can sell only what appeals to the customer.

321. Another observation regarding resource mobilization is the ineffective utilization of funds. One of the complaints of the donor community is the incapability of existing governmental machinery for funds utilization. But although slow disbursement often results from lack of absorptive capacity, it can also be related to cumbersome administrative procedures imposed by donor countries. The evaluation took note of the fact that in some countries machinery for consultation already exists whereby representatives of donor and recipient countries meet at country level with UN Resident Coordinators to review disbursement and other obstacles to funds utilization.

F. Agro-Industry Linkages

322. Linking industry and agriculture is recognized to be in line with the potential for long-term comparative advantage of agro-based production. In Africa there is clear justification for an agriculture-led industrial development strategy with the ultimate goal of faster growth of both the agricultural and industrial sectors, in order to increase supply of domestic food and generate income and employment through competitive processed agricultural products. Forward and backward linkages between industry and agriculture and their great impact on poverty alleviation and food security make both sectors complementary.

323. However, the development of agricultural production in African countries leaves much to be desired. The pressure of population growth and the constraints on agricultural land call for strategies involving in-depth agricultural reforms by the introduction of modern, commercial techniques and application of fertilizers and building of irrigation schemes. Today only a few African countries are self-sufficient in food production and even that varies from year to year depending on weather conditions. Rain-fed agriculture is the practice in most of the countries of the region. The level of irrigation is negligible. Irrigation schemes for large-scale farming are expensive to build; but until this is done agricultural growth will only remain a wish. The evaluation found that there is an urgent need for African countries at national and sub-regional levels to address the issues of water and irrigation policies in order to achieve a breakthrough and a degree of self-reliance and food security.

324. It was noted in the course of the evaluation that all member states regard agro-industrial development with high priority. This includes food processing, forest-based industries, textiles, fisheries, leather and leather products and packaging. Since most of these sub-sectors are served by small and medium-sized enterprises, attention is being focused on identifying and supporting indigenous entrepreneurs who are traditionally engaged in these industrial activities. In food- processing there are many examples in branch activities, such as edible oil mills, fish processing, milk production, fruit and meat presentation, salt production, coffee and sugar production. In forest-based industries there are new investments in rehabilitation and expansion of plywood and flush doors, paper and pulp factories, fibre board plants. Many countries have plans to establish or revamp their tanneries, leather finishing, footwear and leather goods industries.

325. Agro-based industrial development is one area where many African governments have gone beyond policy formulation, and have set in motion support services and action programmes for implementation. Many countries have ongoing projects specially geared toward enhancing the role of women entrepreneurs who mostly work at the cottage level. NGOs and many international agencies have strong support programmes in many countries for women entrepreneurship development. It is noted, however, that overenthusiasm may produce unnecessary, overlapping activities, and government's coordination role has become important.

326. Some few African countries have recognized the need to provide modern inputs to the agricultural sector with a view to boosting agricultural production and interlinking more and more industry and agriculture.

G. Human Resource and Entrepreneurship Development

327. Human resource development, particularly entrepreneurial training and managerial capacity building, and its effective utilization is one of the most critical factors of Africa's industrialization and the path to national and regional self-reliance and self-sustainment. To harness this potential input for development, African governments have long accepted responsibility for providing formal education; and of late they have buttressed this with vocational, technical and professional training institutions. These institutions, depending on their nature are expected to produce the type and quality of manpower whose training and expertise are specifically related to requirements of industry and industry-supported organizations and institutions. Manpower and skills required for industry are the industrial managers, high-level professionals, middle-level specialists, supervisors and skilled workers. It is the combination of these skills in appropriate quantities that ensures and directs the production process. Supporting these skills are other specializations in marketing, research, procurement, maintenance, etc.

328. Evaluation findings are that increasing number of member countries have created institutions for developing the necessary expertise and skills that would eventually meet manpower requirements of industry. The question that remains is whether the numbers being trained are adequate and whether the quality of their training meets the standards normally required by industry whose operations are constantly being influenced by rapid technological changes. That large number of expatriate experts are still employed in many countries for middle and high level positions in industry testify to the inadequate number and quality of trained manpower in the system. The fact that many graduates and secondary school leavers remain unemployed for long periods after graduation is also an indication of the mismatch between education and working requirements of industry. This calls for a serious look at national educational systems with a view to restructuring institutions and teaching programmes to reflect current and future requirements.

329. Much more critical is the shortage of industrial entrepreneurs and top managerial personnel on whose shoulders rest the responsibility for guiding Africa's future industrialization. The responsibility for developing those rare qualities of entrepreneurship which are said to be innate and not simply taught in classrooms will continue to be that of the government for some time to come. In this regard, it is encouraging to note that machinery for identifying indigenous entrepreneurs and assisting them now exist in such countries as Nigeria, Tunisia, Mauritius, Ghana, Zimbabwe and Senegal.

