



UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

Distr.: GENERAL

E/ECA/CM.22/12
23 April 1996

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA

Seventeenth meeting of the Technical
Preparatory Committee of the
Whole

Addis Ababa, Ethiopia
30 April - 3 May 1996

ECONOMIC COMMISSION FOR AFRICA

Thirty-first session of the Commission/
twenty-second meeting of the Conference
of Ministers

Addis Ababa, Ethiopia
6-8 May 1996

**A FRAMEWORK AGENDA FOR BUILDING AND UTILIZING
CRITICAL CAPACITIES IN AFRICA**

(A DISCUSSION DRAFT)

PART I

Pages

1.	Introduction	1-3
	(a) Conceptual definition of capacity building	
	(b) The imperative of capacity building	
	(c) Organization of the document	
2.	Framework for Capacity Building	4-8
	(a) The purpose of the Framework	
	(b) Formulation of the Framework	
	(c) Lessons and guiding principles in capacity building	
	(d) ECA's approach to capacity building	
	(e) Cross-cutting issues	
3.	Strategy for Implementation	9-17
	(a) Strategy for mobilization	
	(b) The Scope of Africa's Financial Requirements	
	(c) Effective partnerships	
	(d) Coordination mechanisms	
	(e) Monitoring and Evaluation	

PART II

	The Priority Areas	18-180
1.	Good governance, human rights, peace and security in Africa	21-28
2.	Human development	29-43
3.	Policy analysis and development management	44-57
4.	Entrepreneurial capacity in the private sector	58-73
5.	Building and maintaining physical infrastructure	74-88
6.	Attaining food security	89-105
7.	Exploiting natural resources and diversifying into processing and manufacturing	106-118
8.	Managing the African environment and ecological resources for sustainable development	119-128
9.	Harnessing science and technology for accelerated growth and sustainable development	129-141
10.	Financial resource mobilization	142-180

I. INTRODUCTION

1. Capacity building is the key to Africa's accelerated development. The major reason for the generally observed failure in the efforts deployed during the past two decades to put Africa on the path of accelerated growth and sustainable development has been the lack of systematic action on building and enhancing the critical capacities needed to sustain growth and development.^{1/} Capacity building is an enormous and complex undertaking, which will need to be sustained over several decades and with significant financial outlay. Capacity building is a solid platform from which Africa can be launched on to the path of sustained recovery and accelerated growth.^{2/}

a) Conceptual definition

2. The term capacity building is used in this report in its broadest sense to mean building development capacity. This refers to creating or strengthening the capabilities of countries to plan, implement and manage policies and programmes aimed at achieving sustained improvements in their economic and social conditions. Individuals and institutions are the repositories of national capacity. Thus, national capacity refers to the combined human skills and knowledge and institutional resources in the private, public and voluntary sectors in a country.

3. As conceived in this Framework, capacity building has four main components; namely; human resources, institutions, infrastructures and financial resources mobilization. These elements are viewed as critical in any effective capacity building endeavour. The four components of capacity building are interlocking and interconnected. Progress in one impacts favourably on the others. Similarly,

failure in one hampers efforts in the others. The importance of human resources development and physical infrastructures is well acknowledged in economic development. There is also consensus about the crucial catalytic role of institutions. By setting the rules of the game, institutions not only contribute significantly to lowering transactions costs and improving economic performance; they also define the nature of organizations needed in various sectors of the economy. Effective institutions are required to regulate and stabilize socio-economic processes, adjudicate and keep the peace between competing interests.

4. The approach to capacity building advocated in this Framework Agenda has several important features. First, it recognises that capacity building is not a one dimensional task focusing only on human resources development or institutional development or infrastructural development. It simultaneously involves all these components. Second, the Framework Agenda conceives and perceives indigenous capacity building and utilization as key to development. It stresses that development assistance has a lasting impact when it supports not only the building of indigenous capacities but also their retention and utilization. Third, the Framework Agenda not only recognises several mutually reinforcing linkages in capacity building efforts but also that individual countries have to determine their priorities for capacity building. Fourth, the Framework emphasizes the importance of sound economic policies to support capacity building. Fifth, the Agenda recognizes the crucial role of public investment in all areas of capacity building, even in this era of private-sector-led growth. Indeed, increased public investment in areas such as physical infrastructure and human development (health,

education, etc.), is catalytic to private sector development.

b) Imperative of Capacity building:

5. The challenge of capacity building and utilisation is great and urgent in Africa. Africa's weak capacity is attributable to several factors. First, African countries inherited a low base of critical capacities at independence. Second, the deterioration of the political situation, as manifested in the many raging conflicts, has been a major contributory factor in the loss of capacity, in some countries. Third, a combination of political strife and macro-economic distortions have resulted in rapid depreciation of the stocks of physical capital and the deterioration of institutions as well as migration of human capital in the form of the "brain drain". Thus, a major compelling reason for building capacity in Africa is the need to regain the ground which Africa has lost in the past two decades.

6. A second reason for capacity building in Africa relates to the requirements of a well-functioning economy. The typical African economy is characterized not only by inappropriate economic policies but also weak capacities, manifested in a lack of critical mass of technical and managerial expertise, poor infrastructures and weak institutions. Under these conditions, it is not surprising that Africa has continued to experience low productivity and growth. If Africa is to be put on the path of poverty-reducing economic growth, it must build and effectively utilize its capacities.

7. A third reason is to put essential capacities at the disposal of all Africans. It is not enough to sustain broad-based and labour-intensive economic growth without a wide distribution and access to the essential capacities for development. The eradication of poverty from African society within a generation is key to reconciling population and environmental

preservation in Africa — because the desperate poor have no options other than "mining" the environment. The reduction of poverty should not be predicated on creating jobs and increasing household incomes by "mining" environmental resources. Thus, all the African people must be equipped with essential capabilities to exploit renewable and non-renewable resources sustainably. This is consistent with the growing evidence on a successful strategy for poverty eradication. That strategy consists of two main elements: ensuring that the poor have access to education and health that equip them with the capacities to take advantage of economic growth, and promoting growth that provides income earning opportunity for the poor.

8. A fourth reason for capacity building is to strengthen Africa's competitiveness within the world economy. With the entry into force of the Uruguay Round Agreement on multilateral negotiations, the world has entered an era of sweeping liberalisation of international finance and investment. The ability of any country to compete in the global economy depends crucially on such key factors as the quality and efficiency of its human capital, efficient physical infrastructure, efficient and reliable connections to global networks, and a good climate for business transactions, mediated by sound economic policy and effective institutions. Africa is weak in all these essential attributes, which hampers its participation in the global economy. Adapting to the rapidly changing international economy and seeking to derive maximum benefits from it requires that Africa must build its critical capacities and utilize them to good effect.

c) Organization of the Paper

9. The Framework Agenda consists of two parts. Part I contains three chapters. This first chapter has given a brief outline of concepts and definitions and the imperative of capacity

building. The second chapter articulates the objectives of the Framework, explains the process of its formulation and indicates some lessons and guiding principles in capacity building. The third chapter discusses strategies for implementation. Part II presents an analysis of the situation regarding capacity building in ten priority areas in Africa, each followed by an

action matrix indicating the policy measures required in each priority area, what individual African countries should do at the national level, complementary actions at the sub-regional and regional levels, and supplementary action by Africa's external partners in support of national actions. ■

1/ Economic Commission for Africa (1995): A Framework Agenda for building and utilising critical capacities in Africa: Progress Report (E/ECA/CM.21/5)

2/ Economic Commission for Africa (1993): Preliminary Assessment of the performance of the African Economy in 1993 and prospects for 1994; page (i).

(a) The purpose of the Framework

10. This Framework Agenda responds to the accumulated experience of African countries in implementing national development plans as well as regional and international development strategies and programmes. Increasingly, that experience revealed that low rate of implementation of policies and programmes of economic reform and development is partly attributable to weak or inadequate critical capacities in Africa.

11. The Framework Agenda is intended to serve as a reference on strategies for building and utilizing critical capacities in African countries. It proposes policy measures and actions that African governments and their development partners should adopt to reinforce and accelerate capacity building in African countries. The Framework Agenda is a guide for action on what African countries should do to develop their capabilities for managing development.

12. African countries will find the Framework Agenda useful in initiating measures and activities for various forms of capacity building. Similarly, Africa's development partners, including agencies of the United Nations system will find the Framework a useful tool for collaboration, coordination and harmonization of activities in capacity building in Africa.

13. The Framework Agenda reinforces the evolving new approach of looking at Africa's development, in which the logic of international support to Africa moves from asking how much economic assistance Africa requires in order to meet relief needs, import and debt obligations — important though these might be — to how Africa can be empowered to achieve the

desirable goals of development. To be sure, Africa will continue to require international economic assistance. Technical expertise can be — and should be — imported to foster growth and development; but the sustainability of its use and adaptation to local situations and problems depends crucially on indigenous capacity. In other words, sustainability of growth and development will come from building and utilizing indigenous capacity. This is one of the major lessons of development experience world wide and it is the main goal of the Framework Agenda.

(b) Formulation of the Framework

14. The process of developing the Framework Agenda has been as important as the product. This paper reflects the outcome of discussions and studies that began in ECA in late 1993. In 1994, a preliminary report on the Framework Agenda was presented to the ECA Conference of Ministers responsible for Economic and Social Development and Planning which endorsed the initiative and directed the secretariat of the Commission to continue work on the initiative. Thereafter, a progress report on the elaboration of the Framework Agenda was presented to the Conference of Ministers at its session in May 1995. During the deliberations on the report that year, the Conference further directed that two additional priority areas be added to the eight that were proposed in the progress report. The two additional priority areas were capacities to manage Africa's environment and ecological resources for sustainable development; and capacities to harness science and technology for accelerated growth and sustainable development. The Conference also directed that in the elaboration of the Agenda, due consideration be given to the role of women, post conflict

rehabilitation and regional cooperation in capacity building and utilization. The ten priority areas in this Framework agenda are broadly consistent with those indicated in the various regional and national plans of action since the 1980s. Most recently, many of the priorities were reaffirmed in the Cairo Agenda for Relaunching Africa's Economic and Social Development adopted by the OAU Summit in June 1995.

15. Subsequent to the 1995 Conference, study missions were fielded to various African countries to learn from their experience in capacity building in nine of the ten priority areas. The case studies offer important illustrations of the promise and potentials but also the problems that may be encountered in capacity building and utilization in Africa. The specific areas studied in each of these countries were as follows: Ghana (policy analysis and development management capacity); Mauritius (human capacities); Morocco (building and maintaining physical infrastructure); Nigeria (entrepreneurial capacity in the private sector); Zimbabwe (capacities to exploit natural resources and diversify into processing and manufacturing; and strengthening capacities for food security and self-sufficiency); Kenya (capacities for financial resource mobilization); Tunisia (science and technology); and Republic of South Africa (capacities to manage the African environment and ecological resources for sustainable development).

16. A High Level Group meeting of experts drawn from African countries, agencies of the UN System and African intergovernmental organisations examined the document in mid-April 1996. This was followed by a Panel discussion on the Framework Agenda during the 1996 annual session of the Commission in May. The Framework Agenda is the result of these studies and consultations. It has supplemented these with evidence of what works in other regions of the world.

c) **Lessons and guiding principles in capacity building**

17. The past two decades have been marked by disappointing economic performance in Africa, yet they have been rich in lessons on what works and what does not work in development in general, and capacity building in particular. The lessons regarding development have been examined extensively in recent years in various publications of ECA and other agencies of the UN System. In so far as this Framework Agenda details policy measures and actions for building and utilising capacity in Africa, it is useful to examine some of the key lessons in capacity building in Africa.

18. ***Capacity building and utilization requires an enabling environment of political stability:*** Peace and security are essential elements in any national effort to build and effectively utilize capacities. Much of the "brain drain" which has occurred in Africa is traceable not only to poor economic conditions, but also to political violence, repression of human rights, and lack of a political atmosphere conducive to free and open debate.

19. ***Sound and stable economic policies are important to capacity building:*** Poor macro-economic policies have hampered capacity building, both by discouraging public investment in critical areas of capacity and by reinforcing under-utilization of some existing capacities. Frequent policy changes have often also deterred vitally needed foreign and domestic investments to support capacity building.

20. ***Technical cooperation was not always supportive of capacity building:*** Technical assistance has been the main vehicle of foreign economic assistance in capacity building. Technical assistance has, however, revealed several important shortcomings. For example, it has led to substitution of foreign experts for

indigenous experts and resulted in the under-utilization of the latter.

21. *Utilizing the existing capacities is important:* In several African countries, under-utilisation of existing capacities go alongside with efforts to build or create new ones within the same sectors. This represents poor use of scarce resources. African countries must strive to make an optimal use of existing capacities, in addition to creating new ones. Particularly in the case of infrastructure, an improved system of maintenance is key to their efficient use over a long period.

22. These lessons must inform and inspire the renewed effort at capacity building in Africa. Drawing on these lessons, a number of principles are offered which should underlie the implementation of the measures for capacity building and utilization proposed in the Framework Agenda. These include the need for: national "ownership" over the building of capacities and "responsibility" for their effective utilization; technical assistance for capacity building should complement and not compete with, or substitute for indigenous expertise; the forging of effective partnerships in capacity building at the national level, involving the public and private sectors; national actions in capacity building to be complemented by regional and sub-regional activities; creating and maintaining a conducive economic and political environment for capacity building; and mobilizing enormous amounts of resources from domestic savings and external sources to finance capacity building and utilization.

(d) ECA's approach to capacity building

23. The Framework Agenda is distinguished by its comprehensiveness. Its scope spans all the major priority areas where sustained progress needs to be made by Africa in the coming two to three decades. Such a broad scope for capacity building is important in view

of the great diversity of development priorities among the 53 member States of the ECA.

24. African countries display much differentiation in dimensions of political liberalization and economic reforms, reflecting the uneven pace of transitions occurring in the continent. In political liberalization, African countries can be classified into three broad categories: those where democracy and political liberalization are advanced or fairly well entrenched; those where liberalization is just beginning; and those where the process of political liberalization has not started due to civil conflicts or political stalemate. On the economic front, again, African countries can be classified into three: those where reforms are advanced or where there is a tradition of sound macro-economic management; those where reforms are beginning to take place; and those where reform efforts have stalled or have not started.

25. There are also marked differences among Africa's sub-regions in regard to degree of economic integration, infrastructural development, energy consumption, susceptibility to environmental factors (desertification, drought, etc), population growth rates, and dependence on primary commodities for export earnings. These differences have defined the priorities for the various sub-regions.

26. These differentiations among African countries in economic and political reforms as well as on a sub-regional basis have several implications for capacity building. The first is that countries have different needs for capacity building, reflecting their development priorities. A single universal prescription of a particular priority in capacity building is inherently unsuitable for the diverse needs of African countries. Second, responding to the diverse needs of the large number of countries in Africa requires a comprehensive framework to guide policy and action on capacity building and

utilization. The Framework is, thus, cast in the form of an agenda from which individual member States can make their choices of where they need to focus at any given point in time. Precisely because individual countries have the primary responsibility for development, only they can determine the hierarchy of priorities and sequencing of the implementation measures in the priority areas in this Framework Agenda.

27. Aside from its comprehensive coverage, the Framework Agenda has another key feature. Notably, it addresses the question: what are the human resources, institutional and infrastructural requirements for making sustained progress in each of the ten priority areas ?

28. This report recognizes that there are, at present, a plurality of capacity-building initiatives in support of the development efforts of various African countries. All these initiatives, of course, have incremental value in the overall effort to promote development and socio-economic transformation in Africa. The present report takes the view that capacity-building for economic growth and sustainable development should be all-embracing, covering all areas that constitute priorities in Africa's development.^{1/} The value-added of this Agenda is that it provides a framework for African countries to have a broad overview of their requirements for capacity building and it transcends the narrow, sector-specific initiatives of various agencies working in the countries. Accordingly, it provides a framework within which all African development partners can work at the country level.

(e) Cross-cutting issues

29. There are a number of issues that should influence or be built into the capacity building efforts in the ten priority areas. These are referred to as cross-cutting considerations. Three such issues are: integration of the gender

dimension into capacity building measures; regional cooperation and integration; and capacity building for post-conflict rehabilitation and reconstruction.

30. *Integrating the gender dimension in capacity building:* In building a framework for developing and utilizing capacities, it is necessary to recognize disparities in the status of women and men in all the sectors and the reasons behind them. This is the gender dimension. To integrate the gender dimension in policies, plans and programmes of the various sectors, there should be a systematic analysis of the roles and relationships among women and men to ensure the absence of imbalances in access and control of resources, decision making, and distribution of workload between women and men at all levels. The analysis should focus on the impact of gender-differentiated disparities; the impact of the disparities on the objectives of the policies, plans and programmes; and how they could be avoided to render the outcome more beneficial to both women and men. This should provide the basis for corrective measures to advance women to the level of their male counterparts. In selecting appropriate corrective measures, it will be crucial to be strategic, and to invest in actions that are likely to yield optimal results. Women should also be agents of change, participating in capacity building efforts in all areas. Empowerment of women and integrating the gender dimension interact virtuously. One strengthens the other, and a gender-sensitive approach to capacity building should be a major commitment of African governments.

31. *Regional cooperation and integration:* Many activities that will be undertaken to enhance capacity building can facilitate or benefit from regional cooperation. Although the national level is the appropriate focus for action in capacity building, there is much scope for pooling of efforts at the sub-regional level in some areas of capacity building and utilization.

Joint ownership of research facilities and the establishment of institutions of higher learning are potentially promising areas for sub-regional or even regional cooperation efforts. Seeking to strengthen the existing regional institutions in the various fields will be a good starting point. Regional cooperation and integration will also benefit from the development of infrastructures which are key to increased cross border trade and investment.

32. *Post-conflict rehabilitation of capacity:*

Conflicts are a major cause of the damage inflicted on social and economic infrastructures; deterioration of institutions; and loss of manpower in Africa. The extent of loss of capacity due to conflict or civil strife varies

from one country to another. A vast majority of African countries are, of course, exempt from the damage wrought on capacity building by conflicts. But even in those cases, macro-economic distortions have emerged as a major cause of loss of capacity. In that sense, rehabilitation of capacity is an issue of common concern both to countries emerging from conflict and those not affected by conflict. However, countries emerging from conflict have to cope with the challenges of resettling returnees (former refugees) and displaced persons. This goes beyond ensuring the productive use of their skills. It entails providing for a range of needs that should be integrated in all the priority areas of capacity building. ■

1/ Economic Commission for Africa (1994): A Framework Agenda for Building and Utilizing Critical Capacities in Africa. A Preliminary Report, E/ECA/CM.20/6, Page 3.

III. STRATEGY FOR IMPLEMENTATION

a) Strategy for mobilization

33. No matter how elaborate and correct in identifying the strategic development goals of the member States individually and collectively, the **Framework Agenda** and its programme of action will remain a dead letter unless effective modalities for its **implementation** are put in place. It must not be allowed to suffer the fate that befell the **Lagos Plan of Action (LPA)** and other landmark development strategies that African countries and their external partners have adopted over the last two decades but which remained on paper, largely unimplemented, their lofty objectives a mirage.

34. If the initiative associated with the launching of this **Framework Agenda** is to go further than all these earlier strategies, at least three lessons should be learned from the lacklustre outcomes of the earlier attempts: The first is that the Agenda should be country-driven implying that its successful implementation rests with countries, which must take full responsibility and ownership. The second is the necessity of involving, right from the start, all actors in the realisation of the objectives, goals and targets that are defined in the initiative. In view of the broad-based development scope of this initiative, this lesson assumes even more importance, not only to mobilize the technical support required but for supplying the creativity and efficiency that only well-defined collaborative arrangements can yield. The third is that greater attention should be given to the mobilisation and efficient utilisation of the financial resources that are needed to make this initiative succeed.

35. The implementation measures, particularly those to be undertaken by Africa's development partners, should recognize that the state and level of capacity building vary from country to

country and subregion to subregion and that the level of assimilation of the programme would vary accordingly. However, most African countries are at the stage where they have recognized that capacity building, utilization and maintenance are central to their efforts at sustainable development. Most have also acknowledged the constraints of manpower, non-performing or inappropriate institutions and inadequate and inefficient infrastructures. The Framework Agenda may serve as the context within which countries of the region could have these constraints on their development removed. To this end, the following key factors must be mobilized in order to ensure the successful implementation of the Framework Agenda:

- political leadership and sustained commitment;
- "ownership", enthusiasm, and "responsibility" at the grassroots : at the community level, and by all constituencies of civil society;
- technical resources;
- involvement of the private sector;
- financial resources;
- sustained support from Africa's external partners.

36. A major step towards garnering all these factors is the mobilization and sensitization of all actors at national, subregional, regional and international levels to the necessity of concerted efforts to building critical capacities in Africa. However, past experience in regional action programmes, of which there have been many, have shown that sensitization of all partners in itself may be a necessary but certainly not a sufficient condition for success. Therefore, additional steps for concrete action would be required.

37. Notionally, the implementation of the

Framework Agenda on building and utilising critical capacities in Africa must be seen in terms of specific actions by specific partners at the **national, regional, and international levels**. These actors should be identified and classified under the following categories: national, subregional, regional or international actors as follows: i) national actors: governments, research institutions, training institutions, institutions of higher learning, private sector organizations, non-governmental organizations; ii) subregional actors: subregional economic groupings, subregional development institutions; iii) regional actors: The Organization of African Unity, the African Development Bank, the United Nations Economic Commission for Africa; and iv) international actors: The United Nations System at large, multilateral and bilateral agencies.

38. In soliciting their full and active participation, meaningful cooperation should be forged among all these actors around concrete actions in critical areas. It is therefore important to put in place arrangements which would enhance technical cooperation and the translation of the framework into programmes at all levels.

39. The mobilization of all efforts should be around the ten critical areas, and should start with the formulation and implementation of measures for the operationalization of the Framework Agenda. This should be followed with the development of targeted capacity building programmes around the ten critical areas. Based on these programmes, interested partners should formulate specific interventions and strategies on the requisite components and the action measures required to have them contribute to capacity building in each area (eg. capacity building for policy analysis has an important training dimension without which the capacity being sought will never be built).

40. Generally, there is need at the **national level** to internalize the objectives of the

framework from which concrete national modalities could be developed for its implementation. To make this work, it is necessary to have clear perceptions of socio-economic development and to establish efficient planning tools and plan implementation systems around capacity building and utilization.

41. Each country should begin the implementation process by establishing benchmarks on physical infrastructures, institutions and human resources in all the ten critical areas. This should more easily allow for monitoring and measuring of progress over time. Countries should also consider the hosting of national fora to build consensus on ways of approaching capacity building and utilization activities. Whatever approach adopted must address the pertinent issues of: What is to be done? Why and how must it be done and with what resources? Who is to carry out the actions and with whom? and When must it be done? Such fora should involve a wide cross-section of actors, especially the private sector, non-governmental and community-based organizations and United Nations agencies operating at country level, who should forge strategic partnerships on capacity building and utilization.

42. At the subregional level, mobilization could start, as a first step by an identification of areas for action, an elaboration of a programme around them, the conduct of situational analyses and the establishment of bench-marks, especially on institutional and infrastructural capacities, so as to give pointers as to where countries are and where they want to go. Action should promote the establishment of subregional working groups with the responsibilities of defining the programme of action and the required interventions around the ten critical areas.

43. Regional organizations, in particular OAU, ADB and ECA should, within the framework of the Joint Secretariat, facilitate action in support of capacity building and utilization in Africa. It

would be necessary to organize a special event to mobilize action and support from all partners, towards the sustained implementation of the Framework Agenda. This event could also serve as an opportunity for soliciting the technical and financial support of Africa's development partners.

44. The mobilization of international support should be directed specifically to the achievement of the broad objectives of the Framework Agenda. A critical element in the support expected from the international community is the provision of technical assistance and resources commensurate with the expectations of the Agenda. In this regard, the international community especially the United Nations Agencies operating at country level could provide technical assistance to country situational analyses and establishment of benchmarks on the identified critical areas. The international community could also facilitate the mobilization of external support especially for strengthening the growth and performance of human and institutional capacities.

45. The World Bank has a special role to play in mobilizing external financial resources in support of capacity building and utilization in Africa, and in providing relevant technical advisory services in this area. This is in line with the mandate of the Bank which is explicitly stated in its formal name: International Bank for Reconstruction and Development.

46. South-South cooperation is another vehicle which the international community could use to respond to Africa's capacity building needs through the transfer of experiences and technical know-how. Science and technology and industrial development are most amenable to this type of support.

47. The **Special Initiative on Africa**, launched in March 1996 by United Nations Secretary-General Boutros Boutros-Ghali, is a fine

example of how the multilateral system for international development cooperation anchored by the UN system can integrate the resource mobilisation and transfer function with the functions of advisory services, direct participation in capacity-building activities, institution-building, and the setting and policing of international norms.

48. This Initiative seeks to mobilise US\$ 25 billion of external resources to be disbursed over a period of 10 years in support of crucial capacity-building priorities : basic education; primary health care and public health systems; family planning services; safe water supplies; sanitation; food security; basic infrastructures, particularly in rural areas; small and micro enterprises; good governance; and gender equity. The World Bank and agencies of the United Nations are equal collaborators in this venture. It is a sterling demonstration of the possibilities of partnership within the extended UN family in promoting sustainable human-centred development in Africa.

49. The order of magnitude of the resources which the Initiative aims to mobilise and transfer to Africa needs to be borne in mind, relative to the overall order of magnitude of resources which, according to UNECA estimates, will be needed in the first 10 years of a comprehensive capacity-building initiative. The resources targeted under the United Nations' Special Initiative on Africa are only a small fraction of the overall resources that Africa needs. The question is, however, far more important than the Initiative's relative magnitude would imply. First of all, this is a significant quantum of resources in its own right, and its mobilisation would entail a significant effort to be sustained, partnerships to be forged, and pragmatic approaches to be adopted. All these are beneficial for Africa. The effort needed to get the Initiative off the ground would provide the most appropriate backdrop for a renewed advocacy for Africa, in

a new era of pragmatic, democratically-elected leaders with a 'can-do' and open-minded rather than dogmatic approach to social and economic policy.

50. The limited funds from the Initiative will be targeted at critical points of capacity building, with which Africa can be made much more attractive to private financial resources, technology, managerial know-how, and access to global markets. It is these, ultimately, which must drive Africa's recovery, capacity building, structural transformation, sustained robust growth, poverty eradication and sustainable development. In other words, the aim of the Special Initiative on Africa must be to mobilise abroad and disburse in Africa US\$ 25 billion and leverage roughly US\$ 500 billion in additional resources, largely from private investors in 10 years. In other words, every dollar of the Special Initiative spent in Africa must draw another twenty dollars in private foreign investment. This is the challenge which the multilateral system must set for itself.

(b) The Scope of Africa's Financial Requirements to build Critical Capacities

51. The availability of **financial resources** will possibly be the key determinant as to whether African countries' efforts to build and fully utilise capacities in the ten priority areas that have been identified in this **Framework Agenda**, will proceed sustainably over the coming decades.

52. At this point, it is not possible to put a definite figure to the amount of financial resources that will be required by all the 53 African countries to build critical capacities. This **Framework Agenda** offers only a comprehensive menu of actions at the national level, complemented by actions at the regional level and supported by actions at the international level.

53. The building of critical capacities in the

areas of human development, institutions, economic infrastructures, and productive facilities can be expected to constitute a significant proportion of the capital investments that will transform Africa and put it on the path of sustainable development. Even though the level of resource requirements can be estimated only after the countries have selected their capacity-building priorities, a rough preliminary estimate is that about 60 per cent of the aggregate gross investment across Africa will be required to build and maintain critical capacities.

54. An analysis of the financial requirements for building and utilizing critical capacities in Africa is provided in Part II, Chapter 10, where it is indicated what share of resources is expected to be mobilized from domestic sources and what share from external partners. Of the domestic resources, it is further indicated what resources should come from the public sector and what from the private sector.

(c) Effective Partnerships

55. Within a regional and integrated programme of this nature and magnitude, it would be difficult for any party to really make substantial inputs in the key areas, without an enabling environment that would support efforts. Equally important is the need for participating partners to improve their participation, in particular their assistance portfolio in support of Africa's capacity building and utilization programme.

56. Naturally, the action that matters most will be located at the **national level**. True to the new political-economic orientation of development policy in Africa, the role of government will neither be exclusive nor directive. Rather, it will facilitate, mobilise and galvanise private sector partners (i.e., families, local communities, civic organisations and enterprises) to advance national development objectives by working in their own interests; manage the macro-economy competently;

maintain a conducive policy environment and a hospitable political climate. Under these conditions, the onus will rest squarely on private sector partners to respond with creativity, resourcefulness, boldness, farsightedness and prudent risk-taking — by African men and women investing their time, physical energies, community spirit, and the resources available to them, however limited these may be, in building and strengthening their human potential, their local communities, their enterprises and productive facilities, their local schools and clinics and perhaps even segments of economic infrastructures in their local areas. Recognising that development must spring from the grass-roots, local governments will have to be strengthened by transferring some of the resources, taxation powers and responsibilities from the central government, and by subjecting them fully to the democratic will of the local communities.

57. Apart from governments, the whole of civil society including professional associations/trade unions, chambers of commerce and industry, employers' groups, other non-governmental organizations and the private sector will need to be mobilized to promote shared interests within the framework of the Agenda. Success in implementing the Agenda can be ensured only if there is strong support and effective partnership between all actors and at all levels. Actions at subregional, regional and international levels would din at backstopping and/or reinforcing national initiatives and efforts.

58. At the **regional and subregional levels**, action to implement the **Framework Agenda** and the kind of socio-economic development that it embodies will be in the domain of building at the same time utilising regional cooperation and economic integration. Cooperation will be essential in capacity building initiatives where economies of scale are vital — for instance, jointly creating facilities

and institutions that individual countries could not afford to establish on an optimal scale. Needless duplication will be precluded, saving scarce resources to be deployed elsewhere. Minuscule national markets will be integrated, creating a dynamic African market. African enterprises will be given wider space in which to grow, expand, diversify or specialise in niches according to development strategy that each may choose.

59. The partners at the **regional level** therefore are national governments that are parties to regional treaties; enterprises (both indigenous and foreign) operating in the African economic space; national civic organisations; and the people themselves. Regional economic communities (RECs) and regional organisations, notably the Organisation of African Unity/African Economic Community Secretariat (OAU/AEC), the African Development Bank (ADB) and AfrExim Bank, other inter-governmental organisations and regional "centres of excellence" such as research and training institutes (e.g.: ESAMI and IDEP) — all these provide forums where national institutions can interact; machinery for harmonisation and coordination of national policies and the removal of barriers; and ways to pool national resources to achieve common objectives. Indeed, there is a need for African countries to put more resources into strengthening the capacities of all these regional institutions.

60. Action at the **international level** is envisaged to be mostly supportive. This is as it should be: Africans bear the principal responsibility for developing the critical capacities that their societies need to thrive in the competitive modern world. Development and critical capacities are not products that can merely be imported.

61. Nevertheless, there is still a substantial role for **external partners** to play in complementing

and supplementing the resources and efforts that Africans will bring to bear in their own development. This is basically for three reasons: **First**, all countries are integrated into one market. Rich or poor, they are part of the same world that is reeling from the pressures exerted by a population stretching the capacity of a fragile planetary ecosystem. It is therefore in the common interest of the entire international community to come to the help of Africans as they work to lift themselves up by their bootstraps. If external partners fail to deliver that extra little help and, owing to this, Africa is unable to get onto the course of sustainable development, not only Africans but all humanity will pay the price. This, in essence, is the implication of global inter-dependence.

62. **Secondly**, Africa is a continent as rich as any other in terms of natural wealth, but the bulk of this wealth remains untapped. Indeed, much of it remains unexplored and unmapped. Finds by isolated explorations indicate that substantial natural wealth is waiting to be discovered. But the most valuable of Africa's resources, by far, is its people. The African population is already one-eighth of humanity and growing faster than any other population — though there are tentative indications that the continent is poised on the brink of a demographic transition. The African population therefore constitutes a sizeable market. Moreover, there is much pent-up demand. Once the policy environment and political climate are pointed in the right direction, the African economy should yield high returns on investment, competitive with other emerging markets.

63. Thus, the motives for external partners to get involved in building critical capacities in Africa boil down to one thing — **enlightened self-interest**. It is only from this perspective that action at the international level must be viewed by Africans as well by external partners. It is not charity at all.

64. **Thirdly**, as of now, parts of Africa are some of the world's least materially developed areas. This is especially so in the fields of applied science and technology, sustainable exploitation of land and natural resources, and economic management at the micro level. There is no need to waste time and scarce resources in re-inventing the wheel. As late starters, Africans can benefit by incorporating the experiences and past achievements from the more advanced societies. African countries can leapfrog centuries of slow progress, avoid others' development errors, telescope past innovations, and launch themselves on the course of robust and sustainable economic growth and social transformation. An integral part of the external partners' contribution therefore will be the transfer of development experiences (including appropriate technologies, managerial and analytical expertise, good and bad lessons from others' approaches to development, etc), and working with the African people to adapt all this to local circumstances in different parts of Africa.

65. External partners are envisaged to include all the agencies of the United Nations system. These include the Bretton Woods institutions, UN funding programmes, and specialised agencies. As African States are full participants in this multilateral system, they should make full use of all the services that these institutions were established to provide to member States. Being relatively value-neutral and objective, they can be asked to assist in transferring development experiences from the rest of the world to Africa.

66. In addition, the Bretton Woods institutions and the funding agencies of the United Nations will be indispensable in mobilising external resources to finance African capacity building and development.

67. In the list of external partners, bilateral partners, external regional organisations such as the European Union (EU) and the Association of

South-East Asian Nations (ASEAN), and external NGOs and civic organisations with an interest in Africa will all continue to figure prominently. Thus, African countries must devote adequate resources and thought to strengthening diplomatic skills.

68. Finally, external private investors and enterprises must be counted among Africa's most important external partners : individual and institutional investors, specialist small enterprises, and transnational corporations. Under the right political conditions and economic policy environment, these can be the most effective partners in capacity building and development, as they bring their own resources, expertise, and external connections. Conversely, they are also potentially the least forgiving of all external partners — since they are primarily motivated by lucrative short-term or strategic investment opportunities, and their perspective is the entire world economy.

(d) Coordination Mechanisms

69. For the Framework Agenda to be implemented, there is a need for an integrated and mutually reinforcing support that would galvanize the various contributions. The actions and support from all of these key actors will constitute the programme for the implementation of the framework Agenda for capacity building in Africa. All partners in Africa's development will have to work individually and collectively, to ensure that all contributions to the attainment of this objective are mutually re-enforcing and supportive within the framework of this programme. A programme of this magnitude and importance in Africa's development can only succeed with strong support and coordination of actions at the national, subregional and regional levels. The mechanisms developed should, among other things, facilitate the coordination of activities at all levels, and promote the adoption and implementation of adequate national,

subregional and regional measures. It is also necessary to establish mechanisms for building consensus on action measures.

At the National Level

70. A machinery should be created at national level to drive the implementation of the Framework Agenda. This machinery could be in the form of a cross-cutting committee embracing the ten critical areas for capacity building. This committee should be the focal point for coordination of national programmes with those at subregional and regional levels; its composition and functions should reflect the scope and objectives of the Agenda.

71. One of the immediate task of the national committee would be the organization of a national conference on capacity building to kick start the implementation of the Framework Agenda.

At the Subregional Level

72. At the subregional level, existing structures and mechanisms to facilitate implementation and coordination with national programmes should be fully utilized. In this regard, the IGOs and subregional economic groupings and ECA's subregional offices would be ideal focal points at this level and should cooperate in the implementation process.

73. In order to make effective use of these institutions, the possibilities of establishing subregional working groups whose primary responsibility will be the coordination of sub-regional and national programmes should be pursued. The working groups would be composed of subregional intergovernmental organizations under the leadership of the sub-regional economic groupings, namely: Central Africa, West Africa, North Africa and Eastern and Southern Africa. These working groups will, as an initial step prepare strategies and

programmes in cooperation with their member states.

74. The ECA secretariat will work in close collaboration with all the relevant African intergovernmental and nongovernmental organizations and institutions, as well as United Nations agencies and international financial institutions in order to assist African countries to implement their respective programmes.

At the regional and international levels

75. There are a number of capacity building initiatives in Africa, particularly in the areas of human development, macro-economic policy, and food and agricultural production. Generally, they have not generated the desired impact due to several reasons. Although applicable in all countries, they have tended to be implemented in isolation in individual countries without a coherent framework for coordination at the regional level. Furthermore, while development activities in one area have impacts in other areas, there have rarely been attempts to bring work in disparate areas into a common and comprehensive framework bringing together all the multilateral agencies and their initiatives, coordinating and harmonising them. At the end of the day, the development initiatives have scored only limited successes — witness the continuing socio-economic malaise in Africa! Some programmes did not succeed because inputs, such as technical assistance were not appropriate or relevant. Policy advice given to States was implemented only half-heartedly, because African Governments did not enjoy any “ownership” over development strategies to be advanced by these policies. Consequently, these policy initiatives were doomed to fail.

76. The **Framework Agenda** offers African States, the agencies of the United Nations system and the Bretton Woods institutions, Africa's bilateral partners, African and external NGOs and civil society a comprehensive, yet

coherent policy structure within which to proceed with the implementation of development initiatives specific to the mandate and competence of each organisation, within the priorities of individual countries, and coordinated at the regional level.

77. It is recommended that mechanisms be established to coordinate activities to implement the regional component of the programme as identified in the individual sector programmes. The existing mechanism for regional coordination among the agencies of the United Nations system in Africa on one hand, and the Joint Secretariat of the three major regional institutions on the other, will be used for this purpose. This lends added urgency to the expressed need to strengthen these mechanisms. The United Nations System-wide Special Initiative on Africa which involves a commitment to launch a large number of programmes in carefully targeted areas over the next decade has come to enhance the possibilities of concerted and coordinated actions at the regional level and would be a useful vehicle for furthering the attainment of the objectives of the Framework Agenda.

78. ECA, within its mandate of informing member States on developments in the region, will coordinate and periodically monitor and evaluate action in the implementation of the **Framework Agenda** for building and utilising critical capacities in Africa, through existing mechanisms at the region level.

(e) Monitoring and Evaluation

79. The building of development capacity is a dynamic process which calls for constant monitoring, assessment and evaluation. It is clear that the need will arise for the different elements of capacity to be closely monitored with a view to ensuring that their evolution and performance do not take the region's development endeavour off track. Also, for policy analysis purposes, it would be important

to ensure that knowledge of the interplay among the factors that make for development capacity is constantly deepened through a continuous programme of research and study.

80. High quality and reliable assessments, both quantitative and qualitative, are important inputs into the stages and process of capacity building. As an initial first step it is necessary to establish benchmark monitorable indicators providing the status quo from which capacity building commenced at each country.

81. To gauge progress and formulate follow-up actions, assessments are needed at periodic intervals as work proceeds and at the completion of specific phases of the programme. A composite of indicators may be identified for this purpose. These assessments should also seek to gather data and information on those elements sustaining or hampering capacity building, for appropriate action.

82. The analyses of changes in capacity building and utilization programmes at all levels should aim at providing qualitative and quantitative knowledge on the following major elements considered vital to the sustainability of any programme on capacity building and utilization:

- What processes, strategies and measures have been adopted to promote capacity building and utilization?
- What policies, programmes and other forms of intervention have been developed towards capacity building and its utilization?
- What has been achieved through the above efforts in the three areas of emphasis within each of the ten critical capacity building areas? and
- What is the level of budgetary allocation to,

as well as investments in capacity building?

83. In this regard, the identification of indicative monitorable targets should be around the four major elements stated above and should be time bound; short, medium and long term. The determination of these indicative monitorable targets, including the time frame and adoption of a plan of action for the implementation of programmes on capacity building should be an exercise immediately following the launching of the Framework Agenda.

84. It is obvious that the modalities envisaged for setting in motion such region-wide process for the implementation, monitoring and assessment of the present framework agenda will require well-integrated mechanisms at all levels. In this context, the development of implementation and monitoring and evaluative capacity in three distinct but complementary levels, namely the national, subregional and regional levels would take place concurrently.

85. There is already an extensive network of existing capacities, especially within the numerous subregional intergovernmental organizations, which should be mobilized with a view to making of them, active participants not only in the implementation but also and especially in the monitoring and follow-up. It is equally important for the success of the programme that, at country level, implementation, monitoring and assessment capacities be developed where they do not exist, or strengthened where found to be weak. In sum, to be successful demands that the capacity building processes and interventions should be strategically planned, owned by the nationals, coordinated during implementation and constantly followed up and monitored to ensure success. ■

PART II

THE PRIORITY AREAS

86. The ten priority areas discussed in this section derive from the various regionally and internationally agreed programmes, strategies and plans, notably the Lagos Plan of Action, the United Nations Programme of Action for Africa's Economic Recovery and Development, the United Nations Industrial Development Decade for Africa Programme, the United Nations Transport and Communications Decade Programme for Africa, the United Nations New Agenda for the Development of Africa, and recently, the Cairo Agenda, and the United Nations System-wide Special Initiative on Africa. The ten areas identified by the ECA Conference of Ministers Responsible for Economic and Social Development and Planning are considered critical to Africa's socio-economic development prospects by virtue of their central importance to efforts at sustainable development and socio-economic transformation, and their present severe state of underdevelopment in African countries.

87. Among the priority areas for concerted effort for capacity building in contemporary Africa, **institutional capacities in support of good governance, political stability, peace and security** must rank among the most critical. These are the primary factors which create a conducive environment that will attract higher rates of domestic as well as foreign savings and investment in Africa's private sector. It is also these factors, coupled with sound economic policies, which will ensure that costly capital investments in physical and social infrastructures and human resources are utilized to the fullest extent and that the highest possible rate of socio-economic return is realized. To succeed, the transition to democracy which is under way in a number of countries, with its

challenges and attendant risks to national integrity, peace and stability, calls for collective institutional capacities in support of good governance, conflict prevention, peace-making, peace-keeping and confidence-building at all levels.

88. Sustainable development must be perceived as a human-centred process because people are its agents as well as its beneficiaries. It is for this reason that African Governments, households, non-governmental organizations, civic organizations, enterprises as well as external partners should commit resources towards **building, strengthening and effectively utilizing human capacities** as a matter of the highest priority. In all cases, human capacities should be created and nurtured by human beings who must in turn be invested with the required capacity, skills and capabilities to do so.

89. The strengthening of **institutional capacities for socio-economic policy analysis and management** is another area where progress must be made urgently. Such strengthening must take into account the catalytic role of the State in ensuring the fullest utilization of human resources and infrastructural facilities. The role and responsibilities of the African State need, in particular, to be redefined in terms of the imperatives for a new collaborative relationship with the private sector and in terms of the need for the decentralization of decision making and executive responsibilities including responsibility over revitalized socio-economic strategic planning. The specific requirements of an efficient legislative, legal and judicial infrastructure would need to be addressed as well as the strengthening of the capacities of

non-governmental and other civic organizations.

90. A particularly important aspect of human capacity building in Africa to which significant attention must be given is **developing entrepreneurial capacities for public and private sector enterprise**. Within the new global economic system, private enterprises are the engines of growth and competitiveness. There is a role for efficient private sector as well as public enterprises. However, the scarcity of public resources in comparison to the pressing demands, calls for a clear-cut division of labour as well as partnership between public enterprise and the private sector, with public enterprise playing a strategic role aimed at expanding the economy's productive capacity.

91. National, subregional and continental efforts must be directed towards **developing Africa's physical infrastructural capacities** to ensure the efficient operation and sustainable development of the region's economies and to integrate them effectively into the world economy and reap the fruits of international trade. In this regard, the requirements of capacity building in the various components of infrastructure including transport, communications, energy and water, must be addressed.

92. The pervasive role of the food and agricultural sector will need to be considered in the context of the recognized fact that sustained recovery and growth will not be possible without implementing far-reaching policy reforms and investing substantial resources with a view to boosting African agriculture. A framework for building capacity in the sector must underline the need for **environmentally sustainable food production, food self-sufficiency and security**.

93. Africa is richly endowed with natural resources and yet it has been plagued with falling per capita income since 1980. A rich continent with the poorest people - this is the

paradox that must be redressed. A two-pronged strategy can ensure growth in income: steady growth of the value added to natural resources for domestic consumption or for export, as finished goods or intermediate inputs; and progress towards full diversification of production, exports and markets. It is for this reason that, at the national, subregional and continental levels, Africa needs to strengthen **capacities to exploit natural resources and to diversify African economies into processing and manufacturing**.

94. It is a sad reality that the application of **science and technology** in the African region is the lowest in the world. This has obvious implications for the growth, development and fuller integration into the global system of African economies. Furthermore, since the basic value of science and technology is its important contribution to improving the quality of life of the people, its centrality to efforts at eradicating poverty and uplifting the African from ignorance and disease, becomes readily apparent. Science and technology can therefore not be left out of the list of critical areas in which Africa must build capacity.

95. The **African environment** is characterized by features of degradation with debilitating effects on the region. While the challenge in a pollution-infested modern world is not only to conserve the environment, but also to improve upon its negative aspects, the problems in Africa require capacities to address issues of desertification, drylands, wetlands and marshlands, as well as issues of afforestation and the need to preserve the region's biodiversity.

96. It will not be possible to strengthen and employ Africa's human, institutional and infrastructural capacities on a sustainable basis without a sustained and systematic initiative at the national, subregional and continental levels to strengthen **capacities to boost the mobilization of domestic and external capital**

resources and their efficient allocation through structures for public revenue management and financial intermediation. There are three necessary conditions for mobilizing the considerable financial resources that will be needed. The first one is a political and economic environment, conducive to increased rates of private domestic savings and investment as well as attractive to foreign capital inflows. The second condition is the establishment of efficient, sound and adequately regulated capital markets linking together banks, insurance companies, and securities markets at

national, subregional and continental levels. The third condition, in view of the increased demands on the State which capacity building will entail, is the strengthening of African countries' fiscal base through improved collection of public revenue, its allocation to priorities and spending controls to eliminate corruption and waste.

97. These are the considerations underlying the choice and treatment of these ten areas of priority. ■

A. The Problem

98. Peace, democracy and good governance are complementary and supportive of the transition to sustainable, broad based and equitable development. Experience of the past thirty years has shown that societies that value peace, pluralism, respect the rule of law and have open, accountable and transparent governments provide better opportunities for sustained economic development than do closed systems that are strife-ridden and stifle individual initiatives. In fact, the principles and guidelines for sustained development and effective capacity building must recognize the three-way nexus between peace and security; democracy and the rule of law; and good governance and its corollaries of transparency, accountability and integrity.

