

ADVOCATING INDUSTRIAL DEVELOPMENT

**Presentation to the
Patrons of the Alliance for Africa's Industrialization (AAI)
(13 July 1999, Algiers, Algeria)**

**by the
UNIDO Director-General**

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Summary: The Alliance for Africa's Industrialization (AAI) reflects three key ideas — making promotion of Africa's industrial development truly African owned, focusing Africa's economic recovery on strengthening the region's productive sector, and raising the priority of industrial development in the spectrum of development strategies. In practical terms, the Alliance will: promote targets for increasing Africa's share of world manufacturing output; match consensus-building at national level through the Industrial Partnership Councils with private sector representation on Alliance organs at the regional level; target industrial investment to return to early 1980 levels; and concentrate on improving the growth environment for industrial SMEs. UNIDO's new country programmes will support this. Fifteen of them, with a value of US \$ 103 mill. have already been completed. The Alliance and UNIDO together will: promote funding for industrial development through leveraging ODA to prepare the ground for industrial investment; campaign for tax-compensating investment concessions to replace trade concessions; and actively seek support for a Technology Know-How Fund to fund technology transfer-related training.

Excellence, Monsieur le Président de la République de Côte d'Ivoire,
Président du Groupe de Parrainage de l'Alliance,
Excellence, Monsieur le Président de la République algérienne
démocratique et populaire,
Excellences, Messieurs les Chefs d'Etat et de Gouvernements, Membres
du Groupe de Parrainage de l'Alliance,
Excellences, Mesdames et Messieurs les Ministres,
Monsieur le Secrétaire général de l'OAU,
Monsieur le Secrétaire exécutif de la CEA,
Monsieur le Président de la BAD,
Mesdames et Messieurs les Représentants du secteur privé,
Mesdames, Messieurs,

Permettez moi, Monsieur le Président, de vous saluer pour votre
heureuse initiative d'organiser la première réunion du groupe de
parrainage de l'Alliance pour l'industrialisation de l'Afrique à l'occasion
de la 35^{ème} sommet de l'OUA dans cette ville merveilleuse d'Alger.

Je voudrais aussi exprimer mes remerciements à son Excellence, le
Président Bouteflika, au gouvernement et au peuple algérien pour
l'accueil chaleureux qui nous à été réservé depuis notre arrivée à Alger.

C'est un privilège et un honneur pour moi de participer à cet
événement historique. Votre réunion ici à Alger en tant que groupe de
parrainage de l'Alliance témoigne de votre détermination de voir
l'industrialisation de l'Afrique se développer et s'accélérer, ainsi que de

l'importance qui vous donnez au partenariat indispensable entre le secteur privé et le secteur publique.

Excellencies,

The Alliance, in my view, reflects several key ideas.

One is that the promotion of Africa's industrial development (like the continent's other development strategies) has to become truly Africa-owned. It also has to adapt to changing attitudes and conditions.

Another is that Africa's economic recovery has to focus on rapid strengthening of the region's productive capacity.

The third is that, because industrial development is the most sustainable way to create employment and reduce poverty, it deserves much higher priority in the spectrum of social and economic development strategies.

These are the measures, I suggest, by which you may judge both the progress of the Alliance, and also UNIDO's role in supporting and complementing the Alliance.

Ownership is the only guarantee of policy continuity and lasting results. It requires that aid, foreign investment and technical cooperation are channelled in line with priorities set out by the recipient country itself. It puts programme implementation in the hands of those who will primarily experience its impact. And, it prevents transplantation of inappropriate recipes for economic development from one country to another.

Fortunately, your presence here is testimony that, as an instrument of industrial development, the Alliance for Africa's Industrialization is solely and fully African-owned.

Ownership is more widely accepted today because of the evolving concept of multilateral development cooperation. Indeed, ownership of international cooperation was one of the main lessons of the development successes in South-East Asia because national governments owned the strategies underlying development assistance, aid and foreign direct investment were channelled according to the priorities of those governments.

It is also recognized today that although macro-economic stability is necessary and beyond any dispute, it needs to be complemented by interventions at the micro level to achieve a competitive economy. Such micro-economic measures include regulatory frameworks to manage

privatisation, banking systems, and stock markets, to develop adequate taxation systems and to promote the transfer of technology and institutional capacity building to overcome skill deficits.