330. Indigenous entrepreneurship is most needed if efforts to develop small and medium industries are to succeed. At a time when governments are divesting themselves from operation of the productive sectors of the economy, especially manufacturing, the need for trained entrepreneurs and top industrial managers has become imperative. In spite of financial constraints, African governments have little choice but to continue appropriating adequate budgetary resources for developing their manpower resources in order to cope with advancement in production, management and information technologies.

331. While every effort is being made to harness human resources for development, the evaluation team observed that a good portion of these resources was being wasted through unemployment and underemployment. Urban congestion, increasing crime rate and creation of city slums are becoming characteristics of African cities. Although governments, NGOs and some international organizations have expressed concern over these developments, no solution appears to be readily in sight. It has been noted that in the final analysis member countries are losing funds by:

i. educating and training people in areas who cannot be absorbed into the active labour force;

ii. fighting crime and social disturbances in urban centres;

iii. coping with increasing health and other social problems created by overcrowding and congestion.

Resource mobilization becomes counter-productive if available funds are utilized for unproductive purposes; and the evaluation concluded that it is an urgent problem that calls for concerted action of African governments and the international community.

H. Physical and Institutional Infrastructure

332. The provision of physical infrastructure, consisting mainly of transport and communications, water, electricity and energy supply, roads, railways and ports, has been a traditional role of African governments. The role should continue into the distant future if Africa's industrial transformation should become a reality. Coordination of these services at the national level is of utmost importance not only to ensure timely supply of material inputs and market outlets for finished products, but also to enhance productivity if not the survival of industrial undertakings.

333. Sub-regional co-operation in the provision and maintenance of common physical infrastructure is virtually essential in promoting the establishment of joint venture projects within sub-regions and in fostering trade among neighbouring countries, taking into account the need for market expansion, and the advantages of large-scale production and economies of scale.

334. The evaluation has confirmed that governments have been constrained for lack of resources to make adequate headway in the provision of these services both at the national and sub-regional levels. Road and railway networks linking parts of the same country and with neighbouring countries are only partially developed thus restraining the movement of goods and people from pursuing their economic functions. As if these constraints were not enough, business people and traders are often subjected to cross-border restrictions and customs harassment thus frustrating and impending trade, even between neighbouring countries.

335. However, the provision of physical infrastructure alone, without the support of institutional infrastructure cannot achieve much of desired results. Consequently the setting up of national, sub-regional and regional institutions aimed at accelerating Africa's industrialization is strongly emphasized in the Second IDDA Programme.

336. The evaluation noted that despite financial constraints many governments have managed to establish an impressive range of institutional infrastructure for the furtherance of industrialization. Such institutions exist in all sub-regions of Africa and in various fields of activity of which the following are a few examples:

- National Centre for Assistance to Small and Medium-Size Enterprises (CAPME) in the Cameroon;
- Technical Design and Construction Office (BERETEC) in the Congo;
- Sub-regional Multisectoral Institute of Applied Technology and Project Planning and Evaluation (ISTA) in Gabon;
- Botswana Technology Centre; Rural Industries Promotion Company (RIPCO) in Botswana;
- Scientific and Industrial Research and Development Centre (SIRDCO) in Zimbabwe;
- Africa Capacity Building Foundation (ACBF) in Zimbabwe;
- Bureau of Standards in Kenya, Uganda and United Republic of Tanzania;
- Export Processing Zones in Namibia, Kenya, Ghana;
- Private Enterprise Foundation in Ghana, Uganda.

337. These institutions range from agro-based industries, through scientific and industrial research to entrepreneurial development. It is hoped that their sustainability is constantly monitored and more co-operation and exchanges will be established or strengthened especially among national institutions including associations of manufacturers and bankers, industrial development corporations, research and development institutions. Similar linkages with counterparts outside the region should be created with a view to enhancing institutional capabilities and promoting technology transfer into the region.

I. Sub-regional Co-operation

338. The sub-regional groupings recognized under IDDA II programming consist of Southern and Eastern Africa, West Africa, Central Africa and North Africa. Sub-regional programmes were based on those of IDDA I taking into account existing programmes of sub-regional economic groupings and updated at different sub-regional meetings organized by UNIDO, ECA and OAU.

339. Programmes for each sub-region consisted of priority industrial sub-sectors and selected institutions were charged with their implementation, coordination and monitoring.

340. The evaluation noted that the level of performance in the implementation of programmes varied from sub-region to sub-region depending essentially on the organizational strength and capability of the economic grouping and their institutional mechanisms, the financial resources available, and the political stability within each sub-region.