99. Throughout its post colonial history, Africa has been wracked by numerous localized conflicts and civil wars. In the past three decades, there have been nearly 30 cases of civil strife in sub-Saharan Africa. Persistent armed conflict have constrained economic development and have contributed to making the region the least developed area of the world. Militarization and war have eaten up valuable and scarce resources and caused untold human suffering.

100. Since the early sixties, an estimated ten million people, the vast majority civilians, have lost their lives as a result of armed conflict. Nearly as many people are believed to have been handicapped for life. At present, over half of the world of refugees are found in Africa. In addition, nearly twenty million people, of which more than half are widows and orphans, are internally displaced in Africa.

101. Aside from political turmoil, three

decades of conflict have left much of the structures of civil society in ruins and most institutions of governance discredited. Most of the populace have lost confidence on the structures of governance because bureaucracies and other public agencies are viewed as inept, corrupt, wasteful and wanting in accountability.

102. Undemocratic regimes constrain citizens' freedom to organize and create community life and participate in political processes. They restrict the evolution of viable civil society by placing difficulties on civil associations in their attempt to operate or influence government. This effectively keeps the general population ignorant of the system of governance, eliminates public assessment of selection between competing policy options and restricts the ability to choose political leaders or work effectively on behalf of political causes. Living under undemocratic systems has left many of Africa's peoples unfamiliar with their rights and obligations as citizens.

B. The Issues

103. While there are basic and universal norms of democracy and good governance, their institutions and systems cannot be imported wholesale from outside. It will ultimately be self-defeating and unacceptable to try to recreate exact copies of institutions of alien democratic systems. Rather, the impetus for creating democratic societies must come from local initiative, be firmly rooted in the customs and traditions of the society, tailored to the unique situations of the particular country and flexible enough to respond to emerging opportunities. The leaders and people of Africa have set their vision on breaking the chains of authoritarianism, repression and mis-governance. A complex and delicate experiment is underway in the region which

holds out the possibility that despite formidable challenges, a new political order may eventually be realized. The magnitude and scale of the political initiatives are unprecedented and have profound implications for the future of the region.

104. For the capacity building initiative to have any chance of success, African countries must (a) create the appropriate political framework to build a peaceful, participatory and open society; (b) foster democratic values and practices such as constitutions and the rule of law; (c) develop effective and functioning democratic institutions; (d) guarantee the honesty of government and bureaucracy; (e) promote free and fair democratic competition and ensure civilian control of the military; and (f) strive to build a developmental state.

C. Creating Strong Political Institutions

105. First and foremost, the long term endurance and viability of any democratic exercise is determined by the effectiveness, fairness and public accountability of its political institutions. Democracies risk collapse and reversal if institutions are inefficient, weak, unstable and open to manipulation by powerful forces in societies. Hence, African countries must strive to:

- Strengthen electoral processes by creating independent electoral bodies, organizing and conducting public debates on competing political views, abiding by the verdict of the electorate and establishing effective mechanisms for election monitoring.

- Help guarantee accountability, integrity and transparency in Government by creating and supporting watchdog institutions, mounting campaigns to expose excesses, instituting effective disciplinary actions to prevent corruption, embezzlement and waste. The free flow of information is crucial for accountability and informed public discussions lie at the heart

of a healthy political process. Governments must tolerate a free and independent media and encourage the scrutiny of their agencies and bodies by the free press. Also, they should facilitate and support the establishment of autonomous and neutral research and analysis centres that could help monitor and assess public accountability and transparency and the progress of the democratic experience.

- Ensure the establishment of an objective, independent, efficient and reliable judicial system. To achieve a sound judicial system, African governments must institute a process for the selection of judges based on professional criteria, publish and disseminate the country's body of laws, create honest and well-motivated law enforcement agencies that effectively and expeditiously carry out public decisions, and help promote the emergence of a strong and independent legal profession capable of defining and imposing professional and ethical standards.

- Make vigorous attempts to reduce the size of the defence budget and influence of the military and ensure firm civilian control over the military. African countries have relatively large and over-politicized military establishments with unsavoury records of frequent interventions and undue influence over the exercise of political power. Ultimately democracy depends on the capacity of civilians to direct the military and on their effective resistance to the alternative. Civilian leaders must strive to develop the institutional capacity to monitor and effectively regulate military systems and the role of the military in civilian affairs.

- Actively engage in minimizing the incidence, containing the spread and mitigating the impact of civil strife and communal violence, and institute mechanisms for promoting peace, political stability and security. Without peace, security and a stable environment, no amount of effort will secure broad-based sustainable development. Aside from developing and maintaining democratic and lawful government,

African leaders must emphasize such preventive measures as equitable access to political power by all citizens, fair and equitable treatment of all regions in all matters of public concern, equal access to economic opportunities, appropriate decentralization of the function and authority of the state and genuine devolution of power to lower levels of government.

- Support the emergence of an independent and vigorous legislature capable of functioning without undue influence, critically oversee the activities of the various branches of government, enforce sanctions against all the public institutions and protect the usurpation of the constitution and the violation of human rights. To overcome the traditional deficiencies of African legislative bodies more resources such as research facilities, skilled staff and sufficient budget should be placed at their disposal. It is also important to ensure that legislatures derive their political legitimacy from electoral mandates, secure their status in an open, free, fair and competitive process and are beholden only to their constituency.

- Institute mechanisms for full and genuine participation in the political, economic and social processes of their countries and for having a meaningful say in the formulation of policies and programmes that affect their lives. In order to facilitate the participation of people, African governments need to create political space where people's organizations flourish, allow freedom of opinion and dissent, give recognition to the rights of people and their organizations to participate at all levels of decision making, encourage the expression of views on vital issues of concern in an organized manner and the publicly articulate needs and aspirations.

D. Strengthening Civil Society

106. The key to establishing an enduring democracy and good governance is the emergence of a strong, viable, and assertive

civil society. A well-developed civil society widens democratic space and facilitates opportunities for citizens' participation in political and social life at large. The contemporary reality of Africa is that the state is too powerful in the face of an embryonic and weak civil society. In this regard, people's organizations and non-governmental agencies have a special responsibility for strengthening the countervailing power and influence of the State vis-à-vis the civil society by supporting and building alliances with civic institutions and fostering practices that encourage the people to take responsibility for their own destinies. The forging of alliances among organisations and associations of civil society has been a key factor in promoting democracy and popular participation. Only a fundamental transformation of the relationship between the state and civil society will make democracies endure in Africa.

107. The will of the general public is one of the most powerful forces in securing peace, democracy and good governance. Educational activities aimed at sensitizing and mobilizing the general population about democracy and good governance need to be carried out. The purpose of these activities will be to build constituencies for democracy and to utilize local social mechanisms to deal with issues of governance. In addition, mass media — television spots, radio programmes and newspaper articles — need to be employed to promote the concept of democracy and facilitate consensus building on the need for democratic governance principles.

108. It is common knowledge that the system of governance is a consequence of the socializing process of the society. Civic education in the formal schools systems is necessary to build positive social values and to promote the concept of peaceful co-existence and democratic governance at the mass and community level. Educators should be encouraged to integrate these concepts into school curricula and teach about the structure of

governance and political histories of their communities. Teachers and community leaders should be urged to develop booklets, other printed materials and audio-visual aids that will inform students about the importance of systems of governance and teach skills in such areas as constitutionalism, rule of law, human rights and peaceful means of conflict resolutions. A related activity will be to adapt and translate into major local languages a series of books on democracy and governance issues and widely disseminate these materials to the general public. People have to be informed about life in democratic society and how their daily life is enhanced by democratic practices.

109. Politics in Africa has been typified by violent coups and civil disturbances which constrain citizens' freedom to organize and create associative life and participate in the political process. They have also restricted the evolution of viable civil society by placing difficulties in the way of civil associations in their attempt to operate or influence government. This has effectively eliminated public assessment of selection between competing policy options and restricted the ability to choose political leaders or work effectively on behalf of political causes. However, the new democratic order can only succeed if a wide range of civic associations exists and there is a well-informed populace which understands its rights and obligations of citizenship.

110. African countries must strive to create a developmental state by establishing and maintaining a strong partnership between government and private sector. The state must be the primary investor of private initiative and should create an environment which is enabling and conducive to entrepreneurship. It must concentrate on putting in place a stable macro-economic framework, building financial and technical infrastructure and improving the incentive for the private sector to save and invest. It should also create the appropriate

policy framework through the provision of supportive policies and development-oriented licensing and regulating procedures. The overall institutional and management capacities of the state need to be reoriented in a comprehensive and coherent manner in support of the private sector and indigenous entrepreneurs in the country. Until private resources could be mobilized the state should take the initial burden of research and development costs, develop a competent and skilled work force and undertake the appropriate policy interventions so stimulate economic growth.

111. Governments should promote the evolution of civic associations and the spread of civic education in these countries. A stable democratic culture requires independent organizations and institutions which can hold the political leadership accountable and effectively play the critical role of advocacy on behalf of civil society. Along with political parties, these civic organizations have to serve as channels for the expression of popular viewpoints and preferences on the political and economic process of their respective countries. Efforts should be mounted to strengthen organizations of civil societies in such areas as:

- enhancing practical political techniques of coalition building, communication and outreach;
- defining mechanisms for developing more issue-based advocacy pertaining to civil society, including, but not limited to, women's rights, human rights, development issues and environmental protection;
- enhancing dialogue, interface and interaction between the ruling authorities and elements of civil society and examining the respective roles of government and civil society.

E. Promoting Peace and Preventing Conflicts

112. Intra- and inter-state conflicts have raged in Africa for decades now. They have been caused by ethnic, religious, racial, clan and even class disparities. States such as Somalia and Liberia have all but disintegrated and the onslaught on one ethnic group reached genocidal proportions in the case of Rwanda. These conflicts have also had extremely destabilizing effects on the peace and development of neighbouring countries in their sub-regions which have had to cope with the problems of refugees and displaced persons in addition to the added strains on their social services. Also, in addition to the direct destruction caused by war, years of conflict represent years lost to development.

113. Civil conflicts lead to population displacements both within borders as internally-displaced persons and across borders as refugees. There are some eight million refugees and 18 million internally-displaced people in Africa. These represent potential losses in

human resources through lost opportunities in education and training, as well as contributions to the production of goods and services forfeited. It is therefore essential to ensure the provision of education and training to refugees as a guarantee of their positive contribution in the development process in their host countries and to prepare capacities for eventual reconstruction and recovery of their countries of origin at the end of the period of conflict.

114. Internally, African countries should promote the politics of consent and consensus, a respect of the rights of the minority, protection of the weak in society, and an accommodation of that which is different. Governments would do well to inculcate in their young citizens, these basic attributes of tolerance. Peace education should feature more consciously in school curricula. Regional initiatives such as the OAU Mechanism for Conflict Prevention, Management and Resolution should be supported and strengthened so that it functions effectively in preventing the eruption of conflicts on the continent. ■

BUILDING CRITICAL CAPACITIES FOR GOOD GOVERNANCE IN AFRICA

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
1. Free and Fair Elections	Establishment of independent electoral commissions: politically non-partisan, subject to legislative approval. Periodic elections at <u>national and local levels</u> .	<ul style="list-style-type: none"> - Logistic and expert advice on conduct of elections to national electoral bodies; election monitoring; training and support for local election monitors. Regional seminars for electoral officials. 	Logistic, expert and financial support to national electoral bodies; training of election officials; election monitoring.
2. Electoral System and Party Politics	<ul style="list-style-type: none"> - Constitutional provisions for party system: criteria for registration of political parties by independent agencies; - Focus on internal democracy within the parties and funding sources; - Adoption of electoral system. 	<ul style="list-style-type: none"> - Training of party officials; - Regional seminars etc. for party officials from different countries - Monitoring of party activities. 	<ul style="list-style-type: none"> - Training of party officials - Arranging visits to study party organization in other countries.
3. The Legislature	<ul style="list-style-type: none"> - Measures to strengthen oversight functions of the legislature - Creation of a legislative bureaucracy to oversee appointments and promotions of legislative staff, independent of the civil service - Strengthening research facilities - Good office facilities and remuneration. 	<ul style="list-style-type: none"> - Monitoring performance of legislatures; - Regional meetings of legislators to share experience; - Support for research facilities; - Training of legislative staff. 	<ul style="list-style-type: none"> - Monitoring performance of legislators - Visits to foreign legislatures - Support for research facilities.

BUILDING CRITICAL CAPACITIES GOOD GOVERNANCE IN AFRICA

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
4. The Judiciary	<ul style="list-style-type: none"> - Establish independent judiciary - Judicial Service Commission to appoint and remove judges and determine remuneration. - Improve working facilities 	<ul style="list-style-type: none"> - Monitor independence of Judiciary - Arrange regional meetings for judicial officers and judges. 	<ul style="list-style-type: none"> - Monitor independence of judiciary. - Arrange seminars and visits abroad.
5. Decentralization	<ul style="list-style-type: none"> - More autonomy for local councils and local council elections - Mobilization of resources for local communities. - Self-help activities; encourage NGOs - Feedback process bottom-up from local to central government. 	<ul style="list-style-type: none"> - Support for local councils. - Support for grass-roots organizations and NGOs. - Technical assistance for basic needs projects: water, health, roads, schools and houses. 	<ul style="list-style-type: none"> - Support for local councils. - Support for grass-roots organizations and NGOs. - Technical assistance for basic needs projects: water, health, roads, schools and houses.
6. Public Sector Performance	<ul style="list-style-type: none"> - Implementation of civil service reforms. - Structural adjustment - human resource training 	<ul style="list-style-type: none"> - Support for civil service reform - Support of human resource training - Seminars on comparative experiences in civil service reform. 	<ul style="list-style-type: none"> - Support for civil service reform - Support of human resource training - Seminars on comparative experiences in civil service reform.
7. Ethics and Accountability	<ul style="list-style-type: none"> - Code of conduct for public servants, including declaration of assets and liabilities - Creation of Ombudsman/Public complaints bodies. - Strengthening Public Accounts Committees - Strengthened role for independent public service commission seminars on ethics and accountability 	<ul style="list-style-type: none"> - Monitoring and reporting on progress in ethics and accountability. - Audit of technical assistance by regional organizations. 	<ul style="list-style-type: none"> - Monitoring and reporting on progress in ethics and accountability. - Audit of technical assistance by regional organizations.

BUILDING CRITICAL CAPACITIES GOOD GOVERNANCE IN AFRICA

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
8. The educational system	<ul style="list-style-type: none"> - Strengthen the formal school system - Integrate concepts of democratic governance and peaceful co-existence into school curricula - Support for education programmes dealing with the issue of democracy 	<ul style="list-style-type: none"> - Promote the spread of civic education - Assist in reducing illiteracy - Help training teachers 	<ul style="list-style-type: none"> - Financial support to training of teachers - Financial support to printed school material - Support for education authority reform - Technical assistance for and financial support to school building
9. Free and independent media	<ul style="list-style-type: none"> - Allow freedom of opinion and speech - Support a free and competitive press - Authorize private newspapers and television stations - Employ mass media to promote the concern of democracy 	<ul style="list-style-type: none"> - Support for documentation centres - Train media professionals 	<ul style="list-style-type: none"> - Training of journalists - Financial support to neutral research centres
10. Political participation	<ul style="list-style-type: none"> - Guarantee the right of political participation - Support foundation of civic institutions and independent organizations - Support coordination among different groups of civil society - Enhance practical political techniques of coalition building and communication - Guarantee the right political participation at all levels of decision-making 	<ul style="list-style-type: none"> - Support foundation of local self-help groups - Enhance dialogue, interface and interaction between the ruling authorities and elements of civil society 	<ul style="list-style-type: none"> - Support foundation of civil institutions - Enhance practical political techniques of coalition building and communication

A. The Problem

115. Human capacities consist of the skills, knowledge and attitudes which enable society to create capital and technology; sustainably transform and add value to natural resources for the greater use of the people; create, strengthen and effectively utilize social, political, economic and cultural institutions; maintain an environment conducive to promoting productivity and healthy social interactions; and build and constantly develop systems and mechanisms for promoting the growth of knowledge and the strengthening of social norms and values.

116. In Africa, the human beings who are to embody these capacities are deficient in these attributes: education and skill levels are still too low and their range too narrow among the African population; productivity is severely depressed because of inadequate mastery and application of science and technology, rudimentary production skills, high morbidity among the workforce and inadequate production infrastructure; the health status of the population which remains unsatisfactory is further compounded by malnutrition, poor sanitation and water supply and sub-standard housing.

117. One cannot treat the question of human capacity building in Africa without addressing the issue of poverty. It has been demonstrated that Africa is the only region of the world where poverty is growing. All indications are that the situation will continue to worsen well into the twenty-first century. Poverty is a state of relative deprivation and of an incomplete satisfaction of all of man's basic needs. It entails low incomes, malnutrition, poor education and low skills, and inadequate health status. In Africa, it is more prevalent among the rural population, and therefore has obvious

implications for rural development - a set of measures that would increase productivity and incomes, improve health, expand knowledge and skills, generally empower rural communities and result in a real and sustainable build up of human capacities. Whether in the rural or urban areas, however, poverty has a female face in Africa. Feminization of poverty has continued unabated in the last two decades and has grave implications for the family as well.

B. Formulating Effective Population Policies

118. The very basis of a vibrant and efficient system for building and utilizing human capacities is a realistic, comprehensive and effective population policy. Such a policy would reflect the inter-relatedness of education, health (including maternal and reproductive health) incomes and population policies. It would also recognize that population growth rates are a function of the educational and income levels prevailing in society and would strive to rapidly and continuously have these increased. A manageable population size would be one that is able to sustainably live off the natural resource base and carry a relatively light dependency burden. The Dakar/Ngor Declaration on Population, Family and Sustainable Development has recommended a set of measures which African countries should pursue. Governments would do well to strive to implement them.

119. Africa's population remains one of the continent's greatest development drawbacks. A major challenge in the coming decade will be how to turn this constraint into an advantage and ensure that human capacities are solidly built to catalyze the socio-economic development process. To this end, African countries should endeavour to translate their

commitments to human development and human resources development into realistic, concrete measures.

120. To be effective as an integral part of overall national development plan, a population policy should foster the harmonization of population and economic growth rates. Towards the latter end (i) the measures of such a policy should be based on empirically-derived population/development interrelationship per sector; (ii) the sectoral development objectives should address the interrelationships thus determined; and (iii) the policies and programmes should be formulated pursuant to the identified sectoral objectives.

121. African countries are at varying points of this integration continuum. Whereas a number of these countries are yet to initiate activities leading to comprehensive population policies, a few have put in place action plans (strategies) to implement their population policies. Between both extremes, there are countries that (i) have initiated such activities, and (ii) have put in place an explicit population policy with clearly defined goals, objectives and targets.

122. In many African countries, improved health conditions, leading to reduced mortality, are the major cause of high population growth. As health conditions and the mortality situation continue to improve, there would be greater need for African countries to increase access to family life education using the school system and the mass media, and to family planning programmes as well, in order to stabilize the region's population growth. Increasing the participation of women in the labour force is desirable for reasons of economic productivity at least. In the modern economy, female labour force participants tend to have fewer children.

123. The onset demographic transition in Africa, increasing rural-urban imbalances, labour force participation rates, higher female

activity rates, a younger population profile a smaller agricultural labour force and the interrelationship between population and development, all have implications for the strategies and thrust of human capacity building programmes in African countries.

C. Strengthening African Education Systems

124. A strong human resources development system has at its root, a solid and realistic structure of education through which issues of access, relevance and quality can be addressed effectively. This structure also has an effect on enrolment levels and trends. In many African countries the structure of the education system is such as to be too restrictive of access at all levels, and so to defeat one important objective of education which is to increase knowledge and skills within the population. Appropriate measures have to be taken to broaden the structure of Africa's education systems at the base so that alternatives are increased for access to general, technical and vocational education for all children. Education, particularly at the primary level, should be made compulsory and free so as to reduce all financial constraints that users may face.

125. Non-formal education systems and distance education modes of delivery (educational broadcasting, correspondence education) are an important supplement to formal education and an effective strategy for increasing access to education in situations of resource shortage, particularly in remote areas and among disadvantaged groups such as rural communities. African countries have as yet to fully exploit the potentialities of these cheaper delivery systems to reach a very wide range of learners across the continent.

126. Adult and functional literacy programmes have to be increased in African countries in order to arrest the spread of illiteracy and begin

pushing up the literacy rate. Non-formal and distance education programmes are an effective means of attacking the problem of illiteracy in resource-strapped countries. But expanding enrolment rates in primary and basic education should be the preferred strategy for reducing illiteracy. African governments have committed themselves to the spread of literacy and basic education in Africa, with the support of the international community and within the context of the Jomtien strategies on Education for All. Governments of the region should doggedly pursue these strategies which should lead to the attainment of the targets set in this regard.

127. As progress is made towards achieving universal primary education, efforts should be intensified to significantly increase enrolment at the second level of education. At present, secondary school enrolment is a mere 50% of the relevant age group and needs to be significantly increased if the continent's middle and high level manpower base is to be rapidly reinforced. Secondary education curricula should incorporate important elements of governance, modern science and technology, culture, etc., to increase their relevance to present day needs.

128. The central importance of the region's tertiary education system to Africa's socio-economic development cannot be gainsaid. However, a persistent constraint facing third level education has been one of quality and relevance, caused in part by the serious drops in resource allocation to that sector. The immediate challenge is one of charting strategies for removing these constraints so that tertiary education in Africa functions less as a producer of educated unemployed young men and women, and more effectively as the continent's provider of middle- and high-level scientific, technical and managerial manpower. Programmes of teaching, research and service to the community must strive for greater relevance to the region's current and future socio-

economic development needs.

129. While striving for relevance and excellence, one should also seek a quantitative expansion of third level education, both in terms of numbers of students and range of programmes. The latter should be given serious attention in view of the rapid strides being made globally in knowledge, technology and informatics and the imperative for Africa to be carried along with these changes.

130. It is at the third level of education that there are to be found the greatest potentials for regional, sub-regional, and multi-country cooperation. A number of common educational, training and research institutions currently exist but are not optimally utilized. These are great possibilities for sharing the use of institutions among countries on the basis of specialization and creation of centres of excellence. There is also considerable merit in harmonizing curricula in the key disciplines on a sub-regional and regional basis.

131. Physical access to education among the population is an obvious requirement for the development of human resources. In many instances, while there may be easy physical access to an educational institution, the elements that make for a conducive learning atmosphere which would guarantee an education of high quality, do not exist. Class sizes are too large for learning to be effective, there is insufficient access to text books, libraries, etc., and the quality of the teaching staff, especially in the rural areas, often leaves much to be desired. Greater attention would have to be paid to some of these constraints on quality of education in Africa. Measures such as improving teacher training, curriculum development and the local production of teaching and learning resources would have to be implemented on a much larger scale by African countries.

132. In most African countries, the private

sector participates actively in the pre-primary, primary and secondary systems. It should be encouraged to branch out more into post-secondary and tertiary education, particularly into vocational and technical education and teacher training. Also, activities such as the production of instructional materials and teaching texts hold much promise for private sector involvement.

133. The importance of improving the quality of teaching cannot be overemphasised. Opportunities have to be increased for significantly more people to undertake certificate, diploma, degree and post-graduate certificate courses in education and mechanisms have to be established for constantly upgrading their skills. Inspection services should also be strengthened to ensure that quality of instruction is maintained. It must however be recognized that quality of the teaching staff is a necessary, but not a sufficient condition to ensure quality of the education being dispensed. The incentives systems and the provisions made to keep teachers highly motivated are also extremely important factors in ensuring that quality of instruction is maintained.

D. Investing More in Training

134. The work force in any country is produced by that country's training system. The imperative of rapidly increasing productivity in African countries demands that efforts be increased to expand and strengthen the skills training systems in African countries to enable them play their role of catalyst in the transformation of the African economy and in causing higher rates of growth in agriculture, industry and the services. It is a vital necessity to develop in industry, government and among the population at large, a training culture so that training becomes a central catalyst in the creation of a dynamic workforce that is able to change along with the changing needs of the economy and of society at large.

135. Increasingly, schools should be made to contribute more to the preparation of students for industrial and vocational training and to the introduction of the young to career options in industry, agriculture, commerce and the services. Course offerings in subjects such as agricultural science, home economics, commercial studies, accounts and bookkeeping, technical drawing, technology, computing and computer literacy would be of relevance to modern-day needs. Education policy should seek to significantly increase the percentage of students enrolled in technical and vocational education streams.

136. The quality of training depends on the quality of trainers. African countries should endeavour to strengthen their training of trainers programmes and more closely monitor practising trainers for their competence and their qualification to train. As with the education system, the training system must aim for quality and standards. There is therefore need to improve on monitoring, evaluation and control of the training activities of the various agents in the economy. A central public institution such as an Industrial and Vocational Training Board would be needed to carry out this function.

137. Mechanisms of funding training should be more clearly worked out. Business establishments should be encouraged to participate more in the financing of training. Schemes such as the training levy already exist in a certain number of countries. These entail the payment of a certain percentage of the wage bill of all business establishment into a training fund. The amounts collected are then matched by a government grant to the fund. The total amount then goes towards raising skill, technology and productivity levels in the economy through in-plant training for skills upgrading, training in new technologies, and training new workers in existing technologies.

BOX 1

MAURITIUS: AN AFRICAN EXPERIENCE IN CAPACITY BUILDING

Mauritius has made significant strides in capacity building. The lessons from the Mauritian experience are six-fold and deserve careful study:

First, capacity is not built overnight; it takes decades of diligent and steady effort to produce it. The first development bank in Mauritius was created in the 1830s; the chamber of commerce came into being in the 1850s; the nucleus of the educational system was created in the 1930s; only about 50 km of roads have been built in the last 10 years, the bulk of road infrastructure having been laid decades ago; there has been an active class of entrepreneurs for over 100 years.

Second, leadership both in the legislative and in the executive arms of government must be committed to something other than their own interests and survival. Without an unswerving commitment to the well-being of society, legislation and policy will be formulated in vacuo or will lack the necessary zeal and commitment for the implementation.

Third, there must be a certain amount of commitment to a cause. Education in Mauritius was long seen as a social good. And come good times and bad, public policy never led to a reduction of access to it. Today that commitment to education has paid dividends: a fully literate society has been able to initiate and internalize the development process. And when the import-substitution development strategy became an acknowledged failure, policy did not shift from industrialization to fisheries development or to mining. The Government stuck resolutely to its priority to develop the industrial sector. That consistency has also paid off today.

Fourth, the development institutions must be empowered to perform. The central bank, the various government ministries, the schools, colleges and university must be given the wherewithal, both materially and morally, to deliver on their mandates.

Fifth, the public itself, as well as the various interest groups, non-governmental organizations and voluntary associations, must be in a position to respond to signals and incentives from government. The chambers of commerce and industry, the business and professional associations, the trade unions and the entrepreneurs themselves, must all be enabled to respond to incentives and participate in the process of development.

Sixth, there must be democracy, commitment, public responsibility and accountability from the nation's leadership.

Above all, there are two vital pre-requisites for capacity, once acquired, to be retained: the first is never to be complacent. In spite of the impressive development gains in Mauritius, Government officials feel that more remains to be done. The policy is to make things better and that is reflected in the numerous action plans and programmes in all the key sectors. The second is to constantly scan the environment with a view to capturing potential gains for the future. The long-term development scenarios and strategies of Mauritius are important strategic planning tools for the attainment of international competitiveness in the new world order. This pro-active attitude to development is vital for capacity retention.

138. It has now been acknowledged that the public sector cannot by itself meet the demand for education and training. Every effort should therefore be made to secure a much greater participation of the private sector at all levels of the system, including technical and vocational education and training. The appropriate fiscal and other incentives would have to be provided to induce such private participation. Between the public and the private sectors, significant investments will have to be made in training the African workforce in the coming years, if the desired effects on productivity and growth are to be obtained.

139. Very strong interface is required between the major players in the training arena in African countries: the ministries of industry, education, agriculture, transport and communications, finance and planning, etc.; the national training board or council; the major individual training institutions; chambers of commerce and industry; employing establishments, NGOs, etc. This is important as a means of strengthening consultation, more accurately identifying training needs, promoting efficiency and effectiveness in the use of resources and ensuring better co-ordination of actions.

E. Increasing the Efficiency of Health Systems

140. A healthy population is a more productive population. Morbidity rates in Africa are a major depressant of national productivity in many African countries. Endemic diseases such as malaria, sleeping sickness, tuberculosis, meningitis, cholera and nutrition-related disorders are a major cause of mortality, especially infant mortality throughout the region, while the AIDS pandemic is taking its toll among a greater number of people on the continent.

141. The challenges for increasing access to modern health services, safe drinking water and

sanitation are indeed daunting. In sub-Saharan Africa, only 60% of the people have access to modern health facilities, 41% to safe drinking water and 26% to proper sanitation facilities.^{1/} Approximately 100 million cases of malaria occur in Africa every year, claiming one million lives. Absolute poverty is spreading, as is malnutrition, with the worsening of the region's food security status.

142. In many African countries modern health systems have declined dramatically, and access has been reduced drastically. More people are resorting to the traditional health systems for services. Measures would have to be taken to strengthen public policy in the health sector, and the national resolve to see them through. The health infrastructure in African countries also needs to be rebuilt, upgraded and expanded, and delivery of services should seek to reach a much wider population. The commitment to primary health care must be renewed and backed up with concrete action. It is a fact that government will be unable to meet the need in the health sector. Therefore, as with the education and training system, measures would have to be designed to induce a greater participation of the private sector in the delivery of health services.

143. Widespread use of the traditional health systems of Africa is a reality which has to be acknowledged. Policy should seek to assist in increasing the efficiency and effectiveness of the operators in these systems, and to the extent possible, to endeavour to integrate them with modern health delivery systems.

F. Towards More Efficient Utilization of Human Resources

144. The problem of unemployment and underemployment in the African economy has proven to be intractable and persistent over the years. Smallholder agriculture which is the largest employing sector in the economy, is beset by problems of low productivity, low skill levels and low application of science and

technology to production. The low-productivity informal sector is next in importance to the agricultural sector and provides a haven for the majority of Africa's urban labour force. The formal wage sector has been losing its labour absorption capacity over the years as a result of problems of efficiency and productivity in manufacturing, government and organised agriculture. There are serious problems of unused capacity in the form of unemployed professionals - doctors, pharmacists, engineers - in Africa's cities. Not only does this idle capacity constitute a waste of investment, but also it amounts to a withholding of vital inputs which could go into producing or further strengthening development capacity.

145. In 1990, Africa had to create 11 million new jobs just to absorb the natural increase in the labour force. In the year 2000, this requirement is expected to increase to some 16 millions, then to 25 million by 2015. All these new labour force entrants will be youths grappling with the spectre of unemployment which typically affects them more than any other group in the population. Present estimates place youths at 60 percent of the unemployed in the African economy. Measures should be taken to redress the situation. Also, every effort must be made to raise output and productivity in the major employing sectors of the economy, and, to this end, while progressively more jobs should be created in industry and the services, efforts should be directed more towards stimulating the labour demand in African agriculture where there exist greater opportunities for employment creation. The private sector can play a role in having this objective attained.

146. Efforts to improve upon the utilization of human resources in African countries should eschew policies and practices that downgrade indigenous expertise or lead to unemployment or under-utilization of skilled manpower. To this end the role of technical assistance in promoting employment creation and strengthening the skills

base should be seriously reviewed. Equally, staff remuneration and incentive policies urgently need to be reassessed for their effects on staff morale and productivity. In this regard, incomes policy in African countries in particular require serious review.

147. Over the years, there has occurred deep erosions of workers' wages and salaries. This has led to low morale and consequently, low worker productivity. Particularly in the public service and tertiary educational institutions, salary scales have acted as a disincentive and contributed in no small measure to fuelling the brain drain. The latter scourge which afflicts almost every African country further compounds the region's problems of skill shortages and worker productivity. Measures - including making a conscious effort to improve the social, economic and political environment in African countries - should be embarked upon to arrest and reverse the growth of the brain drain from the continent so that efforts at growth and socio-economic development might be enhanced.

148. The high incidence of rural poverty in Africa has in turn accelerated the continuous rural-to-urban migration trends. The rate of urbanization is faster in Africa than in any other region of the world, and the urban population has doubled in the last thirty odd years. This has placed pressures on the provision of urban services, housing and wage employment, while further compounding problems of informal sector underemployment and formal sector unemployment. At the same time, the loss of labour from the agricultural sector which these trends imply, exerts a negative effect on production and output in the rural areas. The African economy becomes the net loser.

149. For the effective utilization of human resources particularly in the formal sector, capacities should be developed to undertake labour market analysis in order to provide early signals and information about the operations of the labour market. In addition, labour market

analysis needs to look into the decision-making practices of various actors in the market, regarding manpower supply and demand, and cast lights on the influences facilitating or impeding the decisions regarding the effective use of human capacities.

150. It is also important that efforts be made to exploit all of Africa's human potential. Women who constitute more than 50% of the population, make up only 37% of the labour force and generally either participate at lower levels of skill or abound in low-productivity activities. Their role as the region's food producers coupled with the current problems facing the food sector have obvious implications for action to increase their skill levels as well as to increase their access to modern methods of agricultural production.

151. Human resources utilization policies should recognize the potential of women as economic producers in general and empower them through education, training and the appropriate equity measures to fully utilize their skills and knowledge in productive socio-economic activities. These would include more education for girls, better access to maternal and child health and equal pay for equal work.

152. One of the ways of ensuring efficient utilization of human resources among mothers of young children is by providing supportive social services such as day care centres, etc. This will free them to continue their careers uninterrupted without fear of compromising the care of their offsprings.

153. The youth of today will be the civic and political leaders, policy and decision-makers, entrepreneurs, professionals, etc. of the 21st century - a century which will be characterized by revolutions in science, technology and informatics. It will be the responsibility of today's youth to bring Africa to participate in, and benefit from that revolution. Capacity must be built among them to enable them fulfil that role.

154. The concern for efficiency and productivity must be central to all policies on human resources utilization. Therefore, training policy, employment policy and incomes policy all ought to be prosecuted with a view to ensuring that the labour force attains the highest levels of productivity possible.

G. Mobilizing Resources for Developing Human Capacities

155. A good part of the capacity building bottlenecks in African countries is caused by financial resource constraints. The general trends in funding education, health, sanitation, housing, etc. over the last decade amount to a disinvestment in human capital formation. In 1990-91, for example, military expenditure as a percentage of combined education and health expenditure stood at 43%, having grown from 27% in 1960 ^{2/}. This trend ought to be reversed so that significantly more resources are released for allocation to sectors that relate directly to human capacity building such as education, training, health, housing, etc., as well as to those whose activities are contiguous to human development by virtue of their producing goods and services and providing employment and incomes ie. agriculture, industry, mines and energy, construction, etc. African governments must re-order their priorities so that building and strengthening human capacities commands the heights in allocations in both their recurrent and capital budgets.

156. There has been some controversy over the prescriptions of SAPs in respect of domestic resource mobilization for human development in general. Cost sharing and cost recovery measures applied in the last decade all over Africa have led to significant declines in enrolment in many African countries. This notwithstanding, successful community initiatives such as the Harambee schools in Kenya in respect of education financing are full

of merit and worthy of adaptation, perfection and replication elsewhere.

157. Governments should create the enabling policy environment and provide the requisite fiscal environment to encourage private entrepreneurs to provide education, training, health and other social services that conduce to human capacity building. This role of government should take on an added importance with the realities of resource constraints which many a government faces.

158. While the primary responsibility for building and strengthening human capacities rests with the African countries themselves, the international community - comprising the United Nations system, development financing institutions such as the Bretton Woods institutions, bi-lateral and multi-lateral donor agencies and NGOs in the voluntary sector - whose activities hold sway over the prosecution of development policy in African countries - also have a major role to play in supporting measures designed to build and more effectively utilize human capacities in Africa. They should therefore show greater sensitivity and provide greater support to the new imperative of human capacity building on the African continent. The

private sector should, in turn, take advantage of incentives provided to increase their participation in the provision of these services.

159. The initiatives being developed to alleviate Africa's debt problems such as debt-for-development swaps, debt buy-out and buy-back programmes, etc. offer tremendous opportunities for promoting greater support to human development programmes in African countries. These initiatives should therefore be expanded and the private sector should be encouraging to participate fully in them.

160. Technical assistance which is provided by the international community, amounts to between a quarter and a third of ODA to sub-Saharan Africa. It is now accepted that what amounts to a rather high level of investment in capacity building has fallen far short of expectations in terms of effectively building and strengthening institutional and human capacities. The international community should therefore review this strategy for capacity building in African countries with a view to ensuring that it becomes more effective and has greater impact in the region's socio-economic development endeavours. ■

1/ See UNDP, *Human Development Report 1993*, New York, 1993.

2/ See UNDP, *Human Development Report 1995*, New York, OUP, 1995, Table 14.

**BUILDING AND UTILIZING HUMAN CAPACITIES FOR DEVELOPMENT:
AGENDA FOR ACTION MATRIX**

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Significantly increase access to primary and basic education.	<p>Reset education priorities so that significantly more weight is given to basic and primary education.</p> <p>Provide more resources to the rural school system.</p> <p>Upgrade the present teaching force and make provisions for a programme of continuous training for teachers at primary and basic education levels.</p>	<p>African and non-African NGOs should support this effort by shifting resources, etc. towards supporting primary and basic education particularly in rural areas.</p> <p>NGOs and regional organisations, such as ECA and ADB, should provide technical and financial assistance to support specific projects.</p> <p>Regional organisations, RECs and NGOs should lead the resource mobilization drive.</p>	<p>The international community should support the national effort by providing technical assistance in areas such as teaching, teacher training, the construction of schools, literacy training, etc.</p> <p>They should take the lead role in the resource mobilization drive within the context of the Jomtien strategies on education for all.</p>
Make greater use of non-formal and distance education as a supplement to formal education to increase literacy and basic education rates.	<p>Build or strengthen the structures and infrastructure for non-formal and distance education.</p> <p>Create national networks and ensure access and outreach to rural areas.</p> <p>Train staff and develop and more effectively utilize instructional materials.</p> <p>Monitor and evaluate the delivery of programmes.</p>	<p>NGOs should provide support particularly to the non-formal education programmes directly, by participating in their delivery and also through the supply of material and financial support to the establishment of systems and the operations of programmes.</p> <p>RECs should support programmes that benefit communities across borders, especially distance education programmes.</p>	<p>UNESCO should provide leadership and assure the coordination role within the context of its Jomtien Education for All strategies.</p> <p>ECA will provide the focus for evaluation of progress.</p> <p>ECA and UNESCO should ensure that there is substantial financial and technical support to national actions within the context of the Jomtien strategies</p>
Undertake adult and functional literacy campaigns.	<p>Mobilize resources and create the structures, infrastructure and networks for a nation-wide campaign to be launched.</p> <p>Prepare training materials.</p> <p>Train facilitators and change agents.</p> <p>Monitor implementation.</p>	<p>Provide financial support to national efforts.</p> <p>NGOs to use their networks and technical expertise to support the campaigns.</p>	<p>The international community to mobilize resources to support the campaigns and provide training materials and post-literacy support.</p>
Strengthen population policies and programmes	<p>Increase access to family life education by significantly increasing programmes in this regard.</p> <p>Widening access to family planning programmes</p>	<p>NGOs to provide more programmes in family life education and greater support to family planning programmes particularly in the rural areas.</p>	<p>Agencies such as UNIFEM and UNFPA to play a prominent part in mobilizing financial and technical support for country activities.</p>

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Increase quality and relevance at all levels of the educational system.	<ul style="list-style-type: none"> Intensify curriculum reforms so as to target curricula more to the development needs of the country. Expand teacher training for all levels of the system Increase local production of teaching and learning materials Improve student/teacher ratios Increase vocational, technical and scientific content in school curricula. Give special weight to agricultural education particularly in the rural school system. 	<p>Harmonize curricula across countries.</p> <p>NGOs to contribute to the production of teaching and learning resources.</p>	The international community to provide support to teacher training.
Strengthen and expand third level (post-secondary) education.	<p>Undertake measures to improve teaching and research such as:</p> <ul style="list-style-type: none"> significantly improving the incentives system (salaries, fringe benefits, etc.); encouraging more research and consultancy work for academic staff; strengthening library support; improving student/ teacher ratios and reducing teaching time. 	<p>Rationalize and strengthen inter-institutional cooperation across borders through measures, such as:</p> <ul style="list-style-type: none"> developing centres of excellence in priority areas of teaching and research encouraging joint research ventures supporting sub-regional or multilateral teaching, learning and research initiatives. 	<p>Support national, regional and sub-regional initiatives in this regard in ways such as:</p> <ul style="list-style-type: none"> The provision of technical assistance in the form of teachers, research support, etc. The provision of financial assistance in support of the expansion and strengthening of programmes The provision of fellowships and research grants General institutional support

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Improve the quality of teaching at all levels.	<p>Strengthen and increase teacher training programmes in ways such as:</p> <ul style="list-style-type: none"> - increasing the quality and range of programmes in formal teacher training institutions; - reducing the ratio of unqualified to qualified teachers practising in the educational system and intensifying in-service training; - reducing pupil/teacher ratios; - improving the incentives system; - strengthen university/industry interface; 	<ul style="list-style-type: none"> Strengthen cooperation in teacher training curricula development. Mount joint skill-upgrading programmes through training seminars, workshops etc., for groups of countries. Share facilities for training among groups of countries. 	<ul style="list-style-type: none"> Provide technical assistance in the form of teachers and trainers. Provide fellowships and scholarships. Encourage the twinning of institutions. Ensure strongly coordinated inter-agency support actions.
Expand and strengthen the skills training systems in African countries.	<ul style="list-style-type: none"> Clarify national policy on training; Review, rationalize and strengthen national training institutions; Strengthen industrial, technical and vocational training institutions and programmes; Improve on training of trainers; 	<ul style="list-style-type: none"> Increase cooperation in the organization and delivery of training programmes across countries. Create and use common facilities for training. Mount joint training activities. 	<ul style="list-style-type: none"> Provide technical assistance through the granting of fellowships and the provision of trainers in all fields. Mobilize resources in support of the expansion and strengthening of training programmes.
	<ul style="list-style-type: none"> Creation or strengthening of a system for the funding of training such as: <ul style="list-style-type: none"> - a training fund - a training levy - a training scheme for workers. Encourage a greater participation of the private sector in the provision of training in all fields through the formulation of appropriate policies and granting of the appropriate fiscal and financial measures. Improve on the coordination and monitoring of training, particularly in the private sector. 		<ul style="list-style-type: none"> Provide matching grants to the funding of training at the national level. Ensure strongly coordinated inter-agency support actions.

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Strengthen and significantly expand health delivery systems in Africa.	<ul style="list-style-type: none"> Rebuild, upgrade and expand health infrastructure in African countries. Improve on measures to train, retain and better utilize health manpower. Strengthen primary health care programmes and facilities. Encourage a greater participation of the private sector in the delivery of health services. 	<ul style="list-style-type: none"> Undertake cross-border sub-regional campaigns on particular health issues such as AIDS, immunization against specific childhood diseases, etc. Improve on cooperation in health manpower development, the greater use of health training institutions and the use of health personnel. 	<ul style="list-style-type: none"> Mobilize financial and material resources for rebuilding, upgrading and expanding health infrastructure. Ensure a well-co-ordinated inter-agency action in support of all national, sub-regional and regional actions. Provide technical assistance in the form of training fellowships and health personnel to African countries.
	<ul style="list-style-type: none"> Strengthen traditional health systems through measures, such as training, so as to increase their efficiency and effectiveness. Intensify efforts to reduce the endemic diseases, such as malaria, sleeping sickness and tuberculosis. Intensify the fight against the AIDS pandemic through an intensive education campaign. Increase the proportion of citizens with access to safe drinking water and proper sanitation facilities. 		
Expand employment in the African economy.	<ul style="list-style-type: none"> Undertake actions to stimulate growth in all sectors of the economy. Encourage private investment, entrepreneurship development and greater private sector participation in the economy, particularly in the industrial sector. Give greater support for the expansion of private initiatives in the agricultural sector. Increase the efficiency of the informal sector through management development, skill upgrading and technology improvement programmes. 	<ul style="list-style-type: none"> Encourage the free movement of labour, goods and capital across borders. Encourage sub-regional, multinational joint ventures. Support the creation of regional, sub-regional multinational operations. Take measures to increase intra-African trade. 	<ul style="list-style-type: none"> Strengthen advocacy on growth-inducing international development policies, such as those on debt commodities, trade and investment. ECA to coordinate inter-agency support measures.

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Increase labour productivity in the African economy.	<ul style="list-style-type: none"> Improve conditions of work and the overall job environment. Formulate realistic incomes policies and review public sector salary structures. Support the application of higher levels of science and technology to production in agriculture and the informal sector. 		<ul style="list-style-type: none"> Provide support to national efforts to improve conditions of work. Reassess technical assistance to ensure that it becomes a vehicle for training and skills upgrading. ILO to coordinate inter-agency action in support of country initiatives.
Reduce rural to urban migration and the brain drain.	<ul style="list-style-type: none"> Embark on systematic programmes of rural development including increasing rural dwellers' access to markets, improved production support, skills, health care facilities, land reform, physical infrastructure, etc. Implementation of a programme of institutional renewal in the key sectors (education, health, finance). Improve conditions of service so as to attract qualified Africans abroad and retain those at home. Encourage micro and cottage agro-industries. 	Development of a programme of within-region exchange of African expertise.	<ul style="list-style-type: none"> ECA and ICM to revive the Return of Skills Programme for Africa. Establish an inter-agency mechanism to support national actions.
Mobilize more resources and allocating a much larger share to human capacity building programmes.	<ul style="list-style-type: none"> Formulation of domestic resource mobilization strategies. Through the appropriate fiscal and other incentives, increasing the participation of the private sector in the delivery of education, health and other human development programmes. Implement expenditure-switching programmes. Secure increased external resource flows to support investments in education and health. 	Secure a much higher level of funding for human capacity building programmes from regional and sub-regional development finance institutions such as the ADB, the ECOWAS Fund, etc.	An inter-agency effort to be mounted to <u>inter-alia</u> , lead the resource mobilization drive.

