# Conference on Industrial Partnerships and Investment in Africa
# Dakar, Senegal, 20-21 October 1999

## Opening Statement of the UNIDO Director-General Carlos Magariños

## Alliances for Africa's Industrial Development
(Ver.3.1)

*United Nations Industrial Development Organization*

Your Excellency, President Abdou Diouf
Honourable Ministers
Members of the Diplomatic Corps
Distinguished Representatives of the Private Sector
Ladies and Gentlemen

I am particularly happy to be here with President Abdou Diouf, and to join the Government of Senegal, in welcoming you on behalf of UNIDO to the Conference on Industrial Partnerships and Investment in Africa.

We are here today because African countries called on us to build partnerships with Africa for the new century. They invited us to team up with Africa's governments and private sector because *this is the time for Africa*. It is now Africa's turn to embark on an economic take-off. The African region's highest regional body, the Assembly of Heads of State and Governments of the OAU requested the meeting. The rest of the world, represented by the UN General Assembly, strongly supported the idea.

We are specifically here in Dakar because Senegal's President, His Excellency Abdou Diouf, kindly offered his own patronage to the Conference. My first pleasant duty, therefore, is to extend to Your Excellency UNIDO's heartfelt thanks for your personal interest in the Conference and for the generous hospitality of the people and Government of Senegal for this important event.

My second task is to welcome in particular the large number of private sector representatives — both from Africa and from overseas — who are with us today. I draw special attention to their participation because nearly all the conference themes refer to the private sector's crucial role in Africa's industrial development. Private firms are the agents, the targets or the beneficiaries of almost everything on our agenda. Even the government-oriented topics have Africa's private sector development and participation of African and non-African private firms in the region's industrial development as their main aims.

But it is not my intention, you may be pleased to hear, to review the interesting agendas for the next two days. I would like, however, to share with you in the few short minutes at my disposal some thoughts of paramount importance to *partnership*. Let me first, however, address a few remarks directly to our guests who are interested in investing in Africa.

We hope you are here to take a serious look at Africa's potential in value-added manufacturing — for local and regional markets, and for export. Today's broad message is that, after decades of investment decline and neglect by foreign investors, things are looking up for African countries. The region is now enjoying recovery and a healthy economic growth. More than a dozen countries grew faster than 5 per cent annually in recent years. South Africa aside, African economies enjoyed a modest rise in FDI last year compared to 1997 — bucking the overall trend. Increased per capita income throughout the region is accompanied by strong growth in export earnings overall.

As a result of a first generation of reforms — the reforms devoted to macroeconomic stabilization — the African region is already being drawn into the globalization process. A new generation of managers and entrepreneurs is making an impact. They are ready for partnership arrangements, and their business demands on Africa's governments are exactly the same as those of foreign investors — good governance and effective institutional support.

Mr. President,
Ladies and Gentlemen,

Partnership and investment, the central theme of our Conference, are essential for Africa's progress. They becomes even more essential in the context of declining aid flows.

Development aid must _not_, however, be allowed to dry up. But it does need to be refocused. Aid remains essential for maintaining and building on the gains from structural adjustment. Macroeconomic reforms were just the beginning of a reform process. They now have to be complemented by a second generation (perhaps even a third generation) of reforms which can greatly benefit from development aid.

The _second_ generation of reforms, it is now necessary to emphasize, focuses on institutional changes that are necessary to realize the benefits of macroeconomic and market reforms — reforms to the judiciary system to ensure the rule of law, reforms concerned with health and education that improve living conditions and level the field of opportunities.

Together, the first and second generation reforms create the instruments required for countries to be players in the process of globalization. Even then we still have to link globalization with the lives of those it affects.

Take the case of Africa. Many of you will be aware that Africa consistently yields the highest return on investment compared to all other regions of the world. In fact, you get four times the return compared to developed countries, double the return on your investments in Asia, two thirds more than in Latin

America. This creates one of Africa's paradoxes: capital flows were bypassing the region, even though it was the developing region with the highest returns.

The remedy, I propose, is a *third* generation of reforms devoted to linking macroeconomic stability with microeconomic performance. Job creation alone is proving insufficient, for example. We also need to develop ownership solutions. Third generation reform has to be about mobilizing the skills, information, technology and knowledge required to development and upgrade Africa's private sector. And it calls for concrete policies at the microeconomic level — instead of slogans like "SME promotion" that lead nowhere.