341. In Eastern and Southern Africa, with regard to institution building, COMESA has promoted the establishment of the Leather and Leather Products Institute, the Metallurgical Technology Centre, and the Eastern and Southern Africa Business Organization (ESABO) which is an association of private business enterprises. SADC co-exists with COMESA as they harmonize and coordinate their programmes for their respective members in the spirit of the Abuja Treaty establishing the African Economic Community. The evaluation team noted that countries within the Eastern and Southern African Sub-region have embraced Structural Adjustment Programmes in their industrialization policies and programmes, and this has brought into question the continued relevance of LPA and IDDA II objectives of self-reliance and self-containment. The respective roles of governments and their private sectors will have to be redefined with strong emphasis on governments establishing mechanisms that will ensure political and social stability within which the private sector can operate effectively.

342. In the Central Africa Sub-region a long list of organizations and institutions were designated to support, coordinate and implement the sub-regional programme. These included the Economic Community of Central African States (ECCAS), the Bank of Central African States (BDEAC), Central African Customs and Economic Union (UDEAC), Economic Community of the Great Lakes Countries (CEPGL), etc. The evaluation team noted that the priority programme for preparing a sub-regional industrialization master plan has not yet been implemented, neither was the proposed community investment code under ECCAS. Programmes and institutions under CEPGL have either collapsed or not been established because of political instability of the area, resulting in the transfer of PTA Development Bank from Bujumbura to Nairobi and the MULPOC sub-regional office from Gisenyi to Addis Ababa.

343. ECCAS which was expected to implement, coordinate and monitor the sub-regional programme has virtually collapsed.

344. Some of the major problems hindering economic activities of the sub-region are of infrastructural nature:

- poor roads (inaccessible during rainy seasons)
- outdated railway system
- poor telecommunication systems
- different financial and banking systems
- political and social instability

as well as a shortage of qualified manpower at all levels, especially technical skills and entrepreneurship.

345. Due to physical and manpower constraints, coupled with civil wars and general instability of the sub-region, most of the 49 projects listed under the IDDA II Programme have not been implemented.

346. It has been noted that, unlike countries of Eastern and Southern Africa, structural adjustment programmes have not been implemented to any meaningful extent in the Central Africa Sub-region. Apart from the devaluation of CFA in 1994, very few reform measures have been introduced in the financial sector. Privatization has not advanced beyond identification of enterprises, except in Cameroon where the telecommunication system has been privatized. Privatization of water, electricity and the railway corporation in Gabon is imminent.

347. The Second IDDA Programme appears to have failed in the sub-region for lack of promotion, lack of implementation mechanisms, weak institutional structures and a hostile environment.

348. The evaluation team observed that in the North African Sub-region reform programmes have worked well in Egypt and Morocco, while Algeria is still beset by civil unrest. Industrial growth and co-operation in the sub-region have been supported through government policies of liberalization, packages of incentives, development of support institutions and capacity building services aimed at enhancing the role of the private sector and promoting investments.

349. SAPs and Uruguay Round Agreements form the framework within which some of the sub-regional countries are operating as trade is directed towards Europe within the context of Euro-Mediterranean Partnership. There are very few intra-sub-regional trading relations.

350. Considerable financial resources have followed the adoption of SAPs and the Euro-Mediterranean Partnership, and this has overshadowed the Programme of IDDA II.

351. The UMA is the established authority to co-ordinate economic and industrial development activities in the sub-region and in the implementation of the IDDA Programme.

352. In the West Africa sub-region, some 43 core projects were identified under the IDDA II Sub-regional Programme in industrial sub-sectors such as agro-based industries, metallurgical industries, chemicals, engineering, building materials and support services. Organizations and institutions in support of the sub-regional programme included ECOWAS, CEAO, MRU, MULPOC and ARCEDEM. The weakness of these institutions was mainly responsible for lack of effective implementation of the Programme. Although the Treaty of ECOWAS was revised in 1993, it has not managed to establish a customs union nor a common market. There are still a number of tariff and non-tariff barriers to trade, and protocols signed on agriculture, industry and energy are yet to be implemented. It is also observed that political decisions made at high political levels have not been translated into implementable packages at the national level. In this regard, member states would need to recommit themselves to a fuller co-operation under the ECOWAS Treaty. Such financial institutions as the West African Monetary Agency (WAMA) and the ECOWAS Fund for Co-operation and Development hold promise but have not settled into active forces to promote trade and industrialization.

353. UEMOA which absorbed CEAO as a monetary union (with a single currency, CFA) appears to be in a stronger position than ECOWAS in terms of policies and programmes which should be translated, consolidated and implemented as sub-regional projects. The Mano River Union has suffered from political instability within the area.

354. The major findings in this sub-region are that programmes identified under IDDA II have more or less been submerged into national programmes and are being shaped by structural adjustment programmes which focus on stabilization and liberalization. The IDDA concepts of self-reliance, self-sustainment and industrial transformation through targeting core industries may need to be reexamined in the light of overall dependence on financial backing of SAPs. The tendency is that the sub-region might be transformed into a trading zone with very little production which can only materialize by harmonized policies, complementarity and specialization within the sub-region.