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Empower women as economic producers	<ul style="list-style-type: none"> · Increase access of women and girls to education, health, skills, credits and means of production. · Implement the African Platform for Action and the Global Platform for Action. 		The appropriate inter-agency actions to be mounted in support of national actions, within the framework of the African and Global Platforms for Action.
Make adequate provisions for youth training and employment programmes	<ul style="list-style-type: none"> · Institute or increase training programmes for youth in key areas of science, technology and informatics · Begin youth employment programmes including youth employment fund 	<ul style="list-style-type: none"> · RECs should encourage cross-country youth employment programmes such as training, production and trade, etc. · The regional development finance institutions should contribute to funding youth training and employment programmes 	Inter-agency actions should support youth programme through resource mobilization; the development and implementation of appropriate youth empowerment programmes, etc.

A. The Problem

161. Weak policy analysis and development management capacities have been identified, as a major cause of the poor performance of African economies. Although the two are closely interlinked, they are treated separately in order to highlight the magnitude of the problems and the urgent attention required to address the capacity building challenges in both areas. Before going into the measures required to expedite capacity building efforts in the two areas, the meaning and significance of public policy analysis and development management as well as the constraints on capacity building in both areas will be briefly examined.

162. The public policy process is, in essence, strategy formulation based on strategic planning. This involves mapping out where the country wants to go in terms of the leadership's vision for the country, its strategic agenda, definition of its place in the world and its mission.

163. The second dimension of the public policy process is the capacity to articulate the vision of the country into policies, e.g., agriculture, manufacturing, marketing, pricing and financial. The third dimension is the translation of policies into planning formats for implementation and monitoring. The three policy functions at the macro and micro levels are performed by a variety of interacting institutions at those levels.

164. Public policy is national in scope, although the extent to which the various national interest groups and stakeholders are able to participate in the public policy process varies from country to country. In a democratic regime, policy is a consensus process. Given the economic reforms and pressure for political change and the resurgence of regionalism and ethnicity, the challenge to African governments

is to increase the constituencies participating in the public policy process and to manage the transition to a market society efficiently. In this regard, public policy should take the transitional costs, in terms of their impact on different segments of the population, into account.

165. Public policy analysis plays a crucial role in the analysis, articulation, dissemination and implementation of core development programmes such as poverty reduction. With regard to poverty, for example, policy analysis and development management should have capacities to undertake the following:

- Formulation of sound macroeconomic policy and policies to sustain growth, growth being a necessary condition for poverty reduction;
- Analysis of the impact of macroeconomic policy on employment and income distribution between urban and rural households and between tradable and non-tradable sectors in relation to the country's poverty profile;
- Formulation of policies affecting the demand for labour such as incentive policies, trade, tax and pricing policies that affect the size of the national cake, employment growth and the prices of goods consumed primarily by the poor;
- Analysis of the incidence of direct and indirect taxes which may be regressive and from which the poor should be protected.

166. Public policy is also concerned with sector policies that affect the poor such as social sector policies that enable the poor to develop their human resources, thereby increasing their ability to grow out of poverty and, as indicated above, with sector pricing policies, especially agricultural pricing.

167. The development of policy analysis capacity in Africa is something that should be pursued as a matter of urgency. Weak policy analysis has contributed to poor formulation of economic policy with dire consequences in many African countries. Policy-analytic capacity should create the ability to formulate a clear development vision, which should be coupled with capacity to translate the vision into sound development policies and ability to devise effective strategies to implement them. In view of scarce resources, it is important to have the capacity to set clear-cut priorities among the range of policies.

B. Measures to Strengthen the Public Policy Process and Enhance Capacities for Policy Analysis

(i) Constraints

168. In the past twelve to fifteen years, African countries have been implementing, with varying degrees of success, economic reforms aimed at establishing an appropriate macroeconomic framework for growth, introducing a set of supporting sectorial policies and investment programmes, and integrating the domestic economy into the world economy. Governments have had to respond to major policy and development challenges arising from the economic crisis of the early 1980s and rapidly changing patterns of trade and payments. Important institutional and systemic constraints have emerged in the course of implementing the reforms. Among the weaknesses in policy analysis, capacity building and utilization feature prominently. The major constraints are:

- Fragile institutions and weak institutional capacity, particularly institutions in support of policy analysis;
- Human resource constraints and weak training components in institutional support projects to develop policy analytical capacities;

- Absence of an enabling environment conducive to policy analysis;

- Inadequate incentive structure;

- Weak local training institutions and staff training programmes linked to capacity building;

- Distorting effects (negative externalities) of donor-funded projects on incentive structures in the labour market for trained policy analysts and on other aspects of the institutional environment i.e. systemic effects of technical assistance which undermine sustainable capacity development and utilization;

- Unclear technical cooperation objectives - excessive reliance on long term expatriate advisers, failure or reluctance to use qualified local experts and consultants when they are available; proliferation of studies which often lack clarity in the selection of topics; methodology and qualifications of consultants, inadequacy of capacity building strategies with targets and performance indicators;

- Lack of sense of programme ownership;

- Difficulty of strengthening capacities through component technical assistance i.e. capacity building components in policy reform vehicles, given the long term nature of capacity building and institutional development;

- Inadequate leadership and management;

- Inadequate budgetary support to sustain policy analytical and management capacities.

(ii) Measures for Building Capacity for Public Policy Analysis

169. Taking into account the experience of the 1980s and the imperatives of African development in the 1990s and beyond, capacity building in the policy analysis and management area should focus on (a) enhancing and utilizing

the capacity within governments to generate, formulate, analyze and evaluate policy options, including the capacity to negotiate, design and implement policy reforms, especially macroeconomic policy; (b) strengthening and expanding capacities for policy analysis, coordination and evaluation in sectoral ministries, particularly agriculture, transport, energy and education; (c) supporting the development of policy analysis capabilities in the parastatal and private sectors such as: central banks, stock markets, major commercially oriented public enterprises, regulatory agencies, university departments of economics and institutes of social and economic research, and policy institutions in the private sector; (d) supporting and strengthening policy analysis capabilities in key institutions of civil society aimed at enhancing good governance such as parliaments, national assemblies, trade unions, the judiciary (e.g. law reforms dealing with land tenure systems, family laws, rights of women and children, development law especially environmental laws and regulations relevant to sustainable development), the mass media and other NGOS. These capacity building tasks in the policy area are major challenges that require long term but clearly focused assistance with emphasis on short term training, learning by doing, creating an enabling environment for economic reform and analysis and providing incentives to improve performance.

170. In addressing the capacity building problem in policy analysis, the following broad measures in three areas are recommended:

- measures to facilitate and enhance processes;
- measures to strengthen or build institutional capacity for policy analysis (these measures should address issues such as the types of institutions, their roles and their overall effectiveness);
- measures to enhance or develop the human capacity for policy analysis (these should address issues such as critical mass, skills,

knowledge, efficiency).

171. Key measures include:

1. Process enhancement:

- i) Improve overall national statistical capacity and create a mechanism for consultation between users and the national office of statistics;
- ii) Establish Policy Makers' Fora to encourage professional exchange of views and facilitate policy coordination;
- iii) Restructure the public administration system as a policy level institution with fully-operational Policy, Planning, Monitoring and Evaluation Divisions and strengthen the policy coordination, monitoring and evaluation capacity of the Presidency/Prime Minister's Office and the Cabinet Office/Secretariat;
- iv) Increase the participation of the non-government sector (universities, trade unions, women's organizations, training and research institutions, private policy institutions) in the public policy process through mechanisms such as the National Council for Economic and Social Development, National Development Forum, workshops and symposia, national leaders' conferences etc.

2. Institution building and strengthening:

- (i) The establishment and strengthening of policy analysis or studies units in the machinery of government, especially in the "central guidance clusters" such as the Presidency/Prime Minister's Office, the Cabinet Office/Secretariat, and specialized policy analysis units/divisions in the sector Ministries, some of which are responsible for public enterprises in their sector. To perform their analytical functions effectively, the policy units should be linked to an integrated computerized network and database, usually located in the finance or planning agency.

(ii) Strengthen the capacity of university departments of economics, business administration, statistics, and institutes of social and economic research. Recent initiatives by the African Capacity Building Foundation (ACBF) to establish institutes of economic research in some African countries is part of the effort to boost capacity in policy analysis. These institutes would definitely supplement efforts already under way in universities and other research institutes. It should, however, be noted that there is need to seriously consider whether new research institutes with a focus on policy analysis should be established or existing ones strengthened. Because of the financial crisis currently prevalent in many African countries, many well-reputed research institutes are in disarray. Injection of financial resources may help to put these institutes back on their feet enabling them to operate effectively as in the past while undertaking additional responsibility for research, focusing on policy analysis.

(iii) Strengthen capacity of regional and sub-regional research organizations: While priority should be given to building policy analysis capability at the national level, there is equally a need to strengthen regional and sub-regional research organizations such as the African Economic Research Consortium (AERC), the Council for the Development of Social Research in Africa (CODESRIA), and the Organization for Social Science Research in Eastern and Southern Africa (OSSREA). These organizations are not directly involved in policy advocacy as are institutions such as ECA and OAU, nevertheless they have useful direct impact on enhanced policy analytic capacity of African governments through their research and publications. Strengthening the capacity of the sub-regional and regional research organizations will contribute to boosting analytic capacity on the continent. The research organizations are already doing useful work through the research competitions they sponsor and research training they provide in building socio-economic analytical skills. Special effort should be made

to forge closer collaboration between policy advocacy organizations such as ECA and OAU and the aforementioned research organizations. Furthermore, there is need to enhance the capacity building efforts of policy advocacy organizations like ECA.

(iv) Strengthen the capacity of institutes of public administration and development management, with emphasis on policy analysis and development management.

3. Human resource development for policy analysis:

(i) Pay and incentives to retain skilled staff;

(ii) Clearly focused human resource development programmes and annual training plans;

(iii) Adequate training in gender analysis for policy analysts; and

(iv) Effective utilization of indigenous institutional and human capacities for policy analysis thereby ensuring sustained capacity building.

C. Development management

172. The three pillars of effective development management are a strong and efficient public sector, an active and productive private sector and a strong civil society. Any deficiency afflicting any one of these three will depress the effectiveness of development management. The public sector in African countries needs significant strengthening. Its institutional, human and infrastructural capacities as at present, cannot easily spearhead and support the development process. The need to build a strong policy analysis capability in government has already been underscored. However, developing that capability will not, by itself, suffice unless there is development management capacity to implement policies. Capacity in

development management is needed to set up development priorities and realize them once established. With the African Continent in transition exposed to global changes, a development management system capable of managing change and converting constraints to opportunities is very much needed. Building African entrepreneurship is a key element in the development process. Entrepreneurs are important to development because they are innovators and risk-takers and because they create wealth. They create employment and manage the labour force. They play an important role in opening markets and in finding new materials, processes and products. A dynamic entrepreneurial sector is essential for broad-based development. Without an expanding economic base created by entrepreneurship, it will not be possible to generate the resources required to sustain human resources development and reduce poverty.

173. Recognition of the need to empower local communities and give them a voice in their own development is fast gaining ground in Africa. Much more needs to be done to strengthen democratic governance and popular participation if socio-economic development prospects are to be increased and if development should become more human centred.

174. Some countries have registered gains in one or more of these broad areas as well as in regard to certain aspects within them. But, by and large, development management in Africa still faces serious constraints that need to be removed if its capacity is to be sufficiently enhanced. Among them are :

- Political instability;
- Absence of an enabling environment;
- Inadequate pay and incentives;
- Generally weak public service training institutions;
- Distorting effects of donor-funded projects on incentive structures in the labour markets for skilled policy analysts;

- Technical cooperation policies not adequately focused on capacity building;
- Excessive dependence on long term expatriate personnel;
- Inadequacy of the public administration system as a policy level institution (most policy analysis units are not operational) and as a development management organization;
- Inadequate public service leadership and management;
- Inadequate budgetary provision to sustain policy analysis and development management capacities - salary and non-salary recurrent and other non-recurrent costs;
- Weak demand for policy analysis.

175. To ameliorate the current problems of development management and enhance its capacity appropriate measures have to be undertaken to address the problems of public sector management, problems of ethics, accountability, transparency and efficiency, improvements in private sector capacity as well as that of NGOs.

(i) Measures to Enhance Development Management Capacity

176. There is general agreement that Africa's civil services are generally rule-oriented, anti-business and unproductive. Citizen complaints apart, local entrepreneurs and foreign investors have been frustrated by red tape, endless regulations and delays. While calls for improving the productivity of the civil service are appropriate, methods for improving productivity such as the introduction of programme performance budgeting system (PPBS), management by objectives (MDO), performance appraisal method, the introduction of a People's Service or Client Charter as in the United Kingdom and Malaysia, and Quality Control Circles which in Malaysia commit every Ministry and Department to deliver service to the public as prescribed in the Client Charter within a prescribed period. Methods for the

measurement of productivity, performance measures and indicators, and performance auditing clearly need to be implemented to raise productivity.

177. Given the low level of productivity and institutional development plus modest policy analytical and development management capacities since the introduction of civil service reforms in the 1980s, some experts have suggested a radical approach based on a hybrid approach to the policy, institutional, infrastructural and human resource problems within the overall context of an Administrative Adjustment SECAL, consisting of three components: (a) institutional adjustment, including the role of the state and its impact on the efficiency and effectiveness of public administration, the judiciary and the ability of civil society to influence policies of the government; (b) linking pay/incentive and performance; (c) improving economic management, including policy management and resource mobilization capacity and assessment of the efficiency of the regulatory framework or the extent to which the civil service is capable or not to manage the regulatory framework in support of economic activities, particularly the development of entrepreneurship and the private sector.^{1/}

1. Improving the productivity of the civil service

178. Improving the Management of the Civil Service: On the basis of the systemic approach summarized above, which also incorporates cultural factors like patrimonialism, and a system of institutional environment assessment, a programme for organizational support and management development can be prepared for implementation. Improving the management of African Civil Services can only succeed if the distortions in the African administrative environment, which are largely responsible for the overcentralization of authority and weak capacity for policy implementation, are properly

addressed - otherwise, creating any new structures or revamping old ones will amount to putting old wine into new bottles. The institutional diagnosis/assessment phase should be fully participatory and include middle and lower level staff as an important input into the design of a programme for improving the management of the service. Civil service leadership should be entrusted to men and women of integrity and proven ability. The key organizations here are the Office of the Head of the Civil Service, the Personnel Management Office/Department, the Public Service Commission/Ministry of Public Service, the Ministry of Finance, the Comprehensive Auditor General, and the Public Accounts Committee in Parliament. In some countries like Uganda, the office of Inspector General of Government has been created to investigate abuse of office.

179. Sustaining Civil Service reform: The support of the political leadership is indispensable for the credibility and sustenance of civil service reforms. Public support is also necessary as the public is the chief client of the civil service. As civil service reform has failed due to the persistence of administrative distortions engendered by patrimonial behaviour and bureaucratic resistance, it should not be regarded as an 'event' but as a continuous process subject to evaluation and review. For this reason, governments should establish a mechanism such as a Modernization of Administration Unit/Division/Department headed by a senior officer under the Head of the Civil Service or Chief Secretary in the Office of the President or Prime Minister as in Malaysia. The function of the unit or department is to review ongoing reforms, initiate new ones and undertake in-depth studies.

2. Improving the efficiency of public enterprises

180. Even though there is more or less a consensus that the dominant role of the state in

the production and trade sectors has to be significantly reduced and most of the enterprises currently under the state need to be privatized, there is also agreement that some enterprises considered strategic should remain under state ownership. However, these enterprises would have to be required to operate along commercial lines with commitment to profitability and productivity. Hence the need to enhance their capacity so as to ensure their effective functioning.

181. Compensation: Governments have tended to be afflicted by what has been termed, "incentive myopia", which is largely responsible for low pay and the related problems of lack of motivation, brain drain, moonlighting, malfeasance, indiscipline and a host of other difficulties that have undermined professionalism, productivity and commitment to organizational goals in the African civil services. Salary reviews are episodic rather than regular so that account could be taken of the cost of living and other comparators such as relativities within the various grades of the service and salaries in the public sector and in the private sector. More often than not, salary scales are compressed with narrow differentials, making little allowance for adequate compensation for level of responsibility and productivity. Merit awards are rare. Governments should consider the following measure to remedy the situation:

- (a) Periodic salary reviews about every 3 or 5 years, using standard indices and comparators;
- (b) Link pay and incentive packages to performance. This will involve agreement on transparent methods to measure productivity and a skilled personnel management office/department;
- (c) Rationalization of fringe benefits, including monetization of benefits such as housing;
- (d) Restoration or improvement of loan

facilities - housing, transport, education;

- (e) Contributory health insurance scheme;

(f) In view of capacity gaps caused by the brain drain and the scarcity of skills in critical sectors such as energy, transport and the social sectors, governments should consider putting professionals on contract on higher pay levels with measurable performance indicators. However, incentives alone cannot ensure productivity, professionalism and the internalization of organizational goals, especially in institutional environments not conducive to the development of innovative professionalism. In addition to improved incentives, civil service management should emphasize merit, encourage and invite feedback on policies, emphasize teamwork, develop subordinates' skills, emphasize professionalism, the use of expertise, tools of policy analysis and professional management; take decisions in a participatory manner and emphasize and reward results instead of the observation of rules and bureaucratic procedures.

182. Promoting Financial Accountability: Major causes of rent seeking and lack of accountability are low pay, an institutional environment that makes control difficult, and generally weak financial and audit controls. Accounting and audit are important aspects of implementation capacity, but there is a significant capacity gap in the accounting profession in Africa. 27 countries have their own accounting associations but only 13 have established examinations for the profession. Only a few countries are members of the International Federation of Accountants. Financial accountability assessments should be undertaken for more countries as has been done for Ghana, South Africa and The Gambia, and new initiatives launched such as the USAID-funded Sahel Regional Financial Management Programme.

- (a) Almost every profession has a Code of

Ethics. African public administration should not be an exception. In this connection, the code of ethics proposed at the AAPAM Roundtable in Nairobi in 1976 should be revisited and appropriate changes made for dissemination to the African governments for their comments and for eventual adoption.

(b) Watchdog or oversight organizations should be created or strengthened - Parliamentary Public Accounts Committees, public complaints bureau or Office of Ombudsman/Inspector General of Government. Most importantly, the office of Comptroller and Auditor General should be strengthened to undertake surprise audits and value for money audits. Internal financial controls within ministries also need strengthening. Local management development institutes and civil service colleges have a crucial role to play in this regard.

(c) Budget Management and Development Management: The budget is central to effective economic and development management. Apart from its macroeconomic role, it is a framework for policy decisions about choices, a means of implementing policy decisions and, in many countries, a means of legal control of the operations of government ministries. It controls expenditure and revenue by authorizing expenditure and the collection and distribution of receipts. The budget and budget management therefore have a key role to play in the policy process and in promoting institutional change. A good indicator of government policy is the manner and effectiveness of public expenditure management. Development management cannot be effective without efficient public expenditure management, which includes effective co-ordination between the budget office and the planning agency or ministry. Although conflicts between the two are traditional and different countries have merged or separated the two functions as appropriate to their circumstances, it is essential for effective development management for the plan and the budget to be properly coordinated to avoid, for example,

insufficient provision in the government budget for recurrent costs and operating expenditures of investment projects. Where the two agencies are not merged and conflicts arise, these are often argued at cabinet level and co-ordination obtained through the cabinet process.

183. Because of the difficulties of traditional annual budgeting, and of projecting revenues under conditions of uncertainty, governments are implementing reforms ranging from: (i) developing different budget scenarios with the best case as the most optimistic and assigning different policy actions to the less optimistic scenarios. Success depends on a good budgeting and planning system underpinned by well prepared macroeconomic projections, using a model adapted to the country's needs; (ii) use of medium term financial programming; (iii) use of new accounting and electronic data processing techniques to track and assess expenditures with a view to achieving more effective accountability at line Ministry/agency level.

184. Comprehensive budgetary reforms such as: the Planning, Programming, Budgeting System (PPBS), Rationalization of Budgetary Choice (RCB-France), Zero Based Budgeting (ZBB) and Forward Budgeting, could be considered. Because of the importance of the budget, development management staff, planners and analysis should be trained in planning and budgeting and in budget analysis. Specifically, with reference to poverty reduction, development management should undertake:

(i) Poverty-conscious restructuring/orientation of the budget through the reallocation of expenditures toward the social sectors;

(ii) Analyze the volume of targeted expenditures and core poverty programmes to provide answers to: How much is being spent, on what, and on whom?

(iii) Analyze the economic efficiency of public investments for information on the quality of

investments targeted to poverty reduction such as the returns to government of investment in agricultural infrastructure and education, balance between recurrent and non-salary recurrent costs or capital costs, and cost-effectiveness of health services.

(iv) Develop capacity to relate annual appropriations to long term development priorities and to monitor and evaluate programme/project performance.

C. Developing Capacities for Decentralization and Popular Participation

185. Decentralization is essential for participatory, "bottom-up" planning and development at grassroots level. When combined with fiscal decentralization, adequate/fiscal planning capacity and the establishment of democratic institutions, it has the potential to enhance community initiative and empower local communities by giving them a voice in local government affairs and in the use of resources. As the 1993 Human Development Report put it, "Decentralization of local government has the potential to improve government decisions and increasing democratic participation. As decisions are brought close to the people they affect, expenditure on priorities often increases and efficiency of resource use improves. But this potential is realized only where there is genuine decentralization to democratic structures."^{2/} Peoples' participation can also enable local communities and disadvantaged groups to hold the authorities accountable, thus contributing to the strengthening of civic society and good governance at the local level. Details regarding the modalities of popular participation and mechanisms for enhancing capacity for popular

participation are provided in the section on good governance and as such will not be dealt with here in order to avoid repetition. Finally, the returns to investment in participation can be high if participatory development is genuinely conceived and encouraged, especially in irrigation, afforestation, rural water supply and education projects. ^{3/}

186. Before engaging in interventions at the local level or launching a participatory development programme, a careful analysis of the local culture is essential, especially the local political system and governance arrangements within the society in terms of the rules governing decision making, authority and rule-enforcement. Recent research has revealed that a number of thriving indigenous institutions exist in many local communities that are often difficult to discern by outsiders. These institutions represent valuable social capital that should be nurtured, encouraged and adapted to provide the basis for self-governance, entrepreneurship and sustainable development. Their in-built authority patterns, rules and collective sanctions can be adapted to promote cooperatives, small credit, savings and irrigation schemes and programmes to manage common resources. More often than not, participation is largely approached simply as a means to involve beneficiary groups in development activities designed by external actors, whereas the emphasis should be on the utilization of the inherent capabilities of citizens to build and sustain relationships and mobilize resources for collective action to solve local problems, using traditional African concepts of mutual assistance and collective self-help. Decentralization and participation initiatives that ignore these vital cultural resources may end up producing very little real change.^{4/} ■

- 1/ Mamadou Dia, A Governance Approach to Civil Service Reform in Sub-Saharan Africa, World Bank, Technical Paper No. 225, Washington D.C. 1993, pp.37-38 and pp. 1-39 generally.
- 2/ The Human Development Report, UNDP, New York, p.74.
- 3/ Norman Uphoff, "Monitoring and Evaluating Popular Participation in World Bank Assisted Projects" in Bhatnagar and Aubrey C. Williams (ed.) Participatory Development and the World Bank: Potential Directions for Change, (World Bank Discussion Paper No, 1983, 1992) p. 144; Michael Mamberger: The Role of Community Participation in Development and Project Management (EDI Policy Seminar Report No. 13. 1989) pp. 9-10, 18.
- 4/ Decentralization: Finance and Management Project. Final Report (USAID, December 1994), pp. 22-25, 30-31.

BUILDING AND UTILIZING POLICY ANALYSIS AND DEVELOPMENT MANAGEMENT CAPACITY

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
<p>A.</p> <ul style="list-style-type: none"> ● Formulate a human resource development policy; ● Formulate National Capacity Building/Institutional Development Policy; ● Formulate overall Technical Cooperation Policy with clear capacity building goals; ● Improve policy environment of management development institutes and institutions linked to capacity building for economic research and policy; ● Adopt realistic pay and incentive policy. 	<ul style="list-style-type: none"> ● Develop curriculum and training programs for policy analysis in MDIS and institutes of social and economic research targeting core economic agencies, the Presidency and the Cabinet Office; ● Create or strengthen university departments of economics, business studies, statistics and public administration; ● Promote and strengthen economic policy research in universities, research institutions and central banks; ● Organize carefully designed short term training in economic policy analysis and management for core economic management agencies and office of the President and Cabinet (central guidance clusters); ● Provide realistic pay and incentive package to retain and motivate skilled staff; ● Encourage use of academics and private consultants in government economic service, on contract. 	<ul style="list-style-type: none"> ● Finance education and training projects; ● Finance technical assistance for economic management projects; ● Economic research and training in economic policy analysis (AERC, IDEP, ACMS, ECA); ● Political support for capacity building under good governance (OAU); ● Develop or strengthen policy analysis capacities in the OAU, ECA, and Regional Economic Commissions. 	<ul style="list-style-type: none"> ● Support regional centres of economic research and training in economic management (AERC, IDEP, ACMS, PAID, UNECA, ESAMI, Arab Centre for Monetary Studies); ● Support capacity building for policy analysis and management at <u>country level</u> on long term basis; ● Finance human resource development and institutional development projects; ● Phase out salary supplements for nationals on donor-funded projects, agree exit plan with African governments and encourage realistic pay and incentive policy to sustain capacities and policy institutions; ● Support UNEDIL and AERC programme; Make more use of qualified African experts.

BUILDING AND UTILIZING POLICY ANALYSIS AND DEVELOPMENT MANAGEMENT CAPACITY

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
<p>B.</p> <ul style="list-style-type: none"> ● Adopt Private Sector Development Policy; ● Enact policies to encourage the development of policy analytical capacities in the private sector—private policy and research institutions, stock exchanges, chambers of commerce and industry, export promotion councils. 	<ul style="list-style-type: none"> ● Establish, encourage or strengthen independent private policy research and analysis centres; ● Establish mechanisms for policy interface between government, private sector and research institutions (e.g. Private Sector Advisory Group, National Economic and Social Council, public hearings, etc.). 	<ul style="list-style-type: none"> ● Finance private investment; ● Finance export credit guarantees and insurance; ● Provide venture capital; ● Support private policy institutions and business organizations to enable them to influence policy (ADB, BADEA, BAD, ACBF, EADB, SADB, ECOBANK, AFREXIM). 	<ul style="list-style-type: none"> ● Support policy analytical capacities of stock exchanges, private policy and economic research institutions and professional and business associations; ● Support private consulting companies to improve standards, policy research and analytical capacities; ● Give substantial debt relief and support more debt buy backs to restore business confidence and revive private investment. (USAID, FORD FOUNDATION, UNDP, DANIDA, ILO, World Bank Group, Paris Club, London Club, Japan, Germany, UK, France, Nordic Countries).

BUILDING AND UTILIZING POLICY ANALYSIS AND DEVELOPMENT MANAGEMENT CAPACITY

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
<p>C.</p> <ul style="list-style-type: none"> ● Adopt Medium Term Economic and Financial Policy; ● Formulate National Development Policy. 	<ul style="list-style-type: none"> ● Create policy analysis units/departments in key government ministries and in the office of the President; ● Undertake National Long Term Perspective Study (NLTPS); ● Develop macroeconomic model; ● Improve/strengthen strategic planning function of government by developing capacity for long-term planning; ● Encourage <u>demand</u> for policy analysis; ● Top leadership to give clear signal of commitment to economic reform in general and policy analysis in particular; ● Establish clear targets for development management capacity building; ● Realistic pay and incentive policy. 	<ul style="list-style-type: none"> ● Provide assistance in preparing national long term perspective studies (NLTPS); ● Provide institutional support to Ministries of Finance and Planning; ● Promote good governance, peace and security for stable growth and development <p>(OAU, ECA, ADB, IDEP).</p>	<ul style="list-style-type: none"> ● Give institutional support to policy analysis and planning units or assist in establishing new ones; ● Provide long-term assistance for the development of institutional capacities for economic and development policy; ● Provide technical assistance in developing strategic planning capacity. <p>(UNDP, SIDA, World Bank, IMF, ADB, USAID, GTZ).</p>

BUILDING AND UTILIZING POLICY ANALYSIS AND DEVELOPMENT MANAGEMENT CAPACITY

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
<p>D.</p> <ul style="list-style-type: none"> ● Develop information policy and infrastructure for policy analysis and decision making. 	<ul style="list-style-type: none"> ● Develop national programme of action on statistics development and establish priorities (e.g. price and production statistics, national accounts, social and demographic, natural resources and the environment); ● Create database for socio-economic policy analysis; ● Promote use of computers for data manipulation; ● Develop and operate computerized network in core economic management agencies; ● Develop Social Accounting Matrix (SAM) for policy analytical work; ● Implement realistic pay and incentive policy to retain and motivate skilled staff; ● Improve work environment and statistics infrastructure. 	<ul style="list-style-type: none"> ● Strengthen short term advisory services in statistics; ● Co-ordinate statistics assistance programmes more effectively; ● Evaluate national statistical capacities and prepare annual reports; <p>(ECA, Annual Joint Conference of African Planners, Statisticians and Demographers).</p>	<ul style="list-style-type: none"> ● Provide long term resources for implementation of the Addis Ababa Plan of Action for Statistical Development and agree Unified donor/ government 3 to 5 year rolling expenditure and financing plan; ● Provide additional resources to expand ECA advisory services in statistics; ● Provide technical assistance for data base management; ● Support university institutes of statistical, social and economic research; <p>(UNDP, ECA, E.C., GTZ, SIDA, ODA, India).</p>

A. The Problem

187. Africa has had a long tradition of entrepreneurship. A review of its past reveals a long history of market traditions. Its long-distance trade caravans and trading posts across the continent manifest its great entrepreneurial spirit. Unfortunately, since the eighteenth and nineteenth centuries, trade and business opportunities became dominated by non-Africans who established and exercised control over trade, investment and business. The trend became consolidated and strengthened under colonial rule when foreign interests established control over leading economic sectors. However, the impact varied in the different sub-regions of Africa. By the time independence came, the entrepreneurial experience of indigenous Africans ranged from minimal in Eastern and Southern Africa to marginal in West Africa and fairly substantial in North Africa.^{1/}

188. In spite of efforts to stimulate the development of indigenous entrepreneurship since independence, the progress made did not match expectations. The colonial legacy had profound adverse implications for the accumulated experience of African entrepreneurial capability and private sector development. This was accentuated by the post independence policies that expanded the public sector and neglected the private sector. There has, however, been a revival of interest in entrepreneurship development in general, and indigenous entrepreneurship, in particular. In this regard, initiatives by the World Bank and the ILO are worthy of note.

189. For over two decades now, Africa's economy has been in decline. Solutions call for drastic measures to arrest the decline. High population growth, declining per capita income,

crushing external debt, fragile democracy and a political climate characterized by civil unrest and strife have not provided an environment conducive for development.

190. An economic recovery strategy set at overcoming the current economic crisis has to emphasise increased production. Sustained attempts to ameliorate the adverse economic conditions would require a material base generated from within the domestic economy. The failure of the state to effectively promote economic development has led to misgivings about its appropriateness as a dominant instrument of development in the production and trade sectors.

191. With the state unable to continue its role as guarantor of employment any more, unemployment remains high and is growing, affecting mainly the youth. This amounts to a tremendous waste of human resources and a potential threat to political stability.

192. Countries that have made economic breakthroughs in the last two decades demonstrate beyond doubt that the development of entrepreneurship has been the sine qua non of economic growth and development. African governments have also started to acknowledge the conventional wisdom that to promote growth they should provide a conducive macroeconomic environment within which the private sector can flourish. As one report rightly sums it up: "Despite differences in interpretation and emphasis, a good many African policy makers see a significant and increasing role in the 1990s for private enterprises achieving accelerated economic development. In particular, the promotion of small and medium-sized enterprises as well as the upgrading of the informal sector are increasingly recognized as major instruments for reducing unemployment,

alleviating poverty and minimizing income disparities between social groups."2/

193. It is now acknowledged that entrepreneurial resources are a crucial input into the process of economic development and that entrepreneurship development raises the pace of economic growth. The private sector which in the past, played a modest role in development is now being recognized as an engine of growth and encouraged to spearhead the development process. Africa's ability to break out of its current economic crisis would, to a large extent, depend on its ability to harness the entrepreneurial potential visible in its streets, market places and small and medium scale enterprises. However, because of its marginalization during the colonial period and further isolation in the period after independence, the private sector in Africa is hardly in a position to rise to the challenges ahead. It is therefore imperative that special efforts be made to strengthen the private sector so as to enable it function as an engine of growth.

B. Measures for Capacity Building

194. The future development of Africa rests with entrepreneurs and markets. It is now recognized that entrepreneurship is a function of opportunities, technical and commercial skills, entrepreneurial spirit, finance, infrastructure and the overall environment within which the enterprises operate. Hence, efforts at building entrepreneurial capacities in Africa should focus on the creation of an enabling environment through the provision of policies supportive of entrepreneurship; the establishment of an appropriate institutional framework; the development of adequate and appropriate infrastructure and ensuring that the required human resources are in place. The aforementioned areas constitute the major foundation on which any capacity building effort

should rest. The discussion that follows is organized around these important elements for capacity building.

(a) An Enabling Policy Environment: Government Policies and Commitment

195. If African governments are to move beyond rhetorical recognition of the importance of entrepreneurship and use it as a strategy for revitalizing and enhancing their growth, they have to create a private sector-friendly environment and devise appropriate measures that would nurture its growth and development. An enabling environment for private sector development includes:

i) *A stable macroeconomic framework and predictable policies.* Restoring a viable and sustainable macroeconomic environment is a precondition for the growth of the financial system. Eliminating fiscal deficits and their financing through the central bank, and bringing down inflation to low stable levels will significantly restore business confidence and enhance intermediation. Policy-makers have to recognize the primary role of entrepreneurs in the process of economic development and should engage the private sector in continuous dialogue in order to forge closer partnership with it and avoid working at cross-purposes. Moreover, governments should make sure that a stable policy environment is in place. The turbulent policy environment obtaining in many African countries has been sending confusing signals to entrepreneurs making it difficult for them to make investment decisions.

(ii) *Political stability* : No development can take place in the absence of a stable political environment. The political instability and civil strife rampant in many African countries are most un conducive for entrepreneurial development. Policies that are a prerequisite for the effective development of entrepreneurship

can only materialize in a situation of stable political environment.

(iii) *A market-friendly policy stance and a civil service supportive of the private sector and capable of managing the regulatory system in a neutral manner:* The effectiveness of the dominant state as an instrument of development has been seriously questioned and there is now a consensus that the state should play a supportive and facilitative role. It is believed that there are some economic functions that the government alone is capable of carrying out and there are others that it can perform better than others under certain circumstances. Seiji Naya argues "An efficient government should seek out these functions, rank them according to the social and economic goals it has set for itself, and allow other economic activities in which it lacks a comparative advantage to be performed by private institutions and individuals. Government must also engage in continuous appraisal and evaluation of its role, since the underlying assumptions and conditions that determine its objectives and functions may change."^{3/} It is agreed that government should provide public and merit goods, develop transport, communication and power systems, disseminate economic information, institute a transparent and flexible regulatory framework, promote scientific and technological research including the enforcement of standards and quality and provide safety nets for the low income groups. The private sector is expected to be the engine of growth and government should ensure an enabling environment for the private sector to play a more dynamic role in the development process.

(iv) *Higher levels of savings and investment;*

(v) *Confidence in the banking system.* Despite a decade of adjustment, the supply response of the private sector has been less than expected and structural reforms have become disconnected from actual investor confidence.

Foreign direct investment is recovering at a slower than expected rate, and there has been no significant return of flight capital (estimated at \$5 billion) which is a true test of an improved investment climate.

(vi) *Improvement in property rights and contract laws* which are essential conditions for collateral and for both local and foreign investors;

(vii) *Creating competition in the banking sector* which crowds out the private sector. Divestiture will facilitate intermediation between the banks, savers and investors and channel significant savings in informal channels into the formal banking system.

(viii) *Divestiture and privatization programme.* Expanding the private sector, and to assign it the lead role as the engine of growth. "Reinventing government" and re-engineering the state are essential for national efficiency, transition to a market economy and the full development of the private sector. However, given the undeveloped and fragile nature of the private sector in the African environment, it is expected that the state will continue to be involved in certain strategic areas of the economy.

Support for SMEs

196. As successful experiments elsewhere reveal, for entrepreneurship to make an input to development, appropriate policies and programmes should be formulated to encourage the development of small-scale industries and facilitate entry of the first-timer new generation of entrepreneurs. This recognition has led many governments to provide a central role to small and medium scale enterprises in their development strategies. This of course is not to imply that Africa's strategy for industrialization should ignore large scale industrialization. While that should be one of its long term

concerns, emphasis on SMEs makes economic sense at present particularly when viewed in the context of the problems they currently face and the great promise they hold for resolving the problem of unemployment. Given the fact that agriculture still remains the mainstay of many African economies, it is important that sufficient attention be given to the development of rural enterprises.

197. The case for genuine support to SMEs becomes apparent when one considers the significant contribution they could make to the acceleration of economic development in Africa and one takes into account their potential for development as manifested in their labour intensive nature, income generating possibilities, capital-saving capability, potential use of local resources and reliance on few imports, flexibility, innovativeness and strong linkages with the other sectors of the economy. There is a good case for African governments to extend more genuine support to the sector.

198. However, in spite of their assumed importance as instruments of development, SMEs in many African countries enjoy lukewarm support; they lack effective organization and knowledge of modern management techniques; organizations created to promote SMEs are not sufficiently prepared for the task and the interface with policy-makers leaves much to be desired.

199. A support strategy directed at SMEs would require the judicious combination of entrepreneurial, technological and managerial competence with real market opportunities and access to resources. However combining the foregoing elements in a business concern can be assured and facilitated "by a favourable political and economic climate, by a policy and regulatory environment that does not discriminate against small enterprises, and by a set of institutional mechanisms - private,

governmental and non-governmental - that helps to upgrade managerial and technical competencies, and facilitates access to markets, finance, information and other resources inputs."^{4/}

Support for the Informal Sector

200. Harnessing the entrepreneurial potential visible in the informal sector should be an integral component of private sector development. Many African governments have yet to genuinely recognize the usefulness of this sector and institute supportive policies. Considering its sizeable role in the economy, African governments have to look into a mechanism for integrating the informal sector into the formal modern sector of the economy. Unfortunately, the informal sector continues to be harassed and intimidated by the state in many African countries in spite of the fact that it contributes as much as 20% to the GDP of many countries.

201. The informal sector generates employment opportunities for many. It provides a financial cushion and survival opportunities to the poor at a time of economic hardship. It provides training opportunities thereby serving as a "breeding source" for entrepreneurs for SMEs. Moreover, it enables the entrepreneur to mobilize resources from grassroots institutions. By relying on family labour, the informal sector succeeds in holding costs down. Support to this sector can accelerate the graduation of entrepreneurs in the informal sector to SMEs.

202. At the level of regional trade and cooperation, the role being played by small entrepreneurs in promoting cross-border trade in spite of tremendous legal hurdles and difficulties points out to further potential contributions they could make in promoting trade and cooperation in the continent once the controls are loosened and the obstacles removed.

203. Success of the informal sector operator as a small scale enterprise owner would depend on the kind of encouragement he or she receives through appropriate training, access to finance, technology and extension services. Measures in support of the informal sector along the lines extended to the "Jua Kali" in Kenya could be useful. The measures include transforming the "Jua Kali" into small scale enterprises by facilitating its graduation to SMEs, recognition and registration of "Jua Kalis", organizing them into associations and determining mechanisms for access to credit, establishing a directorate to promote "Jua Kali" and providing access to power and water.

204. Considering the dominance of women entrepreneurs in the informal sector, it is highly recommended that shelters be constructed for them in a manner that would ensure healthy surrounding for the young children that are likely to accompany them. Providing water and toilet facilities could go a long way in addressing the problems likely to be experienced in this regard. The provision of other social services like baby sitting facilities is also encouraged.

(b) Institutional and Infrastructural Needs for Private Sector Development

205. Certain critical institutions are required to support the development of the private sector. There is need for creating and enhancing institutional capacity in such areas as financial infrastructure, extension services, support institutions in R & D, umbrella national organizations such as Small Industries Development Organizations and organizations that provide one-stop service for entrepreneurs. Likewise, there is need for creating institutional capacity for linkages with government to foster policy coordination through such mechanisms as Small Enterprise Development Councils, National Associations of SMEs and dialogue fora between business associations, NGOs and governments.

(i) Financial institutions

206. The establishment of development banks that can extend credit to entrepreneurs as well as assist with counselling can contribute to boosting the entrepreneurs' capacity and improving their survival and growth. Banks with specific mandate to assist the entrepreneurs should be established. Merging of the credit provision responsibility in banks catering to large enterprises should be avoided as they would not be sympathetic to the special needs of the small entrepreneur. Banks that meet the needs of the different categories of entrepreneurs like the National Bank of Commerce and Industry and the People's Bank of Nigeria which serve SMEs and micro enterprises respectively are likely to be more effective than otherwise would be the case when the responsibility is left in the hands of the general purpose commercial banks.

207. One of the frustrating experiences of African entrepreneurs has been their lack of access to finance. Even in those circumstances, where governments have put in place the necessary banking infrastructure, the response of such institutions to the needs of the entrepreneurs has not been encouraging. The insistence of the development banks that the entrepreneurs provide collateral which they can hardly afford, and refusing to take their capital investments for collateral, the overall lack of supportive attitudes have been very frustrating to the entrepreneurs. Even in instances where penalties are attached for failure to extend loans to small and medium scale enterprises, the banks opt for the penalty rather than comply with the regulations. In cases where the banks authorized loans, a small percentage of the loans were sanctioned. Banks often consider the small-scale enterprises as risky and are reluctant to come to their rescue. Supporting attitude is generally lacking.

THE PREDICAMENT OF THE SMALL SCALE INDUSTRIALISTS (SMIS)

Small-scale industrialists in Nigeria are constrained in their operations by access to finance and a turbulent policy environment that does not instill confidence. The policy zigzag with regard to interest rates, foreign exchange and importation of raw materials have wrecked havoc to the SMIs. While some were forced out of the market, the more determined ones survived by diversifying their products or shifting to a new product line.

Mrs. Yesufu had interest to start a confectionary plant and came close to achieving her ambition when she obtained a loan from the African Development Bank in Abidjan. With that loan, she procured the needed machinery and went to the local banks to raise her working capital. The banks asked for collateral which she could not come up with and the equipment bought from Germany is still unpacked.

Mrs. Imoisili, after her disappointing experience with the Nigerian Airways which failed to pay her for the snacks she supplied to it, decided to switch to another product line that did not rely on imported raw materials. She decided on producing purified drinking water and modified her plant for that purpose. However, to be competitive, she had to improve the packaging of her product by producing the water in bottles. But that required a new plant worth N1.2 million. Although her experience with the banks when she set up her snack producing plant was disappointing, she had no choice but to seek assistance from the same banks. Her fate was not different from Mrs. Yesufu's. The banks insisted on a collateral and was not willing to consider the plant she would install as a collateral.

Mr. Yusuf set a corn-flakes producing factory. It was a franchise arrangement with Kellogg Company of the United States of America and the raw materials required for producing the corn-flakes had to be imported. Mr. Yusuf started production and was doing well until the government came up with a ban on imported raw materials. The parent company's requirements for use of imported raw materials and the difficulty of adapting the machinery to use local corn and rice has now brought the plant to a halt.

Another entrepreneur, encouraged by the ban on imports of edible oil, set up a factory to produce it with locally-sourced raw materials. No sooner than he set up his plant and started producing, some people were granted a special privilege to import oil. They dumped the market with imported cheap edible oil; as a result, the local entrepreneur could no longer compete and is seriously considering to close his plant.

208. There have also been problems on the part of the entrepreneurs who often fail to keep their loan repayment obligations. In many instances the follow-up on repayment of loans has not been very strict, contributing to large default rates. The failure of supervising banks to regularly and effectively monitor the

commercial banks entrusted with extending loans to entrepreneurs had led to management problems and the collapse of the banks.

209. Banks reluctance to extend credit to SMEs, given the high transaction and default cost can be understood. However, given the fact that this

group of entrepreneurs could be a powerful force in accelerating development once they overcome their initial resource mobilization difficulties, banks should try to look beyond the initial problems and think in terms of the long run dividends that can accrue to development as a result of the support extended.

210. It is important to open dialogue with commercial and central banks to discuss the problems encountered in lending to SMEs and on how best to overcome the difficulties; review the lending regulations of banks with a view to providing incentives for banks that loan to SMEs; encourage lending that substitute character and qualifications of applicants for collateral requirements; encourage SME associations to guarantee loans for their members against default; encourage NGOs to be involved in promoting SMEs as well as facilitating access for them to credit; negotiate with UN and other funding organizations to establish facilities such as a revolving fund for youth, in order to encourage more of them to start their own business. Governments should also show their commitment to such initiatives by contributing to the establishment of the facilities. A good example of such involvement is the Nigerian programme for school leavers run by the National Employment Directorate, the "Maîtrisards" programme in Senegal and UNDP's young entrepreneurs project in Cameroon. While efforts to reorient bankers to be more sympathetic to the needs of SMEs should be intensified, governments should also introduce credit guarantee schemes so that the banks could be assured that recovery mechanisms are in place in the event of defaults.

(ii) Support in Extension Services and R & D of Appropriate Technology

211. Entrepreneurs would also require extension services through the establishment of industrial centres, industrial estates and business and technical incubators; assistance in product

design and improvement, assistance in the manufacturing of affordable machinery capable of using local raw materials and research capable of enhancing their local capacity to produce.

212. Industrial centres are needed to provide guidance and counselling on investment opportunities for modern small-scale industries; preparation and appraisal of pre-investment proposals and feasibility studies, preparation of market studies and area economic surveys, functional consultancy services in production management, accounting, marketing etc. extension services in installation and commissioning of new factory plants, repair and maintenance of equipment, in-plant technical assistance etc.

213. Industrial estates make life easy for starting entrepreneurs by providing ready-built factory shades that can be let for a fee thus enabling the entrepreneur to consolidate his limited resources to procure urgently needed equipment. In addition to the factory shades, the industrial estates provide electricity, water, warehouses, central purchasing and central repairs facilities. Such facilities through industrial estates could go a long way in reducing the overhead cost of entrepreneurs and this could be particularly useful in high cost environments where the cost of utilities and infrastructure can be prohibitive to the struggling first timer entrepreneur.