Mr. Chairman,

Excellencies,

UNIDO is ensuring that its work in Africa (which remains a top priority under our business plan) is initiated by the beneficiary countries and is based on their specific demands.

As you may recall, UNIDO spent much of last year re-orienting the services it offers to government and industry. Last September, in response to a call from the Steering Committee of the Alliance, I launched a related effort to translate our new 'service modules' into concrete programmes at the country level, aimed at the implementation of the Plan of Action of the Alliance. The new approach requires that these *country* programmes are demand-driven and feature integrated services tailored to solve specific problems identified by both public and private sector clients.

The new approach, I am happy to say, was extremely well received. Last year alone saw the formulation of a portfolio of programmes for seven pilot countries: Algeria, Burkina Faso, Guinea,

Kenya, Rwanda, Tanzania and Uganda. This year the effort has been expanded to other countries. Further technical cooperation programmes have been formulated in cooperation with Côte d'Ivoire, Ethiopia, Ghana, Morocco, Mozambique, Senegal, Sudan and Tunisia. The total value of these programmes is around \$103 million. UNIDO has committed over \$10.47 million to this from its own very limited programmable resources, in order to initiate the implementation of the programmes.

I am also pleased to inform you that UNIDO so far has been able to mobilize from the donor community around US \$ 20 million for the implementation of these programmes.

The Alliance constitutes Africa's response to changing global conditions and attitudes. Two changing attitudes may be particularly mentioned here: (1) the long-overdue realization that macroeconomic reforms, for all their benefit, are an insufficient base for real development; and (2) the increasing reluctance or inability of developed country governments to maintain ODA flows — let alone increase them as the development agenda would require.

The response of the Alliance is: (1) to foster the industrial development of African countries in line with objectives of its Abidjan Declaration and its Plan of Action; and (2) to focus the international

community's attention on the higher priority required for promoting sustainable *industrial* development in Africa — without which there can be no poverty alleviation or reduction of unemployment.

Specifically this means:

- *First*, making the necessary effort to reverse the decline of Africa's productive sector and to raise the share of African countries in world manufacturing output.

I hope that you will take concrete action in that area by fixing as your target the doubling of that share in the first decade of the new millennium. I know that African countries can do it. I believe they should to it.

- *Secondly*, it means promoting consensus at national level among *all* the actors involved in the industrial sector. This is a prerequisite of the ownership required for broad social acceptance of the development strategy.

The Alliance strives for this through creation of Industrial Partnership Councils (IPCs) at the national level, and through the active participation of the private sector in the organs of the Alliance at the regional level.

- *Thirdly*, the Alliance strives for increased flow of foreign investment and technology to African countries, especially through partnerships between African and foreign enterprises.

Here also I believe that your determination to reverse the decline of investment flows and to restore them in the next five years to the levels that Africa enjoyed in the early 1980s would be very important. I believe it is doable. The Alliance should strive for such an objective.

- *Fourthly*, the Alliance helps create a more propitious environment for small and medium size industrial firms in Africa — supporting their growth and development with policy recommendations, and with financial and technical support mechanisms.

Mr. President,

Your recent initiative to convene the first African SME forum, which was held in Abidjan in March this year, is a clear testimony to your personal commitment to the promotion of small and medium sized

industries in African countries in the context of the Alliance for Africa's Industrialization.

Mr. President, Excellencies,

I would like to emphasize at this point that the Alliance can fully rely on UNIDO's support in all these areas. You have a firm and reliable partner in UNIDO. More than that, Africa, as I said, is UNIDO's highest priority commitment. This means that the Alliance also takes precedence. It is for the Alliance to decide its own directions and priorities. But the Patrons Group can also expect to see UNIDO alongside, applying its shoulder to the same wheel and looking for the same outcome.

Excellencies,

Let me now say a few words concerning funding. Developing new sources of funds for Africa's industrial development is crucial, especially in the context of ever-declining aid flows. This is also where, I believe, your own advocacy of industrial development would be best concentrated. This is where we will need your support in order to secure the necessary financing for the technical cooperation programmes.

We have, I think, several possibilities. We can work to attract more of the existing ODA into industrial development. And we can promote industrial development as a recipient of non-ODA funds. In both areas, I suggest, the key is investment and technology transfer.