7. THE WAY FORWARD: Lessons and Recommendations

355. In drawing up recommendations, the evaluation team felt that certain factors which have affected the credibility and the future prospects of the IDDA II Programme should be spelt out. These factors have had a direct bearing on the acceptance of and support for the Programme and have adversely affected its implementation. Although some of these factors were noted in the evaluation report of the First IDDA, it appears that insufficient attention was paid to them in the preparation of the IDDA II Programme.

356. The IDDA II Programme, like the Lagos Plan of Action and the IDDA I, was an expression of intentions and desires for Africa's industrialization. These intentions were not translated into concrete and practical programmes and specific projects for which funds could be mobilized for implementation.

357. Special implementation mechanisms at the country level recommended under IDDA II were not established, expecting that the existing national machinery, i.e. Ministries of Industry and Trade or Planning could undertake that responsibility as part of their normal activities. This has not worked.

358. Although IDDA II was recommended by African governments and endorsed by the UNIDO General Conference and the United Nations General Assembly, the Programme itself did not involve the donor community and other UN agencies in its design and consequently there was no endorsement and commitment on their part for implementation. Here it must be observed that the IDDA II Programme touched on various areas within the legislative mandate of some UN agencies (physical infrastructure - the World Bank/UNDP; human resource development - the ILO/UNDP; etc.) and yet the Programme and its promoters did not establish any inter-agency cooperative mechanism for the Programme's coordination and implementation. On the part of the donor community the impression received was that until statements of intentions were translated into specific action programmes and specific implementable projects, it could not provide any financial support.

359. Some of the UNDP Resident Coordinators met in the course of field missions confirmed that while industrialization was essential for Africa's overall development, it must be based on specific prerequisites such as manpower and skills development, infrastructural (physical and institutional) development, stable political conditions induced by good governance, etc. and that mere statements of intentions with broad, unwieldy and unfocused programmes of industrialization will not materialize. This was also the view of some donor country representatives.

360. The role of the Bureau of CAMI and the Joint Secretariat (UNIDO, ECA and OAU) to monitor the implementation of the Programme appeared to have been absorbed in servicing the various meetings of CAMI rather than promoting the involvement of UN specialized agencies and the World Bank Group in the Programme and assisting African countries in seeking bilateral donor community support for those aspects of the national programmes in which individual donors are likely to show interest.

361. The IDDA II biennial allocations of around US$ 10 million to UNIDO were grossly inadequate to support the Programme. The funds became indistinguishable from normal UNIDO operations. The evaluation team noted that an alternative use of these funds could have been assistance to African countries in mobilizing donor support for specific programmes and projects within the IDDA Programme. This assistance could take the form of specific project identification and preparation, background support in annual bilateral negotiations between African countries and donors, participation in the Paris Consultative Group Meetings, and assistance in building absorptive capacity of government agencies responsible for multilateral and bilateral funds utilization and disbursements.

362. The evaluation team got the impression that in designing the IDDA II Programme no special consideration was given to the diversity of African country situations and conditions. A continent-wide Programme without any differentiation between the Northern African countries with relatively higher levels of development and different orientation towards the Middle East and Europe, the land-locked and the very least developed countries with peculiar problems, and the rest of Africa (excluding South Africa) was bound to end up with different approaches and emphasis, leaving the Programme as merely a general guide to industrialization. Although more than 50% of African countries are classified as LDCs, the IDDA Programme made only passing references to them without giving special attention.

363. The country missions, which covered twenty-one member Countries in all sub-regions of Africa, have reached the conclusion that for many of these countries, the Second IDDA, like the First, existed only as an initiative. While goals and ideals remain relevant, valid and laudable, the Second IDDA has been devoid of any implementation mechanism which would translate public proclamations into visible action programmes, and goals and objectives into attainable results. For these countries these goals, objectives and ideals made no difference because they were proclaimed in 1980 by the Lagos Plan of Action and repeated by IDDA I. Before IDDA II was officially launched, some of these goals and ideals had already been reflected either in medium-term national development plans or in their long-term national visions. Consequently, the IDDA II Programme, which had no funds to back it up, was regarded as superfluous and somehow dispensable.

364. After four years (1993-1997) of existence IDDA II, conceived as a Programme for spearheading Africa’s industrialization, has lost its identity within the economic and political vision of its national promoters. Whatever remained of the Programme itself became associated with normal operations of UNIDO, ECA and OAU.

365. The IDDA II Programme was launched at a time when Africa was already facing serious internal and external challenges of economic transformation, political transition, globalization and a new environment of international competitiveness. Member states have practically been brought to their knees by the heavy burden of international indebtedness, increasing budget deficits resulting from deteriorating terms of trade and debt servicing, by slackening flow of development assistance and of direct foreign investments. All these factors contributed to a painful period of restlessness that led in some cases to political upheavals, social unrest and civil conflicts.