214. Technical incubators that provide a comprehensive range of common services including incubator space, enterprise counselling, shared secretariat, start-up financing and assistance with product development and marketing, could assist in enhancing the technical and managerial capacity of the entrepreneurs.

215. Research Centres that provide information in the use of locally-sourced raw materials, development of projects necessary for local raw

material development and utilization by the manufacturing sector, assisting with the development of appropriate technology for adoption by handcraft and small-scale industries could provide useful services that would facilitate the operation of the entrepreneurs.

C. Entrepreneurship Development Programme (EDP)

216. EDP has to be given serious attention in the educational systems of African countries. EDPs should aim at developing skills of the entrepreneur and thereby build the missing middle link of the private sector. Key to the promotion and development of entrepreneurship should include a strategy that focuses its intervention in the following areas:

(1) Introducing the young generation to the concepts of entrepreneurship and thereby encouraging them to aspire to self-employment, through the introduction of elements of entrepreneurship development in school curricula at all levels. Complementary activities along the lines of the Mauritian practice of encouraging the youth to organize themselves into Junior Chambers of Commerce should also be explored as it could encourage and sustain interest in the private sector as well as provide excellent training opportunities for aspiring young entrepreneurs.

(2) Organizing training of trainers programmes for entrepreneurs in the informal sector as well as for those in the small- and medium-scale enterprises. As observed earlier on as the majority of entrepreneurs in the informal sector are women, training programmes specially designed to meet their specific needs ought to be organized.

(3) Other strategies for training private sector operatives should include establishing commercial schools which provide entrepreneurial and other related business skills and orienting the educational system more towards the provision of vocational skills required for industrialization.

(4) Introducing innovative measures to tackle the problem of unemployment. The high rate of unemployment has been further compounded by the down-sizing of the public services as part of the structural adjustment programmes. Measures such as Nigeria's experiment with an Entrepreneurship Development Programme for university graduates, retired and retrenched civil servants deserves to be closely monitored for possible emulation in other African countries. However given the magnitude of the task to be confronted, it is necessary to adequately fund such initiatives to ensure any appreciable impact.

(5) African governments should not only recognize the significant role entrepreneurs can play in the economy and extend the necessary financial support in terms of making credit available, but should also inculcate in bankers, a developmental orientation to banking so as to nurture in them, an attitude supportive of entrepreneurs. Bank officers should be provided with entrepreneurial appraisal and monitoring skills, necessary to determine an individual's entrepreneurial and managerial capabilities and thereby reduce the risk of loan non-recovery. The range of the bank's responsibility should also be broadened to include the concept of counselling beyond its concern for loan recovery. ■

TRANSFORMING UNIVERSITY GRADUATES AND RETIRED CIVIL SERVANTS TO ENTREPRENEURS

The National Directorate for Employment (NDE) was established by the Federal Government of Nigeria in 1987 to alleviate the problems of unemployment among Nigerian youth, school leavers and university graduates. Later on it added a programme for retired civil servants.

Under the small scale industries and graduate employment programme, the NDE encourages participants who are mainly graduates to become entrepreneurs and create jobs for themselves and others. The participants attend an Entrepreneurship Development Programme (EDP) which is an intensive two weeks course given during the orientation programme at the national youth service corp camp. The programme aims to expose them to the rudiments of modern business management techniques as well as motivate their entrepreneurial talents. It is reported that over 69,000 university graduates and other would-be entrepreneurs have benefitted from the programme. Under the job creation loan guarantee scheme, the participants can secure a loan of up to N50,000 on production of viable feasibility reports that are approved by any of the participating banks. It is reported that over 2000 such projects have been funded by the NDE through the banks and more than 1400 new jobs have been generated under the scheme. The loan ceiling was eventually raised to N75,000.

The other scheme is targeted on retirees and retrenched civil servants who are economically active and is known as the mature-people's scheme. The scheme helps the people to start their own business. Bankable projects submitted by them could attract about N250,000 per beneficiary. The beneficiaries are expected to hire a minimum of two tertiary graduates, among others, for every N25,000 of the loan. Though given a grace period of one year before commencing repayment, they would be expected to have two guarantors of reputation and land property which is no less than 50% of the loan value. They would also be required to undergo EDP training organized by NDE and obtain a certificate of attendance.

- 1/ See United Nations Economic Commission for Africa, *Measures for the Stimulation, Development and Promotion of Indigenous Entrepreneurial Capability in Africa*, Development Management Series no.1, Addis Ababa, Ethiopia, 1992.
- 2/ International Labour Office, *Enterprise and Cooperative Development, Entrepreneurship and small enterprise development in urban and rural sectors in Africa*, Geneva, 1993, p.5.
- 3/ Seiji Naya, *Private Sector Development and Enterprise Reforms in Growing Asian Economies*, San Francisco, California: ICS Press, 1990. p. 22.
- 4/ Ibid., p.6.

ENTREPRENEURIAL CAPACITY IN THE PRIVATE SECTOR

POLICY MEASURE	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Create an enabling policy environment for private sector development in general and EDPs and SMEs development in particular	<p>Governments should formulate and implement enabling measures such as broad macropolicies for the stabilization and growth of the economy; foreign exchange and trade policies; fiscal policies; monetary as well as other sectoral policies, provide infrastructure; and frame and apply standard and regulations.</p> <p>Specifically, review and reform laws like patents and property rights, leasing, credit sales, mortgages and lien; process of licensing and other hurdles to investment currently adversely affecting the development of entrepreneurship particularly of the SMEs</p>	Organize regional fora where experiences on the overhaul, streamlining and reform of laws could be exchanged and countries that have not undertaken reforms could be encouraged to embark on similar reforms	ECA should seek funding and organize a regional workshop to compare notes and exchange views and experiences on the creation of enabling policies for entrepreneurship development drawn from African success stories as well as from the Newly Industrializing States of Asia.
	<ul style="list-style-type: none"> Formulate and effectively implement a clear and comprehensive policy on the promotion and development of SMEs including exploration of market opportunities at the national, sub-regional and regional and international levels. 	Sub-regional economic blocks to organize information exchange and trade fares for the promotion of inter-region trade	ECA in collaboration with WTO and UNCTAD explore means of facilitating trade information to African countries
	Encourage policy of ancilarization through sub- contracting by encouraging large and medium scale enterprises to farm out to small enterprises the jobs of manufacturing and/or supplying spare parts, components and other intermediate products as well as encourage government purchase of SME products	ECA should undertake a study on the state of sub-contracting in Africa and propose measures for promoting the practice.	
	The government in consultation with the private sector should undertake policies that stimulate exports particularly the products of SMEs through the establishment of EPZ, elimination of tariffs, identification of export potentials, import duty drawback, export proceeds retention, export credit guarantee and insurance scheme, export development fund, export license waiver, rediscounting of short-term bills for export, export expansion fund, capital allowance, export adjustment fun, tax relief on interest income etc.	ECA should undertake studies on progress made in the identified areas so as to provide countries contemplating to embark on similar policies could benefit from the experiences of those that have already implemented such policies	ECA should in collaboration with UNCTAD, WTO and the Wold Bank initiate a study of successful EPZ initiatives in Asia
	Governments should make policy provisions which break down trade barriers between nations and between localities in each nation	Encourage sub-regional economic blocks to intensify their advocacy for the promotion of free trade	OAU and ECA should encourage African governments to establish the African common market as soon as possible

POLICY MEASURE	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
	Government should in the design of their structural adjustment programmes try to facilitate selective liberalization measures in favour of SMEs and infant industries; replace import quotas and licensing with the tariff system with relatively low duties on capital good imports; subsidize or manage interest rates where possible or explore other mechanisms of countering the inhibiting role of high interest rates to the access of SMEs to bank loans; and set up social funds for the protection of SMEs and vulnerable groups during adjustments	ECA should commission studies on the impact of SAP and liberalization policies on SMEs in Africa and suggest ways for reducing the adverse impact of such policies on SMEs	
Promote financial policies supportive of SMEs development	Develop policy measures which would integrate institutional frameworks for lending with sources and usages of credit with a view to removing constraints such as high interest, equity and collateral requirements.		
	Governments, in consultation with the private sector, should build sound monetary and fiscal policies which encourage the development of SMEs		ECA should provide technical advisory and training support services in collaboration with other relevant U.N., Breton-wood and donor agencies in the policy areas referred to.

2. INSTITUTIONAL DEVELOPMENT MEASURES

2.1 GENERAL

POLICY MEASURE	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Create institutional capacity for linkages with governments to foster policy coordination	<p>Encourage the establishment of a small enterprise development council composed of national government, local government employees and workers association of small enterprises to facilitate coordination among the actors involved in SMEs development</p> <p>Encourage the establishment of national associations of SMEs and strengthen their institutional capacities through appropriate support;</p> <p>Create a forum for dialogue between business associations(chambers), NGOs and governments to meet regularly to discuss policy issues affecting the development of SMEs</p> <p>Governments should collaborate with business groups and NGOs in the establishment of extension and training centres to undertake feasibility studies and business plans, record keeping, financial management, project preparation, implementation monitoring and evaluation</p>	ECA should encourage National SME Associations to form an Africa wide SME Associations	
Enhance institutional capacity for entrepreneurship development	African governments should establish umbrella national organizations such as the Small Industries Development Organization(SIDO) and entrepreneurial training institutes		ECA should assist in strengthening the managerial capacities of SIDOs with the collaboration of other UN partners and organizations like WASME
	<ul style="list-style-type: none"> ● Bring government agencies servicing SMEs close to the clientele; in particular establish "one-stop-shops" where entrepreneurs can obtain all the necessary service and permits from a single location in a relatively short time ● Encourage NGOs to support micro-enterprises and assist their staff with technical training aimed at improving their effectiveness through enhanced skills and motivation to service small scale enterprises 		
	Strengthen the management capacity of the Associations of SMEs so that they can provide effective services to their members and represent their interest in several fora		Donors be mobilized to assist with initial capacity building efforts of National Associations for SMEs

**INSTITUTIONAL DEVELOPMENT MEASURES :
2.2 FINANCIAL INFRASTRUCTURE**

POLICY MEASURE	NATIONAL ACTION	ACTION AT THE REGIONAL LEVEL	INTERNATIONAL SUPPORT
Assist with the development of appropriate financial structure for the promotion of entrepreneurship in general and SMEs in particular	Establish viable credit guarantee to give assistance to banks and also encourage them to give out loans		ECA should make efforts jointly with African governments and donor agencies to examine the possibility of encouraging the establishment of model credit guarantee institutions in one or two selected african countries.
	Set up technical or industrial consultancy organization to help identify and sharpen project feasibility assessment of entrepreneurs and even banks		
	Establish special loan schemes for SMEs such as those based on "character loans, peer approval and peer pressure as collateral and encourage other forms of loan security such as diploma certificates of entrepreneurs or their insurance policies, approval of associations of entrepreneurs which guarantee loans, for small scale entrepreneurs and the informal sector.		
	Upgrade grassroots financial institutions such as the "tontine", "iqqub", "esusu" as well as strengthen saving and credit cooperative and community banks	ECA to undertake a study on how traditional financial institutions could be modernized to serve as saving and credit cooperatives.	
	Coordinate the efforts of the different informal and formal financial and credit associations		
	African governments should reinforce Development Banks where they exist and rehabilitate them where they are weak by making adequate funding available to these banks for on-lending to SMEs, particularly, to targeted establishments that promote the development objectives of the country		ECA should assist with organizing training seminars for Central Bank officials across Africa in order to sensitize them properly on their roles and relationships with other financial institutions in SMEs development

POLICY MEASURE	NATIONAL ACTION	ACTION AT THE REGIONAL LEVEL	INTERNATIONAL SUPPORT
	Governments should establish appropriate mechanism for setting up of venture capital funds		
	The government in consultation with the private sector should establish joint stock exchange markets for mobilization of capital. It should also explore the establishment of unlisted securities markets which will make capital available to SMEs		ECA should in collaboration with ADB, The World Bank, intensify campaign for the creation of the African capital market.
	Governments should create special windows/financial institutions for women who constitute the majority of the entrepreneurs at the informal sector		
	Encourage banks to develop expertise for providing timely counselling to units which are in temporary difficulties		

INSTITUTIONAL DEVELOPMENT MEASURES :
2.3 SUPPORT IN EXTENSION SERVICES AND R&D OF APPROPRIATE TECHNOLOGY

POLICY MEASURE	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Strengthen smes by improving access to technology and assisting in improving infrastructural facilities and services for SMES	Assist with the development of infrastructure for use by entrepreneurs		
	African governments should establish industrial extension institutions to nurture the growth and development of industries		
	African governments should create conducive science and technology policies for SMEs development. Governments should create and/or strengthen R&D centres for the development of SMEs and enhance their capacity for information dissemination	ECA should undertake base line studies on existing R & D centres and arrange opportunities for exchange of experiences among countries as well as explore possibilities for the use of regional R&D centres where they exist.	
	African governments should encourage and assist entrepreneurs to pool their resources for joint leasing and purchase of equipment		
	Encourage the development of linkages between research centres and SME Associations in order to promote commitment to SMEs		
	Governments should set up testing and standardization standard to ensure the products of the local entrepreneurs meet the quality specification of products so that they can be competitive	ARCEDEM and the African Regional organization for standards should assist governments to develop capacity for quality control	

3. ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES

POLICY MEASURE	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Promote and enhance entrepreneurial skills through effective EDPs	Introduce at school and university levels entrepreneurship oriented curricula that would encourage the youth to develop aspiration for self employment as well as provide them with the necessary skills		ECA in collaboration with AAU, UNESCO should organize a methodology workshop on the introduction of EDP into university and school curriculum
	Organize training of trainers programme in basic concepts of entrepreneurship as well as working for yourself programmes for high school and university teaching staff that would be involved in teaching EDPs		ECA should organize training of trainer's workshop in collaboration with WASME, ILO and EDI of India
	Organize training of trainers programme for entrepreneurs in the informal sector as well as those in the small scale enterprises		
	Introduce a well sequenced and properly coordinated programme for those with the aptitude for entrepreneurial activities to be identified, and exposed to specialized training, and supported with start-up capital and other facilities.		
	Train Bankers to focus more on the viability of proposed projects and management/technical skills rather on collateral		ECA should organize a training of trainers programme for bankers across Africa on their roles and attitudes towards SMEs.
	Institute training programme whose main objective would be to change bankers skills and attitudes towards entrepreneurs		
	As individuals and organizations associated with the process of entrepreneurship development must themselves become entrepreneurial in their approaches and attitudes. Government should organize training programmes for SIDO staff to develop entrepreneurial spirit and strengthen their management capacity so that they can effectively discharge their responsibilities and become effective partners to SMEs.		

A. The Problem

217. There is general consensus on the importance of physical infrastructures which enable and foster efficient operations and sustainable development of national economies, as well as fair and equitable distribution of products, services and other amenities among various peoples and areas of a country or region. Furthermore, in the modern world economy, infrastructure is essential for the efficiency of both domestic and external trade flows, improved productivity in production, processing and marketing, as well as the integration of the national, subregional and regional economic space. If well planned, carefully targeted, efficiently priced and operated, and well maintained, infrastructure systems can play an important role in facilitating economic activities, increasing opportunities for production, increasing equitable distribution of economic opportunities, reducing rural-to-urban migration pressures, as well as minimizing pressures on the environment and reducing poverty. Surveys of prospective foreign investors over a wide range of countries show that the quality of infrastructure is an important factor in ranking potential sites for location of direct foreign investment ^{1/}. Thus efficient infrastructures boost national competitiveness within the world economy.

218. At the regional level, inter-connection of infrastructures is a necessary condition for integration of national markets and industries to facilitate increased intra-African trade. In fact, the realization of the objectives of the **Abuja Treaty** establishing the **African Economic Community** depends, to a large extent, on the development of an integrated and efficiently operated infrastructure system. Since the creation of the Organization of African Unity in 1963, several regional programmes have focused on promoting cooperation in

infrastructure development including, most notably, the **Lagos Plan of Action (1980)**, **African Priority Programme for Economic Recovery (1985)**, **Abuja Treaty**, and the recent **Cairo Agenda for Action for Relaunching Africa's Social and Economic Development into the Twenty-First Century (1995)**. Despite all this attention, the infrastructure capacity still remains ineffective and inadequate to support sustainable economic development of the continent.

219. Physical infrastructures can be classified into two categories: social and economic. Social infrastructures include such physical facilities as schools, hospitals, housing, office space, etc., and these are covered under the relevant priority areas elsewhere in this document. This priority area is limited to building and maintaining the following economic infrastructures: (a) **transport**, which includes roads, railways, ports and harbours, inland waterways, shipping, multi-modal systems, air, rural and urban transport; (b) **communications**, namely posts, broadcasting (radio, television), telecommunications (telephones, telex, fax, satellites) and computer information networks; (c) **energy** in terms of production, distribution and utilization; and (d) **water** supply capacity including dams, irrigation schemes and distribution networks.

220. With regard to the current status of the physical infrastructures, the poor economic performance experienced by many African countries since the early 1980s has greatly reduced the level of gross investment and maintenance expenditures in many countries. The result is that countries have been unable to sufficiently preserve, modernize and expand the capacity of infrastructure, equipment and services. Furthermore, because of the economic crisis, national economic and sectoral policies

have not often responded to the changing environment. Consequently, the physical infrastructure and services in Africa have remained underdeveloped compared to the rest of the world.

221. Paradoxically, there is clear evidence that the rate of capacity utilization of existing infrastructure in Africa is very low even though the existing capacity is insufficient to support sustainable economic development. There is widespread deterioration of installed capacity due to lack of adequate maintenance, to the extent that some installations can no longer operate without extensive rehabilitation and, in some cases, total rebuilding. Lack of maintenance reduces capacity utilization: roads deteriorate and result in high vehicle operating costs; irrigation canals leak and cause water loss; water pumps break down and distribution pipes leak, thus reducing availability of water; installed telephone lines are often out of order, thus reducing capacity utilization; etc. There appears to exist in Africa, a general lack of maintenance culture in all areas of economic infrastructure.

222. Utilization of existing capacity is further reduced by what is often referred to as non-physical barriers such as poor facilitation of traffic movements at border crossings and lengthy customs procedures. The cost of the resultant delays are directly translated into higher costs of goods to the customers. For the landlocked countries in Africa, these costs add on up to between 15 and 25 percent to the costs of goods and services.

223. The occasional uneconomic location of infrastructure facilities, such as roads and airports which are built for political rather than economic imperatives, also reduces the rate of utilization of installed infrastructure capacity.

Whereas Africa's economy is dominated by the agricultural sector in which small farmers abound, there is relatively little investment in rural infrastructure compared to the urban areas. Thus, agricultural production is greatly constrained to the detriment of the overall economy.

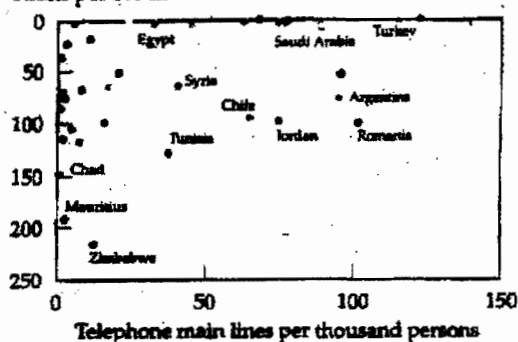
224. The net result is that often a call is made for more investments to increase capacity, whereas the installed capacity is not being adequately utilized. The inference therefore is that development policies must carefully balance programmes for infrastructure, expansion with those for rehabilitation and maintenance of already existing infrastructure so as to increase the utilization of installed capacity on the one hand, and on the other hand, to provide services to the urban as well as rural areas in a more equitable and efficient manner.

225. Fortunately for Africa, the opportunity for the development of physical infrastructure and services in Africa is greatly improved by three factors, namely: technological advances which have reduced costs as well as some of the basic constraints in the provision of infrastructure services; a new global economic order which favours market forces and encourages private sector participation in the provision of infrastructure services; and social changes towards more inclusive popular participation in development activities.

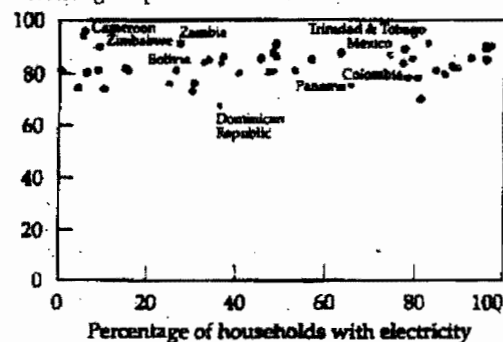
226. It should be noted however that the expansion and utilization of Africa's physical infrastructure capacity must conform to the relevant programmes of **Agenda 21 of the United Nations Conference on Environment and Development (UNCED 1992)** and the **African Common Position on Environment**. Thus, environmental factors must be included in all infrastructure development programmes.

Efficient and effective delivery of infrastructure services does not always accompany increased availability.

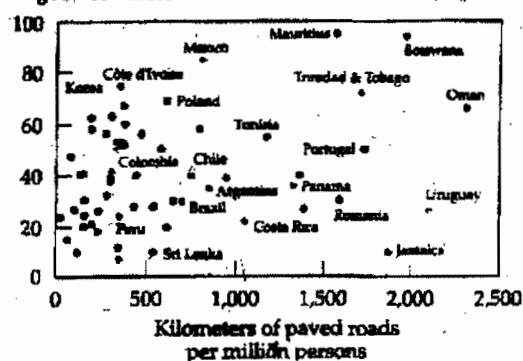
Faults per 100 main lines



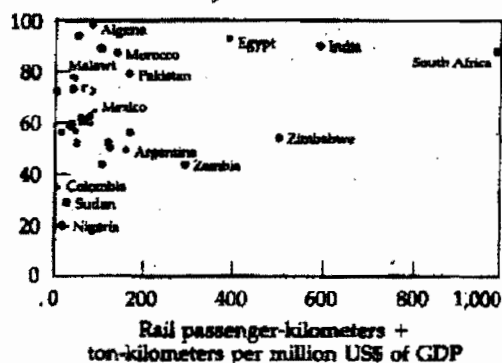
Percentage of power delivered



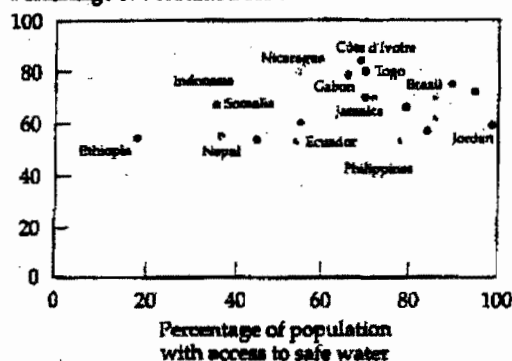
Percentage of paved roads in good condition



Percentage of diesel locomotive availability



Percentage of accounted-for water



- Middle East and North Africa
- Latin America and the Caribbean
- East Asia and Pacific
- Sub-Saharan Africa
- South Asia
- Europe and Central Asia

Source: WDI table 32.

Source: World Development Report, 1994; World Bank

B. Issues

227. While recognizing that capacity building efforts will vary among the countries depending on unique national priorities and endowments, there is general consensus on what constitutes the key issues around which policy measures should be defined and appropriate actions taken for the effective building and utilization of development capacities. Specifically for physical infrastructure capacity, these are the policy and institutional framework, development of human resources, regional cooperation and resource mobilization. These four main objectives constitute the main issues around which policy actions for building and utilizing Africa's physical infrastructure capacity may be defined.

228. In all cases where development has been successful, **human** capacity has been created and nurtured through education, training, employment, and the provision of job and social security. However, appropriate **policy and institutional framework** must be in place in order to foster the creation, maintenance and sustainability of human capacity in all its aspects, as required for the modern society to function. The case for **regional cooperation** has been made ever since the Charter of the Organization of African Unity was adopted in 1963. Article II of the Charter stipulates that member States should coordinate and harmonize their policies on economic co-operation, including water, energy, transport and communications. Finally, it is common knowledge now that most of the development programmes which Africa and its development partners have formulated and implemented over the years have not been fully implemented due to **resource** constraints. The challenge of building and utilizing Africa's physical infrastructure capacity may therefore be tackled by addressing all the above four areas simultaneously.

C. Policy Actions

229. The attainment of the objectives of building physical infrastructural capacities calls for

concerted action by African countries and their partners. Efforts in this regard should be based on existing regional programmes in Africa, such as the second United Nations Transport and Communications Decade in Africa (UNTACDA II), as well as relevant experiences in other developing regions of the world to propose an action programme for Africa. Areas for policy measures are identified and specific proposals are made for action at the national level and the regional level by the African countries and the relevant intergovernmental organizations (IGOs) and at the international level by all development partners: bilateral agencies, United Nations agencies, African and international financial institutions and, in particular, the ECA secretariat. The choices to be made by the governments will be in the context of national political priorities.

230. The Framework Agenda for capacity building developed in this report represents a consensus to assist African Governments and their organizations in developing an actionable agenda for implementation at the national and regional levels. It is only upon the implementation of such programmes in the individual countries that these ideas will be translated into reality. In this regard, it is to be emphasized that the responsibility for the programme as a whole is principally that of member States and their inter-governmental organizations; the international development partners may be called upon to provide the necessary financial and technical assistance to the countries in this effort. This approach is indeed consistent with the declaration of African States in the **Cairo Agenda for Action (1995) for Relaunching Africa's Social and Economic Development into the Twenty-First Century 2/**.

231. Consequently, the programme of action is defined at three levels: national, sub-regional/regional, and global. The first

two levels define what the African countries and their regional organizations need to do, individually and collectively, while the global level identifies the supportive action expected from the external development partners (UN agencies, financial institutions and bilateral government assistance). The following sections are brief summaries of the policy actions required at each level of implementation for each priority area identified in the Framework Agenda. The recommended programme of action is thereafter presented in a matrix.

(a) Policy and Institutional Framework

232. There is need for a reassessment of existing policy and institutional framework in the countries as some of them might not be suited to the prevailing social and economic needs. The role of the State remains vital in infrastructure development in Africa: to provide vision, define objectives, set priorities, and provide guidelines and standards for planning and development as well as monitoring and evaluation. While government policy and public investment play important roles in infrastructure development because of its pervasive impact on economic development and human welfare, the role of government and the state must be regularly reviewed and revised as necessary so as to create conducive environment for participatory development by all sectors of society. Specifically, the state must create a fair, transparent and stable policy environment through the appropriate legal and regulatory frameworks to support private sector involvement in the provision of infrastructure services while retaining the important role of government as facilitator. Such reforms would require, among other things, that regulatory functions, which are often the responsibility of the government, should be separated from operations.

233. In order to ensure efficient, responsive delivery of infrastructure services, institutional reforms are required to achieve the following objectives: 3/

(a) Infrastructure should be managed like a business, not a bureaucracy. Private sector involvement, for example in management under contract plans increasingly being adopted by the railways sector in Africa, is one alternative which is yielding good results in some countries. Similarly, port operations may be contracted to private operators while the assets remain in the public domain.

(b) Competition should be introduced through liberalization of specific sectors and reduction of monopoly conditions. The telecommunications sector is proving quite successful at this, partly because technological advances such as satellite communications and cellular technology, have virtually forced competition upon African countries.

(c) Mechanisms should be established for consumer/user involvement in such infrastructure development activities as water supply or irrigation. The devolution of road development to regional communities in Morocco illustrates the effectiveness of this approach to capacity building.

234. The challenge is to identify those areas which should remain under the public domain and those which can be better undertaken by the private sector. The policy options for reform would include: (i) public ownership and public operation (parastatals such as national airline carriers must be run on an autonomous and commercial basis); (ii) public ownership and private operation (such as contract plans and lease arrangements in railways, port operations and water supply); (iii) private ownership and private operations (especially suitable in high technology and competitive operations such as telecommunications and power generation); and (iv) community and user provision of common services (suitable for small-scale infrastructure services such as feeder roads, community water supply and sanitation, and

distribution canals for irrigation as successfully developed in Morocco 4/).

235. Regarding rural development in particular, policies must be put in place to encourage the participation of the population at all levels of the development process so as to establish ownership of development activities. The capacity of the community, especially women, must be strengthened to allow for their effective participation in all aspects of development activities: conception, design, construction, operations and maintenance of community infrastructure (water, roads). This is an important pre-requisite for development. Furthermore, the development of rural infrastructures should be of the highest priority, given its impact on social and economic development as well as on rural-to-urban migration.

(b) Human Resources Development

236. Infrastructure development requires highly skilled personnel such as engineers and technicians, areas in which African education and training have not provided sufficient resources. In addition to specialized training programmes, the necessary environment for proper and efficient management should also be established. Furthermore, a more appropriate programme of technical assistance should be designed and implemented in order to reduce the level of dependency on expatriates. Africa must develop capacity to design its own requirements for and plan infrastructure development based on appropriate technology, taking into account the actual needs of the community as well as the available natural resources (e.g. solar energy, construction material, labour, etc.).

237. Thus, policy measures must be taken in the area of **human resources development** and should include emphasis on training at all levels so as to raise the technical capability of staff as well as the better utilization of existing human resources (motivation of staff, better management, regular

assessment, etc). The use of national institutions of higher learning and regional institutions must be encouraged, to be supplemented by any technical assistance which might be available from Africa's external development partners.

238. The success of a few African countries such as Morocco in developing their infrastructure has been based in large part on the importance attached to human resources training programmes geared to the needs of the specific infrastructure sector and are run by the respective ministries and institutions. They have been able to supply all the required human resources for the sectors with little recourse to expatriates.

239. The ECA Human Resource and Institutional Development (HRID) programme in transport and communications 5/ provides an example of the type of framework which could be developed for implementing these actions and similar initiatives should be developed for the other priority areas. The training must be aimed at developing skills which meet the requirements of the sectors such as: managing the public sector (in terms of regulation, policies, negotiation, etc); entrepreneurship and private sector activities; as well as systematic development and better management of human resources of the country. The development of requisite skills, for example in maintenance, may be achieved through specific sector programmes as illustrated in the case of maintenance in Office Nationale des Chemins de Fer (ONCF), the national railways of Morocco.

(c) Regional Cooperation

240. Regional cooperation would, on one hand, provide economies of scale which are essential for the development of critical capacities such as training for advanced level

skills, and the joint local manufacture of inputs and equipment. On the other hand, economic integration requires the development and interconnectivity of physical infrastructure at the sub-regional and regional levels both for expanded markets and for the range and efficiency of services. Regional cooperation would substantially improve the development and effective utilization of capacity by promoting and facilitating standardization and harmonization of policies, rules, regulations and procedures as well as the sharing of successful experiences in various areas.

241. Regional cooperation is essential in the area of facilitation of flow of traffic, information, power and water. Efficient and extensive utilization of all physical infrastructures and facilities all over the world and particularly at the international level or when more than one country are involved depends largely on the existence of sufficient facilitation of operations, procedures as well as legal and administrative services. Facilitation at the regional level therefore requires agreements for harmonization and standardization of rules and regulations, procedures and facilities to the maximum extent possible. Accordingly, cooperation agreements need to give special consideration to standardizing requirements for insurance, transit rules and uniform documentation. This would require commitment by member States to ratifying and implementing the various instruments and protocols for inter-state facilitation within the framework of the Abuja Treaty.

242. Notwithstanding the many problems faced by African countries, there are indeed a few good experiences in technical cooperation such as sub-regional and regional training facilities and twinning arrangements, research and development institutes, and some multinational or sub-regional enterprises (such as the **Regional African Satellite Communication Organization (RASCOM)** which have been quite successful and whose experiences should and ought to be carefully examined and shared with the other infrastructure sub-sectors in Africa. The sharing of these experiences should therefore be promoted and encouraged through the

exchange of information as well as the increased use of African experts and consultants from those institutions, organizations and businesses who have demonstrated competence and acquired a good reputation in their respective fields.

243. In the energy and water sector, regional cooperation is essential for effective exploitation of trans-boundary river and lake basins and aquifers. In this respect, the economic, technical, political and legal contexts of agreements should be carefully and thoroughly studied since the commitment of signatory countries is required for successful operation of these common institutions.

244. The regional economic communities, which are the foundations for the African Economic Community provide the necessary framework for cooperation in infrastructure development and use. They should thus be regarded as the key players in this effort, of course to be supported by the other institutions involved in African development. In this regard, African countries should put in place consistent policies and programmes of integration.

(d) Mobilization of Resources

245. The critical aspect which underlies the whole effort of capacity building is that of resources. The resources required to bring Africa's infrastructure capacities to levels which are needed to support sustainable economic development are enormous. For example, in the programme of the second United Nations Transport and Communications Decade for Africa (UNTACDA II), it was estimated that an amount of US\$281 billion would be required over the ten year period 1991-2000 in order to develop the transport and communications sectors to the minimum level required to support Africa's development at a sustainable

level; this is equivalent to 5% of the African GDP over the same period. 6/. Similarly, the capital investment required to achieve the goals of clean water and adequate sanitation for all by the year 2000 in Africa amounts to US\$5 billion per year; and in the energy sector, the corresponding figure for investment required in support of sustainable economic development in Africa is US\$2.8 billion per year 7/.

246. It is evident that governments alone, which have in the past assumed the burden of the development of all economic sectors, will not be in any position to provide the necessary resources for this purpose, especially in light of the rapid increase in demand for services on the one hand, and the changed development assistance environment. Therefore, both public and private sectors must be involved in order to generate the necessary resources. There are many lessons to learn in this regard from other developing regions and countries, notably South-east Asia and China.

247. Until recently, user-charges for infrastructure services in most African countries, have often been lower than the amortized capital costs and could not even meet maintenance expenses. Such services have therefore been subsidized from general public revenues. A striking example is water supply which, where available, is distributed almost free. Mechanisms have to be put in place to enable appropriate sectors to be self-supporting, that is, by generating resources to be ploughed back into maintenance, modernization and expansion. Inadequate tariffs result in poor allocation of services and insufficient return on investment, thus reducing internally generated funds which could be ploughed back into investments.

248. An example of a successful policy in this regard is Morocco 8/. The reform of infrastructure sectors undertaken in Morocco since the early 1990s was aimed in part at reducing State support to and improving the financial performance of public enterprises. Accordingly, the public

enterprises were allowed to raise tariffs, in an organized manner, so as to gradually shift the financial burden away from the public coffer to the users of these services. For instance, the Road Fund was established to increase expenditures on roads maintenance and rehabilitation; the national railways corporation (ONCF) was authorized to increase tariffs for railways passengers as well as for freight and phosphates; charges are authorized by law to be levied on usage of water, except in rural areas, etc.

249. African countries are encouraged to begin exploring the possibilities of closer cooperation between the State and private sector agents - domestic and foreign direct investors - in infrastructure development. The appropriate investment climate must be established regarding what rate of return and guarantees would entice the prospective private sector partners, how the two sets of partners should share the investment risks that are involved, and how revenues could be tapped from the projects to meet the rate of return expected by the private partners.

250. Increased external resources should also be sought from Africa's bilateral and multilateral traditional development partners but, in light of the increased role currently being played by private sector agents (including transnational corporations) as direct foreign investors, African countries should also contemplate strategies to mobilize foreign direct investment (FDI) resources.

251. In this regard, it is worth noting that the FDI flows have shifted from manufacturing to infrastructure sector which accounted for 75 per cent of privatization transactions in the past ten years. For example in 1993 the International Finance Corporation (IFC) increased its investment approvals for its own account in infrastructure projects to US\$379 million, up

65 per cent from 1992 9/. The establishment by IFC in 1993 of the Mauritius Fund and the Africa Fund are examples of IFC involvement in Africa. Africa could take the opportunity to develop closer relations with IFC for promoting private sector investments in large infrastructure projects.

252. With regard to official development assistance (ODA), there is need for further dialogue between member States and the ODA countries in order to thoroughly re-evaluate the role and content of technical assistance and to set concrete targets for gauging its success in capacity building through the transfer of skills in order to

adapt technology to African conditions and render it appropriate. In the same context, it is imperative that technical assistance increasingly utilizes locally available skills and expertise in all its operations involving technology transfer and adaptation. Lastly, priority should be given to capacity building within agreed national, sub-regional and regional frameworks. In all this, technical assistance geared towards sustained capacity building should be determined and managed by African Governments and their development partners. ■

1/ *World Development Report 1994: Infrastructure for Development*; World Bank, 1994.

2/ *Relaunching Africa's Economic and Social Development: The Cairo Agenda for Action*; Seventeenth Extra-Ordinary Session of the OAU Council of Ministers, 25-28 March, 1995, Cairo, Egypt.

3/ *World Development Report 1994: Infrastructure for Development*; World Bank, 1994.

4/ ECA, "Building and Utilizing Infrastructure Capacities: The Case of The Kingdom of Morocco"; ECA document TRANSCOM/1031, January 1996.

5/ UNTACDA II: Human Resources and Institutions Development in Transport and Communications; ECA document DOC/HRID/PHASE II/PROG./92, 1992.

6/ *Impact Study of the Macro-Economic and Financial Environment in the Development of Transport and Communications in Africa*; ECA, October 1992.

7/ *Building and Utilizing Physical Infrastructural Capacities in Africa*; ECA document E/ECA/CM.20/12, March 1994.

8/ *Building and Utilizing Physical Infrastructure Capacities: The Case of The Kingdom of Morocco*; ECA document TRANSCOM/1031, January 1996.

9/ *International Finance Corporation: Annual Report 1993*

PHYSICAL INFRASTRUCTURE
ISSUE: HUMAN RESOURCE DEVELOPMENT

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
<p>1. Stepped-up training and enhanced effectiveness of training</p>	<ul style="list-style-type: none"> ● Establish human resource development and training policies and institutions for each level of infrastructure operation. ● Determine training needs and available capacities at national level for each infrastructure sector. ● Involve national experts at universities and training institutes (at home and abroad) in research and policy development. ● Include training component in all sectoral projects 	<ul style="list-style-type: none"> ● Include infrastructure research and policy development in programme of subregional training institutions (such as ESAMI, AFRALTI, AGRYMET - Centre Régional de Formation et d'Application en Agrométéorologie Hydrologie Opérationnelle or ESIE in electricity). ● Establish networking and exchanges, among training institutions (e.g. airline training schools in Ethiopia, Egypt, Nigeria, railways school in Morocco, etc.) 	<ul style="list-style-type: none"> ● Undertake regular analysis of emerging issues in infrastructure development and disseminate findings to member States to incorporate in their training programmes. <p>Prepare and disseminate directories of training centres and programmes available for African countries.</p>
<p>2. Better utilization of indigenous human resources</p>	<ul style="list-style-type: none"> ● Implement human resource policies that promote utilization of indigenous experts (eg. domestic contractors and consultants). ● Establish transparent career development and incentive programmes in public infrastructure operations ● Promote private sector participation in development activities ● Ensure participation of the community especially women, in infrastructure development. 	<ul style="list-style-type: none"> ● Develop subregional standards for licensing experts/technicians (such as pilots, hydrologists, operators, etc) to promote cross-border employment. ● Develop exchange programmes for experts in the region. 	<ul style="list-style-type: none"> ● Develop human resource management programmes and assist countries to implement them. ● Compile and disseminate directories of African experts at home and abroad for each sector. ● Initiate programmes for engaging African experts abroad in projects in Africa. ● Disseminate country experiences among African countries

PHYSICAL INFRASTRUCTURE
ISSUE : POLICY AND INSTITUTIONAL FRAMEWORK

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
1. Policy Reforms	<ul style="list-style-type: none"> ● Establish clear and consistent policy and regulatory framework for development of the sector (e.g. contract plans, and private sector participation, etc.). ● Emphasize coordination of reforms in the overall national economy. ● Prepare sectoral reform programmes ● Implement on-going sectoral programmes which were developed at the regional level. ● Put emphasis on better maintenance practices while maintaining balanced development programmes ● Integrate infrastructure component into rural development programmes 	<ul style="list-style-type: none"> ● Conduct seminars and workshops to disseminate findings from on-going policy initiatives in member countries. ● Adopt regional policies and guidelines 	<ul style="list-style-type: none"> ● Assist countries develop the necessary policy and regulatory framework (through loans and technical assistance). ● Assist member countries implement policy and institutional reforms by providing technical assistance ● Conduct seminars and workshops to disseminate findings from and assist countries implement on-going sectoral programmes (such as Road Maintenance Initiative, Human Resource and Institutional Development Programme, Transport Data Base, etc).
2. Systematic Restructuring of Institutions and Enterprises	<ul style="list-style-type: none"> ● Identify economic sectors which require restructuring (inter-ministerial committees may be set up for this purpose). ● Separation of regulatory function from operations functions. ● Encourage competition among many suppliers. ● Encourage private sector participation. ● Decentralize and involve users in conception, design, construction, operation and maintenance of infrastructure development (e.g. rural roads, water and electricity) 	<ul style="list-style-type: none"> ● Coordinate restructuring programmes among member countries in a specific sub-region and on regional level. 	<ul style="list-style-type: none"> ● Organize study tours in Africa and abroad for African policy makers. ● Disseminate experiences of other developing countries to African policy makers

PHYSICAL INFRASTRUCTURE
ISSUE : MOBILIZATION OF RESOURCES

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Introduce/increase cost sharing for use of infrastructure facilities	<ul style="list-style-type: none"> ● Select type of user charges for increased revenue generation (e.g. fuel tax, licence fees, tolls, water tariff and charges, installation charges). ● Determine appropriate rates, devise collection mechanisms and establish procedures for allocation of increased revenues 	<ul style="list-style-type: none"> ● Harmonize inter-State charges (e.g. transit charges) ● Organize TCDC among various subregions and countries to share experiences 	<ul style="list-style-type: none"> ● Undertake studies for countries in establishing financing mechanisms ● Organize workshops to share successful experiences and assist countries establish financing mechanisms which are proven.
Increased efficiency of fund use	<ul style="list-style-type: none"> ● Establish more rational, priority-based physical planning procedures ● Establish more effective appropriations and financial control procedures 	<ul style="list-style-type: none"> ● Disseminate case studies among member countries ● Share national facilities among member states (e.g. training centres, manufacturing facilities, etc.) 	<ul style="list-style-type: none"> ● Disseminate case studies of successful methods to countries ● Assist countries establish financial management systems.

ISSUE : MOBILIZATION OF RESOURCES (Cont'd)

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Earmarking revenues for Infrastructure Sectors	<ul style="list-style-type: none"> ● Determine level of funding to be regularly earmarked for each infrastructure sector. ● Develop dedicated funds programmes (e.g. Road Fund, Telecommunications Fund, etc.) ● Establish the necessary mechanisms to manage these funds (e.g Universal Service Agency, etc.) 	<ul style="list-style-type: none"> ● Disseminate experiences to participating countries 	<ul style="list-style-type: none"> ● Develop rational mechanisms for earmarking revenues for infrastructure development ● Assist participating countries establish appropriate mechanisms (e.g. using TA funds from development agencies.)
Promotion of Private Sector participation in infrastructure development and services	<ul style="list-style-type: none"> ● Develop clear incentives for private sector ● Adopt clear regulations for programme of private sector investment in infrastructure ● Establish competent national teams for valuation of public assets before sell-off. ● Establish financial intermediation mechanisms for private sector investment. 	<ul style="list-style-type: none"> ● Implement subregional trade agreements to create viable markets for FDI (e.g. SADC, COMESA, etc). ● Develop agreements for cross-border investments and operations 	<ul style="list-style-type: none"> ● Prepare analytic models for valuation of public enterprises for privatization and undertake private sector assessments in pilot countries ● Organize study tours for African policy makers to successful developing countries

PHYSICAL INFRASTRUCTURE
ISSUE : MOBILIZATION OF RESOURCES (Cont'd)

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
More use of loans from multilateral development banks	<ul style="list-style-type: none"> ● Include infrastructure development in the National Priority Investment Programme (NPIP). ● Establish priority of infrastructure projects ● Prepare projects and submit to appropriate development banks and follow-up on their approval at all levels. ● Strengthen national project implementation mechanisms in order to facilitate disbursement of funds from the banks 	<ul style="list-style-type: none"> ● Identify priority programmes in the region. ● Establish mechanisms for efficient implementation of subregional projects. 	<ul style="list-style-type: none"> ● Assist countries prepare projects that meet bank requirements ● Review NPIP with countries to ensure inclusion of key infrastructure projects ● Establish quick disbursement programmes in order to reduce backlog of undisbursed funds
Better use of financial and technical assistance	<ul style="list-style-type: none"> ● Revise current and future TA needs in line with policy reforms for sustainable development ● Negotiate transfer of know-how with donors including twinning arrangements. ● Use national consultants and contractors to implement TA projects ● Use experts from other African countries whenever possible 	<ul style="list-style-type: none"> ● Assist countries formulate framework for negotiations with donors. ● Develop regional centres of excellence for training 	<ul style="list-style-type: none"> ● Revise TA agreements to enhance Africa's capacity (Financing institutions and Bilaterals) ● Include training components in TA to ensure transfer of know-how to Africa ● Use African experts to implement TA projects ● Develop directory of African experts in Africa and abroad.

**PHYSICAL INFRASTRUCTURE
ISSUE : REGIONAL COOPERATION**

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
Facilitation of inter-state traffic	<ul style="list-style-type: none"> ● Adopt and implement simplified procedures for transit traffic ● Set up national facilitation committees to identify problems, formulate national facilitation policies and oversee their implementation ● Adopt, sign, ratify and implement relevant existing international/ African instruments for facilitation of traffic (e.g. protocols of the Abuja Treaty and regional agreements.) 	<ul style="list-style-type: none"> ● Monitor progress in implementation of simplified procedures for transit traffic in all countries ● Set up intercountry facilitation committees to diagnose problems and develop subregional facilitation programmes to solve those problems ● Organise workshops on the use of existing international/African instruments for facilitation 	<ul style="list-style-type: none"> ● Design simplified procedures for facilitation and organise workshops among participating countries ● Set up regional forum for discussion of facilitation issues. ● Prepare training programmes on the use of existing international/African instruments for facilitation ● Prepare standards for adoption by African countries
Technical Cooperation	<ul style="list-style-type: none"> ● Identify problems and formulate policies on technical cooperation ● Identify key areas with potential benefits beyond the country's borders (e.g power generation, manufacture of equipment and spare parts) ● Develop national information systems and developmental research programmes ● Use of South-South Co-operation for development 	<ul style="list-style-type: none"> ● Diagnose national problems and formulate subregional policies on technical cooperation. ● Mobilise and coordinate joint use of existing resources in the subregions (e.g. training centres, manufacturing capacity, technology, etc.). ● Coordinate the national information systems and research findings ● Promote South-South co-operation 	<ul style="list-style-type: none"> ● Promote and encourage technical cooperation ● Undertake regional studies and identify key training needs, industries, skills, potential for joint ventures for the development of infrastructure ● Facilitate the exchange of information through institutions such as UNECA/PADIS, EDIFACT, etc.
Implementation of Regional projects and Programmes	<ul style="list-style-type: none"> ● Implement national components of projects and protocols of the Abuja Treaty ● Maintain and implement consistent policies and programmes of integration. 	<ul style="list-style-type: none"> ● Assist member countries implement national components of regional projects/protocols ● Co-ordinate investments in infrastructure development (e.g. RASCOM) 	<ul style="list-style-type: none"> ● Assist countries implement national components of regional projects/protocols through studies for co-ordination, financing etc. (e.g. RASCOM).