First, let us pursue the case for using ODA to leverage foreign direct investment (FDI). Conventional economic thinking would leave FDI entirely with the private sector. But Africa is a special case — because its domestic private sector is often spectacularly weak and because potential foreign investors are spectacularly uninformed, especially when it comes to industrial development. My proposal is that, by joining forces, you as the Patrons of the Alliance, UNIDO as the relevant multilateral organization, we persuade donor countries that preparing the ground for industrial investment is one of the best possible uses of ODA — and to redirect their aid priorities accordingly.

This is why the forthcoming “Conference on Industrial Partnerships and Investment in Africa” is both relevant and timely. It is relevant because it combines the building of industrial partnerships with the promotion of technical cooperation programmes necessary for paving the ground for such investments and partnerships. It is timely, because we have already prepared fifteen technical cooperation programmes with African countries, and we can present them for consideration by the donor community, while another eleven will be

finalized before October. It is also, and above all, timely, because it is being held on the eve of a new century; a century which, we all hope, will see Africa develop into a new economic powerhouse, in which today's partnerships will provide a useful entrepreneurial basis for tomorrow's industrial take-off.

As you know, the Conference is scheduled to be held in Dakar, Senegal, on 20-21 October 1999. May I take this opportunity to express our most sincere thanks to H. E. President Abdou Diouf, his Government and the people of Senegal for having graciously offered to host the Conference. We, in UNIDO, have done everything in our power to prepare the Conference and to mobilize support for it among the donor community and the private sector. The report before you on the "status of preparation" summarizes those efforts. We hope that we will have your support, as Patrons of the Alliance, for our endeavours to ensure the success of the Conference. Your promotion of the Conference and your participation in it will surely guarantee its success.

My second proposal is that we campaign for investment concessions rather than trade concessions. By investment concessions, I mean arrangements whereby foreign industrial investors would be encouraged by their home governments to invest in Africa by making them eligible for corporate tax reduction in the home country. Such concessions would only be made by the home country in connection

with employment-creating investment in Africa's manufacturing sector. This could be another important issue to be discussed at the Conference on Industrial Partnerships in Dakar.

Compared to trade concessions granted to African countries under bilateral or multilateral arrangements (such as the ACP-EU Lomé Agreements), they would be a more effective development instrument: First, because most African countries were unable to benefit from trade concessions in the manner originally anticipated because of their lack of productive capacity. Secondly, Lomé-type trade concessions are in any case being effectively eroded by progressive liberalization of tariffs under the WTO trade regime.

As an alternative to increasing ODA spending, such tax-compensated industrial investment in Africa, in the context of the Alliance for African Industrialization is surely an option worth considering. It would create a new partnership between African countries and the host country of potential investors. It deserves your patronage and support.

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My third proposal concerns technology. It recognizes that Import liberalization by itself did not evoke an effective technological response

from most African firms. What they lacked above all was the necessary technology absorption capacity. Developing it will certainly depend on external support.

I therefore invite your interest in proposing that a Technology Know-How Fund for Africa be established. Such a fund would be devoted to financing donor-provided training. The training would be given in connection with specific transfers of manufacturing technology from any developed country to an African country. It would focus on creating capacity at the African enterprise level to receive and absorb technology, and it would provide incentives to the developed country technology source to transfer the necessary skills.

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Such ideas, like the Alliance, show, I hope, that industrial development for Africa is capable of renewal. But much more important is the idea of your presence here today, and how, as Patrons, you follow it up through your advocacy of Africa's industrialization and your effective promotion of it.

We cannot say too often that sustained industrial growth has to come back on the development agenda.

That, without industrialization, there will be no development.

That, without industrialization, there can be no effective poverty alleviation.

That, without industrialization, there will be no reduction of unemployment.

We have to have strong advocacy for this. As Patrons, you can advocate the Alliance because it is in tune with the times. You can advocate it because it responds to changing conditions and attitudes towards development. You can advocate it because it is an African-initiated African approach to development.

The new UNIDO with its programmes and services, and its cooperation with other parts of the multilateral system, stands alongside your efforts. It has been, and will continue to be, a genuine partner for the Alliance.

I thank you very much for your confidence.

Merci beaucoup.

Shukran.