366. Meanwhile, signs of deterioration were seen at every turn. Health delivery services could hardly keep pace with increasing poverty, hunger and disease; physical infrastructure could not be maintained and utility services kept falling apart. In some countries this unstable situation was made worse by persistent indulgence in poor governance engulfed in corruption, nepotism and abuse of individual rights and liberty.

367. The first order of business for African governments was to seek for survival. To most African countries the answer lay in the adoption of Structural Adjustment Programmes with strict adherence to macro-economic policies which were accepted by a few with conviction and by many with reluctance. The implementation of the adjustment programmes was accompanied by the practice of "good governance" which was expected to bring about an atmosphere of peace, stability and security.

368. In this atmosphere of near-desperation African governments became more and more preoccupied with policies and programmes that were backed with ready financing and which could produce visible results in a short period of time. On the other hand, the Programme of IDDA II had no financing backup and could therefore wait until the immediate crisis had abated. Be that as it may, the concept and the principal objective of IDDA II, namely industrialization as the major engine of Africa's economic growth and development, have remained as the embodiment of the hopes and aspirations of African nations. This is the spirit that must be recaptured and rendered much more relevant to the present socio-economic circumstances of African countries for the remaining period of the Development Decade.

369. To believe that the initial scope of IDDA II Programme can still be adhered to will be unrealistic, especially at a time when the perception of the Programme as originally conceived has been overshadowed by subsequent events, including the recognition of the private sector as the lead actor in industrial development.

370. Bearing in mind the major findings of the evaluation, realizing that the Development Decade is almost half way through, and taking into account the financial and capacity constraints that most African countries are likely to face for the rest of the Decade and beyond, it is recommended:

- that the scope and coverage of the Programme be narrowed to make it compatible with the country's capacity to mobilize its human, natural and financial resources for implementation;

- that governments concentrate on those segments of the Programme that are considered as necessary prerequisites for industrial development while leaving the productive and manufacturing aspects to the private sector;

- that governments intensify their efforts at promoting the necessary economic environment and political stability that will make private sector initiatives possible and productive;

- that the private sector and the industrial community as a whole be given support to build up their capacity and enhance their competitiveness; and

- that the donor community especially be invited to have a serious look at the revised priorities, including the Alliance programme for private sector enhancement through partnerships, and to request the opinion, endorsement and participation of the private sector and the chambers of commerce and other related business associations.

371. These recommendations take into account the diverse conditions of growth and relative prosperity prevailing in different parts of the region. Emphasis and priorities will therefore differ from country to country and from sub-region to sub-region. But for most countries including many LDCs and landlocked areas, the limited scope approach will appear reasonable.

372. At the end of the Development Decade which is only five years hence, each member state may wish to have something for IDDA II to show. Accordingly it is recommended that national attention now be focused on the following specific areas:

A. Private sector development;
B. Human resource development;
C. Regional and sub-regional co-operation and integration;
D. Environmental concerns.

373. The following two areas are closely related to the above focus of IDDA:

- Financial sector development
- Physical infrastructure development

374. An overriding issue which affects the industrialization process although it is not an integral part of IDDA but has to be addressed by governments is:

- Governance, political liberalization and commitment

375. Within the above context, governments should establish their own priorities depending on the level of development volume of available resources, size and importance of the private sector, etc.

A. Private Sector Development

376. African governments now recognize the role of the private sector as complementary in socio-economic transformation. Both the public and the private sectors must work in partnership, redefine their respective roles and responsibilities, while each sector concentrates on areas where it is most suited to be efficient and productive. The traditional role of governments must remain intact, namely: to maintain law and order (social harmony), to formulate policies and strategies for the guidance of the developmental process, to protect the environment, to provide basic education and public health services, to provide necessary public infrastructures, and to create an enabling environment within which economic and social development can peacefully take place. The private sector's role is essentially to mobilize resources, invest and manage these resources in the productive sectors of the economy, while contributing to national policy formulation.

377. By accepting this reality the public sector cannot do everything from building physical infrastructure to manufacturing consumer products. African governments now consider it desirable and efficient to leave the private sector to determine production priorities based on market forces. But in fostering their relationship with the private sector, African governments may wish to bear the following in mind:

- that sharing economic power and production initiatives with the private sector should not be considered as a favour. One of the lessons from structural reforms currently underway in many countries is the realization that in the way of political and economic liberalization, the roles played by governments and their private sectors are complementary;

- that the strength and effectiveness of the private sector as an innovative and active development partner is yet to develop and it is incumbent on governments to assist in building institutional structures and providing facilities and services that will enhance the private sector capacity to play a meaningful and constructive role in national development;

- that the role of the private sector is that of partnership and not a substitute for government action.