A. The Problem

253. It is a primary responsibility of all governments to create the enabling environment to ensure access to adequate levels of food and nutrition for all of their citizens at all times. But today, over 300 million people in Africa face food insecurity. Per capita food and agricultural production has been declining steadily since the early 1980s. As a result, over three-fourths of African countries produce less food today than they did in the 1980s. If present trends continue the number of Africans who do not have access to enough food to meet their food and nutritional needs for a productive and healthy life is likely to become greater in the years ahead.

254. Africa's food insecurity problem is, however, not just about food alone but also about the general problems of inadequate agricultural growth, unequal distribution of incomes and purchasing power, environmental degradation, and poverty. African countries generally consume mostly what is produced locally and all but a few depend heavily on agricultural exports for their capacity to import goods. Agricultural growth and the pattern of this growth will, therefore, determine the extent to which Africa will be able to solve its food insecurity problem in the future.

255. Many initiatives have been taken to increase agricultural growth in Africa. No doubt these initiatives have led to pockets of good performance in certain commodities, markets, and countries. The reality, however, is that growth in per capita agricultural productivity in Africa has been disappointing in the last 15 years despite these initiatives. The persistence of Africa's food insecurity and poverty problems calls for more profound insights into what has gone wrong and how the

situation can be remedied.

256. The challenge facing Africa is immense. The food and agricultural sector must grow enough food and raw materials for the continent's rising population and new industries; produce exports that will earn the foreign exchange needed to purchase essential machinery and equipment and service foreign debts; and, as productivity increases, release labour and capital for the other sectors. It has been estimated that, to meet this challenge, African agriculture must grow at a minimum average annual growth rate of 4 percent during the next 20 to 25 years.

B. The Strategic Issues

257. Can African agriculture meet the challenge it faces given its past record and performance? Experience indicates that the challenge can be met provided the critical capacities are built or better utilized. The building and utilization of these capacities call for action in seven priority areas: empowering farmers and rural people; removing contradictions and inconsistencies in national and regional policies; strengthening the linkages between the agricultural and non-agricultural sectors; accelerating investments in agricultural research and technology development aimed at yield enhancement and stabilization; improving rural infrastructures; strengthening rural institutions; and developing rural human capital. The strategic issues that will guide the building and utilization of these capacities are outlined below.

(a) The Influence of the Rural Population

258. There is good evidence to suggest that countries with relatively good records of agricultural performance have been those in

which agricultural producers have political influence and exert it in support of their interest. The essential political weakness of Africa's rural people and small-scale farmers has often placed them at a disadvantage and many African Governments have traditionally taken advantage of this weakness by intervening in national and border markets to extract the required agricultural surplus to finance political activities, increase the size of the civil service and the military and build various extravagant state enterprises such as hotels, national airlines and parastatals. In most cases, women and children are the most exploited by the political weakness of the rural population. There is also evidence to suggest that, larger farmers, though much fewer in number, constitute a powerful lobby in many African countries. Where they exist, they are well organized and often operate as politically influential interest groups. Consequently, although poor agricultural performance in many African countries is often directly attributable to inadequate investment in appropriate technology, price policies which discourage agricultural expansion, and lack of infrastructures, the engine that drives the solutions to these inadequacies is political power and access to resources.

(b) Contradictions and Inconsistencies in National Policies

259. Policy instruments are used by governments to achieve many objectives such as overall economic growth, poverty reduction, food security, and distribution of consumption and production resources. Given the limited resources available to many African countries, policy instruments aimed at achieving one objective, often draw resources away from others. In some cases, the achievement of one objective may be at the expense of others. As a result, competition and inconsistencies of agricultural policies are a major problem. These usually result in policy "flip-flops" often imposed by external actors and inconsistencies between sectoral growth objectives and the

debilitating effects of macro-economic, fiscal, and trade policies that discriminate against the agricultural sector. The existence of these inconsistencies points to a critical precondition for rationalizing and reconciling the major objectives of government: the need for a locally-based process of analytical input into policy making capable of discerning inconsistencies and finding practical solutions.

260. Furthermore, many African countries lack the capacity to carry out the needed surveillance and monitoring of their food security situation. This will require national capabilities in the maintenance of food security early warning systems.

261. In many African countries there are not enough of the highly trained managers, technical experts and economists needed to understand, plan, implement, monitor and modify food and agricultural policies on a continuing basis. Even where a few such individuals exist, they are often inappropriately utilized. Furthermore, the work ethic, high professionalism and selfless interest that is required to achieve rapid increases in agricultural production are virtually non-existent among many of the civil servants in the sector or among the leaders and workers in the private sector. In short, to attain acceptable levels of agricultural performance, African countries need to create and maintain appropriate levels of policy analysis and management capacities.

(c) Inadequate Linkages Between Agricultural and Non-Agricultural Sectors

262. Given the important role that the agricultural sector plays in almost all the economies of Africa (often over 60 percent of the national economy), its growth and the nature of its linkages with the other sectors of the economy is critical not only for its own performance but also for the performance of the other sectors. For example, if agriculture is 60 percent of the economy and is growing at four

percent, the rest of the economy will need to grow at six percent if overall growth is to be four percent. So, if agriculture grows more than the population and the surplus is not absorbed by other productive activities, farm prices will be depressed and the initial growth will not be sustainable.

263. Colonial policy had no concrete plans for developing viable rural industries in most countries of Africa. Yet rural industrialization is an essential foundation of national industrialization strategies in Africa. In many African countries the major industries are limited to "import substitution industries" such as mills and ginneries, factories producing beverages and food stuffs, and breweries. The problem is that the majority of these industries still produce mainly consumer goods and, to make matters worse, they have not only failed to solve the unemployment problems in the urban areas where they are often located, they have also contributed towards weakening the agricultural sector as a result of lack of serious investments in the latter. Furthermore, because most of the capital in these industries is often "merchant" in nature and with a large foreign component, the importation of raw materials from abroad has featured prominently in their operations.

264. A viable agricultural sector should be a customer and a supplier of industry at the same time. First, agriculture requires industrial inputs such as fertilizers, pesticides, implements, tools and machinery including spare parts, irrigation equipment and equipment for storage, packaging, and transportation. Second, agriculture needs to supply most of the inputs and raw materials needed by agro-based industries. Third, there is a vast rural demand for industrial consumer goods such as clothing, footwear, sugar, edible oils, etc. So, to be sustainable, agricultural growth in Africa must generate demand for industrial goods and vice versa. Agriculture should also influence the output of industry and the three inter-linkages

outlined above must be strengthened.

(d) Inadequate Agricultural Technologies

265. There is ample evidence to suggest that Africa's small-scale farmers when provided with well-adapted technologies and appropriate institutional support will adopt sustainable technologies and the complementary inputs that go with these technologies. Agricultural research, therefore, holds much of the key to increased agricultural production in the various agro-ecological zones of Africa. Agricultural research in Africa, however, suffers from a number of problems. First, many of the new technologies coming out of the research system are not being widely adopted by farmers for a variety of reasons. Second, inadequacy of funding for agricultural research has resulted in sloppy research efforts, haphazard research activities, incomplete research projects and general uncertainty for research staff. Third, in many countries, agricultural research suffers from a serious shortage of qualified agricultural scientists and technicians. Fourth, much of the research carried out in national research centres has concentrated mainly on the physical and biological aspects of farm problems at the expense of the link between research results and the use of the results on farmers' fields. As a result, many African farmers are still using low-yielding agricultural technologies which contribute not only to low production but also to reduced labour productivity while supposedly improved technologies gather dust on the shelves at national and international research centres.

(e) Defects in Agricultural Institutions

266. Increases in agricultural production and incomes can only be achieved and maintained if the majority of farmers are supported on a broad front by a set of institutions, both public and private, which provide economic and other services, that directly or indirectly influence the success of national food production goals and

strategies. These institutions are usually responsible for taking and enforcing strategic decisions that influence the allocation of resources, regulate and stabilize socio-economic processes, adjudicate between competing interests, and convert public resources into common benefits. They usually consist of collective actions which control, limit or liberate what farmers can or cannot do. Institutions provide services in a number of areas including: marketing, credit, input delivery and extension. To be effective these institutions must respond quickly and adequately to the needs of the majority of farmers. Market channels must operate in such a way that they do not restrict the exchange of the improved production resulting from rapid increases in agricultural production. Credit institutions must be responsive to the increased cash flow needs of farmers who are adopting improved technologies. Ready access to improved inputs is a crucial requirement for the adoption and maintenance of high productivity. Effective cooperative arrangements are needed to ensure that the benefits accruable from increased farm production are enjoyed by a large number of farmers.

267. These institutions are not only essential for ensuring increased agricultural productivity, they are also important in the overall process of agricultural and economic development. Properly functioning agricultural institutions can serve as an effective means of integrating the vast rural communities that exist in many African countries into the modern sector and spread development to both traditional areas and urban centres alike. Institutions that provide credit facilities, extension, agricultural inputs, agricultural research, and other services determine the conditions and nature of access of farmers to national resources. Inadequate provision of these services represent major constraints to rapid agricultural production and increased food security.

(f) The Role of Rural Infrastructures

268. Physical infrastructures or social overhead capital, as they are sometimes called, provide services which are critical for the attainment of national and regional food security and agricultural production goals. The role of infrastructures in attaining these goals is, however, complex and often indirect. The contributions of physical infrastructures in reducing the costs of marketing food and agricultural products in Africa are obvious and well known. Inadequate infrastructural facilities are the principal source of market fragmentation and distortion of price signals, two important causes of food insecurity. Labour is one of the critical factors in food and agricultural production in Africa and a major contributor to increases in rural income. Imperfections in rural labour markets can often be traced to inadequate infrastructural capacities.

269. Rural infrastructures are basic to increased agricultural production and the quality of life in the rural areas. In most cases, investments in large production infrastructures are made by public agencies although there are a few instances of private agencies providing infrastructural services under government control. In all cases, they are usually provided free of charge or at publicly regulated prices. The infrastructural needs of the rural areas of Africa have sometimes been ranked in order of importance by the poor. Typically, water for household consumption would be ranked as the most important, then roads, then schools, health facilities, water for agricultural production, marketing infrastructures and transport, sanitation, non-biomass energy, and finally telecommunications.

270. The provision of rural infrastructures in most African countries has been inadequate. The poor, who need infrastructural services the most, use them the least and often pay higher prices than their urban counterparts. Much of this inadequacy can be attributed to a lack of

response to user needs. Consumers influence investment and production decisions by making their preferences known through a variety of means including the price mechanism. When these mechanisms do not adequately reflect preference, providers lack valuable information about consumer requirements.

(g) The Importance of Human Resources

271. Many African agricultural training, health and other social institutions have all but broken down. The sharp deterioration in the fiscal situation of many African countries brought about by poor economic performance and aggravated by the introduction of Structural Adjustment Programmes is resulting in sharp deterioration in existing social services in the rural areas. The consequences are inevitable: stagnating or falling primary school enrolment rates and high mortality rates. This situation is particularly worrying since there are already serious inequalities in access to public health and education between the urban and rural dwellers and between men and women in the rural areas in many countries. Under these conditions, even small reduction in aggregate social expenditures will have a disproportionate effect on the health and education of the poorer members of society, particularly women. To this class of people, free social services is meaningless as it is often equivalent to inadequate or no provision at all.

272. Africa's rural population is the key to the success of any effort to attain sustainable increases in food and agricultural production in the region. Healthy and educated farming households are the principal means for ensuring sustainable agricultural development. Investing in Africa's farmers and rural people is, therefore, fundamental to long-term sustainable growth not only of the region's agriculture but also of the overall economies. Poor health leads to low productivity while improvements in basic literacy increases agricultural productivity and facilitates rapid adoption of technological

innovations. Government investments in these areas provide vital social services in support of the agricultural development process. The experience of countries such as Malaysia, South Korea, Singapore, Thailand, and Indonesia clearly point to a fundamental link between sustained investment in basic human capital and successful agricultural and economic performance. For example, all of these countries placed great investment emphasis in publicly-funded, high-quality universal primary schooling, combined with expanded secondary and tertiary facilities with merit-based admissions and a self-financed private system.

273. Human resources development in the agricultural sector is, thus, fundamental to longer-term sustainable growth in food and agricultural production. This will become even more important in the future with the globalization of production and the increasing importance of human capital. Investments in rural health and education are, therefore, critical not only for sustainable increases in food and agricultural production but also for long-run sustainable reduction in food insecurity and poverty.

C. Policies and Programmes

274. Now is the time to put in place the policies and programmes that will ensure success in building the critical capacities outlined above. However, it is unlikely that all African countries will be in a position to build all the capacities that are needed to increase agricultural growth, do away with food insecurity, and reduce poverty. Consequently, efforts should be concentrated in those areas that are likely to yield maximum results. The policies and programmes that should be initiated to address the seven principal priority areas of capacity building are outlined below.

(a) Empowering African Farmers

275. The economic advantages of a movement

towards more farmer-empowerment are not without evidence in Africa. Africa's farmers must be assisted to organize themselves into commodity groups, cooperatives, unions and social groups not only to permit them to better articulate their development needs but also to bring pressure to bear on policy-makers and government administrators to revise their development priorities towards greater support for the building of capacities in the areas outlined above.

276. The most basic expectation is that African governments will open up their political systems to effective popular participation and will embrace these farmer groups which demonstrate legitimacy through the size of their membership. Pressures brought to bear on the government by farmer groups should, all things being equal, bring about more effective and pragmatic policy formulation. Democratically elected African governments will stand to gain and maintain their political legitimacy if they are willing to take account of the needs and concerns of their rural dwellers and farmers who constitute the majority of their populations, when deciding their actions.

277. The extent to which empowered small-farmers can influence the policy agenda of African governments will depend on the evolving political culture in different countries. However, when the interests of groups such as farmers are in conflict with those of other powerful interests, the already strained administrations of African countries are unlikely to find the ensuing conflict management easy, especially when the articulation of positions favourable to the majority of farmers is formally and publicly encouraged. Under these conditions national efforts to encourage rural participation and empowerment should be accompanied by commensurate positive efforts to assist farmer groups with funds and training to build professional capabilities aimed at strengthening their organisations to help ensure that regulatory policies and public services support the activities

of their members.

278. Furthermore, there is need for farmer groups to be in a position to advocate well-formulated positions on policy issues which represent a consensus among their members and to be able to bring pressure to bear on the government to take these positions into account. Consequently, measures to empower small-scale farmers in Africa should be accompanied by concerted efforts to promote dialogue between them and policy makers on issues relating to the formulation, implementation and impact of public policy on farmers. The goal should be to make policy questions of interest to small-scale farmers important issues in both intra-and inter-party politics as well as in parliamentary and public debate in the on-going democratization process in the continent.

279. Finally, the empowerment of women must be seen as a critical aspect of the empowerment of farmers. In this regard, their role and contribution to improved agricultural performance and increased food security must first be recognized. Adequately empowered, women farmers can achieve agricultural performance equal to, or even significantly higher than those of men. Empowering women will, therefore, enhance productivity by making explicit their role in the agricultural development process.

(b) Building Indigenous Policy Analysis and Management Capabilities

280. There is need to develop a cadre of trusted and respected agricultural administrators at all levels to guarantee the much needed capacity for the analysis, formulation and management of sound policies in the agricultural sector. The movement towards bottom-up political development should address the felt needs of farmers and the concerns of the rural population. This will increase internal pressures for more consistent policies. African countries must build locally-based capacities to anticipate

and manage these types of policies as well as the effects of internal and external changes on them. In this regard, it is not enough to create a set of policy analysis and management cadres. Their skills have to be retained through innovative schemes involving training, loans, and other incentives.

281. Furthermore, as many African countries start implementing liberalization and structural adjustment reform measures, the existing policy analysts would need to acquire new skills in the analyses and management of policies in a free-market system. With the new liberalized market system, there would be greater pressure to change the old policies which did not work well in the command economy situation. There would also be need for more flexible and adaptive policies that prevent over-regulation, poor marketing and inadequate prices and that boost national public investments in agriculture. Land tenure policies also need to be made more effective and responsive to the needs of small-holder agriculture. African Governments would need to take action to ensure equity in access to land and to provide incentives for their conservation and improvement. In many countries, it will be necessary to establish clear rules on access, ownership and use of land particularly by women. In some cases, this may require individual title deeds while in others there may be need for formalization and effective enforcement of traditional systems of land tenure and use. Under some circumstances, it may be necessary to evolve new property rights regimes and build new institutions to ensure their implementation. Yet all of these requirements will be coming at a time when the reform measures themselves are calling for drastic reductions in the budgets for agriculture. Every African country, but particularly those in transition from command to market economies, will need to train and retain these policy analysts and managers. This should be accompanied by the restructuring of existing public and private institutions to create the enabling environment in which the skilled

workers can function effectively.

(c) Improving the Absorptive Capacity of African Economies

282. Agricultural growth must be seen in Africa as the engine of overall economic growth. Measures are needed to ensure that African economies grow at a rate significantly higher than four percent so as to utilize the surplus resulting from increased agricultural production. This will require the other non-agricultural sectors and, in particular, agro-industries to also grow rapidly. First, African countries need to take bold steps to expand the share of their products in regional and foreign markets. Second, increasing the competitiveness of African products through better quality and lower transfer costs will be essential for regional and foreign market penetration. Africa needs to understand and fully exploit the rules of the game in the global economy. Third, domestic constraints which prevent domestic production from responding adequately to the demands of regional and international markets should be removed. Fourth, the preponderance of merchant capital in Africa's agro-industries and its negative consequences on the expansion of domestic agricultural production would need to be eliminated. Fifth, in addition to food processing, attention should be paid to strengthening the rural non-farm sector including small-scale enterprises and industries and rural-based manufacturing.

(d) Creating and Diffusing Improved Farm Technologies

283. National and regional systems and networks for the generation and diffusion of improved and appropriate technologies are essential for achieving rapid increases in agricultural production. This will require complementary advances in agricultural technologies and their effective management under farmers' conditions. Governments must also provide continuing financial support and

maintain the human capital of national agricultural research systems, even after increases in small-farm productivity have been achieved, otherwise, these achievements will be short-lived.

284. Publicly funded research will remain the key to the generation of appropriate technologies for Africa's small scale farmers. National and international agricultural research systems must commit themselves to long-term public investments in agricultural research as well as to systematic efforts in introducing improved technologies from the existing global research stock and adapting them to local conditions. Given their limited financial and, in particular, human resources and following the experiences and examples of the newly transformed economies of Southeast and South Asia, Africa would need to rationalize how much of its scarce resources it spends on basic research in genetics, plant physiology, biotechnology, etc. The future orientation should be towards more adaptive agricultural research. The objective here should be to develop, in stages, national research services focused sharply on the needs of each country's different agro-ecological zones and production systems and supported on a broad front by regional and international research arrangements.

(e) Improving the Performance of Critical Institutions

285. Renewed public and private investments geared towards institutions involving marketing, credit, research, and extension are needed. With regard to marketing, future policies should ensure that farmers have easy and ready access to national, regional and international markets. At the national level the orientation should be towards: more efficient rural transport systems developing storage facilities, reducing transaction costs including formal and informal "non-tariff" barriers, improving product quality, support for agro-processing and better market intelligence. At the regional level the focus

should be on wholehearted and serious implementation of existing regional integration agreements, better market intelligence, and support for increased intra- and inter-regional trade through the elimination of tariff and non-tariff barriers, and a better and faster response to changes in regional demand and consumption preferences. At the international level the orientation should be towards a better understanding of the workings of global markets including the nature of the evolving competitive environment and how to cope and survive in it, and better African negotiating skills to ensure fairer access to world markets.

286. With regard to extension, the orientation should be towards a pragmatic approach and strategy which experiments with a number of alternative extension approaches as opposed to the current practice of being locked on to one universal model. Such a new orientation is not only wise but also prudent in the face of resource constraints imposed by operating structural adjustment programs.

287. Future policy orientations should also ensure easier access to credit and agricultural inputs such as seed and fertilizers through the encouragement of alternative group action by farmers such as joint ventures and farmer associations, to improve their bargaining power and position. In this regard, the potential contributions of revitalized farmer-owned and farmer-operated cooperatives should be fully exploited.

(f) Investing in Rural Infrastructures

288. Fundamental changes are needed in the way infrastructural services are planned and provided in Africa. Structural Adjustment Programmes are playing a significant role in determining the kinds of infrastructural reforms that will come into effect in Africa. African governments should, therefore, expect to be called upon to embark on wider application of commercial principles, greater burden sharing

and more private involvement in the provision of infrastructural services. These new principles are particularly complex and should never be applied in a doctrinaire manner. The appropriate way to apply burden-sharing and to increase private involvement will vary from country to country, depending on the size and strength of the private sector, the ability of the government to regulate private suppliers, the performance of public sector providers, and the political consensus for burden-sharing and private ownership. This will require a changing and increased role for governments. In addition to improving the performance of infrastructural services under their direct control, governments would need to create policy and regulatory frameworks that safeguard the interests of the poor without discouraging private sector involvement.

(g) Investing in the Rural Population

289. Investments in the rural population are critical and must be made across activities, gender, regions and ethnic groups. To ensure more adequate and widespread access to social services, each African country must re-examine its policies towards the provision of social services, including the application of user charges.

290. As regards health services, focusing more on preventive care and providing certain services at the lower levels of the health delivery system could be more cost-efficient. This will require the refocusing of primary health care service to providing the basic services needed. In this regard due attention must be given to the management and training of primary health care staff and the availability of health materials. The rapid increase in HIV/AIDS infection will add urgency to an already serious situation and will require special attention.

291. Finally, investments in human resources in the rural areas should be sensitive to gender

considerations because the building of much-neglected female human capital has a significant impact on the welfare of other members of the household, particularly children, including their long-term production and income-earning prospects. These investments must, therefore, be targeted so as to increase women's human capital, increase their ability to generate income, and protect their health and nutritional status so as to enable them to fully line up to their productive and reproductive roles.

D. The Implementation Process

292. Africa's economic malaise is first and foremost a malaise of the inability of its agriculture to continue to contribute productively to the overall economic growth process. The decline in food and agricultural production over the years has become synonymous with the region's stagnation, social decline and marginalization in the world. Unless renewed measures are taken by the governments and people of the region to dramatically increase agricultural production, there will be continued food insecurity and economic deterioration and stagnation throughout the region. Concerted efforts are needed not only from within the region but also from the international community to implement the policies and programmes outlined above.

293. The building of the critical capacities described in this section will require the clear commitment of African governments and a close working relationship with institutions, agencies and organizations of the international community which have an interest in supporting the development of African agriculture. African countries must unequivocally assume membership of the implementation process through demonstrated political and budgetary commitments and a consultative and participatory process that involves the farmers and strategic members of the rural population in the implementation process. The international community should enter into partnership with

African governments through meaningful consultations during sector investment programming. This should be followed by

coordinated long-term donor support for implementation, through an internalization of the process and explicit financial backing. ■

BUILDING CRITICAL CAPACITIES FOR SUSTAINABLE AGRICULTURAL PRODUCTION IN AFRICA
AGENDA FOR ACTION MATRIX

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
<p>1. Empower farmers and the rural population</p>	<ul style="list-style-type: none"> Strengthen farming localities and farming communities. Open up political systems to effective popular participation Encourage rural participation in the political process. Encourage public airing of policy positions of interest to farmers and criticism of existing policies. Include policy questions of interests to farmers in intra- and inter-party parliamentary debate. 	<ul style="list-style-type: none"> Assist in the formation of viable farmer groups Assist farmer groups in formulating well articulated policy positions on issues of vital interest. Support farmer groups with funds and training. Provide opportunities for the exchange of experiences among different countries on how to turn policy issues of interest to farmers into key items in intra- and inter-party politics and debate. 	<ul style="list-style-type: none"> Promote and support the democratization process in Africa. Encourage Governments to open up their political systems to effective rural participation. Provide funding and training to build the professional capabilities of farmer groups.

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
<p>2. Building local policy analysis and management capacities for attaining national food security goals.</p>	<ul style="list-style-type: none"> Provide funding for organizing training programmes for policy analysts and managers and for other capacity enhancing activities. Encourage communication and interaction among different ministries and among all levels in the hierarchy of command. Strengthen programmes for the training of policy analysts and managers. Create and/or strengthen national capacity for developing, testing, and applying models and other analytical tools for effective policy analysis and planning. Streamline transactions between the ministries of Agriculture, Finance, and Central Planning. Put in place personnel policies to attract and retain competent staff and ensure that competent younger people are able to move into positions of responsibility. Ensure high levels of transparency and accountability at all levels. 	<ul style="list-style-type: none"> Provide training in policy analysis and management. Assist Governments in reconciling inconsistencies between sectoral growth objectives and the dissuasive effects of macro-economic, fiscal and trade policies. Assist national Governments in developing, testing, and applying appropriate models and other analytical tools that are tailor-made for African situations and realities. 	<ul style="list-style-type: none"> Provide technical assistance in the building of analytical skills involving the use of policy analysis tools such as PAM, the CAPPA simulation model developed by the FAO, the World Bank's Revised Minimum Standard Model (RMSM-X), multi-sector models for sectoral planning and analysis, etc. Provide technical and financial support to regional organizations and national Governments in the development, testing, and application of new models and analytical tools that are tailor-made for African situations and realities. Provide technical assistance and support to African Governments and regional organizations in the design and management of coherent socio-economic policies.

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
3. Generating improved farm technologies that are relevant and appropriate for the different agro-ecological zones.	<ul style="list-style-type: none"> Put in place master plans for the development of new agricultural technologies for crops, livestock, fisheries, forestry, etc. Increase funding for on-farm adaptive research including research on different farming systems. Promote the efficient use of fertilizers. Ensure adequate and sustained funding of operational activities at national research centres Provide funding for adequate staffing of research staff. Encourage national networking among all national institutions carrying out agricultural research (research institutes, faculties of agriculture of universities, colleges of agriculture, etc.). Strengthen lines of interaction between research and policy making. Encourage private sector involvement in agricultural research. 	<ul style="list-style-type: none"> Encourage regional transfer of new production and processing technologies. Promote regional agricultural research collaboration. Promote and support regional and subregional agricultural research networks. Provide training for agricultural research staff. Encourage regional priority-setting and research programming. Promote cooperation between regional and national research centres. 	<ul style="list-style-type: none"> Encourage international transfer of new production and processing technologies. Support the creation of international networks. Support long-term and higher level training of research staff. Provide funding for international, regional, and national agricultural research. Promote cooperation among international, regional, and national research centres.

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
<p>4. Improving the performance of critical institutions.</p>	<ul style="list-style-type: none"> . Ensure adequate investments in agricultural institutions. . Improve the effectiveness of extension systems. . Promote competitive input delivery systems and encourage easy access to seeds and other agricultural inputs. . Encourage competition and widespread participation in the marketing of agricultural inputs and outputs. . Create market information and quality grading systems. . Remove obstacles to commodity movement. Eliminate tariff and non-tariff barriers . Encourage the establishment of private commercial banking in rural areas. . Provide lines of credit to the rural sector and support schemes to minimize default risks. . Encourage the development of strategically located storage facilities. . Support agro-processing enterprises. . Improve the effectiveness of land tenure institutions. 	<ul style="list-style-type: none"> . Seriously apply existing regional integration agreements. . Promote better market intelligence. . Encourage increased intra- and inter-regional trade. . Promote intra-regional competition. . Devise regional strategies for future global trade negotiations. 	<ul style="list-style-type: none"> . Promote better understanding of the workings of global markets. . Encourage the opening up of global markets to African products. . Provide technical assistance to national and regional efforts aimed at developing better negotiating African skills in agricultural trade. . Provide technical assistance to regional organizations in the design of strategies for the next global trade negotiation.

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
<p>5. Improving rural infrastructures and social services.</p>	<ul style="list-style-type: none"> . Ensure adequate and sustained investment in rural infrastructures and services that are less capital intensive. . Build rural market networks. . Construct and maintain rural roads. . Encourage more efficient rural transport systems. . Encourage private sector participation in the maintenance of rural infrastructures and in the provision of social services. . Promote fair and equitable burden-sharing in the provision of social services. 	<ul style="list-style-type: none"> . Promote regional cooperation in planning of and investments in rural infrastructures . Promote the harmonization of regional infrastructure strategies and policies. 	<ul style="list-style-type: none"> . Provide technical assistance on effective ways of infrastructure financing and support the exchange of information and experiences on how to keep infrastructural services flowing uninterruptedly.

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
<p>6. Investing in farmers and the rural population.</p>	<ul style="list-style-type: none"> . Ensure adequate and sustained investment in rural education, health, and water supply . Promote gender-sensitive rural primary and secondary school enrolment. . Improve the skills and career prospects of rural primary and secondary school teachers. . Develop low cost teaching materials. . Promote vocational training that agriculture-related and that is demand-driven. . Focus primary health care services on health education and preventive care. . Provide population planning services. . Implement measures to combat the spread of AIDs 	<ul style="list-style-type: none"> . Provide a forum for the exchange of experiences and information on effective ways of investing in rural education, health, nutrition, and population planning. . Provide training opportunities for teachers and health workers. 	<ul style="list-style-type: none"> . Provide funding to help develop primary health care services. . Provide technical assistance in the local production of teaching materials.

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
7. Strengthening the linkages between the agricultural and non-agricultural sectors.	<ul style="list-style-type: none"> Remove distorted and regulatory practices in agricultural trade. Eliminate restrictions to the movement of commodities on local markets. Create a legal framework for domestic agricultural trading. Improve terms of trade for agriculture. Pursue a strategy of regional industrial planning which locates agro-industries where the crop or livestock inputs are located. Simplify the regulatory environment and eliminate barriers and bottlenecks to the establishment of genuine indigenous agri-business and rural industries. Apply targeted subsidies to bring down the prices of raw materials , fuel and other industrial inputs used by small and medium-sized enterprises located in rural areas. Support the creation of rural industries based on genuine participation by local people at the grassroots level. 	<ul style="list-style-type: none"> Increase the effectiveness of regional and sub-regional trading blocks. Take action to implement existing regional and sub-regional agreements. Harmonise regional agro-industrialization strategies and policies. Eliminate restrictions to the movement of commodities to transborder markets. Agree on harmonized and regressive protection schemes for agricultural commodities. 	<ul style="list-style-type: none"> Promote access to export markets. Promote trade lines with former eastern block countries. Encourage African access to international capital. Improve African trade negotiation skills.

A. The Problem

294. Africa's most visible comparative advantage is its vast natural resource endowment. The region's extensive mineral resource base is distributed evenly across the continent and consists, *inter alia*, of huge deposits of iron ore estimated at 45 billion tons, representing 20 per cent of the world's reserves; manganese, mainly in Gabon and Ghana, representing 78 per cent of the world's known reserves; chromite, mainly in Zimbabwe, Madagascar and South Africa, accounting for 95 per cent of the world's total reserves; bauxite, alumina and aluminium, mainly in Guinea and Ghana, making up 47 per cent of the world's known reserves; and more than 100 billion tons of phosphates, accounting for 70 per cent of the world's reserves.

295. The continent also has significant hydro-electric potential estimated at over 360 gigawatts (GWh) and representing 16 per cent of the world's total.^{1/} However, only Algeria, Egypt, Libya, Tunisia, Morocco, South Africa, Zambia, Zimbabwe, Nigeria, Ghana and Zaire are major electricity producers (over 3×10^9 GWh per year). Twenty-five countries have electricity production capacities of less than 0.5×10^9 GWh per year and energy consumption of less than 1 Gcal per capita - the lowest in the world.

296. Oil is produced in Algeria, Libya, Egypt, Tunisia, Nigeria, Benin, Côte d'Ivoire, Cameroon, Congo, Gabon, Angola, Zaire. With the exception of nine net oil exporters, all African countries import petroleum from outside the continent. At the same time, known oil reserves in many African countries are undeveloped.

297. Africa's rich bio-diversity and its endowment in flora and fauna are unique in the world. Its livestock and forest resources and its huge resources of the rivers, lakes, oceans and seas constitute a great potential for significantly adding value to the exploitation of the continent's natural resource base through transformation activities.

298. It is however, a lamentable fact that these natural resources have not been sufficiently exploited and managed to alleviate poverty in the continent and promote sustainable development. Indeed what has taken place in recent years is that increasingly, African countries have been exporting these natural resources in their unprocessed form, leaving the transformation to the developed countries. This policy actually enhances the comparative advantage of developed countries, since the industries of these countries use these relatively cheap raw materials to serve as factor inputs into the production of goods that are exported to Africa at exorbitant prices, thus exacerbating the chronic balance of payments problem.

299. Furthermore, in cases where these natural resources have been transformed in the continent, there have been serious cases of environmental degradation, especially in the petroleum industries. In cases where wild life has attracted tourists from developed countries, there have not been sufficient mechanisms to monitor the ecological impact and damage to the environment. It is also a known fact that Africa's plant genetic resources are being used in industrialized countries to develop better crop varieties which are then sold to African countries. Inadequate capacity to monitor illegal fishing activities in its coastal waters has led to overfishing and significant loss of revenue in

many parts of the continent.

300. With the exception of very few countries in Africa, attempts at the transformation of natural resources have generally failed in Africa. The industrial sector is small, weak and declining in importance in the African economy. The share of manufacturing in the total regional GDP declined from 11.35 per cent in 1986 to an average of 10.6 per cent during the period 1990-1992. Manufacturing value-added (MVA) at 1990 prices (as a percentage of GDP) for developing Africa also declined from 12.1 in 1990 to 11.8 per cent in 1993. Africa must reverse the trend by building and rehabilitating critical capacities for the transformation of Africa's vast natural resources and the accelerated industrialization of the region.

301. There is a great need for efforts to be made to step up the building of capacities for local transformation of raw materials into finished goods so as to increase value-added on Africa's natural resources base and enhance the competitiveness of its products in world markets. Furthermore, more efforts should be made to build critical capacities to be better able to manage the natural resources in the continent to arrest environmental degradation.

302. It is important also, for African countries to build capacities for natural resource mapping in various countries to enable the efficient management of these resources based on the knowledge of their quantities and availability. Capacities for indigenous skills development should take into consideration cultural aspects of natural resource management. This is especially important because it enables nations to take control of their natural resources for better management and exploitation.

B. Major issues

(a) Enabling environment

303. If the political environment is right, positive spill-over effects can promote the efficient transformation management and utilization of natural resources. Government, therefore, has an important role in setting the tone through the establishment of a stable political climate. This situation, generally referred to as the enabling environment, entails creating a good climate for entrepreneurs to do business without fear of losing their investments. From the view point of the private investor, both domestic and foreign, an enabling political environment can encourage manufacturing and cross border initiatives. Thus the role of government as facilitator is very important in natural resource exploitation.

(b) Role of the Private Sector

304. The private sector should be empowered to play its role through the creation of the appropriate enabling environment for it to perform. Government support in this regard, includes the provision of the appropriate infrastructure, legislation, consultative mechanisms and a conducive macro-economic framework that promotes market-oriented activities. R&D institutions and universities should also be encouraged to support the private sector.

305. Due to the fact that the private sector is supposed to be efficient in profit making activities such as manufacturing, tourism etc., it could spearhead Africa's competitiveness in the global arena, especially in meeting the stringent requirements of the quality standard dictated by the Uruguay Round Agreement, particularly the ISO 9000 and ISO 14000 family of standards. Capacities should be built for the indigenous private sector especially the informal sector to

enable it participate fully in the transformation of natural resources. The informal sector should be invested with the skills necessary for greater efficiency in establishing more effective linkages with the formal organized private sector in the utilization and transformation of natural resources.

(c) Environmental impact

306. Exploitation of natural resources carries with it inherent dangers and calls for critical capacities required for the management of the fragile eco-system; combating desertification and drought resulting from over exploitation of the forests; promotion of sustainable agricultural and rural development; protection of marine life etc. Capacities must be built to manage the fragile eco-system especially the replanting of the rapidly depleted forests.

307. With the appropriate incentives from government, the export-oriented SMI and SME private sector can also promote environment-friendly production practices and enhance the participation of women in manufacturing. Governments should also encourage the adoption of ISO 14000 environmental management and control systems which cover areas such as in-house environmental audits, product development and labelling of environment-friendly products. Timely involvement, especially in the light of the world's preoccupation with the implementation of Agenda 21 will provide African entrepreneurs with a niche and comparative advantage in production and exporting environment-friendly products.

(d) Role of women

308. The role of the women has been underplayed in the natural resource transformation process, even though it is the woman who first suffers the effects of mismanagement of Africa's natural resources.

Capacities should be built to strengthen women's entrepreneurial skills especially at the SMI and SME levels. This will enable women to participate actively in the productive process.

309. Cooperatives that transform natural resources should empower women by including them in decision making positions. Women should be trained in the sciences at the early stages of education so as to enable them to build and acquire the necessary skills for manufacturing and exploiting natural resources. This process should also take into consideration the remuneration for the same tasks performed by both sexes.

(e) Competitiveness

310. By signing the Uruguay Round Agreement, most African countries consciously or unconsciously accepted to compete on an equal footing with the developed countries. African products will now have to meet the quality rigours set by the World Trade Organization, through the ISO 9000 family of standards which is intended to provide a generic core of quality standards applicable to a broad range of products, by providing guidance for quality management and general requirements for quality assurance.^{2/} The application of the ISO 9000 standard is an important way of improving quality consciousness, raising the image of the product, and promoting the use of modern technology. Skills to enable competitiveness at the national, sub-regional and regional levels should also be built.

311. Sub-Saharan African enterprises (excluding South Africa) have put in place only about ten ISO 9000 standards systems, while Singapore alone has over 600 ^{3/}. The risk is that when the Uruguay Round Agreements are enforced, African countries would not have put in place a sufficient number of quality standards to be competitive in world markets. It is in this light that the importance of the participation of

the private sector should be seen, and capacities built to enhance the implementation of ISO 9000.

C. Policies and Programmes

312. The transformation of a country's natural resources cannot be done in isolation of other economic activities in the country and the world at large, since the process involves extensive linkages with other internal and external sectors of the economy. Sound macro-economic policies are a pre-condition for stimulating the growth of manufacturing activities in African economies.

313. In the early 1990s, some African countries embarked upon an export-led economic reform programme designed to improve economic growth and employment through the attainment of higher levels of investment and export growth. As a result, local and foreign investment, including joint ventures, particularly those that are export oriented, were encouraged. Other major policy measures undertaken by some countries to promote productive economic activities include:

(a) a more stable macro-economic policy environment, price stability with less dependency on external financial resources;

(b) a well-functioning infrastructure in terms of energy, water, telecommunications, transport, and improved road, rail and air links both internationally and regionally;

(c) removal of foreign exchange restrictions regarding: remittance of dividends, disinvestment proceeds, royalties, commissions, etc; foreign investment through Stock Exchanges; abolition of foreign-exchange allocation systems and their replacement by a foreign-exchange market system where companies are now allowed to retain 100 per cent of their export earnings that can be traded

through the foreign currency inter-bank market. Thus, local and foreign investment, including joint ventures, particularly those that are export-oriented, are being encouraged in productive activities.

D. Process of implementation

(a) Overview of building human capacities

314. The efficient transformation of natural resources needs to be supported by institutional infrastructures such as: (a) a good education system; (b) research and development institutes; (c) testing and quality control laboratories; (d) industrial information services; (e) industrial promotion and support institutions, weights and measures and standards organizations; and (f) an efficient industrial finance system. As in the case of physical infrastructure, the institutional infrastructure has to be supported by the government as its contribution to industrial development.

315. The training of indigenous personnel has been gaining more attention as a strategy for reducing the cost of the experts who generally bring high and sometimes, locally-inoperable technology along with them to African countries. Carefully thought-out training programmes ensure that indigenous experts participate in the complete project planning process, design, contracts negotiations and implementation. It is also useful to train the local population to be active in natural resources transformation and management. The orientation of these programmes should be closely linked to the needs of existing industries as well as future industrial plans.

316. The rise in the cost of technology acquisition can be greatly moderated by the timely updating of appropriate skills by the developing countries. Some far-sighted African countries such as Tunisia, Nigeria and

Zimbabwe have made serious attempts at mastering the technology that they import. This is mainly due to the recognition of their unavoidable confrontation with the changing world economic order characterized by the globalization of technology championed by the huge transnational corporations, that only a few years ago were only too willing to sell outdated technology to unsuspecting, naive and at worst, corrupt technology buyers from developing countries.

317. A few African countries strive, therefore, to attain the highest possible level of technological self-sufficiency within the boundaries of their limited resources. Their desired objective is to master the industrialization process, a mastery that embodies the creation and development of viable industrial organizations and the training of the competent personnel needed to implement the process.

318. Among the main stages that pave the way towards the mastery of industrialization, the following eight competence levels may be regarded as the primary yardsticks:

- (a) Operating a machine;
- (b) Maintaining it;

- (c) Repairing it;
- (d) Renovating (including the making of its spare parts);
- (e) Adapting an existing machine, product or process to new conditions;
- (f) Improving it;
- (g) Designing a new product or process;
- (h) Introducing new technology.^{4/}

319. Technological self-sufficiency is said to have been achieved when the last two stages above have been reached. Because of the constraint of limited financial resources in developing countries, however, mastery of the industrialization process will come about only with the use of appropriate indigenous personnel at the above competence levels. So far, since developing countries lack an adequate supply of competent personnel to occupy the higher strata of the mastery process that characterizes technological self-sufficiency, their traditional solution has been to rely on the importation of "high-level" personnel together with the acquired technology. Such a solution is becoming more and more undesirable in the face of growing evidence that the imported "high level" personnel is too expensive, and in any case, there are Africans who can perform these functions with minimal assistance from their counterparts in industrialized countries.

BOX 4
INCULCATING THE INDUSTRIAL CULTURE

To enhance its human resource development programme with a view to closing the technical skills gap between the minority whites and the majority blacks, the Government of Zimbabwe put into effect several measures to encourage the implementation of the programme. Among these were (1) the requirement that formal sector enterprises pay a 1% levy with a view to reimbursing enterprises that had provided approved in-house training programmes and (2) the revision of the labour code giving the government the powers to intervene in the wage and employment conditions of black workers. This initiative from the government and the realization on the part of the private sector organizations that it was good business to train their employees, elicited some very innovative ways of training employees.

Several organizations in Zimbabwe embarked upon industrial skills training programmes that aim at not only providing skills to their employees but also imparting in them an industrial culture. The Zimbabwe National Chamber of Commerce (ZNCC) and the Bindura Nickel Corporation Ltd., a subsidiary of Anglo-American group of companies are two of several organizations that have embarked on such programmes. In the case of the ZNCC, this has been accomplished by setting up Junior Chambers of Commerce at the secondary school level with a view to introducing the business concept and inculcating the entrepreneurial spirit in the students at a very young age. Started in January 1993, 250 secondary schools in Zimbabwe already participate in the programme. It is expected that this programme will motivate students to either start their own businesses after secondary school, or enter university already equipped with entrepreneurial skills that will enable them to be more focused.

Anglo-American on its part, identifies the potential employees in secondary schools, follows their progress through university, provides to those who are selected to work with the company, two years of pupillage in good engineering and management practices. Through a process of continuous assessment of their skills, employees who have proven themselves are rapidly placed in positions of responsibility.

(b) Regional Cooperation

320. It is clear that individual country markets do not generally justify the undertaking of natural resource transformation essentially because of the small market sizes. It was with this in mind that the second Industrial Development Decade for Africa programme elaborated subregional programmes and projects. The extent of this problem has been clearly depicted by the low capacity utilization of national plants that do not have adequate

resource input. The role of the private sector in this endeavour can be crucial. Governments should encourage indigenous entrepreneurs to access resources across borders so as to enable them play that role.

321. There currently exist a number of regional and ECA-sponsored institutions whose fuller utilization could lead to greater cost-effectiveness in the training of manpower and in industrial R&D. The relevant ones are the African Regional Centre for Engineering Design and Manufacturing (ARCEDEM), African

Regional Centre for Technology (ARCT), African Regional Organization for Standardization (ARSO), African Institute for Higher Technical Training and Research (AIHTTR) and the Regional Centre for Services in Surveying, Mapping and Remote Sensing (RCSSMRS).

(c) Financial resource mobilization

322. Financial resource mobilization is one of the greatest obstacles to the implementation of industrialization programmes in Africa. Investment in Africa is seriously hampered by macroeconomic distortions and political instability, which greatly contribute to massive capital flight estimated at \$40 billion during the period 1976-1987, an amount which was equivalent to half of the ODA received during

the same period.

323. Innovative ways to attract funds to support industrialization schemes include: (a) effectively utilizing the excess financial liquidity in some countries to finance viable industrial projects in Africa; (b) liberalizing the ownership of financial institutions in Africa with a view to introducing a measure of competition and ending monopoly situations in segments of the financial sector; (c) involving the African Development Bank (ADB) to make it more responsive to the needs of African industrialists, by decentralizing its services, especially those relevant to industrialization. At the international level, the enabling environment should be created to attract foreign direct investment and encourage venture capitalism. ■

- 1/ For more details see "Report on the Regional Strategy for Rational Location of Industries in the Context of the Abuja Treaty" CAMI.12/6(a). IHSD/UNECA document presented at the Twelfth Meeting of the Conference of African Ministers of Industry, in Gaborone, Botswana, from 29 May to 8 June, 1995.
- 2/ ISO 9000-1 Quality management and quality assurance standards. Part 1: Guidelines for selection and use. First edition 1994-07-01.
- 3/ Sanjaaya Lall: The new international environment and the way forward for African Industry. Presented at the Private Sector Forum on the occasion of the 12th Meeting of the African Ministers of Industry at Gaborone, Botswana 3 to 6 June, 1995.
- 4/ UNIDO: First Consultation on the training of industrial manpower: Stuttgart, Federal Republic of Germany (22 - 26 November, 1982). page 17.