These are the directions we are now taking with UNIDO's own transformation — cooperating where possible with leading institutions concerned with development issues.

Meanwhile we remain concerned with actual pressing needs. Technical cooperation priorities have to be adjusted — for example, improving Africa's own national infrastructures to attract more foreign investment. Here I am not talking about the creation of more investment promotion offices. Much more important is making Africa's own private sector more attractive as potential partners for foreign manufacturers through capacity building and skills upgrading. A development-aid-investment nexus would enable this. Aid would be specifically allocated to helping African countries create an environment more suited to private sector-led industrial development, and to provide more effective entry points for foreign investment and industrial partnerships in Africa.

The 15 integrated country programmes that will be presented at this Conference are a joint effort by UNIDO and by

African countries to move in this direction. They constitute a concrete application of the Programme of Action of the Alliance for Africa's Industrialization. They are *integrated* because real life problems require complex, i.e. cross-discipline, solutions. They are large in scope because (in combination with integration) that is the best way to deliver impact at field level and value for tax payers money in donor countries. We are presenting them here because we want other partners to join us in their implementation and concrete realization.

A second initiative we are proposing is that in addition to further trade concessions (which are less beneficial for the African economies lacking strong export capacity), let there be investment concessions for African countries. By investment concessions we mean arrangements whereby foreign industrial investment in Africa would be eligible for corporate tax reduction in the investors home country. The development component of such tax-compensated investment would be assured by granting such concessions only to investments that create significant employment and enhance technology competence levels in African countries.

A third proposal is to develop mechanisms that mobilize the private sector to finance development. For example, private investment banks already hold the lion's share of developing countries' total external financing. This role could be extended to cover the infrastructure, industrial and agricultural projects presently financed by multilateral financial institutions such as the World Bank and regional development banks. Instead of *direct* funding, the World Bank and regional banks would simply provide the guarantees and collateral that would stimulate the private sector to do it.

Mr. President,
Ladies and Gentlemen

The themes that will be covered in the next two days are an opportunity for business and policy makers to exchange views in that area. This will be one of the outcomes that, I am sure, will be carefully studied particularly by the Conference of African Ministers of Industry, which will meet here in Dakar for its fourteenth biennial meeting on 22nd and 23rd of October.

One of its traditional tasks is to prepare Africa's position at the forthcoming UNIDO General Conference. The difference this time is that the UNIDO Conference features an extensive and fundamental review of where industrial development should be heading in early part of the new millennium. Africa's considered view of the policy environment to attract and sustain industrial partnerships and investment will be an important input.

It takes no great foresight for me to predict that whatever the outcome of the UNIDO review of industrial development, Africa will remain the Organization's number one development priority. But if what we are really doing is defining a new industrial development paradigm, we need answers that are applicable to Africa's particular circumstance to a number of unresolved issues. We need your inputs to questions like:

- How can all parts of the world, Africa included, participate and share the benefits of globalization? (One of the great ironies is that unprecedented global prosperity has gone hand-in-hand with unprecedented poverty and inequality, in Africa in particular.)
- How African countries should deal with the market gaps that the private sector fails to supply?
- Why some policies have worked in other regions, for

example in Asia, but failed to work in Africa — evident, for example, in African SMEs' low contribution to employment and exports?

These are difficult questions. But they urgently need answers. We are addressing them both internally in UNIDO and in the context of the recent agreement signed by UNIDO and the University of Oxford's Centre for the Study of African Economies. I am very hopeful that our work will make an important contribution in these areas.

Mr. President,
Ladies and Gentlemen

I have taken, perhaps, more than my share of our limited time.

I will therefore conclude by noting that this Conference is an initiative of the Alliance for African Industrialization and the African Heads of State and Governments. UNIDO is a partner and a facilitator. It is through the building up of partnerships and alliances that UNIDO can be most effective in Africa. Our role is that of a catalyst: we are bringing potential partners together in the hope and expectation that they will react and bond together. This would lead particularly to cooperation between African governments and their development partners, both in the public and private sectors, and between African countries' private sector and the foreign private sector.

This is an important cornerstone of Africa's industrial development. It is part of the process for rebuilding African countries' industrial performance in the new millennium. We are taking today the first steps of this important journey into a new century, which we all hope will see the emergency of a prosperous and peaceful African continent.

Ladies and Gentlemen,
I thank you for your interest and attention, and
look forward to the outcome of your deliberations.