378. In Africa's present circumstances governments will continue to provide guidance and leadership in the economic transformation process. If this principle is accepted, suspicion on both sides will give way to mutual respect and understanding, thereby creating the right atmosphere for confidence-building, co-operation and joint efforts in nation-building.

379. The private sector base in practically all member countries is small. The critical mass of industrialists to push industrialization forward is yet to emerge. For the rest of the Decade and beyond, African governments may wish to focus on two inter-related areas whose development will help broaden the private sector base and deepen its sphere of influence. These are entrepreneurship development and small and medium-scale sector development.

a. <u>Entrepreneurship</u>: The strength of the private sector depends on the size and quality of indigenous entrepreneurs. With increasing and significant role now being assigned to the private sector, the importance of identifying potential entrepreneurs and giving them the necessary training and support services cannot be overemphasized. Such services may include institutional and infrastructural requirements in the form of financial establishments, extension services, consultancy assistance, provision and dissemination of research and development findings and general industrial information, on market opportunities, sources of raw materials and technological changes. Potential entrepreneurs are scattered within the informal sector, and policy measures and mechanisms may be needed for their identification and training in order to initiate them into the formal sector as middle level links in the private sector.

b. <u>Small and Middle-Scale Sector Development:</u> The training ground for indigenous entrepreneurs is the small and medium-size enterprises, the development of which must remain a major preoccupation in formulating industrial policies and strategies. In almost all African countries this sector constitutes the largest number of establishments, providing most of the industrial employment and accounting for a sizeable amount of manufacturing output. Most of agro-related industries are found in this sector. Other advantages for concentration on small enterprises are that they are mostly rural-based and contribute to industrial dispersion and rural development policies, while arresting urbanization and increasing women entrepreneurship and participation in industry.

380. It is recommended that renewed emphasis be placed on the promotion of this sector by establishing and/or strengthening support organizations and facilities such as:

- industrial estates or export processing zones with common services;

- industrial cooperatives, inter-firm linkages and partnership;

- concessional financing and loan guarantees;

- small industries support departments or organizations to provide project development services including feasibility studies, training and management support;

- leasing of equipment etc.

381. The future of Africa's industrialization depends largely on its indigenous entrepreneurs being capable of managing small and medium-scale enterprises. Given the right economic and political environment and support in technological and managerial capacity-building small and medium-size enterprises can be as competitive and efficient as any large-scale enterprises. The experience in developed countries shows that small- and medium-scale enterprises can be formidable forces in driving forward the industrialization process.

B. Human Resource Development

382. Private sector capacity to deliver will largely depend on availability of adequately trained and skilled manpower. It is recommended that for the rest of the Development Decade attention be focused on providing the quantity and quality of industrial manpower needed by the productive sectors of the economy. The development of Africa's human resources will also place member countries in a state of preparedness to accept the challenges of rapid technological changes in production, management techniques, and communications systems.

383. Human resource development is by no means limited to the male segment of society. In this regard the role of women in the development process must be underscored.

384. Women constitute the majority of the rural population and make crucial contribution to the food production sub-sector. They dominate the informal sector not only in agriculture but also in small and medium-size agro-based industries, marketing and retail trading. Accordingly, education and training of women must be on a par with that of their male counterparts, especially at the technical, professional and managerial levels. This will enable women to have access to income through formal or wage employment, and consequently enhance their role and contribution to industry-related activities.

385. This will require restructuring of formal education system; strengthening of technical, vocational and professional training institutions; building the capacity of science, technology and research centres, and ensuring that curricula of these institutions and centres reflect specializations of relevance to industry and industrial support services. The provision of skilled industrial manpower must be seen as part of the enabling environment without which the private sector can hardly operate.

386. South East Asian Tigers could not be where they are today without the requisite manpower resources adequately trained in various industrial disciplines and imbued with the spirit of patriotism and dedication buttressed by adequate incentive packages.

C. Regional and Sub-regional Co-operation and Integration

387. Sub-regional co-operation in Africa's industrialization is vital and indispensable. Yet sub-regional programmes and projects developed under both IDDA I and II have had very limited success, if any. There are many reasons for failure, but the major cause is the overambitious nature of these programmes. The emphasis on harmonization of national codes and legislation appears to be overplayed, bearing in mind that some member governments are only now attempting to update and modernize national legislation and codes of practice some of which have remained as legacies of the colonial past.

388. Attainment of sub-regional integration cannot be achieved rapidly, and therefore attention should be focused for the time being on industrial co-operation where operational mechanisms and procedures may call for less uniformity. Attempts at sub-regional integration through the establishment of common investment projects appear to have made little or no headway as sub-regional organizations and national policy-makers spend considerable amount of time at meetings and conferences arguing about such issues as industrial location and financing mechanisms.