BUILDING CRITICAL CAPACITIES FOR EXPLOITATION OF NATURAL RESOURCES

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
1. Selective rehabilitation of industries and resources mapping, etc., to enhance rational exploitation and management of natural resources.	<p>1. Identify and build capacities that prioritize the industries, forest, coast lines to be rehabilitated/revitalized.</p> <p>2. Identify and build capacities that ensure adequate sources, quantities and assure certification of the quality of raw materials.</p> <p>3. Ensure that the right skilled manpower is identified, nurtured and adequately remunerated.</p> <p>4. Support programmes that develop skills to encourage the use of domestic raw materials.</p> <p>5. Ensure the building of capacities for adequate monitoring and record keeping.</p> <p>6. Support programmes that aim at developing capacities for the upkeep and maintenance of industrial machines.</p>	<p>1. Provide technical assistance to support national actions for capacity building.</p> <p>2. Provide financial assistance to sponsor projects that promote capacity building.</p> <p>3. Provide material resources to enhance capacity building.</p> <p>4. Assist in mobilization of resources required to build capacities.</p> <p>5. Identify and build regional capacities that identify alternate raw materials sources for use as national inputs, and make the information available at all levels.</p>	<p>1. Provide technical assistance by UNECA, UNDP, UNIDO, ADB and other relevant UN Agencies, towards capacity building efforts.</p> <p>2. Act as a catalyst in encouraging governments to implement policies, decisions and follow-up actions, that promote capacity building.</p> <p>3. Assist in building capacities to monitor and evaluate policy applications at national levels.</p>

BUILDING CRITICAL CAPACITIES FOR EXPLOITATION OF NATURAL RESOURCES

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
2. Encouragement of local private sector entrepreneurs to engage in natural resource management transformation industries and activities.	<p>1. Provide enabling environment (good governance, physical and institutional infrastructure etc.).</p> <p>2. Improve fiscal/monetary policies.</p> <p>3. Support programmes that aim at increasing capacity utilization.</p> <p>4. Encourage engineering activities that manufacture spare parts from local materials through appropriate training.</p> <p>5. Build capacities to establish sound S and T policies that promote cooperation between Universities, R and D Institutes and national Enterprises.</p>	<p>1. Assist private sector financially and by kind through building of critical capacities.</p> <p>2. Provide seminars and training to promote capacity building.</p> <p>3. Provide venues and possibilities of exchange of technical information to countries.</p>	<p>1. Provide technical assistance.</p> <p>2. Provide training.</p> <p>3. Undertake monitoring and evaluation of policy actions, and build capacities for self-monitoring.</p> <p>4. Play a catalytic role.</p>

BUILDING CRITICAL CAPACITIES FOR EXPLOITATION OF NATURAL RESOURCES

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
3. Rational location of industries within the countries.	<p>1. Build capacities to identify the natural resource base of the country through careful resource mapping.</p> <p>2. Locate industries as close to the raw material source as possible to promote the decentralization of industries from capital cities and towns.</p> <p>3. Build capacities to assure that efficient transportation system exists that facilitates distribution of manufactured goods.</p>	<p>1. Lend support to industries that are in line with those identified by the Second IDDA programme, and that would lead to a high degree of self-sufficiency for the country and the subregion, and also contribute to the self-sustaining growth by building the appropriate capacities.</p> <p>2. Build capacities for support of projects that provide market(s) beyond the reach of individual countries in the subregion.</p> <p>3. Assist countries to build capacities that encourage projects that have export potential or enhance the export potential of other countries in the subregion.</p>	<p>1. Provide technical assistance to countries through support of capacity building programmes.</p> <p>2. Provide training that aims at improving technical skills.</p> <p>3. Assist to build capacities that undertake monitoring and evaluation of policy actions.</p> <p>4. Play a catalytic role for industrial development and assist member States to build critical capacities.</p>

BUILDING CRITICAL CAPACITIES FOR EXPLOITATION OF NATURAL RESOURCES

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
4. Technical skills development and inculcation of an industrial culture.	<p>1. Build and adequately equip schools at the primary, secondary, and tertiary level with basic scientific equipment.</p> <p>2. Introduce practical scientific and entrepreneurial courses at all levels of schooling, by introducing the interrelationships between Science, Technology and Society (STS) at the early stages of education.</p> <p>2. Assign and adequately remunerate technically competent teachers to teach in the schools.</p> <p>3. Encourage gender sensitive entrepreneurial skills programme at the early stages of formal schooling.</p> <p>4. Promote programmes that develop skills that inculcate industrial culture at all levels of school training and at the work place. Introduce the notions of environmentally sustainable development.</p>	<p>1. Actively support regional institutions such as ARCEDEM, ARCT, ARSO, IDEP and other ECA sponsored institutions that provide technical training.</p> <p>2. Support national manpower training programmes.</p>	<p>1. Promote and support regional organizations such as ARCEDEM, ARCT, ARSO, IDEP that provide technical training.</p> <p>2. Organize seminars on skills upgrading.</p>

BUILDING CRITICAL CAPACITIES FOR EXPLOITATION OF NATURAL RESOURCES

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
5. Rational policies that attract local and FDI.	<p>1. Establish financial institutions that support the private and public sectors and build critical skills to run these institutions.</p> <p>2. Creation of Small Enterprise Development Corporations and building capacities to operate them.</p> <p>3. Creation of Credit Guarantee Companies, merchant Banks and units in commercial banks that underpin the financing of SSEs/SSIs.</p> <p>4. Provide the enabling environment to encourage foreign investment in the manufacturing sector; build capacities to attract FDI.</p>	1. Support of financial mobilization activities at the national and regional levels by building capacities in this area.	<p>1. Assist member States to build critical capacities to attract financial support to well conceived projects.</p> <p>2. Provide technical assistance in building critical capacities to developing strategies of mobilizing financial resources.</p>

BUILDING CRITICAL CAPACITIES FOR EXPLOITATION OF NATURAL RESOURCES

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
6. Promotion of clean and efficient Industrial Development.	<p>1. Build capacities to institute new regulatory measures and economic incentives that support sustainable industrial development. Prevent the degradation of the environment by haphazard use of natural resources.</p> <p>2. Build capacities to monitor energy and water pricing policies, for example, can encourage industry to make more efficient use of resources.</p> <p>3. Provide the capacities to implement special investment tax breaks, low-interest loans, depreciation allowances, pollution or waste charges and non-compliance fees can encourage product redesign and technological innovations leading to safer products, more efficient and safer industrial process and the recycling of raw materials.</p> <p>4. Build capacities to undertake R & D activities that aim at diversifying the raw materials base.</p>	<p>1. Build capacities to actively support national activities on clean production methods.</p> <p>2. Assist countries to technically monitor clean production methods, through the training of skilled people.</p>	<p>1. Provide technical assistance to a clean production activities by building critical capacities in this area.</p>

A. The problem

324. Production practices in African agriculture, mining and energy have depleted soils, led to deforestation and polluted human habitations. With severe and growing population pressures on limited arable lands and the demands and stresses on African agriculture for the production of food and export crops, the African environment and its natural resource base is being sorely squeezed. Capacities have to be strengthened to enable African countries manage their socio-economic development activities in a sustainable manner and live up to their international commitments on the need to harmonize environment and development.

325. To compound the continent's problems of environmental degradation, the pressure to produce more for export so as to be able to service the huge debt burden and finance development activities has led to even greater strains being put on the continent's fragile soils, forests and water resources. It is the same pressure that has led to toxic waste dumping in some African countries.

326. The environmental dimensions of the African crisis continue to be taken lightly. Environmental considerations continue to elude development policy and programme formulation and implementation. This is due largely to the fact that capacities for environmental management are still too weak in most African countries. Managing those aspects of development that have a negative impact on the environment and consequently, human health and welfare is a major concern. Capacity building for environmental management for sustainable development in Africa, would, as a matter of priority, address three crucial areas: First is ecology-related environmental degradation which manifests itself in

desertification and deforestation and their negative effects on agricultural production as well as the health and welfare of both humans and livestock. Indeed this is where the environment-population equation becomes critical as ecological resources cannot cope with the skewed increase in population.

327. The second area is that of managing the other impacts of development that are not necessarily ecology related: pollution control, including toxic and potentially toxic and dangerous chemicals and materials as well as industrially-generated and domestic waste management.

328. The third area relates to the build-up of information and data bases on environmental issues. These are important for policy analysis and planning, but are still poorly developed in African countries.

(a) Ecology-related development issues

329. African agriculture has been under some serious pressures. Apart from the depletion of the carrying capacity of the ecosystem, there is inadequate development of the technology for environmentally healthy agriculture, including the use and management of agro-chemicals which impact on soils, water resources and the ecology as a whole. Women abound in agricultural activities that perpetuate these problems. Action to redress this situation would of necessity have to address their needs.

330. Desertification is a serious threat to large numbers of people in Africa. Some 70 km of land are lost to Africa's deserts every year. In the semi-arid and arid zones of the continent, over 80% of the people live on lands that are severely desertification-prone. Their declining opportunities and limited choices for pasture,

and their high livestock holdings have led to overgrazing, overcropping of marginal lands and deforestation due to growing demand for firewood and timber. The effects of prolonged drought have further accelerated the process of environmental degradation and desertification.

331. Tropical forests in Africa are being lost at the rate of 3.7 million hectares annually, with over half of that in West Africa alone. Over 30% of the original forest cover in countries such as Côte d'Ivoire has already disappeared. In Uganda, the rate of deforestation has been estimated at 10,000 to 15,000 hectares. Ethiopia which fifty years ago had over 60% of its land area covered by forest now has less than 3%. In Madagascar, it is estimated that the loss of over 90% of the original primary forest has led to the extinction of half of the original endemic species. The main causes are clearing for subsistence agriculture and shifting cultivation and uncontrolled timber exploitation mainly for export and expanding human settlements.

332. The loss of plant cover leads to other problems such as decreasing soil fertility, erosion and the loss of genetic resources and diversity. Genetic material in wild species has significant economic value in improved crop species, new drugs and medicines and as raw materials for industrial products. Unique species and protected natural areas are also a major attraction for the growing tourist industry in African countries. The inadequate protection and conservation of habitats such as mangrove swamps and coastal wetlands is making them unable to maintain the productivity of coastal fisheries, a major source of protein and income for millions of Africans.

333. In economies that are heavily dependent on ecological resources, water is a critical resource. The water resources of the African continent have greatly diminished in the last 25 years, even in the Congo-Zaire basin which receives about 50% of the total water supplied to the entire continent. Consequently, there are

chronic as well as seasonal acute water shortages in most countries. Yet, there is a rapidly-increasing demand for water generated by growing populations, urbanization, industrialization and irrigation requirements.

334. Large numbers of Africans do not have access to adequate and safe drinking water. Water pollution from industry, urban run-off, sewage and agro-chemicals is also increasing and is largely uncontrolled in many countries. Underground water resources are largely unmanaged and are being polluted, depleted or ignored.

335. International rivers are a major water source for many African countries. In Egypt, for example, they provide over 50 times more water than domestic rainfall. The continent has over 50 significant international river basins, which is more than any other continent can boast of. Nearly all African countries are part of at least one. The entire national territory of fourteen countries falls within international river basins. Yet for most of the international rivers there are no firm intergovernmental agreements. Only a few have functioning institutional arrangements for consultation and cooperation on the management and sustainable development of their shared water resources.

(b) Non-ecology related environmental issues

336. The non-ecology related environmental issues are those that arise from industrial production and consumption patterns. Industrial development has been so slow that it has played a negligible role in promoting socio-economic development on the continent. This is because industrial development has not been planned to meet the medium and long-term needs of the people. Industrial production is still largely unregulated because appropriate health and environmental standards are not yet in place or are widely ignored. The rising pollution and resource depletion costs are putting additional

pressures on limited government resources. Domestic and industrial waste management is of growing concern, particularly in urban areas. If restoration and public health programmes are not expanded to address these problems, the next generations will face a growing backlog of environmental problems, a diminished resource base and declining economic prospects. Sustainable human development policies and programmes are yet to become a consistent aspect of development programmes.

c) Poor development of environmental data-bases

337. The development and maintenance of data-bases on the environment and other development issues leaves much to be desired. Programmes cannot be realistically formulated, implemented, monitored and evaluated without a consistent data-base for that purpose. Apart from the sectoral data-base, there is an absence of a data-base that will:

- (i) clearly establish interrelationships between population and development related variables, determining the demographic objectives based on such interrelationships and formulating policies and programmes pursuant to achieving such objectives;
- (ii) promote the harmonization of planning procedures by collecting land-resource data, design and establish related databases, define land areas of similar capability, identify resource problems and values that need to be taken into account to establish mechanisms to encourage efficient and environmentally-sound use of resources;
- (iii) water resources, both surface and underground; and
- (iv) environmental impact of industrial production, consumption and other development activities.

(d) Resource mobilization

338. Resource mobilization is a crucial factor in environmental management. Environmental management has been looked upon as a revenue consuming aspect of development. While this is true, it is equally true that it is also a revenue generating component of the development package if the right measures and investments are made into it. Mechanisms such as the Global Environmental Facility (GEF), could be used to support the implementation of the African capacity building programmes at the national level.

B. Policies and Programmes for Capacity Building

339. The major policy objectives for capacity building should be to:

- i) formulate, on the basis of existing plans, sustainable development strategies for the achievement and implementation of environmental management goals;
- ii) identify priority areas of UNCED's Agenda 21 and formulate a national agenda 21 in support of sustainable development goals;
- iii) identify major capacity building requirements, on a country, subregional and regional basis for the effective implementation of the national Agenda 21 and sustainable development plans; and
- iv) formulate programmes and projects to meet the capacity building requirements, for strengthening national or, where appropriate, regional scientific and technological research and development, enhancing knowledge, information and data bases and increasing the participation of all stake-holders in the decision-making process.

340. For harmonious management of the environment and ecological resources, the roles

and responsibilities should be clearly defined for the state in global overall policy formulation and enforcement, and for stakeholders including communities, women and the private sector.

341. As suggested in Chapter 37 of UNCED Agenda 21 on Capacity Building, there is a need to improve or restructure the decision-making process so that consideration of socio-economic and environmental issues is fully integrated and a broader range of public participation assured.

342. An important factor for achieving environmentally sound and sustainable development lies in harmonizing economic production with the environmental carrying capacity of the land. The approach should be multi-disciplinary, integrating the social sciences (particularly economics) and the natural sciences as well as the development of the appropriate science and technology. A holistic framework for dealing with environmental matters in the development process involves the collective mobilization of Africa's resources for a human-centred approach to development through national, regional and international initiatives.

343. The creation of the enabling environment for all actors involves the full democratization of African societies and it calls for the effective participation of both government, non-government organizations and groups from grassroots level. The approach offers the best opportunity for popular environmental education and ecological conservation measures by

grassroots people, NGOs, peasants, workers, women and youth in their numerous locations. In the context of these programmes, both existing and new programme activities can be identified for the implementation of the strategies formulated in the African Environment Agenda and reflected in those contained in Agenda 21.

344. The implementation of environment programmes within the present understanding of sustainable development requires a significant shift and increased resources with emphasis in terms of programme content, formulation and the economic development planning process in member States. African countries must have the capacity to put all sectors together into a development package that is mutually interactive, complementary and progressive within the framework of sub-regional and regional cooperation and integration. Capacity building activities should, therefore, be anchored in institution building and human resources development within the framework of:

(a) a national political commitment to ensure that development processes do not destroy the resource base on which future development will depend; and

(b) redefinition of national development priorities to alleviate constraints imposed by natural conditions, current international economic conditions and the debt burden.

BOX 5
POLICY AND LEGISLATIVE FRAMEWORKS AS KEY TO
ENVIRONMENTAL MANAGEMENT AND CAPACITY BUILDING

"... We will now consult very widely to ensure that all considered views are available to the policy making process." Nelson Mandela in the Preface to the South African Reconstruction and Development Programme (RDP) (1994)

"The democratic government must ensure that all South African citizens, present and future, have the right to a decent quality of life through sustainable use of resources."

"Environmental considerations must be built into every decision. To accomplish this procedures must be put in place which oblige decision-makers to demonstrate what environmental considerations they take into account when considering projects"

"Development strategies must incorporate environmental consequences in the course of planning."

"The democratic government must revise current environmental legislation and administration with a view to establishing an effective system of environmental management. It must make use of environmental auditing, with provision for public disclosure. It must monitor those activities of industry which impact on the environment."

"Fines or environmental offenses are inadequate and inconsistent. The South African legal system makes it difficult to obtain locus standi in the courts on environmental issues. The democratic government must rationalize environmental legislation into a cohesive and workable form."

Meeting basic needs Excerpts from the South African RDP - 1994

345. For capacity building for environmental management to be an integral part of the process to sustainable development, African countries must ensure access to technology and know-how. There must be the capacity for policy development and decision-making for cohesive environment and development programme formulation, implementation, monitoring and evaluation.

346. Assuming that there is the enabling political environment the crucial areas for building, strengthening and utilizing critical capacities within the context of the present

understanding and practice of environmental management include: (a) the requisite institutional and legislative framework for comprehensive environmental legislation; (b) environmental education and training; (c) planning and implementing integrated socio-economic-environmental programmes; (d) raising public awareness and mobilizing people's participation; (e) monitoring and implementing African and international conventions on all aspects of the environment; and (f) resource mobilization. Within these priority areas, critical human, institutional and infrastructural mechanisms can be developed for

capacity building at the needed level.

(a) Human resource development

347. As a matter of policy, non-formal education using functional literacy should be promoted to sensitize the population on environment and development issues. NGOs and community based organizations (CBOs) should be key partners to this.

348. Institutional capacity for research and development should be strengthened or developed as need be. Focus should be on the holistic approach to research and development programmes which is so relevant to environment and development.

349. In Africa, women constitute about 51 % of the continent's total population of 644 million and hence, their actions - or inactions - in environmental management and protection are critical determinants in shaping a sustainable future. It is necessary therefore that the linkages between women, environment and natural resources management be properly analyzed and understood. They must be part of the decision making process and special programmes of awareness-raising on environmental issues must target this important segment of Africa's producers.

(b) Institutional and legislative framework

350. It is illusory to address effective environmental management without sorting out the issues of the legislative framework. In an area which abounds with conventions, agreements and protocols of an international nature but whose implementation is normally initiated at the national level, this is pertinent.

351. The legislative framework will, by and large determine the institutional structures, their functioning and linkages. The power of institutions is governed by the functioning of the legislative and administrative structures. Legislation should seek to:

- i) develop national rules, regulations and laws relating to environmental management;
- ii) ensure the integration of economic, social and environmental considerations in decision making at all levels;
- iii) establish domestically determined ways and means to ensure the coherence of sectoral, economic, social and environmental policies, plans and policy instruments including fiscal measures;
- iv) ensure transparency of, and accountability for, the environmental implications of economic sectoral policies;

352. As concerns institutional provision for effective environmental policy formulation and implementation, the central environmental mechanism should be located at the highest level of government. It must be accessible to the non-governmental sector, industry and the people. This does not preclude its functions being assigned to a Ministry.

353. A strategic approach needs to be developed that links environmental information, education and communication to population and development issues, including migration, distribution and growth. An imaginative institutional arrangement for coordinating activities is also needed, in particular in the application of research findings. ■

MATRIX OF POLICY OPTIONS AND PROGRAMME ACTIVITIES FOR THEIR ACHIEVEMENT

1. Human resource development

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
<p>At the level of Government, IGOs, NGOs, Community Based Organisations (CBOs), industry and union:</p> <p>(a) Promotion of training in environmental economics, resource accounting and management tools</p> <p>(b) Development of an environmental legal framework for rules and regulations;</p> <p>(c) Promote human capacity to develop and use locally adaptable environmental science and technology as well as clean industrial production;</p>	<p>Promotion of:</p> <p>(a) Environmental economics, accounting and management tools</p> <ul style="list-style-type: none"> • Promoting the use of EIA as a continuous planning and management tool; • Sensitizing policy and decision makers in government and the private sector as to the importance of integrating EIA in development management; • Establishing a national EIA database of experts and institutions; <p>(a) Environmental legislation:</p> <ul style="list-style-type: none"> • Environmental law curricula into research and training institutions with an environmental bias; • Scholarships for environmental law, including international environmental law; • Short-term reorientation course for policy and decision makers; • Development of national environmental legislative frameworks including constitutional reforms; • Development of rules, regulation, and standards for EIA and related regulatory procedures. <p>(b) Science, technology and clean industrial production:</p> <ul style="list-style-type: none"> • Manpower development in Environmental standards monitoring, evaluation and impact assessment; • Technology evaluation. 	<ul style="list-style-type: none"> • Promotion of subregional and regional activities on environmental accounting and environmental impact assessment (EIA). • Collaborative activities between African Centres on the Environment and African countries so as to facilitate EIA capacity; • Promotion of regional activities on environmental accounting and EIA. • Establishing an African Network of EIA Experts and interested parties, building on the existing networks; <p>Promotion of legislative framework for handling transboundary issues within subregional and regional groupings.</p> <ul style="list-style-type: none"> • Facilitation of inter-country technology sharing; • Technology transfer, technology sharing and application capacities. • Promotion of regional networks for environmental scientists 	<p>Facilitation, through the various forms of scholarships and grants, of national, and regional development of environmental law.</p> <p>Promotion of global networks for environmental scientists</p>

1. Human resource development(cont'd)

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
<p>(d) Training of trainers</p> <p>(e) Promotion of public awareness;</p> <p>(f) Development of multidisciplinary extension personnel in sustainable environmental management;</p> <p>(g) Corps personnel in the various areas of environment related credit mobilization</p>	<p>(c) Environmental Education and Training</p> <ul style="list-style-type: none"> • Curriculum development; • Training of trainers. <p>(d) Promotion of public awareness;</p> <ul style="list-style-type: none"> • Popular participation workshop and seminars. • Development of multidisciplinary extension personnel in sustainable environmental management; • Disseminating information and results from projects and success experiences. • Environmental awareness at the grassroots level concerning issues of national environmental prior , <p>(e) Environment related credit mobilization</p> <ul style="list-style-type: none"> • Promotion of NGO and CBO-based credit extension staff; • Promotion of the manpower capacity for environment swap resource mobilization 	<ul style="list-style-type: none"> • Development and support of common curriculum harmonization programmes. • Providing guidance on major environmental issues of concern to the subregion; • Providing a forum for discussions on needed coordinated and concerted actions on the African environment; • Facilitating the harmonization of Africa's Position and Perspectives on global issues; • Encouraging Africa's active participation in major negotiations and implementation of sub-regional, regional, international and global agreements; <p>Promotion of subregional credit programmes</p>	<p>Support for curriculum development at the national and regional levels.</p> <p>Assistance in training credit extension workers at the community level</p>

2. Institutional development

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
<p>(a) Regular review of national environmental machineries with a view to making them more effective.</p> <p>(b) Development of environmental law institutions;</p> <p>(c) Promotion of environmental science and technology and clean industrial procedures;</p> <p>(d) Environmental education and training institutions.</p>	<p>Establishment of a national environmental machinery above political interference to facilitate the execution of environmental rules, regulations and laws.</p> <p>Strengthening of relevant research and development with courses related to environmental law.</p> <p>Strengthening of relevant research and development with equipment and other facilities for related environmental quality control, including toxic and dangerous materials.</p> <p>(a) Strengthen existing institutions with relevant infrastructure for environmental education and training;</p> <p>(b) Promotion of vocation education institutions in environment-related practices;</p> <p>(c) Development of institutions with environmental economics courses including accounting</p>	<p>Support to national institutions and promotion of regional frameworks for institution networking and cooperation.</p> <p>Strengthening of institutions to promote environmental science and technology and related environmental monitoring and assessment.</p> <p>Facilitation of institution networking.</p>	<p>Assistance to regional and national institutions.</p>

3. Resource mobilization

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
(a) Promote innovative way of resource mobilization for environmental activities	<p>Introduction or review of various dues and taxes for the use of environmental resources and specific allocation from these for capacity building.</p> <p>Introduction or strengthening of a national environment fund.</p> <p>Facilitate the activities of NGOs, CBOs</p> <p>Introduction by NGOs, CBOs, industry and union</p>	<p>Establishment of relevant resource mobilization mechanisms to finance cross-boundary activities within government, IGOs, international NGOs (forums), regional and global.</p>	<p>Support through the various financial mechanisms (benefits from conventions, GEF, bilateral, multilateral commitments).</p>

A. The Problem

354. Science and technology have been recognized as powerful tools for accelerated socio-economic growth and development, and countries that have paid particular attention to promoting the development and application of science and technology have succeeded not only in meeting the basic needs of their populations, but also in earning a place of pride and respect amongst leading industrial nations with high living standards and quality of life. The primary role of science and technology is to ensure a better quality of life for the peoples whose basic needs have to be satisfied first. By nature science and technology is inter sectoral and affects priority areas like food, health, industrial development, communications, etc.

355. Since Africa's comparative advantage is its vast store of natural resources, the critical role of science and technology in the proper exploitation of these resources has to be acknowledged. Resources required to develop different sectors and to meet the basic needs of the populations are presently derived mostly from the export of raw materials and commodities. Income from such export has been fast declining, and investment projects have suffered. Commitments made in the Lagos Plan of Action ^{1/} have not been met and structural adjustment programmes have exacerbated the pains of economic crisis in the region. Industries have deteriorated and agricultural production has declined.

(a) Dependence on Primary Commodities

356. Primary commodities account for over 92% of the total export earnings of Africa, and the price of these commodities has plummeted by over 50% over the last thirty five years.

Hence it is essential for the region to transform its natural resources by adding value to the raw materials and commodities so as to fetch a better market price for them. Only science and technology can ensure the upgrading of these raw materials and a more profitable exploitation of Africa's natural resources. Otherwise, with external indebtedness ever increasing, and the official development assistance (O.D.A.) flows constantly declining, there is no other way for the African countries to generate the wealth necessary for their development. With the recent Uruguay Round and GATT agreements leading to a liberalization of trade and gradual elimination of protectionism, Africa's goods will have to compete in the world market, and unless their quality and standards are enhanced in line with ISO 9000 series requirements through the proper application of science and technology, they will not be able to face the cut-throat competitive regime. That is why it becomes a matter of survival for the region to invest in capacities to harness science and technology for accelerated growth and development. This has been recognized by the ECA Conference of Ministers meeting in May 1995, which identified this area as a priority for the region.

(b) Inadequate Government Support

357. Generally government support to science and technology has been below expectations, and the organic link between the science and technology practitioners and the local private sector, has been weak. Unstinted government support, as has been the case of countries in the Far East, like Korea and Japan, is a prerequisite. These countries have proven that the comparable economic advantage of nations resides not in the potential wealth of natural resource endowments which remain untapped, but in the nature of human resources developed,

especially in the area of science and technology, and in the will and capacity of policy-makers to tap these resources for the benefit of the population at large. As in any developing country, the catalytic role of governments and the public sector in triggering well-targeted development paths cannot be overemphasized.

358. It has been found that science and technology are being interpreted too narrowly, and there is need for major policy reorientation. African countries have been following the examples of developed countries where science and technology are usually construed as high level research and development and training at tertiary and post-tertiary levels. This approach has not been beneficial as the research findings have hardly been disseminated and commercialised, and the high level people trained have not found the enabling environment in which to utilise their talents. The resources devoted to science and technology have therefore not had the expected impacts on the life of the common man.

(c) Brain drain

359. The brain drain has been endemic and rampant in Africa, which can ill afford to lose its highly trained engineers, doctors, scientists and technologists to the developed world when within its own borders, illiteracy, and underdevelopment are rife. Over the years the rate of emigration of highly skilled manpower has been rapidly increasing. The loss to Africa, in terms of financial and other resources has been immense. Hence there is need to review the nature of university training. Therefore, governments have to take a lead rôle to strengthen and build new capacities in science and technology, and create an enabling environment to utilize existing capacities in order to minimize the brain drain. Steps must be taken to attract expatriate nationals back to Africa to reverse the brain drain. Government, in collaboration with the private sector, can offer a package of incentives to attract them.

The UNDP's TOKTEN, and other similar programmes can help African countries in this area.

(d) Approaches to the acquisition of science and technology

360. A pragmatic and cost-effective strategy for leapfrogging science and technology capacity building is to promote the application of available, "off-the-shelf" science and technology in African countries. In the process of application, problems will arise, which will then need innovation and research. The application of available science and technology, leading to research, further training, and development is a realistic path to follow. Even here there should be more stress on the development component of **R&D** so that research results can be commercialised and reach the consumer. If **A** stands for application, the prescription for Africa should be, **A → D → R** and not **R → D → A** as has been the practice. When off-the-shelf technologies are not available, it is then that innovation and research become priorities and one has to put resources available to the process of **R** and **D** and **A**. At present, nearly all the funds allocated to science and technology go towards research and high level training, and hardly anything towards development. In contrast, USA spends 59% on development, 24.7% on applied research and 16.3% on basic research. In science and technology the optimal utilization of resources in Africa is a generalised problem because of the interpretation given to this area. It is time African countries give priority to the application of available science and technology in the production process or in the provision of related services. Innovation and research that will follow will then be well targeted. This has been the practice in countries of the Far East which have succeeded in leapfrogging in this area.

B. Major Issues of Critical Capacities

(a) Education and Training

361. Science and technology, one of the most critical tools for socio-economic transformation, has not been given the pride of place in Africa's primary, secondary and tertiary education curricula, and the resources allocated to this area have been marginal. It is therefore incumbent on our policy-makers and leaders to review the manpower training in Africa and accord priority to improving science and technology education at all levels, so as to expedite the proper training of manpower in the processing of agricultural products, the transformation of raw materials, and for the upgrading of products and services. There should be special measures to encourage women in science and technology. They abound in the agricultural sector; as such, their skills have to be modernised through appropriate science and technology interventions, in order to enhance their capacity for greater productivity.

(b) Institutional Capacities

362. Besides national commissions and councils or ministries for science and technology, which most African countries have set up or are in the process of setting up, there is a need for the creation of institutions dealing with technology assessment and forecasting, technology monitoring, industrial property rights, intellectual property rights, standardization and quality control, technology transfer, national research and development corporations and commercialization of new technologies, products and services, science and technology parks attached to universities can link academia with the real world outside where the economic agents operate.

363. Appropriate institutional support is required for the promotion of the private sector, especially for small and medium scale enterprises. Entrepreneurship cooperatives

backed by consultancy and engineering institutions, development banks giving subsidized interest rates on loans, along with foundations for venture capital funds, are important institutions of support.

364. One area that is fast affecting globalization is information technology (IT), and therefore, institutional capacity to internalize it in Africa has to be given prominence. In order to enhance African productivity, and competitiveness in world markets, capacity to exploit technological information is essential. That is why countries need to expedite the process of collection, storage, and dissemination of appropriate information, making full use of telecommunications, computerization and internet connectivity. The main stumbling blocks are lack of suitable IT policies, and the high tariff rates on IT products that inhibit the growth of this area in Africa.

(c) Infrastructural Capacities

365. In addition, universities and a few research centres in the areas of agriculture and food technology, cost-effective subregional and regional industrial research and development centres have to be set up. Science and technology education in the schools in schools is hampered by inadequate laboratory facilities. School science equipment are still equipped with experimental units and gadgets left behind by colonial masters. This inevitably leads to poor practical training, and consequently the scientists and engineers who qualify at the tertiary level lack the self-confidence required for hands-on problem solving, repair and maintenance, and design and manufacture. Through subregional cooperation and with the appropriate support of the RECs, manufacturing units for low-cost school science equipment need to be established as a matter of priority. They can become self-financing in due course.

(d) Capacities for mobilizing financial resources

366. Of primary importance is the availability of venture capital funds for the launching of new commercialization projects emanating from viable research results. At the national level, national fund for S&T must be established and financial capacity can be improved by tapping the private sector, and rich individuals. It is up to governments to entice the private sector through the appropriate incentives and legal guarantees. Rich individuals should be encouraged to set up their Foundations which would inter alia support the development of science and technology.

367. In the rural areas where the poor hardly have access to credit facilities, institutions like the Bangladesh's Grameen Bank can be established with donor support. Such banks have been very successful in enabling small farmers and women to adopt upgraded technologies for either agricultural or small scale industrial production.

C. Policies and Programmes

(a) National policies on Science and Technology

368. Governments should develop appropriate science and technology policies and ensure their effective implementation. National science and technology policies and plans have to be integrated into the overall national socio-economic development policies and plans, and go beyond the organization and support of research and high level training. Policy reforms are required on a continual basis to meet the requirements of a global social and economic environment.

369. In terms of capacity building, national institutions have started reviewing their strategies by organizing national conferences on science and technology, with the participation of

the stakeholders, namely the policy-makers, the researchers, the economic-operators and in some cases, even the consumer cooperatives. The major problem of financing still remains. This can be partially overcome by strengthening the private sector and encouraging it to contribute, through various incentives, to science and technology. National techno-economic policies should incorporate S&T dimensions, and S&T policies should be harmonized with financial, budgetary, fiscal, trade and industrial policies affecting technology transfer, without neglecting training and social policies. Otherwise, science and technology being intersectoral in nature, will have no impact on socio-economic development without the other supportive policies. Once the cross-sectoral policies and plans are integrated, and the necessary resources are made available, the proper role of science and technology in socio-economic development can be fully realized.

370. It is up to governments to play the initial catalytic role in formulating and implementing the requisite policies in the areas of science and technology, trade, industry, education and economy which are all intertwined. For even if one succeeds in promoting science and technology, people's quality of life will not be improved without appropriate economic and social policies.

(b) Regional and Subregional S&T policies

371. Initially through the ECA Intergovernmental Committee of Experts on Science and Technology Development (IGCESTD), and now through the African Regional Conference on Science and Technology, the African member states fine tune the regional S&T policies which emanated from the Lagos Plan of Action, the Vienna Programme of Action and more recently from the proposed Science and Technology Protocol of the African Economic Community.

372. Subregional science and technology

policies have been elaborated in two subregions - the North and the South - by the subregional working groups of the African Regional Conference on Science and Technology. The policies are based on the geographical and natural resource endowments of the subregions, and highlight cooperation strategies to make optimal use of the scarce resources available. Subregional groupings in other parts of Africa would do well to follow suit. Thus a coordinated approach to science and technology could foster regional cooperation and the strengthening of capacity for competitiveness.

D. Processes for Implementation

(a) Commercialization and dissemination of research results

373. There is no doubt that in many African countries there is a considerable amount of high quality research, mainly in agriculture and medicine. While in social sciences, the research results have made substantial input into policies on the environment, employment, training, human settlement and economic planning, the same is not the case for the physical and natural sciences. Research results still need commercialization, and most of the research topics also need to be geared towards industrial innovations. Intermediary institutions like S&T incubators, S&T parks, Technology Transfer Centres and Research and Development Corporations have to be set up. Ghana, Morocco, Nigeria, Senegal, Tunisia and Zimbabwe have initiated action along these lines. The concept of patenting commercializable research findings is still lacking. Facilities for patenting viable research results also have to be provided. In the agricultural sector, dissemination of research results through extension service still remains the weak node. The education of farmers has to be given priority so they can apply innovations improve their productivity. It is necessary to design mechanisms and build capacity to popularize and commercialize research results.

(b) Reform of Educational Curricula

374. Accelerated growth and sustainable development can start as mentioned earlier with the application of appropriate science and technology. The diffusion of appropriate technologies in the rural areas can be accelerated through the integration of such technologies in the school curricula. School children, in addition to being taught the classical subjects, should be taught how to replicate appropriate technologies at school and in their homes. Solar heaters, coolers, driers, biogas units, improved stoves, improved cooking methods, health practices, integrated farming and pest control, biofertiliser making, repair and maintenance of household equipment, and a host of other practical elements can be taught in schools and colleges, and the technologies disseminated to the masses. University graduates, as part of their course requirements, can be made to devote some of their time to introducing these new subjects in the secondary schools where the students learn how to manipulate the technologies. University training should favour areas like the transfer of relevant manufacturing technologies from outside, technology assessment, negotiation and acquisition, entrepreneurship and business management along with basic engineering skills. The objective should be to enable graduates to take up self-employment rather than leave their countries because of the absence of jobs in the government and the private sector. It is necessary to design mechanisms and build capacity to popularize and commercialize research results.

(c) Development of a Science and Technology Culture in Africa

375. Many people view science and technology as something foreign. To apply it to improve people's lives, it is first necessary to build a science and technology culture. Major technological and industrial projects have failed because not enough attention was given to

cultural norms and practices of the people. The cultural role of women in development, the assimilation and preservation of certain values necessary for a stable and forward-looking society, the demystification of science and technology by highlighting the scientific basis of many traditional practices inherent in the food habits, the clothing, the agricultural methods, the ethno-medical practices, the preservation of the environment, are issues that need to be ventilated through the popular media, including folk tales, dramas, songs, radio and T.V. programmes, and community literacy programmes. From childhood people need to be educated on the benefits of appropriate science and technology, with special emphasis on the need for girls to embrace science and technology education.

376. The elders in the community can be given non-formal training and exposure to science and technology through popularization programmes, including audio-visuals, and community development projects in fields such as water irrigation, hygiene, renewable energy, improved agricultural practices. In this regard, it is important for community-based technology to be gender sensitive.

(d) Legal Framework

377. Member States should enact legislation in the area of incentives to be given to

entrepreneurs who adopt new technologies, or who manufacture local products. Legislation concerning technology transfer, contracts, indigenous shares in joint-ventures, investments codes, restrictive technology importations, patents, fees and royalties, leaving the doors open to exploitation by foreign contractors. Countries of the Far East have succeeded in rapid technological development thanks to legal frameworks they adopted, and which guarantees profit margins to local and foreign investors.

(e) Attracting Donor Funding

378. It is high time Africa gives up its strategy of solely exporting raw materials for its income, and invests on science and technology to process a large proportion of export commodities. The blending of traditional with new and emerging technologies, and where necessary, their adoption with the help of foreign partners, are means towards this end. There is no doubt that foreign direct investment offers a viable path for the acquisition of capital, technology and market access, all essential for accelerated technology-based industrialization.

379. For foreign direct investment, governments have to ensure a favourable national policy and economic environment where all types of incentives are offered, and where the minimal necessary infrastructure and institutions exist, manned by trained people. ■

1/ OAU - Lagos Plan of Action for Economic Development of Africa, 1980 - 2000' - Organization of African Unity, 1981, Addis Ababa.

BUILDING CRITICAL CAPACITIES FOR TECHNOLOGICAL DEVELOPMENT IN AFRICA

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTIONS
<p>1. Careful identification and selection of technologies to be acquired, adapted, and applied towards national development emanating from sound economic reflections between government, consumers, economic operators, private sector universities and research laboratories.</p>	<p>1. Identify and prioritize the technologies to be acquired.</p> <p>2. Identify various sources (internal and external) from where the technologies will be acquired●</p> <p>3. Ensure that the right skilled manpower is identified, nurtured and adequately remunerated.</p> <p>4. Support programmes that encourage the use of domestic technology development institutions.</p> <p>5. Ensure adequate monitoring and record keeping.</p> <p>6. Greater role of carrying out these functions should be given to the private sector.</p>	<p>1. Assist countries to select appropriate technologies to be acquired.</p> <p>2. Push for real economic reforms.</p>	<p>1. Provide advisory services and technical assistance.</p> <p>2. Provide training in technology assessment, negotiation, acquisition and transfer.</p>

BUILDING CRITICAL CAPACITIES FOR TECHNOLOGICAL DEVELOPMENT IN AFRICA

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
2. Encouragement of local private sector entrepreneurs to engage in acquisition of technology.	<p>1. Provide enabling environment (good transparent governance, physical and institutional infrastructure etc.).</p> <p>2. Improve fiscal/monetary policies.</p> <p>3. Support programmes that aim at increasing the independence of the institutions.</p> <p>4. Encourage activities that manufacture prototypes from local materials.</p> <p>5. Establish sound S and T policies that promote cooperation between Universities, R and D Institutes and national Enterprises.</p>	<p>1. Assist private sector financially and in kind</p> <p>2. organize seminars and training.</p> <p>3. Provide venues and possibilities of exchange of technical information to countries.</p>	<p>1. Provide technical assistance.</p> <p>2. Provide training.</p> <p>3. Undertake monitoring and evaluation of policy actions.</p> <p>4. Play a catalytic role.</p>

BUILDING CRITICAL CAPACITIES FOR TECHNOLOGICAL DEVELOPMENT IN AFRICA

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
3. Rational location of technology centres within the country, based on comparative advantage.	<ol style="list-style-type: none"> 1. Identify the natural resource base of the country through careful resource mapping. 2. Locate technology centres and related industries as close to the raw material source as possible to promote the decentralisation of industries from capital cities and towns. 3. Assure that efficient transportation system exists that facilitates distribution of manufactured goods. 4. Locate technology development and acquisition programmes in engineering schools and research laboratories 	<ol style="list-style-type: none"> 1. Lend support to technology centres and related industries that are in line with those identified by the Second IDDA programme, and that would lead to a high degree of self-sufficiency for the country and the subregion, and also contribute to self-sustaining growth. 2. Support projects that provide market(s) for the technologies and related products to individual countries in the subregion. 3. Encourage projects that have export potential or enhance the export potential of other countries in the subregion. 	<ol style="list-style-type: none"> 1. Provide technical assistance to countries. 2. Provide training that aims at improving technical skills. 3. Undertake monitoring and evaluation of policy actions. 4. Play a catalytic role for technological and industrial development.

BUILDING CRITICAL CAPACITIES FOR TECHNOLOGICAL DEVELOPMENT IN AFRICA

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
4. Technical skills development and inculcation of a technological and industrial culture.	<p>1. Build and adequately equip schools at the primary, secondary, and tertiary levels with basic scientific equipment.</p> <p>2. Introduce practical scientific and entrepreneurial courses at all levels of schooling, by introducing the interrelationships between Science, Technology and Society (STS) at the early stages of education.</p> <p>2. Assign and adequately remunerate technically competent teachers to teach in the schools.</p> <p>3. Encourage gender sensitive entrepreneurial skills programme at the early stages of formal schooling.</p> <p>4. Promote programmes that develop skills that inculcate industrial culture at all levels of school training and at the work place. Introduce the notions of environmentally sustainable development.</p>	<p>1. Actively support regional institutions such as ARCEDEM, ARCT, ARSO, IDEP, ARIPO, OAPI, etc. that provide technical training.</p> <p>2. Support national manpower training programmes.</p>	<p>1. Promote and support regional organisations such as ARCEDEM, ARCT, ARSO, IDEP, ARIPO, OAPI etc., that provide technical training.</p> <p>2. Organize seminars on skills upgrading.</p>

BUILDING CRITICAL CAPACITIES FOR TECHNOLOGICAL DEVELOPMENT IN AFRICA

POLICY MEASURES	NATIONAL ACTION	REGIONAL ACTION	INTERNATIONAL ACTION
5. Rational policies that attract local financing and FDI.	<ol style="list-style-type: none"> 1. Establish financial institutions that support the private and public sectors technology development centres. 2. Creation of Small Enterprise Development Corporations to support activities of incubator firms. 3. Creation of Credit Guarantee Companies, merchant Banks and units in commercial banks that underpin the financing of SSEs/SSIs that manufacture the outputs of local technology. 4. Provide the enabling environment to encourage foreign investment by transnational corporations that bring new technologies to the country. 5. Aim at achieving sweeping reforms at almost all levels: <ul style="list-style-type: none"> - investment codes - trade policies - importation policies - taxation policies - privatization policies 	<ol style="list-style-type: none"> 1. Support of financial mobilisation activities at the national and regional levels, including regional funds and foundations for science and technology. 	<ol style="list-style-type: none"> 1. Provide advisory support to policy reforms. 2. Provide technical assistance in developing strategies of mobilising financial resources.

BUILDING CRITICAL CAPACITIES FOR TECHNOLOGICAL DEVELOPMENT IN AFRICA

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
6. Promotion of clean and efficient industrial technology development.	<p>1. Introduce new regulatory measures and economic incentives that support the development of clean technologies for sustainable industrial development.</p> <p>2. Review energy and water pricing policies that can encourage industry to make more efficient use of resources.</p> <p>3. Introduce special investment tax breaks, low-interest loans, depreciation allowances, pollution or waste charges and non-compliance fees that can encourage product redesign and technological innovations leading to safer products, more efficient and safer industrial process and the recycling of raw materials.</p> <p>4. Undertake R & D activities that aim at diversifying the raw materials base.</p>	<p>1. Actively support national activities on clean production methods.</p> <p>2. Assist countries to technically monitor clean production methods.</p> <p>3. Introduce environmentally friendly technologies at village and primary school levels.</p>	<p>1. Provide technical assistance to clean production activities.</p>

BUILDING CRITICAL CAPACITIES FOR TECHNOLOGICAL DEVELOPMENT IN AFRICA

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
7. Providing incentives for science and technology development and application.	<ol style="list-style-type: none"> 1. Establish a market economy that is competitive and open to global economy through the provision of good governance and appropriate legal framework. 2. Encourage technological innovation, appropriate r&d; science and technology parks; industrial free zones 3. Ensure adequate monitoring and record keeping. 4. Greater role of carrying out these functions should be given to the private sector. 	<ol style="list-style-type: none"> 1. Assist countries to set up incentive schemes to encourage appropriate technology development. 2. Push for real economic reforms. 	<ol style="list-style-type: none"> 1. Provide advisory services and technical assistance. 2. Provide training in policy formulation, legislation for S&T and provision of incentives.

380. The importance of this area of capacity building can hardly be down-played. African countries that are emerging from conflicts and *apartheid* require substantial financial resources to launch their reconstruction and development. On the whole, enormous resources are required to sustain economic recovery, capacity building, structural transformation and sustainable development throughout the continent. The availability of finances will almost certainly be the key determinant as to whether African countries' efforts to build critical capacities in the other nine priority areas that have been identified in this **Framework Agenda** will be sustained over the coming years and decades.

A. The Financial Requirements for Africa's Development

381. At this point, it is possible to estimate only the order of magnitude of the financial requirements to build critical capacities in the African countries. More definite evaluations must wait until individual countries have selected the priorities, goals and targets for their capacity-building programmes of action from the comprehensive menu which is all that this **Framework Agenda** is. It is possible, however, to arrive at plausible levels of spending in each of the broad priority areas : human development, infrastructures, institution building, financial mobilisation, science and technology, and economic services.

382. Plausible levels can be predicated on two basic assumptions: The first is that, in building critical capacities, African countries will strive to at least match developing-world norms. In the last two decades, this continent has fallen behind the rest of the world in many areas of social and economic policy. Bringing African countries even to world average levels therefore

will represent significant progress. By the same token, the magnitude of the effort and resources required to achieve this must not be underestimated. The second assumption is that countries will choose to implement their capacity-building programmes of action within the context of responsible fiscal and prudent monetary policies. This will ensure price, interest rate, and currency exchange rate stability; sustain the confidence of domestic and external investors; and keep the overall cost of the programme to a minimum. All these will ensure success.

383. Africa's development in the first quarter of the Twenty-first Century should be mobilised through two mutually-reinforcing activities : building and strengthening **critical capacities**, and expanding **productive capacities**. The capacities that can be considered as critical are **human capacities** (health and strength, knowledge, skills and capabilities); the framework of **institutions** (public administration, legal framework and the judiciary, private sector and civil society institutions, etc); **basic physical infrastructures** (water, transport, fuel and power grids, telecommunications, etc); and institutional structures for **financial mobilisation** (public revenue collection and administration, the network of financial intermediaries, and capital markets). Productive capacities, on their part, consist of **fixed capital**, **production skills** and **managerial capabilities**, and **entrepreneurial firms**, **distributional channels**, and institutional **market structures**. The critical capacities that have been identified cannot be fully utilised in the absence of strong and dynamic productive capacities. On the other hand, strong and dynamic productive capacities are not sustainable without adequate levels of critical capacities.

384. The building of critical capacities is predominantly in the domain of Government. In view of their "public good" nature, only Government can ensure that investment in critical capacities is at an optimum rate. And only Government can ensure that they are distributed throughout the country and society with a reasonable measure of equity.

385. The physical, human, and institutional capacities which constitute the production base of the economy can be built by a combination of investments by the government and private sector actors. Comparative experience from diverse countries in the world over the last half century, however, has consistently shown that governments are much less efficient than private actors in utilising scarce resources in the production, distribution, commercial, and financial sectors of the economy. In some countries where statistics on public and private enterprises have been assembled, it has been found that a faster rate of economic growth would have been achieved if the resources used up by public enterprises had been utilised as efficiently as in private enterprises. On this ground alone, therefore, Governments would do well to limit their presence in the production sectors, leaving them largely in the domain of private-sector enterprises. Exceptions would be strategic production areas where public "pioneering" has strong "public good" and positive externality attributes.

386. The financial requirements for Africa's development therefore aggregate the financial resources that are needed to build critical capacities plus the financial resources needed for investment in the creation of productive capacities.

387. UNECA has carried out a previous study 1/ to assess the financial requirements to accelerate economic growth and attain the UN-NADAF target over a ten-year period, and sustaining the growth momentum over the following decade. In this study, the African

countries were divided into two groups : Lower-Income countries — a group of 37 countries 2/; and Upper-Income countries — a group of 15 countries 3/. The financial requirements of each group were estimated. No attempt was made, however, to dis-aggregate the resource requirements for investment in critical capacities from those for investment in productive fixed capital. The study followed a conventional approach, using the concept of the "incremental capital to output ratio" (ICOR) to estimate the economy's gross domestic investment (GDI) requirement.

388. In this chapter the previous study is extended in four directions. First, analysis of financial requirements is extended to include South Africa as a special case, in view of its more advanced stage of economic development. Secondly, the gross domestic investment is dis-aggregated into its sectoral components by use of sectoral ICOR values and sectoral growth rates consistent with an average annual growth rate of GDP of 6 per cent over the first decade. Thirdly, an attempt is made to establish notional levels of spending in areas of critical capacities. Fourthly, a further attempt is made to integrate the sectoral and aggregate GDI and the capital and recurrent expenditures on critical capacity-building within a common analytical structure, to estimate the overall requirement of fiscal resources, gross domestic savings, and foreign capital inflows.

389. The results are presented in **Tables 1.1 to 1.4** for the **Lower-Income group** of countries; **Tables 2.1 to 2.4** for the **Upper-Income group**; **Tables 3.1 to 3.4** for **South Africa**; and **Tables 4.1 to 4.3** for **continental Africa** as a whole. Except where indicated otherwise, resource levels are stated in proportion to GDP.

(a) Financial Resources for Public Capacity-Building

390. The estimation of financial requirements for critical capacity-building is fraught with

difficulty. Even though it is increasingly accepted that spending on areas of critical capacities is a vital "investment" in a socio-economy's capacity to grow and develop both sustainably and rapidly, in the contemporary national accounting framework, recurrent spending in critical capacity areas is still treated as part of consumption. Consequently, resources allocated to these areas are not included in the conventional concept of "savings". Furthermore, a simple measure similar to ICOR does not exist which can be used to arrive at quick estimates of the necessary levels of spending on critical capacities. In the absence of an elegant technique, therefore, the first step is to establish at least normative levels of resource allocations for capacity building.

391. The **Framework Agenda** has identified **four basic elements** as the building blocks of critical capacities : **human capacities, infrastructures, institutions, and financial mobilisation**. To arrive at a normative estimate of the financial requirements of an African programme of action to build and utilise critical capacities, it is necessary therefore to estimate the resource requirements in each of these capacity areas. In addition, allowance must be made for two complementary areas of capacity building. The first is **economic services** — which enhance the economic productivity of human capacities and ensure environmental sustainability. The second is **science and technology** research and development — which is an important element in a strategy for sustained social and economic transformation.

392. Regarding **infrastructures**, the World Bank has estimated that, across the developing world, on average 4 per cent of gross economic output (GDP) is invested annually. This represents about 20 per cent of total gross investment. It also consumes roughly 40 per cent of public investment in the low-income countries and almost 60 per cent in the middle-income countries. The level of investment in infrastructures appears to remain a stable

proportion of economic output — with a 1 per cent increase in output being matched by a 1 per cent increase in infrastructural capital stock.^{4/}

393. A reasonable assumption is that, in their programmes to build critical capacities, African countries will boost public investment in economic infrastructures and also attract complementary and supplementary private capital, with the aim of at least matching the developing-world average rate of gross investment in this area.

394. With respect to **human capacity-building**, in recent years a consensus in development circles has coalesced around the "**20:20 compact**".^{5/} This recommends that developing-country Governments should allocate at least 20 per cent of public revenues to social spending on human development — to attain universal primary and secondary education for both girls and boys, adult literacy campaigns, primary health care for all, supply of family planning services, nutrition programmes, basic vocational training, etc.

395. Across the developing world, total public recurrent revenue as a proportion of gross national product (GNP) falls in the range to 20-25 per cent, on average. Public revenues in one half of the African countries fall below this rate.^{6/} There is room for improvement, therefore; and a reasonable assumption is that countries will continue to implement concrete measures to raise the public revenue share to at least the developing-world average. The "20:20 compact" requires public investment in human capacity-building to be sustained at 5 per cent GNP.

396. Regarding ODA, the second component of the compact, flows to sub-Saharan African countries (excluding South Africa) in 1993 amounted to 11.5 per cent of their aggregate GNP, while flows to the North African countries amounted to 2.8 per cent of GNP.

Across the low-income developing economies (excluding China and India), over the period 1990-1995, ODA flows have ranged from 5.6 per cent to 7.0 per cent of recipient countries' GNP.^{7/} Analysis of the World Bank statistics indicates that, in recent years, ODA has contributed less than 1 per cent to gross domestic investment.^{8/} If the concept of "investment" is defined more broadly to embrace aspects of "human capital formation" (e.g., education, health, nutrition, etc.), however, ODA's contribution would rise somewhat. According to the UNDP,^{9/} on average across the developing world, about 7 per cent of ODA is spent on human development.

397. There are two aspects of changes to ODA over the coming years: The first should be anticipated by the African countries with an appropriate re-orientation of external resource mobilisation strategy. The second is a request to the ODA donors to restructure aid priorities along the lines of the "20:20 compact". In the first instance, a realistic reading of the prevailing mood of the electorate in the donor countries indicates that it will require significant justification and courage on the part of governments even to sustain current levels of ODA transfers in nominal terms. The sub-Saharan African countries should anticipate a reduction of as much as 50-60 per cent in ODA flows in real terms over the next ten years. ODA transfers to Africa could be expected to fall to 4-5 per cent of GNP, tending towards the low-income developing-economy average. In the second instance, with at least 20 per cent targeted at human capacity-building, in spite of stagnation in nominal terms, ODA should still be able to support gross investment in "human capital formation" amounting to about 1 per cent of African GNP.

398. An application of the "20:20 compact" to human capacity-building in Africa therefore would require aggregate spending in this area to be sustained at not less than 6 per cent of

African GNP. If anything, considering the gaps in human development and quality of life indicators between Africa and the developing-world mean levels, a case can be made for aggregate spending on human development to be sustained at 10 per cent of GNP — which would call for higher commitments in the order of a "30:30 compact".

399. Regarding **institutional capacity-building** — creating critical capacities in good governance, legal and regulatory structures, policy-making organs, efficient and effective public administrations, etc — it is more difficult to arrive at an estimate of levels of spending that may be considered as "investments". This difficulty arises no doubt because much of the spending in this area is recurrent expenditure in the form of salaries and emoluments to public servants — the human component of these institutions. The experience in country after country in Africa over the last three decades indicates, however, that there are false economies in keeping remuneration packages for public servants at depressed levels: below any realistic evaluation of 'a living wage'; ignorant of the rate of inflation; unaware of the gap between private-sector and public-sector pay packages; unconcerned about all these demotivating factors and mitigating circumstances which, to a degree, explain the entrenchment of corrupt practices and inefficiencies in African public service institutions.

400. A strong case can be made, therefore, that restructuring the African public services, with a view to creating optimal structures, employment levels, appropriate mix of skills, information channels, and mechanisms to ensure transparency, accountability and efficiency in the public sector is a crucial form of "investment" in institutional capital. From a realistic perspective, however, public sector restructuring will not bear the fruit expected of it without restructuring and significantly boosting the take-home pay of African public servants — and relating it to high levels of

probity and productivity.

401. Restructuring costs (e.g., early retirement and other severance payments) plus the stream of increases in the public wage bill of the new public service institutions in excess of the bill for the old structures, as well as recurrent training costs, all must be seen as "investments" in institutional capital. Conventional techniques of investment analysis (e.g., cost-benefit analysis, rate of return on investment, net present value, etc) can be used to assess the soundness of these "investments". A plausible preliminary estimate of restructuring costs plus sustained increases in spending on the public service wage bill (linked to productivity gains) and recurrent training to upgrade skills is of the order of 3-5 per cent of African GDP.

402. With regard to **financial resource mobilisation**, distinction must be made between two sets of capacities. The first are public revenue collection institutional capacities — responsible for the administration of income and property taxes, indirect taxes, import tariffs, user fees, etc. The second are capacities located in the system of financial intermediaries required to mobilise and efficiently allocate private sector resources and provide an efficient payments settlement system to facilitate domestic and external trade and investment flows. Both capacities are crucial to sustaining accelerated growth.

403. The first set of capacities — **public revenue collection and administration** — are located in the public sector. Thus, they are subsumed by the preceding resource estimates for public institution capacity-building. Resource requirements therefore remain to be estimated only for the second set of capacities — **the financial intermediation system**. Investments will be needed to establish branch networks, to upgrade communications and information processing on a continuous basis, to mount recurrent staff training to upgrade skills, etc. A preliminary estimate is that investment in

critical capacities in this area could be in the order of 3-5 per cent of the volume of financial resources that are expected to be mobilised by the system. Investment in this area thus should be in the range of 1-2 per cent of GDP.

404. In addition, provision should also be made for recurrent spending on **science and technology** research and development, and on **economic services** — such as agricultural extension services, livestock disease control, advisory services to micro- and small-scale enterprises, marketing services, credit subsidies, etc. Countries should allocate 1-2 per cent of GDP to each of the two areas.

405. The "investment" requirements in the four building blocks of critical capacities therefore aggregate to 21-26 per cent of the African GDP. Of this, the public exchequer can be expected to shoulder the bulk of responsibility for critical aspects of human development and institution building. There is some scope for mobilisation of private resources for investment in infrastructural capital formation. However, African Governments — through State-owned enterprises and para-statal bodies — will almost certainly continue to bear primary responsibility for physical infrastructural development and maintenance in the first ten years of this programme. Investment in the financial intermediation system should come predominantly from the private sector and not from the public exchequer. With regard to economic services, science and technology, Governments should allocate fiscal resources to these areas, if they are serious about capacity building and accelerated growth. Thus, a programme of action to build critical capacities at the national level requires public spending in the range of 20-24 per cent of GDP. The resource estimates presented in Tables 1.2, 2.2, 3.2, and 4.1 fall within or just outside this range.

406. If recurrent public revenues across Africa can be raised to the range of 20-25 of GDP, and

if ODA contributes 4-5 per cent of GDP, public spending in the range of 24-30 per cent can be sustained without exerting inflationary pressures, crowding the private sector out of the domestic financial market, or driving up domestic public debt in proportion to GDP. 10/

407. If allowance is made for public debt servicing obligations and for non-capacity-building government consumption spending, then the estimated normative range of public spending on critical capacities would be accommodated within national budgets only if the rate of fiscal revenue mobilisation is raised to the range of 30-35 per cent of GDP. Even then, there are two additional provisos, however : that public spending will be targeted more accurately at capacity-building priorities; and that resources will be disbursed without leakages and inefficiencies.

408. Failing this, there are only two other alternatives: The first option is for Africa's external partners to maintain current levels of gross resource transfers in real terms (i.e., by increasing ODA at a steady rate in nominal terms) coupled with substantial reductions in the debt stock and servicing requirements. The second option is to scale down the African capacity-building effort below the norms in the rest of the developing world. The consequence of this would be for the development gap between Africa and the rest of the world to continue widening. For this reason, this second option should not be acceptable to Africa and its partners.

(b) Financial Resources for Private-Sector Capacity-Building

409. A case has already been made for a predominant role of private sector actors in the creation, maintenance, utilisation, and expansion of "applied" capacities in the production, distribution, commercial and financial sectors of the socio-economy. The largest component in

private-sector spending on capacity building in this area is investment on productive fixed capital — tools, plant and equipment which make it possible to transform natural resources and to add value to intermediate inputs. There is also private spending on human capital formation, institution building, and science and technology R&D. But, as a rule, this spending is selectively targeted within the scope of the needs of individual private sector organisations. Therefore, spending levels cannot be expected to be optimal in delivering all the "public good" contents of critical capacities. Thus, while private spending in areas of critical capacities is acknowledged in Tables 1.2, 2.2, 3.2, and 4.1, nevertheless, it is assumed to be either supplementary or complementary and, as such, only a small fraction of total resources spent on critical capacity-building.

410. There are three notable exceptions, however: The first area is economic infrastructures, where private investment is almost as large as public investment. Here, there is room for a "division of responsibilities" — with the Government taking lead responsibility for extending physical infrastructures, while private enterprise takes the lead in procuring auxiliary equipment that make it possible to extract maximum use out of infrastructures at the lowest per-unit cost. The second area is financial mobilisation. The high rate of innovation in this area indicates that financial intermediation is best left largely in the private sector. The third area is science and technology R&D. As African private enterprises mature and begin to seek a sizeable share of the global and domestic markets, they will find it necessary to invest in this area to gain or keep a competitive edge.

411. Thus, Tables 1.2, 2.2, 3.2, and 4.1 indicate levels of private spending in almost all the areas of critical capacities, in addition to directly productive capacities. The analyses in these Tables suggests that resource requirements for overall capacity building is virtually evenly

divided between Government spending on critical capacities in its domain, and private-sector spending on productive capacities.

412. From the analysis in these Tables, aggregate financial requirements to accelerate growth and sustain economic and social transformation in the African countries will be in the range of 44-48 per cent of GDP. This is alarming at first sight. However, when spending on human development is written off as "consumption" of social and personal services and when spending on public institution-building is written off as "government consumption" spending — as they invariably are in the national accounts — then the residual GDI is reduced to comparable levels of 30-35 per cent of GDP. These are the levels of gross domestic financial requirements which were established in the previous UNECA study which did not explicitly treat critical capacity building.

(c) Aggregate levels of Financial Requirements

413. According to the indicative figures presented in Tables 1.3 and 1.4, for the Lower-Income group of countries, to achieve the UN-NADAF growth target over the first ten years would call for an average direct and indirect tax rate of not less than 28 per cent of GDP ^{11/} plus a domestic private savings rate slightly over 20 per cent of GDP (which is equivalent to over 28 per cent of gross disposable income). This level of taxation and savings is predicated on ODA projected at just 5 per cent of GDP. This is a reasonable reading of the mood in the donor countries regarding future ODA commitments. It also assumes that the 37 countries will be able to attract external capital inflows equivalent to at least 3 per cent of their GDP annually. Considering that external resource inflows have been virtually nil in recent years, this would be a significant achievement of macro-economic policy and international marketing of national and regional economic opportunities. Nevertheless, it is in

the realm of possibility. Under these rates of taxation and private savings, the Lower-Income countries would require an average of US\$ 16 billion annually (1995 constant dollars) in external financing — or a total of \$160 billion over the first ten years of capacity building.

414. From Tables 2.3 and 2.4, for the Upper-Income group of countries, a tax rate of at least 30 per cent of GDP plus a gross domestic private savings rate over 23 per cent of GDP (or a third of disposable income) will become necessary if basic human capacity-building is intensified. On the other hand, if these African countries do not make a commitment to human development on a scale approaching that of the dynamic South-East Asian economies in the years prior to their take-off, their economic performance will remain stalled and sluggish. It is assumed that these countries will be able to secure ODA of at least 3 per cent of their GDP. Furthermore, under the right macro-economic climate, their larger economies and emerging capital markets should be able to attract some 5 per cent of GDP in external capital inflows. The analysis therefore expects the 15 countries to obtain an average of \$22.4 billion annually in gross external resources inflows — or a total of \$224 billion over the first ten years.

415. The notional financial requirements for South Africa are given in Tables 3.3 and 3.4. It was thought necessary to present a separate analysis from that for the remaining 52 African countries in the light of the strong peculiarities of this country which mark it as unique in Africa (if not in the world, for that matter!). In particular, it has features of both a "developed" as well as a "developing" country at the same time: For example, it already has a large manufacturing sector and a relatively small agricultural sector. Secondly, a subsequent more thorough analysis may need to impute the resource implications of its **Reconstruction and Development Programme (RDP)**^{12/} — which is the policy framework within which capacity building is intended to take place in

416. A combined direct and indirect tax rate of at least 28 per cent of GDP together with a gross domestic private savings rate of almost 23 per cent of GDP — almost 32 per cent of disposable income — would be necessary to sustain spending on critical capacity building as well as accelerate the rate of economic growth to an average of 6 per cent per annum over the first ten years. These estimates are predicated on ODA not exceeding 2 per cent of GDP. This is realistic, in view of South Africa's status as an upper-middle-income country (by World Bank classification) which will make it relatively hard to obtain concessional resources. On the other hand, if recent investor confidence is sustained, South Africa should have no difficulty attracting over 5 per cent of its GDP in external capital inflows annually.^{13/} The analysis therefore assumes a gross capital transfer of \$11.2 billion annually on average over the first decade — or a total of \$112 billion over the ten years.

417. Tables 4.1 and 4.2 show that the financial requirements to sustain the building of critical capacities in the first ten years will be more or less equal to the financial requirements to expand productive capacities. Table 4.3 is a summary of the total external financial requirements that are assumed to be reasonable to expect to accrue.^{14/} Thus, for all the 53 African countries, on average, it is assumed that gross external flows of \$49.6 billion can be received every year — a cumulative total of \$496 billion over the first ten years. This represents about 7.75 per cent of African GDP. Of this, ODA is expected to account for about 3.40 per cent of GDP for the continent as a whole.

418. In all countries, therefore, it is expected that the bulk of the investment resources would have to come from domestic savings. In all, from Tables 4.1 to 4.3, gross external resource transfers to Africa are expected to finance only

about 16 per cent of aggregate capital and recurrent spending on critical-capacity-building and investment in productive capacities. The figures presented in this chapter therefore represent a considerable hardening of assumptions which were the basis of the UNECA study.^{15/}

419. In the study, ICOR is used as a measure of economic efficiency. An assumption is made that African countries would be able to attain an economy-wide average ICOR value slightly above 4 (corresponding to a gross annual rate of return of just below 24 per cent). A less optimistic assumption of capital productivity trends would raise the level of investment required to achieve the growth target. The imperative need for countries to carry out structural and policy reforms to quickly boost economic efficiency and productivity therefore can hardly be over-emphasised.

420. The enumeration of African countries' aggregate financial requirements has, up to this point, alluded only indirectly to the question of the resources needed to meet obligations to service "old" external debt inherited from the last 30 years. This is as it should be — this chapter is not about the financing of Africa's external debt obligations. Nevertheless, the external debt burden casts an inescapable shadow over the sustainability of the African capacity-building effort. Under current debt management strategies agreed to by the creditor clubs (i.e., the "Paris Club" for bilateral debt and the "London Club" for private sector creditors), an estimated \$ 450 billion (1995 constant dollars) would be needed in the next ten years to meet principle and interest payments on accumulated debt. This sum is roughly equal to the amount of gross external resource transfers that are assumed in the present study.

421. External creditors would create more auspicious conditions for capacity building in Africa, therefore, if they agreed to grant

substantial reductions of debt stock and servicing obligations to African countries implementing appropriate economic and social reforms. With reduced debt service expenditures, tax rates could be cut to levels that would make African countries more competitive to domestic and foreign investment in the productive sectors.

422. The enormity of the financial resources required to accelerate and sustain Africa's development in the next ten years therefore should be clear. The effort required to mobilise such amounts of resources calls for specific policy actions at the national level, complemented by actions at the regional level, and supplemented by international support.

B. The Policy Objectives

423. These actions should be addressed to a number of specific policy objectives or issues virtually all of which have already been highlighted above. These policy issues need tenacious attention by African Governments, Regional Economic Communities (RECs) and the African Economic Community Secretariat (AEC) as well as other continental and regional inter-Governmental Organisations. They are : the need

- to boost the rate of gross domestic savings;
- to boost the rate of gross domestic investment;
- to increase the efficiency of invested capital;
- to correct the structural deficit in Africa's trade with the rest of the world;
- to surmount the "old" external debt;
- to mobilise external resources;
- to lighten the internal public debt burden; and
- to develop healthy financial intermediaries and dynamic capital markets.

424. The rates of gross domestic investment (GDI) and gross domestic savings (GDS) in proportion to the gross national product have

remained at low levels relative to other developing regions of the world. Since 1980, the African GDI rate has averaged only about 20 percent of gross domestic product (GDP), and only about 15 percent in the sub-Saharan countries. The African GDS rate, on its part, has averaged only about 18 percent of gross national product (GNP), and only about 13 percent in the sub-Saharan countries. By contrast, the fast-growing economies of China, the Asia-Pacific rim, and the Association of South-East Asian Nations (ASEAN) grouping of countries have maintained savings and investment rates in the range of 30-40 percent over the same period.^{16/}

425. Analysis in the preceding section has indicated that capacity building and accelerated growth in Africa will not be possible without sustained high rates of domestic savings and investment. To rapidly attain these levels of domestic savings and investment and to sustain them indefinitely are tough challenges which African economic policy must address squarely.

426. The low rates of domestic investment have been the result of poor rates of public, private sector, and foreign direct investment, while the low rates of domestic savings are the result of chronic dis-saving in the public sector, and low savings rates by private sector enterprises and by households. The poor rate of public investment and public sector dis-saving have been due to African countries' high recurrent public consumption expenditures, loss-making public enterprises that have been sustained by state subsidies, poor controls on spending, corruption within the public sector, and rather low levels of fiscal revenue collection in proportion to the GDP, relative to countries in other regions of the world.

427. In the private sector, the low savings rates of enterprises have been because of low profitability resulting from poor management capabilities, the high costs of doing business due to poor infrastructures, insecurity of property,

ineffectual legal frameworks that do not offer efficient recourse for the enforcement of contractual obligations, high levels of losses to pilferage by employees, and weak demand due to declining personal incomes. In the rural areas, where the bulk of the population live, the low savings rates of households are due to the continued predominance of the subsistence (i.e., non-cash) mode of production and exchange, the continued low level of integration of the rural economy into the monetised formal economy, and the low level of cash incomes of most African households in view of prolonged economic stagnation. In the urban areas, on the other hand, the high levels of unemployment and the low profitability of informal sector activities tend to leave little surplus that could be saved.

428. Moreover, underpinning the persistence of these structural factors, the financial intermediation infrastructure for effective mobilisation of resources and their efficient allocation continue to be underdeveloped in most of the African countries. The range of institutions as well as the menu of financial instruments and services which they offer are limited. At the same time their operational methods are too costly, bureaucratic, and baffling to the potential clientele with only low levels of functional literacy.

429. Compounding the low rates of domestic investment is the low efficiency of capital, due to the rather poor quality of investments, which results in low rates of return on invested scarce resources. This has manifested itself in the very low rates of utilisation of installed capacity in the African countries, in addition to excessive delays and cost over-runs before completing capital projects and bringing them into full use. The poor quality of African investments is linked to the inefficiencies of state-owned enterprises; failure to develop the private sector, especially small to medium-scale enterprises; poor priorities in the national development strategies; distortions created by macro and

micro economic policies; and the extent to which direct intervention by the state, often arbitrary, has supplanted markets in the allocation of scarce investible resources. Acute shortages of foreign currency due to poor external trade performance has also had a negative effect.

430. The African countries also suffer from an intractable structural imbalance in their external trade. This is due to the slow progress towards the diversification of their production and export bases away from total dependence on primary commodities towards processed goods and manufactures with more added value. It is also due to their declining competitiveness within the global economy, which has resulted in the steady loss of market share of some exports previously dominated by African countries. Consequently, Africa's terms of trade have fallen steeply since 1980. In order to check the deficit on the trade account, imports have had to be severely compressed, resulting in the contraction and stagnation of African economic output over the last decade and a half.

431. A consequence of the chronic trade deficits as well as the poor development policies and poor management of scarce external resources in the past, is that African countries are now weighed down by a heavy external debt burden. On the internal front, decades of dis-saving by the state and its sponsored public enterprises has resulted in massive internal public and public-guaranteed debt on the books of national banks and private sector suppliers of goods and services. In some countries, government employees have had to go for months without pay, which has sapped morale and created socio-political tensions. With the net worth of African financial institutions severely reduced by large amounts of non-performing assets, enterprises threatened with bankruptcy by bad debts owed by the state, and government workers unable to pay their family bills, in a number of countries, the financial system has been under severe strains.

432. In the three decades since African countries gained their independence, the public sector has been dominant over the African financial sector. This was in pursuit of the policy objective of gaining national control over a sector considered to be strategic, but dominated during the colonial era by financial institutions owned by foreign interests. Severe restrictions were placed on entry into the sector by private interests, during the period when governments experimented with 'African socialism'. This resulted in the monopolistic structure of the financial institutions, segmented along specific lines of business — commercial, agricultural, industrial, construction, and so on.

433. In spite of the establishment of Development Banks to finance long-term capital projects and supply working capital to specific production sectors of the economy, there has been a predominance of short-term financing especially in favour of external trade activities. Furthermore, the modern financial intermediaries have largely failed to spread to the rural areas (where the bulk of the African people live) and to operate there profitably by tailoring financial instruments and services to the cultural and economic circumstances that actually prevail in Africa.

434. The failure to develop strong and quasi-independent Central Banks had two consequences: The Central Bank's lack of authority over the conduct of monetary policy resulted in a permissive fiscal policy (characterised by chronic large deficits) and an accommodative money supply which fuelled inflation — hyper-inflation, in a number of

countries — and played havoc with the value of African currencies throughout the last two decades. The Central Bank's inability to develop credible capacities to exercise supervisory and regulatory powers over the other financial institutions resulted in the proliferation of imprudent banking practices that have practically wiped out the capital base of most African financial institutions and undermined their credibility as safe depositories for savings. In a number of countries, there have been spectacular failures of financial institutions at great cost to the tax-payer and depositors.^{17/}

435. All these factors have resulted in the under-development of financial intermediation capacities in Africa for the mobilisation of domestic savings and their efficient allocation to productive uses. Annex 2 at the end of this chapter provides a comprehensive list of financial intermediary institutions that a dynamic market economy would be expected to have.

436. The vacuum left unfilled by formal sector financial institutions in Africa has been partially filled by informal sector financial arrangements. Examples of these abound : such as susu collection in West Africa, and the iqqub and iddir in rural areas and the informal sector in Ethiopia, as well as different forms of informal savings and credit associations and welfare arrangements in other countries. Money lenders charging interest rates as high as 100 per cent over short repayment periods abound everywhere, to whom people are forced to resort when they cannot obtain interest-free loans from relatives and friends.

BOX 6
**FINANCIAL SECTOR REFORMS AND MOBILIZATION OF RESOURCES FOR
DEVELOPMENT: THE EXPERIENCE OF KENYA**

Kenya, unlike many other African countries, has many of the elements needed for the development of vibrant financial and capital markets. These elements include a significantly diversified financial structure, a relatively competent staff of the Central Bank, and a relatively unfettered regulatory framework.

Notwithstanding these positive attributes, Kenya's financial system portrayed the usual weaknesses that characterize African financial systems including: a relatively controlled and fragmented financial system; differences in regulations governing banking and non-bank financial intermediaries which resulted in fragmentation and fragility of the financial system; lack of autonomy of the Central Bank; weak supervisory capacities of the Central Bank to carry out its surveillance role and enforce banking regulations; differentiated interest rate structure between banks and non-banks which produced fragmented credit markets; and inappropriate Government policies which contributed to the poor performance of the financial sector and an accumulation of non-performing loans.

Against this background, the Kenyan Government embarked in the mid-1980s on financial sector reforms designed to promote in the country a more efficient and market-oriented financial system; improve the mobilization, allocation and utilization of financial resources; increase the efficiency of the process of financial intermediation in the country; and develop more flexible instruments of monetary policy. The focus of the reforms were to be on relaxing controls on interest rates; developing and initiating the use of indirect monetary policy instruments; strengthening the framework for supervision of financial institutions; restructuring troubled financial institutions and development finance institutions; and developing capital markets.

The reforms were reinforced in the early 1990s with further changes in the legal and regulatory framework, institutional changes and enhanced with programmes of financial restructuring. Changes in the legal and regulatory framework included amendments to the Central Bank of Kenya Act, the Banking Act, the Capital markets Authority Act, and directives for non-banks to convert into banks.

The Revised Banking Act of 1991 enhanced significantly the role of the Central Bank of Kenya in the inspection of financial intermediaries; established stringent reporting, auditing and provisioning requirements; stipulated capital adequacy requirements and exposure limits; and also stipulated assessment of penalties against non-compliance with the Banking Act. Changes were also made to the Capital Markets Authority Act, through the 1994 Amendment Act, and Rules and Regulations Revisions.

Institutional reforms have also included trying to eliminate fragmentation of financial markets by requiring non-bank financial institutions to convert themselves into commercial banks and/or merge with their parent companies. This has been done in order to bring non-banks under the Revised Banking Act. The requirements for entry into the financial sector have been more stringent.

437. Informal sector financial arrangements are clearly inefficient, offer no guarantee of protection to savers beyond personal trust based on reputation, offer negative real rates of return to savers while borrowers may be charged exorbitant real interest rates. However, the fact that they continue to thrive indicates that there is a great unmet need for intermediation and other financial services in all segments of the African population. It also suggests that the informal arrangements evolved traditionally have certain attributes which formal sector institutions would do well to adapt and adopt, if they are to become more successful in the African rural and informal-sector economies. On the other hand, informal-sector financial markets, especially those handling increasing numbers of clients and large volumes of money, should gradually be brought under appropriate levels of regulation and supervision while keeping the paper-work to a minimum.

438. In the financial sector as in the general case of enterprise development, the thrust of economic policy in Africa should now be to nudge 'informal' entrepreneurial activities into the realm of formal sector structures where they have ample room to grow, expand, and choose to diversify or to specialise on core activities, and where they would be in a position to respond efficiently to policy signals. To bring this about, cumbersome regulations, burdensome taxes, and corrupt bureaucracies will need to be overhauled, reduced, and reformed respectively, to remove the incentive to operate in the 'informal' or 'underground' economy.

439. The policy objectives spelled out in the **Matrix section** at the end of this chapter therefore aim to correct the policy failures of the last three decades : in the areas of macro-economic policy, the incentives structure, trade policy, the management of external liabilities and domestic public debt, and the institutional framework for robust intermediation.

(a) Policy Measures and Actions at the National Level

440. Economic structural reforms currently under way in most African countries are aimed at removing distortions, increasing the role of the private sector, restructuring public enterprises and privatising those which are no longer considered strategic or whose objectives can be served under private sector ownership. All these reforms aim to boost efficiency and competitiveness of the African economies and, if they are successful, will result in an increase in the rate of return on investing in this continent.

441. Financial sector reforms, particularly, which are being implemented in a number of countries, have been aimed at removing financial repression and strengthening the financial sector institutional base. For example, the powers of Central Banks to supervise and regulate the other financial institutions have been strengthened; and their role in shaping and administering monetary policy has gained new recognition. South Africa has gone the farthest, by entrenching in the interim Constitution which governs the Government of National Unity to 1999, the autonomy of the South African Reserve Bank to conduct monetary policy towards the objectives of price and exchange rate stability.

442. These reforms should, in due course, result in increased incentives for private savings, a more sound financial sector institutional base for more effective intermediation between savers and investors, and a more efficient allocation of scarce financial resources. But still more needs to be done, in all African countries, to strengthen the capacities and status of African Central Banks to play the role of leading advisors to Governments on monetary policy, as its executors through efficient open market interventions, and as the regulators and supervisors over the financial

system. Commitment to these reforms should therefore be intensified.

443. Policy measures and actions which African Governments should implement to achieve the policy objectives that have been identified in **Section B** are given in the **Matrix section**.

(b) Complementary Actions at the Regional Level

444. Policy measures and actions at the national level will not be fully successful unless they are complemented by actions at the regional level, however. This is because of the small scale of most African economies, which does not allow sufficient room for institutional diversification and economies of scale within the financial sector.

445. It is also because of the need for the African financial sector to be brought to a stage of sophistication and competitiveness where it can be fully integrated into the global financial and capital market which has already taken shape ahead of the Twenty-first Century. This integration is a *sine qua non* for Africa to tap larger net transfers of resources from global savings to help finance capacity building. The quickest approach to the goal of integrating Africa into the global market is to remove barriers to cross-border financial intermediation in Africa, allowing larger regional intermediaries to emerge, grow, and compete across the continent, as a prelude to playing in the "big league" of the global financial and capital market.

446. External resource transfers to Africa will come only if there are attractive profit opportunities. The size of the market and the ease with which it can be serviced is an important factor in this regard. An efficient regional infrastructure of financial intermediaries is one of the key elements of a

large regional market. It has to be borne in mind, however, that such an infrastructure cannot possibly function efficiently while a multiplicity of non-convertible currencies remains across Africa, each currency guarded jealously by arbitrary control regulations at the national level.

447. Currency convertibility,³⁵ managed exchange rate systems between sub-regional groupings of countries as a prelude to full monetary union and the launching of regional currencies with the goal of reducing fifty-odd African currencies to no more than 5-10 currencies of the **Regional Economic Communities (RECs)**, as a stepping stone to full monetary integration across the continent and a pan-African currency unit of the **African Economic Community (AEC)** — these are not issues that individual countries can tackle on their own. The right place where these problems can be solved is within the framework of sub-regional and continental inter-Governmental organisations set up by member States to spearhead regional and continental economic integration.^{18/}

448. The rapid changes that are in train in the geo-political and economic system call for a fundamental re-thinking of the goals and process of regional and continental economic integration in Africa. For example, African States have entered into sovereign commitments to trade liberalisation, on acceding to the Final Act of the Uruguay Round in April 1994 at Marrakech, Kingdom of Morocco. There is now an urgent need to review the Abuja Treaty in the light of the Final Act of Uruguay Round, to harmonise African countries' commitments to economic integration and to global trade liberalisation. In the light of a fast-changing world, avenues for accelerating the integration process to hasten the establishment of the AEC should also be explored.

449. There are other issues, too, which call for

a re-examination of the framework of regional and continental economic integration, with a view to bringing it in line with the realities of the Twenty-first Century global economy of which Africa is a part. For example, there is a need to overhaul the institutional framework for promoting integration to bring into play the energies, creativity and resourcefulness of private sector interests — enterprises, civil society and labour — in the integration process. Until now, this process has been exclusively driven by political and diplomatic consideration and, in the absence of other interests committed to its continuation, it has often suffered from the souring of the diplomatic environment.

450. Accordingly, the Matrix section has identified complementary actions at the regional level which need to be implemented in collaboration between African States, in support of the policy measures and actions at the national level.

(c) Supportive Actions by Bilateral and Multilateral Partners

451. Policy measures and actions at the national level will also need to be supported by action at the international level, by Africa's bilateral and multilateral partners. Bilateral partners should sustain ODA, at least at current levels in nominal terms. Aid management should be improved; ways must be found to reduce the share of aid consumed in administrative costs both in the donor country and the recipient one. Technical assistance should be re-thought fundamentally, in terms of how it could contribute more effectively to capacity building. For instance, some of the resources could be used to sustain newly-built capacities — by supplementing the pay packages of key professionals who have been trained to operationalise these capacities.

452. African countries in the past have been recipients of considerable resources from the

United Nations multilateral system, including the Bretton Woods institutions. This will continue to be an important channel for the transfer of external financial resources in support of capacity building and structural transformation in Africa.

453. The role of specialist multilateral institutions goes beyond the mere transfer of resources, however. As institutions of which African countries are bona fide members, entitled to the range of services which these institutions were established to deliver, multilateral institutions are there also to participate directly in capacity-building activities through advisory services, training, analytical services, and other technical assistance to Member States. Support should be channelled through regional training and research institutions whose capacities should therefore be strengthened.

454. In addition to "new" financial resources needed to launch Africa on a new development path, the issue of "old" external debt inherited from three decades of failed development must be addressed squarely by Africa's external partners. In this regard, "debt-for-capacity building" swaps could be promoted, through which creditors would contribute to the local financing of capacity building.

455. The "old" debt crisis has clearly taught African countries to be wary of incurring new debt obligations. But this fear of debt is not rational, if the objective is to re-launch the continent on a new path of transformation and accelerated growth. It is important for African countries to bear in mind that only a tiny fraction of the resources that are needed to get capacity building off the ground can be obtained on grant basis. The bulk of resources will have to be obtained from the global financial and capital markets, or from foreign direct investors and institutional funds in search of profitable and reasonably secure opportunities for prudent

investment portfolios. African Governments have to pursue policies that build confidence in external investors. The onus is also on African

Governments to manage the "new" external liabilities prudently to avoid the systemic failures that resulted in the "old" debt crisis. ■

- 1/ *UNECA : "Critical Capacities for the Mobilisation and Efficient Allocation of Domestic and External Financial Resources"; Document No. E/ECA/CM.20/11; 30 March 1994. To assess the financial requirements, in 1993, UNECA staff created a comprehensive two-gap macro-economic model structure in which a number of key quantitative assumptions with policy implications (fiscal, monetary, trade, economic efficiency and productivity, external debt service restructuring, etc) could be tried out.*
- 2/ *Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania, Zaïre, and Zambia. These countries had per-capita GDP ranging from \$ 80 to \$ 650, with a group average of \$ 335 in 1990.*
- 3/ *Algeria, Botswana, Cameroon, Congo, Côte d'Ivoire, Egypt, Gabon, Libyan Arab Jamahiriya, Mauritius, Morocco, Namibia, Seychelles, Swaziland, Tunisia, and Zimbabwe. These countries had per-capita GDP ranging from \$ 650 to \$ 4,250, with an average of \$ 1,280 in 1990.*
- 4/ *The World Bank: "World Development Report, 1994 : Infrastructure for Development"; The World Bank and Oxford University Press; Chapter 1, pp. 13-36.*
- 5/ *UNDP: "Human Development Report, 1994"; UNDP and Oxford University Press; pp. 7-8. This proposition was also broadly endorsed by the World Social Summit, held in Copenhagen, Denmark, in March 1995.*
- 6/ *The World Bank: "World Development Report" series since 1990; Table 11.*
- 7/ *Op. cit.; Table 19 or 20.*
- 8/ *Take into account the gross domestic savings rate estimated at 15 per cent of GDP; and net private resource transfers amounting to almost 1 per cent of GDP, to finance a gross domestic investment rate estimated at 16 per cent of GDP.*
- 9/ *Ibid.*
- 10/ *This budgetary analysis does not include the recurrent burden of servicing external and domestic public and public-guaranteed debt, however. This burden can amount to as much as 10 per cent of GNP. The implication of this "leakage" of financial resources is that budgetary spending on critical capacity-building must be curtailed -- if public spending must not exceed 30 per cent of GNP; else, gross public spending must be increased to include public debt servicing. The latter option can be financed either through higher taxes (in the order of 30-35 per cent of GNP) and / or by running fiscal deficits financed from fresh borrowing. In all cases, this demonstrates the need for urgency in finding lasting solutions to African countries' external and internal public debt problems.*
- 11/ *This level of fiscal resource mobilisation looks daunting for African countries -- with more than half of them collecting well below 20 per cent of GDP. But, with appropriate re-organisation of institutional structures for the collection and administration of public revenues, coupled with adequate incentives on one hand and severe punishment of abuses of public trust on the other hand, it is possible to raise the rate of fiscal mobilisation. Kenya, for example, has already been able to reach a taxation rate of about 28 per cent of*

GDP. It has achieved this while lowering the maximum tax rate on personal and corporate incomes to 35 per cent, and while reducing the effective tariff rate on its imports. This remarkable feat has been made possible by steadily broadening the tax base, relying more on indirect taxation (including VAT), and by re-organising and strengthening public revenue departments under the new Kenya Revenue Authority, headed by eminent and widely respected public servants with records of distinguished service.

- 12/ Initially, the manifesto of the African National Congress (ANC) in the 1994 election, the RDP was adopted by the multi-party Government of National Unity as the guiding policy framework during the transitional period.
- 13/ Since 1994, South Africa has emerged as the most attractive magnet in Africa for external private resources. According to the South African Reserve Bank, in the year from the fourth quarter of 1994 to the end of the third quarter of 1995, net capital inflows amounted to R 22.8 billion (\$ 6.5 billion at the average exchange rate). Less desirably, from the perspective of monetary stability, these have predominantly been short-term portfolio investments.
- 14/ Under a two-gap analytical framework, the requirement of external savings -- the domestic investment-savings gap plus increase in external reserves -- must be equated to the import-export gap on the trade account for merchandise and non-factor services.
- 15/ UNECA : "Critical Capacities for the Mobilisation and Efficient Allocation of Domestic and External Financial Resources"; *Op. cit.*
- 16/ World Bank: "World Development Report"; various editions up to 1995; United Nations: "World Economic Survey"; various editions to 1995.
- 17/ A more extensive discussion of the systemic failure of financial intermediation in African countries in the three decades since independence is provided by studies commissioned by the African Development Bank (ADB) and kindly made available (in first draft form) to UNECA in March 1994. These studies provided the background to ADB's "Report on Financial Structures, Reforms and Economic Development in Africa" in the Bank's "African Development Report, 1994".

Similar findings have been reported in studies by (the late) Abebe Adera, a staff member at UNECA (1978-1996); e.g.: "Financial Repression and its Impact on Financial Development and Economic Growth in the African Least Developed Countries"; 1990; and "The Financial Sector and Economic Development : Reflections on Africa"; 1994; both published by Finafrica, Cassa di Risparmio delle Provincie Lombarde - Milan.

Other studies on this subject have been carried out by the African Economic Research Centre (AERC); e.g.: E. Aryeetey: "The Relationship Between the Formal and Informal Sectors of the Financial Market in Ghana"; Research Paper No. 10; 1992.
- 18/ Indeed, there are provisions in the "Treaty Establishing the African Economic Community" for steps to be taken towards a common African currency (Articles 6, 44, and 45). Furthermore, each of the regional economic communities (e.g., COMESA, ECOWAS, and SADC) have provisions in their Treaties towards currency convertibility and the eventual establishment of regional common currencies.

Table 1.1: 37 Lower-Income African Countries: Gross Domestic Investment (GDI) Financial Requirement

Sector	Value-Added Billion \$	Share of GDP %	Real Growth Rate % p.a.	ICOR	Gross Capital Investment Billion \$	Sectoral Share of GDI %	Sectoral Investment Share of GDP %
• Agriculture	44.0	22.0	4.5	4	7.92	15.67	3.96
• Natural Resources	20.0	10.0	4.5	4	3.60	7.12	1.80
• Manufacturing	25.0	12.5	8	4	8.00	15.83	4.00
• Construction	6.0	3.0	7.5	3	1.35	2.67	0.68
• Infrastructural Services	20.0	10.0	7.5	8	12.00	23.74	6.00
• Financial Service	15.0	7.5	7.5	3	3.38	6.69	1.69
• Commerce and Other Services	30.0	15.0	7.0	3	6.30	12.45	3.15
• Public Services and Administration	40.0	20.0	5.0	4	8.00	15.83	4.00
Total Economy	200.0	100.00	6.0	4.21	50.55	100.00	25.28

Note: Average annual economic output in 1995 constant dollars.

Table 1.2: 37 Lower-Income African Countries: Capacity-Building Financial Requirements

Capacity Area	Government			Private Sector			Combined		
	Capital	Recurrent	Total	Capital	Recurrent	Total	Capital	Recurrent	Total
• Human Development	2.75	7.25	10.00	-	2.5	2.5	2.75	9.75	12.50
• Institution-building	0.75	3.25	4.00	-	1.00	1.0	0.75	4.25	5.00
• Infrastructures	5.00	1.00	6.00	1.00	0.25	1.25	6.00	1.25	7.25
• Financial Mobilisation	0.25	-	0.25	1.44	-	1.44	1.69	-	1.69
• Economic Services	0.25	1.75	2.00	-	-	-	0.25	1.75	2.00
• Science and Technology R&D	0.25	1.75	2.00	-	-	-	0.25	1.75	2.00
• Productive Capital	-	-	-	13.59	-	13.59	13.59	-	13.59
Total Financial Requirement	9.25	15.00	24.25	16.03	3.75	19.78	25.28	18.75	44.03

Note: All figures are in per cent of GDP.