389. Taking into account that financial resources for Africa's industrialization will continue to be limited that sub-regional integration cannot be achieved by overambitious programmes involving too many large-scale investment projects, and that sub-regional industrial co-operation must of necessity precede any attempt at integration, the following recommendations are submitted for the remaining part of the Development Decade:

- That the promotion of sub-regional industrial investment projects be left to the private sector which should be encouraged to involve multinational partners outside the sub-regions, while governments play a catalytic role where possible in drawing in international financing institutions;

- That sub-regional organizations concentrate on creating appropriate environment and necessary conditions to enable the private sector and their enterprises to operate across national borders. These initiatives, some of which are already underway, will involve specific steps among which are:

    a. Relaxation of national barriers, and prompt customs clearances;

    b. Linking of physical infrastructural support services, such as transport and communications;

    c. Provision of those industry-related services, which are cost-effective in finance and skills at sub-regional rather than national level such as scientific and industrial research institutions, quality control and standards institutes, data banks for industrial information, etc.;

    d. Promotion of partnerships and subcontracting arrangements as assistance to private sector development at national, sub-regional and regional levels. Where such partnerships can be established with multinational corporations, the private sector will gain in acquiring new skills and technology in addition to achieving economies of scale and market expansion.

    e. That regional projects be limited to institutional infrastructure development which will provide training and common services to member countries. The experiences of such institutions as the African Regional Centre for Technology (ARCT), African Regional Centre for Engineering, Design and Manufacturing (ARCEDEM) and African Regional

Organization for Standardization (ARSO) testify to the need for concentrating on what is already in hand rather than venturing into new areas. Regional efforts should concentrate on transforming them into institutions of excellence capable of providing necessary technological support for Africa's industrialization.

390. The importance of sub-regional co-operation is by no means down-sized by shifting emphasis from the pursuit of multinational investment projects to the promotion of sub-regional enabling environment that will support private sector efforts in developing those very investment projects that sub-regional organizations can hardly find the funds and management capacity to implement. If this shift in orientation can work at the national level, it should also work at the sub-regional level where uniformity and unanimity are still formidable obstacles to integration.

391. The role of sub-regional economic groupings (COMESA, SADC, UMA, ECCAS, ECOWAS) should be to promote and co-ordinate intra-regional trade and investment and to strengthen and integrate the business relationships among various partners in the region through joint projects and programmes under the umbrella of the African Economic Community.

D. Environmental Concerns

392. Industrialization has its price in terms of social and specific environmental problems such as desertification, effluent disposal, industrial refuse and natural resource degradation. While some of these issues may not be pronounced in the short term, environmental implications of industrial projects should be uppermost in the minds of policy-makers. It is therefore timely to draw attention to the need for assessing these implications with a view to devising appropriate regulatory measures to address environmental concerns as the impact of industrialization begins to be felt. Policy measures to combat desertification are already in place in some affected countries, while environment-related equipment and materials for pollution reduction and waste treatment have also been introduced in other countries. Whether these attempts are adequate to arrest environmental degradation, or other measures are required at the policy level either in the form of economic incentives and/or in the form of adoption of cleaner technologies without unduly hurting the competitive position, will require a detailed assessment. It is important that African Governments are aware of the challenges ahead and prepare themselves in ensuring to get the right mix of integration between environmental and industrial policy.

- Financial Sector Development

393. The private sector and the business community rely not only on trained and skilled manpower, but also access to development banking institutions and financial intermediaries for long-term investible funds and working capital. Although mobilization of development finance is the responsibility of the private sector promoters, the establishment of the institutional framework must, in the early stages of national development be promoted and supported by governments. Financial markets are essential for financial mobility required by both domestic and foreign investors. Industrialization will continue to be hampered without the necessary financial institutions and services, as well as specialists to operate them.

394. It should be noted that Africans with the requisite knowledge and experience in financial administration and management, including stock market operations, are found in many world centres of finance and in international organizations. It is strongly recommended that African governments devise ways and means of appealing to these national experts and specialists and to encourage them to participate in the struggle for economic independence. The experience of the Republic of Korea in the seventies shows that this is a viable option provided African governments and their public officials are ready and willing to provide the necessary conditions and incentives.

- Physical Infrastructure Development

395. One of the most important preconditions for industrial development which was highlighted by the IDDA II Programme is physical infrastructure support services. They form part of the general environment to be provided by governments and the public sector. Hardly would any investor, local or foreign, venture into a country or a region where physical infrastructure has not been developed. It is recommended that governments continue to devote a good portion of their development budgets to building and maintaining infrastructural facilities upon which all industrial activities will depend.

396. The importance of physical and institutional infrastructure to economic and industrial development has been dealt with elsewhere in the report. What is being emphasized here is the need to accord a high priority to physical infrastructure, particularly transport and communications, water, energy and power generation and distribution, and telecommunications which are the essential dynamic instruments for industrialization. The costs for providing these services are extremely high, but many countries are already benefiting from the World Bank and other international agency support and bilateral donor assistance in this area. While bilateral donors are reluctant to put funds into direct industrial processes such as manufacturing, which they consider to be the province of the private sector, their support in building industrial preconditions is desirable and must be encouraged. Assistance from the UN system for preparing studies and development packages in the area of physical infrastructure for donor consideration and financing should be vigorously pursued. Similar assistance should be sought in strengthening government capacity for quick disbursement of development assistance funds.

- Governance, Political Liberalization and Commitment

397. Africa's industrialization will not make any headway without political leadership, determination and commitment. These and good governance are the guiding principles and the driving force behind all known industrial success stories. Weak and indecisive leadership, corrupt practices, constant changes in national policies, negative attitude and lack of work ethics, divisive tendencies in public appointments and failure to recognize and reward success have all contributed to Africa's lack of potency for advancement. Development is like a country at war and calls for collective responsibility of all citizens; but it requires dedicated and selfless political leadership which is ready to stimulate and arouse national consciousness for the common task of nation-building.

398. The First Industrial Development Decade failed not necessarily because the Programme was imposed on African member states as it is often alleged, or else the Second Development Decade Programme the design and preparation of which was the responsibility of governments themselves would have shown signs of success.

399. Structural Adjustment Programmes which are also alleged to have been imposed like bitter pills or reluctantly accepted by the many African governments now appear to be embraced and yielding some results. It may therefore be said that initiatives and programmes fail essentially because of the absence of political will and commitment to embrace them, rally the forces of society behind them and call for sacrifices as may be required for their implementation while political leadership leads the way by precept and example.

400. If the recommended limited scope of the IDDA II Programme can be successfully implemented by the end of the Development Decade, it would be an achievement upon which the industrialization superstructure could be built. But it is a task that goes far beyond the adoption of conference resolutions. It is a task that calls for concerted national action led by political leadership whose overriding concern and preoccupation is Africa's economic emancipation when self-reliance and self-sustainment will no longer be a dream but a reality of African life.

- Alliance for Africa's Industrialization

401. Although there is no experience with the above programme, the evaluation attempted to establish a relationship between the IDDA and the Alliance.

402. It is recognized that the African private sector is still weak and ineffective to play a leading role as a development partner in the industrialization process. It has been recommended that governments devise policy measures and provide institutional and other support services to enhance the capacity and capability of the private sector, and the industrial community thereby promoting confidence, dialogue and self-assertion. The private sector is also required to organize itself at national levels and provide competent and effective leadership that would command respect and clout not only vis-a-vis their own governments and public service operators, but also in the development of partnership relationships with counterparts at sub-regional, regional and international levels. It is primarily to support and strengthen these efforts that the Alliance for Africa's Industrialization was proposed and launched in October 1996. The Alliance is therefore seen not as a replacement of the IDDA II Programme but rather a supplementary mechanism to existing government support services and promotional efforts by helping to mobilize additional financial resources, arranging technology acquisition and transfer of higher management skills, exploring external market opportunities for African industry, and arranging the formation of partnerships between African and foreign-based enterprises as a means of promoting quality upgrading, product design and packaging, etc. The Strategic Management of Industrial Development (SMID) approach used in a number of developing countries by UNIDO has proved itself to further the dialogue between the public and private sectors and therefore, should be more widely applied by African Countries.

403. The Alliance is a mechanism focusing the attention of African decision-makers, both public and private and the international community on the region's industrial development potential and the need to build on this potential. The focus should be on enterprise to enterprise co-operation. The initial focus of the Alliance will be agro-industrial linkages. This is fully in line with the importance of agriculture in African economies, the potential for international comparative advantage of agro-based production, the multiple linkages between the two sectors and their potential socio-economic impact through small- and medium-size enterprises and informal sector activities and with the evaluation proposal for IDDA II. The Alliance programme will eventually extend to other productive areas of private sector activity such as natural resource-based mineral processing industries once the previous starting base is consolidated.

404. The Alliance for Africa's Industrialization will be demand-driven and its programme will be expected to create yet another opportunity to make a contribution to Africa's economic and industrial transformation and an effective integration into the globalized industrial economy characterized by free flows of investment, trade and technology. By this approach the Alliance will be facilitating partnerships through dialogue and negotiations between African industry and governments on the one hand, and companies, governments and NGOs of industrialized countries on the other. Being essentially private sector-led initiative, the Alliance is expected to arouse the enthusiasm and support of development partners in industrialized countries whose own private sector operators are also beneficiaries of the Alliance programme. African private sector and business community will stand to gain in confidence and stature if they and their governments will courageously accept the Alliance as their own mechanism working for their own interest in partnership with external sources of finance, technology, markets and higher managerial skills. In short, the Alliance should be used as a tool to reach the goals of IDDA.

405. The above provides only a relationship between IDDA and the Alliance. During their implementation, national governments, with eventual support from the participating organizations, should ensure that IDDA and the Alliance are complementary.