Table 1.3: 37 Lower-Income African Countries: Governments' Accounts

	Share of GDP %	
• Recurrent Public Revenues		28.00
less Recurrent Expenditures	15.00	
less Other Public Expenditures of which:	12.50	
Public Debt Service	7.50	
Other Expenditures	5.00	
• Government Saving		0.50
less Capital Expenditures	9.25	
• Fiscal Deficit		8.75
less Official Development Assistance	5.00	
• Domestic Public Borrowing Requirement		3.75

Table 1.4: 37 Lower-Income African Countries: Private Sector Accounts

	Share of GDP %	Share of Disposable Income %
• Capital Investment	16.03	
add lending to the Government	3.75	
• Aggregate Private Investment	19.78	
add Recurrent Expenditures		
on Capacity Building	3.75	
less Private External Capital Inflows	3.00	
• Domestic Private Saving	20.53	28.50

Table 2.1: 15 Upper-Income African Countries: Gross Domestic Investment (GDI) Financial Requirement

Sector	Value-Added Billion \$	Share of GDP %	Real Growth Rate % p.a.	ICOR	Gross Capital Investment Billion \$	Sectoral Share of GDI %	Sectoral Investment Share of GDP %
• Agriculture	42.0	15.0	4	4	6.72	9.60	2.40
• Natural Resources	28.0	10.0	4	4	4.48	6.40	1.60
• Manufacturing	49.0	17.5	8	4	15.68	22.40	5.60
• Construction	11.2	4.0	6	3	2.02	2.90	0.75
• Infrastructural Services	28.0	10.0	7.5	8	16.80	24.00	6.00
• Financial Service	28.0	10.0	6	3	5.04	7.20	1.80
• Commerce and Other Services	42.0	15.0	7.5	3	9.45	13.50	3.40
• Public Services and Administration	51.8	18.5	4.75	4	9.84	14.00	3.50
Total Economy	280.0	100.00	6.0	4.17	70.03	100.00	25.05

Note: Average annual economic output in 1995 constant dollars.

Table 2.2: 15 Upper-Income Africa Countries: Capacity-Building Financial Requirements

Capacity Area	Government			Private Sector			Combined		
	Capital	Recurrent	Total	Capital	Recurrent	Total	Capital	Recurrent	Total
• Human Development	2.25	9.75	12.00	-	3.00	3.00	2.25	12.75	15.00
• Institution-building	0.75	3.50	4.25	-	1.00	1.00	0.75	4.50	5.25
• Infrastructures	4.00	1.00	5.00	2.00	0.50	2.50	6.00	1.50	7.50
• Financial Mobilisation	0.50	-	0.50	1.30	-	1.30	1.80	-	1.80
• Economic Services	0.25	1.75	2.00	-	-	-	0.25	1.75	2.00
• Science and Technology R&D	0.25	1.50	1.75	0.25	1.50	1.75	0.50	3.00	3.50
• Productive Capital	-	-	-	13.50	-	13.50	13.50	-	13.50
Total Financial Requirement	8.00	17.50	25.50	17.05	6.00	23.05	25.05	23.50	48.55

Note: All figures are in per cent of GDP.

Table 2.3: 15 Upper-Income African Countries: Governments' Accounts

	Share of GDP %	
● Recurrent Revenues		30.00
less Recurrent Expenditures	17.50	
less Other Public Expenditures	12.50	
of which:		
Public Debt Service	7.50	
Other Expenditures	5.00	
● Government Saving		0.00
less Capital Expenditures	8.00	
● Fiscal Deficit		8.00
less Official Development Assistance	3.00	
● Domestic Public Borrowing Requirement		5.00

Table 2.4: 15 Upper-Income African Countries: Private Accounts

	Share of GDP %	Share of Disposable Income %
● Capital Investment	17.05	
add lending to the Government	5.00	
● Aggregate Private Investment	22.05	
add Recurrent Expenditures		
on Capacity Building	6.00	
less Private External Capital Inflows	5.00	
● Domestic Private Saving	23.05	32.93

Table 3.1: South Africa: Gross Domestic Investment (GDI) Financial Requirement

Sector	Value-Added Billion \$	Share of GDP %	Real Growth Rate % p.a.	ICOR	Gross Capital Investment Billion \$	Sectoral Share of GDI %	Sectoral Investment Share of GDP %
• Agriculture	8.00	5.0	3	4	1.00	2.48	0.62
• Natural Resources	12.00	7.5	3	4	1.50	3.72	0.94
• Manufacturing	40.00	25.0	6	4	9.50	23.54	5.94
• Construction	4.80	3.0	6	3	1.00	2.48	0.62
• Infrastructural Services	20.00	12.5	7.5	8	12.00	29.74	7.50
• Financial Service	20.00	12.5	7.5	3	4.50	11.15	2.82
• Commerce and Other Services	28.00	17.5	8	3	6.50	16.11	4.06
• Public Services and Administration	27.20	17.0	4	4	4.35	10.78	2.72
Total Economy	160.00	100.00	6	4.20	40.35	100.00	25.22

Note: Average annual economic output in 1995 constant dollars.

Table 3.2: South Africa: Capacity-Building Financial Requirements

Capacity Area	Government			Private Sector			Combined		
	Capital	Recurrent	Total	Capital	Recurrent	Total	Capital	Recurrent	Total
• Human Development			1.50	11.00	12.50	-	1.50	13.50	15.00
• Institution-building			0.75	3.00	3.75	-	0.75	4.00	4.75
• Infrastructures			3.00	1.00	4.00	4.50	7.50	2.00	9.50
• Financial Mobilisation			0.50	-	0.50	2.32	2.82	-	2.82
• Economic Services			0.25	1.50	1.75	-	0.25	1.50	1.75
• Science and Technology R&D			0.25	1.00	1.25	1.00	1.25	2.00	3.25
• Productive Capital			-	-	-	11.18	11.18	-	11.18
			6.25	17.50	23.75	24.50	25.25	23.00	48.25

Note: All figures are in per cent of GDP

Table 3.3: South Africa: Government Accounts

	Share of GDP	%
• Recurrent Revenues		28.00
less Recurrent Expenditures	17.50	
less Other Public Expenditures of which:	10.00	
Public Debt Service	5.00	
Other Expenditures	5.00	
• Government Saving		0.50
less Capital Expenditures	6.25	
• Fiscal Deficit		5.75
less Official Development Assistance	2.00	
• Domestic Public Borrowing Requirement		3.75

Table 3.4 SOUTH AFRICA: PRIVATE ACCOUNTS

	Share of GDP %	Share of Disposable Income %
• Capital Investment		19.00
add lending to the Government	3.75	
• Aggregate Private Investment		22.75
add Recurrent Expenditures		
on Capacity Building	5.50	27.75
less Private External Capital Inflows	5.00	
• Domestic Private Saving		22.75
		31.60

Table 4.1: Total Africa: Financial requirements by Governments to build critical capacities

Country Grouping	Share of GDP: %			Billion \$		
	Capital	Recurrent	Total	Capital	Recurrent	Total
● Lower-Income: 37 countries	9.25	15.00	24.25	18.50	30.00	48.50
● Upper-Income: 15 countries	8.00	17.75	25.75	22.40	49.70	72.10
● South Africa	6.25	17.50	23.75	10.00	28.00	38.00
Total Africa: 53 countries	7.95	16.83	24.78	50.90	107.70	158.60

Note: Average annual financial requirements in 1995 constant dollars.

Table 4.2: Total Africa: Financial requirements by the Private sector to build and utilise critical and productive capacities

Country Grouping	Share of GDP: %			Billion		
	Capital	Recurrent	Total	Capital	Recurrent	Total
● Lower-Income: 37 countries	16.03	3.75	19.78	39.56	7.50	47.06
● Upper-Income: 15 countries	17.05	6.00	23.05	47.74	16.80	64.54
● South Africa	19.00	5.50	24.50	30.40	8.80	39.20
Total Africa: 53 countries	18.39	5.17	23.56	117.70	33.10	150.80

Table 4.3: Total Africa: Requirement of External Financing in support of capacity Building

Country Grouping	Share of GDP: %			Billion \$		
	ODA	Recurrent	Total	ODA	Recurrent	Total
● Lower-Income: 37 countries	5	3	8	10.00	6.00	16.00
● Upper-Income: 15 countries	3	5	8	8.40	14.00	22.40
● South Africa	2	5	7	3.20	8.00	11.20
Total Africa	3.38	4.38	7.75	21.60	28.00	49.60

CAPACITIES FOR THE MOBILISATION AND EFFICIENT ALLOCATION OF FINANCIAL RESOURCES

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
<p>1. To boost domestic savings.</p> <p>a) Savings of households and private enterprises</p> <p>b) Public Savings</p>	<p>Create and maintain peaceful, stable and predictable political and economic environment that is conducive to savings, investment, capital accumulation, profit-making, private sector expansion, and sustained growth.</p> <ul style="list-style-type: none"> Promote the total monetisation of the national economy — by breaking down the traditional-modern, rural-urban, informal-formal dualisms of the African economies, and incorporating subsistence producers into the modern cash economy. Mobilise local communities to take responsibility for their development through self-help community initiatives. Cultivate a culture of thrift and prudent investment in the youth — through curriculum reforms at primary and secondary school levels aimed at inculcating a self-reliant attitude and developing entrepreneurship. End financial repression — by freeing interest rates and lifting credit ceilings. Promote public saving — through fiscal measures to boost tax revenues, and through more efficient collection, while restraining consumption spending and military spending. Strengthen public budgeting — by strengthening economic and fiscal forecasting capability, and by setting clearer objectives, targets and priorities. 	<p>Promote regional security, peace and stability, build confidence among countries; provide channels for the prevention of inter- and intra-state conflicts; promote regional economic integration.</p> <ul style="list-style-type: none"> RECs and AEC to provide forums for exchange of country experiences on socio-economic transformation and institutional mechanisms for the coordination and harmonisation of countries' macro-economic policies. ADB could provide technical assistance on financial sector policies aimed at boosting private savings. RECs and AEC to provide channels for exchange of technical information, data, expertise, and empirical insights on the dynamics of African economies. 	<p>Work, within structures of the United Nations, towards the prevention and resolution of conflicts in Africa. Support Africa's economic integration.</p> <ul style="list-style-type: none"> UNECA, World Bank, IMF, and UNDP could provide advisory services on broad-based development approaches, incentives to boost savings, and transfer of South-South experiences. UNECA, World Bank, IMF could collaborate with ADB in advisory services on financial sector liberalisation to boost domestic savings. The IMF, the World Bank, UNECA and UNDP could support capacity building in socio-economic analytical skills and databases.

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
b) Public Savings (cont'd).	<ul style="list-style-type: none"> • Broaden the tax base — by bringing a wider range of income-earning and wealth-owning economic agents under the tax net; and by striking the right balance between indirect taxes, income taxes and customs tariffs, keeping marginal tax rates to a minimum. • Tighten up public disbursement — by developing incorruptible but efficient disbursement control mechanisms overseen by highly competent staff. 	<ul style="list-style-type: none"> • RECs and AEC should establish mechanisms for coordination and harmonisation of trade tariffs, and channels for exchange of information and data on national tax structures. • ADB could provide technical assistance to African ministries of finance on strengthening fiscal structures and procedures. 	<ul style="list-style-type: none"> • The IMF, the World Bank, UNECA and UNDP could provide technical assistance on broad-based tax regimes and capacity building in national revenue authorities. • They could also give assistance in the formulation of national customs regimes within the framework of the Final Act of the Uruguay Round and Abuja Treaty for the African Economic Community (AEC). • Same agencies could strengthen capacity in African ministries of finance for effective control of public disbursement, programme and project management.
2. To boost the rate of Domestic Investment.	<ul style="list-style-type: none"> • Boost public capital investment — by restraining recurrent expenditures and transferring fiscal resources to the capital budget, including spending on maintenance. • Promote private sector investment — by encouraging the formation and growth of indigenous enterprises in all sectors of the economy and in all areas of the country. • Actively woo foreign direct investment (FDI) — by maintaining sound macro-economic policies aimed at price stability, a realistic but stable exchange rate, and sustained growth. <p>Strengthen the national investment promotion office as a one-stop centre. Enact fair employment regulations that preserve labour market flexibility. Guarantee the right to repatriate profits and dividends.</p>	<ul style="list-style-type: none"> • RECs and the AEC should provide countries with channels to share experiences with economic reforms — what works and what does not. • They should also provide channels for African entrepreneurs and enterprises to interact and forge common interests. ADB should promote the development of private enterprises. • RECs and AEC should provide mechanisms for harmonisation and coordination of national policies on FDI within the framework of GATT (WTO). • ADB should assist countries to market their opportunities, attract and manage FDI and institutional portfolio investments. 	<ul style="list-style-type: none"> • World Bank, UNECA, UNCTAD, UNIDO, ILO and UNDP should support private enterprise development. The Bank, through IFC, should provide loan and equity finance to small to medium enterprises. • They should assist countries to promote themselves and attract FDI. World Bank's MIGA can help with guarantees against sovereign risks.

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
2. To boost the rate of Domestic Investment (cont'd).	<ul style="list-style-type: none"> Expand the scope of investment opportunities — by opening economic infrastructures to indigenous and foreign investors, based on arrangements such as “build-operate-transfer” (BOT) or “build-own-operate” (BOO). 	<ul style="list-style-type: none"> RECs and AEC should provide mechanisms for coordination and harmonisation of investment policies in the areas of physical infrastructures. ADB could assist on policy formulation and implementation. 	<ul style="list-style-type: none"> They should assist on policy to boost investment in physical infrastructures through novel public-private and indigenous-foreign financing arrangements.
3. To increase Efficiency of Invested Capital to yield higher rates of social and economic return.	<ul style="list-style-type: none"> Liberate national markets — by freeing domestic prices to be determined by supply and demand; removing constraints on market entry and exit; exposing public enterprises to competition from private enterprises. Overhaul economic taxation : simplify the tax code for enterprises, reduce tax brackets and maximum marginal tax rate, eliminate tax penalties on labour employment. Liberalise external trade, with reasonable safeguards for genuine infant industries — free the exchange rate; eliminate export taxes; reduce import tariffs, especially on production inputs; simplify the tariff structure and eliminate non-tariff barriers, thereby exposing enterprises to world competition. Accelerate regional economic integration — by promptly implementing all market-opening measures of RECs and the AEC; and by recognising entrepreneurs and enterprises — indigenous as well as external — as the principal agents of economic integration. Promote the emergence of African transnational corporations. Restructure public enterprises — by sharpening objectives and goals that public enterprises should serve, and privatise on the open market all non-core operations as well as enterprises whose mandates can be sustained in the private sector. 	<ul style="list-style-type: none"> RECs and AEC should provide channels of communication on economic reforms. ADB can render advisory services to countries on policy. RECs and AEC should provide institutional channels for coordination and harmonisation of tax code reforms, in the spirit of regional economic integration. RECs and AEC should set firm time frames for removal of tariffs and non-tariff barriers between African countries, with the goal of quickly attaining a common external tariff structure. Secretariats of RECs and the AEC should be strengthened to improve the quality of services rendered to their member States. They should render services to private enterprises, especially, efficient payments settlement arrangements. RECs and the AEC will need to coordinate and harmonise national policies on public enterprises, as these impact directly on competition in the emerging regional common market. 	<ul style="list-style-type: none"> World Bank should continue programme lending in support of specific reform areas. The World Bank and UNECA should provide technical assistance on tax code reforms. UNECA, also a member of the Joint OAU/ECA/ADB Secretariat, should propose a new approach to accelerate regional economic integration and the establishment of the AEC — in the light of the Uruguay Round agreement. The World Bank, IMF, and WTO should tailor their advice to countries (on economic stabilisation, structural reforms, and trade policy) in the context of promoting regional economic integration The World Bank and UNECA should provide advisory and training services to African countries and RECs on public enterprise restructuring and privatisation.

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
3. To increase Efficiency of Invested Capital to yield higher rates of social and economic return (cont'd).	<ul style="list-style-type: none"> Promote development of efficient economic infrastructures —through innovative public-private partnership arrangements. 	<ul style="list-style-type: none"> RECs to coordinate and harmonise development of infrastructures and their efficient utilisation throughout the region. ADB should provide technical assistance in designing financing packages for infrastructure development, as well as mobilising project finance. 	<ul style="list-style-type: none"> World Bank, UNECA, and other UN agencies e.g. ITU should assist in infrastructure development through programmes such as UNTACDA. The Bank should finance infrastructure projects, especially those which promote regional integration.
4. To correct the Structural Deficit in Africa's Trade with the World.	<p>To reverse the trend of Africa's declining share in the global trade calls for a new commitment to promoting the export sector as an important engine of economic growth.</p> <ul style="list-style-type: none"> Strengthen national economic efficiency and competitiveness — through comprehensive micro- and macro-economic reforms; and efficient economic infrastructures integrated into regional and global networks. Promote the emergence and growth of dynamic African enterprises with a global reach. This requires governments accepting new and sharper division of labour between the state and the private sector. Governments should work closely with the private sector to diversify the production base, attain global competitiveness, and penetration of new markets. Work diligently towards the early creation of an African Common Market. To this end, accelerate the removal of barriers to intra-regional trade and capital flows. 	<p>Commitment to promoting exports at the national level must be complemented by a stronger focus on the objective of creating a single African market.</p> <ul style="list-style-type: none"> RECs and the AEC can provide vital mechanisms for coordination and harmonisation of national trade policies. RECs and AEC should set up institutional mechanisms to regulate state assistance to public and private enterprises. ADB and AfrExim Bank should mobilise finance for trade development and provide technical services to individual states and the private sector. RECs and AEC should strengthen technical capacities to manage the integration process, provide institutional mechanisms for regional economic regulation and dispute settlement, operate the external customs union, and speak for Africa in world trade negotiations. 	<p>Bilateral trading partners (EU, USA, Japan, and newly industrialising economies) must assist Africa to develop its trade potential by removing trade barriers.</p> <ul style="list-style-type: none"> UNECA, World Bank, IMF, WTO, UNCTAD, and UNDP should support capacity-building of RECs and the AEC to be able to coordinate and harmonise national economic policies. World Bank should assist countries to harmonise their economic reform programmes region-wide, to strengthen regional integration. UNECA, the Bank and affiliates, UNDP, ILO and UNIDO could assist in establishing the new division of responsibilities between governments and private sector. UNECA, the World Bank, IMF, UNDP, UNCTAD, and WTO could assist RECs and the AEC to establish the necessary institutional framework for market-oriented regional integration.

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
<p>5. To surmount the "Old" External Debt burden.</p>	<p>"Old" external debt (i.e., accumulated up to 1995) is an enormous obstacle to African countries' capacity building and accelerated growth. It creates uncertainty about the future which frightens away foreign and indigenous investors. It must be tackled seriously.</p> <ul style="list-style-type: none"> • Bring "old" external debt under control — through improved techniques of debt management, to avoid arrears. <p>Develop diverse channels to the secondary market for sovereign debt and capability to operate discreetly through these channels to retire debt at substantial discounts.</p> <p>Assemble a portfolio of attractive debt swap opportunities and actively court private and official creditors to use them.</p> <p>Strengthen debt negotiating skills and maintain dialogue with creditors.</p>	<p>The OAU/AEC can contribute to the solution of the debt problem by galvanising African countries to speak with one voice in their dialogue with the creditors.</p> <ul style="list-style-type: none"> • RECs can provide channels for countries to share experiences in developing external debt management systems. • ADB, in collaboration with the World Bank and IMF, should provide technical and financial assistance to country operations on the debt secondary market. • Through channels offered by RECs, countries could harmonise debt swap portfolios, as well as strategies to woo creditors. • RECs can provide countries with fora where to work out a common negotiating stance on debt issues. 	<p>The burden of "old" debt can be removed only if Africa's development partners and creditors accept the principle of significant write-off for distressed countries.</p> <ul style="list-style-type: none"> • The World Bank and IMF should step up advocacy on the debt issue, aiming to win support from the major Paris and London Club creditors for a significant write-off for severely indebted countries that are implementing economic reforms. • A one-off write-down of debt obligations to the Bank and the IMF should likewise be accommodated. (This will require statutory restrictions to be waived.) • The World Bank, the IMF, UNCTAD and UNECA should provide technical assistance to strengthen countries' debt management capabilities. • UNICEF has expressed interest in debt swaps for social development and mother and child welfare. UNEP and the Bank could propose debt-for-nature swap projects. The Bank (and IFC) could promote debt-equity swaps linked to privatisation of state enterprises.
<p>6. To mobilise External Resources to finance Capacity Building.</p>	<p>Enormous amounts of resources are required to build the critical capacities that African countries need. The enormity of external resources required, complementary to domestic ones, poses <u>three</u> practical problems :</p> <ul style="list-style-type: none"> ▪ How to mobilise external resources ? ▪ How to absorb them efficiently? ▪ How to manage the "new" external liabilities and their servicing obligations ? 	<p>A region-wide co-operative approach to external resource mobilisation must be adopted, and an efficient institutional infrastructure for continent-wide financial intermediation is needed.. Africa as an integrated economic space and single market is more attractive to foreign investors than the 53 countries each trying to woo investors on its own.</p>	<p>The United Nations system's Special Initiative for Africa has a catalytic role to play in mobilising external resources for Africa's development through capacity building. It should be used to leverage the overall mobilisation effort — by strengthening elemental capacities that can boost export competitiveness and labour productivity, sustain recovery, and make Africa more attractive to foreign investors.</p>

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
a) Mobilisation:	<ul style="list-style-type: none"> • Aim strategies to tap all potential sources of capital — External resources for Africa's capacity building should be mobilised from sources in the following order of priority : <ul style="list-style-type: none"> • return of African flight capital; • bilateral grant official development assistance; • foreign direct investment (FDI); • bilateral ODA credits; • multilateral credits; • export credits; • portfolio funds in Africa's emerging capital markets; • private credit — from banks and bond markets. • Actively woo foreign investors — by setting up an efficient investment promotion agency to promote the country's investment opportunities. Remove cumbersome controls on capital flows and the repatriation of dividends. • Establish an attractive environment for investment — a political and economic climate conducive to investor confidence and high rates of return on investment, competitive with other regions of the world. • Build a pro-market national consensus that transcends political party divides and guarantees policy continuity. 	<ul style="list-style-type: none"> • African countries will need to establish a continental economic space, to attract sizeable amounts of FDI. • ADB, AfrExim Bank and RECs' trade and development banks have a pivotal role to play in mobilising external development finance and rendering advisory and other technical services on external resource mobilisation. • RECs and the AEC should establish mechanisms to coordinate countries' external resource mobilisation strategies, especially by harmonising Member countries' investment incentives. • OAU Mechanism for Conflict Prevention, Management and Resolution should contribute greatly. 	<p>Development partners should lend material support to Africa's capacity building and economic reforms — by</p> <ul style="list-style-type: none"> ▪ sustaining bilateral and multilateral ODA at levels recommended in General Assembly Resolution 46/151; ▪ offering much of this finance in the form of grants and on concessional terms; ▪ writing off the "old" debts; and ▪ assisting African countries to attract FDI; <p>The World Bank (including IFC and MIGA) have an important role to play — by</p> <ul style="list-style-type: none"> ▪ providing technical assistance on FDI strategies; ▪ underwriting specific risk exposures of FDI, particularly in infrastructure capital projects; and ▪ mobilising resources for Africa, from financial markets and donor States, in the Bank's own right as the world's premier multilateral development finance institution.

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
<p>a) Mobilisation (cont'd)</p> <p>b) Absorptive Capacity :</p>	<ul style="list-style-type: none"> ● Strengthen economic and financial information and attain the capacity to publish high quality and credible statistics which potential investors can use to evaluate opportunities and plan projects. <p>Aggressive external resource mobilisation must be coupled with measures to increase the absorptive efficiency.</p> <ul style="list-style-type: none"> ● Strengthen medium-term development planning capacity — creating a new participatory frame-work for medium-term planning, involving all economic constituencies (business sector, labour, agriculture, finance). <p>Build up technical capacities of the planning ministry to articulate this process and implement the resulting plan.</p> <ul style="list-style-type: none"> ● Strengthen public project planning and monitoring capacity. Build technical capacities and efficient procedures in all ministries for design, feasibility studies, financial planning, monitoring and evaluation of public capital projects. ● Promote the absorptive efficiency of the private sector. Reform curricula at secondary, tertiary and vocational levels of education and training to boost supply of skilled workers and managers, to meet labour demands of capital projects. 	<ul style="list-style-type: none"> ● RECs and AEC should set up information banks: <ul style="list-style-type: none"> ▪ to inform African and external potential investors about African investment opportunities; and ▪ to give Member States up-to-date information vital to their external resource mobilisation strategies. ● Regional socio-economic research and management training institutes (e.g., ESAMI and IDEP) could train African economic planners and managers. <p>Research at African socio-economic institutions should look for more effective approaches of economic planning, public project evaluation and execution.</p> <ul style="list-style-type: none"> ● These institutions could also coordinate curriculum development in essential technical skills, business and project management. They should be strengthened to train thousands of private sector managers annually. 	<ul style="list-style-type: none"> ● UNECA, World Bank and IMF should assist countries, RECs and AEC to build capacities for economic data and information gathering, analysis and dissemination through modern channels of communication. ● UNECA, World Bank, UNDP, UNIDO, ILO all could assist African countries to strengthen development planning capacities. <p>They should support capacity building of the regional socio-economic research and management training institutions; and they should sponsor some of the training programmes for public and private sector economic managers.</p> <ul style="list-style-type: none"> ● World Bank and UNECA should assist countries to formulate a coherent policy on primary, secondary, tertiary and vocational education and how to finance it at different levels.

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
c) Managing "New" External Liabilities :	<ul style="list-style-type: none"> Clarify the legal framework and due process for contracts enforcement; with provisions for out-of-court arbitration, and building the judiciary's capacity to handle economic cases. <p>African countries should not repeat the mistakes that led to the "Old" debt trap.</p> <ul style="list-style-type: none"> Keep to a minimum the share of new external debt due to consumption. Keep to a minimum national risk exposure to new debt liabilities. Open <u>all</u> economic sectors to foreign investment, and let foreign investors carry some of the risks. Contract debt carefully, balancing debt servicing and export currency risk exposure, fixed versus variable interest risks. Plan the debt profile to minimise the risk of liquidity crises. Contract new debt only to finance viable socio-economic capital investments. Select public capital projects ranked on the basis of rigorous analysis of their rates of return and capacity to boost export revenues. Build strong external debt management institutional capacity. Establish, in the Ministry of Finance and/or the Central Bank, a team of highly competent financial experts to oversee <u>all</u> external liabilities; maintain an up-to-date database on external liabilities; analyse servicing projections and propose timely policy options. 	<ul style="list-style-type: none"> RECs and AEC offer channels for exchange of information on (and harmonisation of) legal frameworks development in African countries. <p>RECs and AEC should provide a forum for prudent management of the "new" external liabilities.</p> <ul style="list-style-type: none"> RECs and AEC should review their stance on foreign direct investment — to encourage FDI and foreign share-holding in African enterprises. Regional socio-economic research and management training institutions should train public and private economic management cadres in investment planning. RECs and AEC should provide channels through which African countries can harmonise national management systems for external liabilities. ADB should provide technical assistance to Member States and RECs. 	<ul style="list-style-type: none"> World Bank (with IFC and MIGA), UNCTAD, WTO, UNECA and UNDP could provide advisory services on economic aspects of reforms of legal frameworks. <p>The World Bank, IMF, UNECA, UNCTAD and UNDP should provide technical assistance to African countries, RECs and AEC to create an institutional framework for managing the "new" external liabilities.</p> <ul style="list-style-type: none"> World Bank (with IFC and MIGA), UNECA, WTO, UNCTAD and UNDP could assist in reform of national and regional legal framework for foreign investment. UNECA, World Bank, IMF and UNDP could strengthen capacity of regional socio-economic research and training institutions and sponsor training programmes in risk assessment, portfolio management, and hedging. The World Bank, IMF, UNCTAD, UNECA and UNDP could assist countries and RECs to strengthen institutional structures and procedures for prudent management of the "new" external liabilities.

POLICY MEASURES	NATIONAL ACTIONS	REIGONAL ACTION	INTERNATIONAL ACTION
<p>7. To Lighten the Internal Debt Burden.</p>	<p>Internal debt overhang threatens the soundness of the financial sector in many African countries. An effective policy and institutional framework for its management must be created.</p> <ul style="list-style-type: none"> ● Settle overdue domestic public liabilities — by paying all salary and wage arrears owed to public employees, small enterprises, and at least a <u>fraction</u> of outstanding bills to the larger enterprises and banks. <p>Convert the rest of liabilities into new tradeable instruments, and negotiate a firm new time-frame for their retirement.</p> <p>Scale down the public payroll to a sustainable size.</p> <ul style="list-style-type: none"> ● End public involvement in production and distribution sectors. Restructure public enterprises and privatise <u>all</u> activities that can be sustained under private ownership. Run the remaining parastatals on a commercial basis, with hard annual budgets, specific performance measures. ● Stop depending on seigniorage and forced lending. Introduce a range of public securities which offer a range of maturities to finance the public borrowing requirement : e.g., <ul style="list-style-type: none"> ▪ short-term treasury coupons, ▪ medium-term government bonds, and ▪ long-term bonds linked to infrastructural investments. 	<p>RECs and AEC can provide useful channels of communication for African countries to exchange experiences on public finance 'best practices'.</p> <ul style="list-style-type: none"> ● ADB, working with regional socio-economic research institutions such as IDEP, could assist Member States on the securitisation of existing unpaid public bills. ● ADB, working with regional research institutions could assist countries to restructure State-owned enterprises and privatise non-strategic concerns. ● ADB and institutions such as IDEP could assist countries on monetary policy. RECs and AEC should establish channels for coordination and harmonisation. 	<p>The World Bank, IMF and UNECA could assist African countries to build national capacities for sound management of public domestic debt.</p> <ul style="list-style-type: none"> ● World Bank, IMF and UNECA should collaborate with ADB on the problem of securitising existing unpaid bills. The Bank could provide programme lending to assist governments to retire a part of the IOUs. ● World Bank, UNECA, UNDP, UNIDO and UNCTAD could collaborate with ADB in assisting States on public sector restructuring and privatisation. ● IMF, World Bank and UNECA could assist countries on monetary policy, and RECs and AEC on institutional mechanisms for policy coordination.

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
7. To Lighten the Internal Debt Burden (cont'd).	<ul style="list-style-type: none"> • Establish an efficient, competitive, and transparent primary market for public securities. Promote the development of a dynamic secondary market for public securities — to reduce risk perceptions and boost their potential for domestic savings mobilisation. • Build strong institutional capacity for public domestic debt management. Establish in the Ministry of Finance and/or the Central Bank a team of highly competent financial experts — to oversee domestic public debt, maintain an up-to-date database, analyse servicing projections, operate the public securities primary market, stabilise the secondary market, and execute monetary policy through 'open market' operations. 	<ul style="list-style-type: none"> • ADB could provide technical assistance to countries in establishing efficient primary and secondary markets for public securities. • ADB, with regional institutions such as IDEP, could assist African countries to establish institutional capacity and procedures for effective and prudent management of public domestic debt. 	<ul style="list-style-type: none"> • World Bank and UNECA could collaborate with ADB in assisting countries to establish efficient primary and secondary markets for public securities. • World Bank, IMF and UNECA could assist countries to create institutional capacities for prudent management of public domestic debt, and for efficient execution of monetary policy through 'open market' operations.
8. To develop Healthy Financial Intermediaries and Dynamic Capital Markets.	<p>African countries must develop efficient financial intermediaries and capital markets with nation-wide networks and which offer a varied menu of financial instruments to suit diverse needs for savings, credit and risk coverage. In the era of efficient and integrated global financial markets, Africa must develop solid and internationally credit-worthy institutions able to mobilise external resources with minimal risk premium.</p> <ul style="list-style-type: none"> • Free the existing financial institutions of non-performing assets from the past : <p>Governments should take concrete steps to settle overdue public debts owed to commercial banks and other financial institutions.</p>	<p>RECs and AEC must provide the institutional framework for the coordinated development of financial intermediaries and capital markets.</p> <ul style="list-style-type: none"> • ADB could provide technical (and possibly financial) assistance to countries, in support of sector reforms to strengthen the financial sector. 	<p>External partners must give material support to the development of a sound financial institutional infrastructure across Africa, linking together countries. Financial integration is a necessary condition for market integration and regional trade development.</p> <ul style="list-style-type: none"> • The World Bank, IMF and UNECA, in collaboration with ADB, should provide technical assistance (and possibly programme lending) to African countries on reforms to strengthen the financial sector.

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
<p>8. To develop Healthy Financial Intermediaries and Dynamic Capital Markets (cont'd).</p>	<p>Financial institutions must reassess their asset portfolios realistically, under the supervision of auditors from the Central Bank, identify non-performing assets and write off against equity all bad loans.</p> <ul style="list-style-type: none"> • The Central Bank should be given strong constitutional authority to ensure that the financial system is sound : <p>It should keep all institutions under surveillance and ensure that the balance sheets of <u>all</u> intermediaries meet capital adequacy requirements and are managed with the highest degree of professionalism and prudence.</p> <ul style="list-style-type: none"> • Restructure state-owned intermediaries and privatise them <p>Re-organise their operations into distinct lines of activities, and put them on a commercial footing by giving them operational autonomy and holding their managers accountable on specific performance criteria, e.g., yield on equity and deposits, staff productivity, or risk-adjusted quality of assets portfolio.</p> <p>Government should pay pre-determined subsidies to institutions to cover projected losses to achieve specific policy-driven operational targets, such as geographical spread of branches, credit quotas for high-risk socio-economic groups, e.g., small-holder farmers.</p>	<ul style="list-style-type: none"> • RECs and AEC should institutionalise and give a greater prominence to the Council of National Central Bank Governors, which should meet periodically. • ADB could assist in capacity building of Central Banks through training and staff exchange programmes. • ADB could give technical assistance on restructuring of State-owned financial institutions; the privatisation of non-strategic institutions, and strengthening of the management function in institutions that remain under State ownership. <p>RECs and AEC should provide channels of communication on financial sector reforms.</p>	<ul style="list-style-type: none"> • World Bank, IMF and UNECA (in collaboration with ADB) should strengthen the capacity of African Central Banks to effectively supervise the financial system. • World Bank, IMF, UNECA and UNDP could assist African countries to restructure State-owned financial institutions, privatise non-strategic institutions, and strengthen institutions remaining under State ownership.

POLICY MEASURES	NATIONAL ACTIONS	REGIONAL ACTION	INTERNATIONAL ACTION
<p>8. To develop Healthy Financial Intermediaries and Dynamic Capital Markets (cont'd).</p>	<ul style="list-style-type: none"> ● End financial repression : Give intermediaries leeway to set deposit and lending interest rates. ● Open the financial market to diversity, competition and innovation : <p>Remove non-prudential laws restricting private investors (both indigenous and foreign) from setting up new financial institutions or taking over existing ones — provided they satisfy prudential and capital adequacy requirements.</p> <p>Give intermediaries leeway to introduce new financial products or services and to set competitive prices for them — provided that adequate reserves calculated by Central Bank are set aside to cover liquidity risk.</p> ● Create a conducive policy climate for the full range of intermediaries to take root and expand. (See Annex for a comprehensive list of such institutions.) 	<ul style="list-style-type: none"> ● ADB could assist Member States to formulate a free-market policy framework for financial institutions — aimed at increasing competition while ensuring prudent risk-taking, avoiding systemic failures, and safeguarding depositors. ● ADB could also provide technical assistance to African Capital Market Authorities established to oversee the development of stock exchanges and private-sector bond markets. ● RECs and AEC should provide an institutional framework for the development of pan-African financial intermediaries and capital markets. 	<ul style="list-style-type: none"> ● World Bank, IMF and UNECA (working with ADB) should assist countries to formulate a new financial sector policy framework. ● World Bank, IMF and UNECA could provide technical support to Capital Market Authorities set up to oversee the development of African stock exchanges. ● UNDP, UNECA and World Bank could provide technical assistance in the establishment of pilot community bank projects on the lines of the Grameen Bank (in Bangladesh).

A GLOSSARY OF FINANCIAL INTERMEDIARY INSTITUTIONS

A hospitable political climate and a conducive policy environment favorable to sustained economic transformation and robust growth should permit a full range of financial intermediaries to take root and expand in Africa, at the country and regional level. Below is a comprehensive list of such institutions which African countries need to mobilise the domestic and external private resources to sustain capacity building, particularly in the areas of economic infrastructures, productive capital, and enterprises ranging from micro-scale family enterprises to global-scale transnational corporations:

- **Mutual assistance groups** : Traditionally, these are largely informal arrangements, e.g., iqqub (Ethiopia), susu (West Africa). Legal provisions that are not onerous should be promulgated and enforced to end abuse of trust by unscrupulous members.

- **Community banks** : These are non-traditional intermediaries suited to rural socio-economic conditions. They give small loans linked to agricultural cycles, and don't demand physical collateral, relying instead on character reference and peer responsibility. Basically, they are modelled on the Grameen Bank in Bangladesh. To strengthen these institutions, it is sufficient to apply to them the laws which govern NGO's activities.

- **Savings and credit associations** : These are more formalised institutions. They pay interest on deposits and earn interest on loans to members. They should be regulated and supervised almost like banks (i.e., less rigorously so), to the extent that their operations

have an impact on money supply.

- **Building societies** : These are similar to savings and credit associations, except that they are dedicated to assisting members to finance housing development. They should be regulated almost like banks.

- **Banks** : There are retail and wholesale banks.

- **Commercial (or Retail) banks** : These take savings deposits and offer short- to medium-term credit. They also offer to their clients a range of retail banking services (e.g., checking accounts and payments settlement, credit cards, money transfers, etc).

- **Merchant banks** : These raise funds from short- to medium-term wholesale money markets (domestic and external) and offer to their clients (merchants, importers and exporters, etc) trade finance credit as well as trade-related banking services.

- **Investment banks** : They raise funds from medium- to long-term wholesale capital markets (domestic and external) and offer to their clients in the business sector investment project finance credit as well as investment-related banking services.

- **Development banks** : These raise funds from periodic (national, bilateral or multilateral) fiscal replenishments. They may also tap wholesale capital markets (domestic and foreign) for resources on medium- to long-term arrangements. They can be national or multinational (sub-regional, continental or global). They may be sector-focused — e.g., agricultural or industrial development banks — or broad-mandated — e.g., national development banks, the African Development Bank, or the International Bank for Reconstruction and Development (IBRD, or, the

World Bank). They provide a blend of programme and project finance over the medium to long term.

Deposit-taking Retail banks should be regulated and supervised to ensure prudent risk-taking, solvency, security of deposits, and to maintain public confidence in the liquidity of individual banks and the banking system as a whole.

Wholesale banks, because they tap international financial markets, must be regulated strictly in line with international standards (e.g., the Basle Convention) on capital adequacy and reserve criteria for risk cover, promptness of payments settlements, security against international financial fraud, etc.

■ **The Central Bank** : It regulates and supervises the commercial and retail banks as well as other deposit-taking and credit-giving non-bank financial institutions. It exercises oversight (even though not necessarily direct supervision or regulation) over the rest of the financial sector. It advises the Government on monetary policy and monetary implications of fiscal policy. It administers the Government's monetary policy. In some countries (notably Germany, New Zealand and, in Africa, South Africa in the transitional period to 1999) the Central Bank has been given constitutional authority to set monetary policy in pursuit of the limited mandate of maintaining price stability and preserving the value of the currency.

■ **Insurance companies** : They offer policies on life; secure domestic assets against loss or catastrophic destruction; automobile coverage, including third-party indemnity; industrial property hazards; employee safety; environment accidents indemnity; shipping, commercial transport and goods in transit; re-insurance of insured risks; etc.

The insurance sector must be regulated and supervised adequately to ensure, especially, that holders of life and domestic property insurance policies are fully informed about all aspects of these policies; that penalty clauses are fair to insurers as well as to clients; that there is ample competition to keep premiums fair; that premiums are prudently invested; and that claims are promptly settled.

■ **Social insurance funds** : These constitute pension (or retirement) plans, un-employment and health insurance, etc, based on regular deductions from wages and salaries plus a payroll statutory levy or voluntary contribution by employers.

An effective legal framework and oversight mechanisms are needed, mandating trusts set up to manage social funds to invest prudently, and to remain solvent and liquid to be able to promptly meet obligations to retirees.

■ **Capital markets** : These consist of money markets; primary and secondary bond markets; stock exchanges; and derivatives markets.

A legal framework flexible enough to facilitate the growth of emerging markets, without tying them up in needless red-tape, but firm enough to deter fraudulent trading practices which undermine investors' confidence in the entire market (e.g., insider trading, shoddy accounting practices and mis-leading disclosure of company information, insider manipulation of share prices, etc). Day-to-day supervision of operations should be left to self-regulation. But the Central Bank and a designated Capital Markets Authority should exercise broader oversight.

■ **Securities brokerage companies** : These deal in bonds, equities and derivatives on account of clients as well as on their own account.

Regulations should cover registration requirements, code of conduct and legal provisions to protect clients against trading malpractices.

■ **Mutual Funds (or Unit Trusts) :** These manage investment portfolios pooled together from the savings of numerous small-scale

investors.

Regulation should cover registration requirements and oversight by the Central Bank to ensure a degree of prudence and to protect clients against malpractices such as false accounting and false disclosures. ■

towards more farmer-empowerment are not without evidence in Africa. Africa's farmers must be assisted to organize themselves into commodity groups, cooperatives, unions and social groups not only to permit them to better articulate their development needs but also to bring pressure to bear on policy-makers and government administrators to revise their development priorities towards greater support for the building of capacities in the areas outlined above.

276. The most basic expectation is that African governments will open up their political systems to effective popular participation and will embrace these farmer groups which demonstrate legitimacy through the size of their membership. Pressures brought to bear on the government by farmer groups should, all things being equal, bring about more effective and pragmatic policy formulation. Democratically elected African governments will stand to gain and maintain their political legitimacy if they are willing to take account of the needs and concerns of their rural dwellers and farmers who constitute the majority of their populations, when deciding their actions.

277. The extent to which empowered small-farmers can influence the policy agenda of African governments will depend on the evolving political culture in different countries. However, when the interests of groups such as farmers are in conflict with those of other powerful interests, the already strained administrations of African countries are unlikely to find the ensuing conflict management easy, especially when the articulation of positions favourable to the majority of farmers is formally and publicly encouraged. Under these conditions national efforts to encourage rural participation and empowerment should be accompanied by commensurate positive efforts to assist farmer groups with funds and training to build professional capabilities aimed at strengthening their organisations to help ensure that regulatory policies and public services support the activities

of their members.

278. Furthermore, there is need for farmer groups to be in a position to advocate well-formulated positions on policy issues which represent a consensus among their members and to be able to bring pressure to bear on the government to take these positions into account. Consequently, measures to empower small-scale farmers in Africa should be accompanied by concerted efforts to promote dialogue between them and policy makers on issues relating to the formulation, implementation and impact of public policy on farmers. The goal should be to make policy questions of interest to small-scale farmers important issues in both intra-and inter-party politics as well as in parliamentary and public debate in the on-going democratization process in the continent.

279. Finally, the empowerment of women must be seen as a critical aspect of the empowerment of farmers. In this regard, their role and contribution to improved agricultural performance and increased food security must first be recognized. Adequately empowered, women farmers can achieve agricultural performance equal to, or even significantly higher than those of men. Empowering women will, therefore, enhance productivity by making explicit their role in the agricultural development process.

(b) Building Indigenous Policy Analysis and Management Capabilities

280. There is need to develop a cadre of trusted and respected agricultural administrators at all levels to guarantee the much needed capacity for the analysis, formulation and management of sound policies in the agricultural sector. The movement towards bottom-up political development should address the felt needs of farmers and the concerns of the rural population. This will increase internal pressures for more consistent policies. African countries must build locally-based capacities to anticipate

response to user needs. Consumers influence investment and production decisions by making their preferences known through a variety of means including the price mechanism. When these mechanisms do not adequately reflect preference, providers lack valuable information about consumer requirements.

(g) The Importance of Human Resources

271. Many African agricultural training, health and other social institutions have all but broken down. The sharp deterioration in the fiscal situation of many African countries brought about by poor economic performance and aggravated by the introduction of Structural Adjustment Programmes is resulting in sharp deterioration in existing social services in the rural areas. The consequences are inevitable: stagnating or falling primary school enrolment rates and high mortality rates. This situation is particularly worrying since there are already serious inequalities in access to public health and education between the urban and rural dwellers and between men and women in the rural areas in many countries. Under these conditions, even small reduction in aggregate social expenditures will have a disproportionate effect on the health and education of the poorer members of society, particularly women. To this class of people, free social services is meaningless as it is often equivalent to inadequate or no provision at all.

272. Africa's rural population is the key to the success of any effort to attain sustainable increases in food and agricultural production in the region. Healthy and educated farming households are the principal means for ensuring sustainable agricultural development. Investing in Africa's farmers and rural people is, therefore, fundamental to long-term sustainable growth not only of the region's agriculture but also of the overall economies. Poor health leads to low productivity while improvements in basic literacy increases agricultural productivity and facilitates rapid adoption of technological

innovations. Government investments in these areas provide vital social services in support of the agricultural development process. The experience of countries such as Malaysia, South Korea, Singapore, Thailand, and Indonesia clearly point to a fundamental link between sustained investment in basic human capital and successful agricultural and economic performance. For example, all of these countries placed great investment emphasis in publicly-funded, high-quality universal primary schooling, combined with expanded secondary and tertiary facilities with merit-based admissions and a self-financed private system.

273. Human resources development in the agricultural sector is, thus, fundamental to longer-term sustainable growth in food and agricultural production. This will become even more important in the future with the globalization of production and the increasing importance of human capital. Investments in rural health and education are, therefore, critical not only for sustainable increases in food and agricultural production but also for long-run sustainable reduction in food insecurity and poverty.

C. Policies and Programmes

274. Now is the time to put in place the policies and programmes that will ensure success in building the critical capacities outlined above. However, it is unlikely that all African countries will be in a position to build all the capacities that are needed to increase agricultural growth, do away with food insecurity, and reduce poverty. Consequently, efforts should be concentrated in those areas that are likely to yield maximum results. The policies and programmes that should be initiated to address the seven principal priority areas of capacity building are outlined below.

(a) Empowering African Farmers

275. The economic advantages of a movement