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results ultimately in an inter-industrial division of labour which is to everybody's advantage. Like Japan for instance before them, the developing countries of our time can be brought into this process.

In view of these facts the industrialised countries should actively influence the restructuring process which is in the long term unavoidable. In the light of previous experience and the

strong integration tendencies in the world economy an isolationist approach can hardly be considered conducive to safeguarding employment and prosperity. While the industrialised countries can carry through a restructuring process by themselves, albeit with certain difficulties, because they can draw on a store of experience, the same cannot be said without some reservations of the efforts of the developing countries to

set up efficient small and medium-sized enterprises. The latter should therefore be offered more technical assistance for measures in support of small industries, in addition to the financial aid which they are already receiving (e.g., through development bank credits). In the framework of the necessary economic cooperation such assistance would indeed be in the own long-term interest of the industrialised countries.

## Promotion of Manufacturing Activities in Africa

by Dr. Hans-Gert Braun, Stuttgart\*

**T**his article concentrates on Tropical Africa and more particularly on the establishment of small private industrial enterprises. The industrial development is too variegated however to allow a representative picture to be given here of the whole continent. Instead a few fundamental problems of African industrialisation, illustrated by the example of the Ivory Coast, are brought into focus.

### The State of Industrial Development

The African states embarked on their industrialisation when they had achieved independence in the fifties and sixties — much later than the other less-developed regions of the world. That their level of development is still very low need not therefore surprise. In Tropical Africa the per-capita income from industry is only 1/40th — and from manufacturing industry 1/60th — of that in the industrialised countries. Even compared with Latin America the industrial per-capita income is only 1/10th<sup>1</sup>.

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Most African industry is concerned with the production of consumer goods<sup>2</sup>. Almost all African countries make soft drinks and beer and process cereals and, provided they have a suitable agricultural basis, fruit, fruit juices and vegetables. Oil and sugar are extracted and in part exported by a number of them. The textile and clothing industry has made quite good progress but textiles are still being imported on a substantial scale. The bulk of the cotton crop is sent abroad for spinning. The demand for shoes can be met largely from African production.

As far as semi-manufactures are concerned, simple metal articles are made in almost all the countries of Africa, mostly from imported steel. The steel production in Africa is still insignificant. Iron ore, and non-ferrous ores likewise, are exported almost entirely in an unprocessed form. The situation is similar in regard to woods. Paper industries exist so far only in North Africa. A major part of the demand for cement, on the

other hand, can be covered in North, East and Central Africa from production in these regions. Crockery, of a simple kind at least, is made in all the countries of the continent. What there is of a chemical industry does not, a few oil refineries and fertilizer plants apart, extend significantly beyond the production of insecticides, explosives, paints, distillates, perfumes, sulphuric acid and matches; moreover it is often only the final stage of the production process which is carried out in the country<sup>3</sup>. There is no significant production of capital goods in Africa.

### Foreign Control and Dualism

An important note must be added to this sketch of the industrial scene in Africa: Industry in Africa does not necessarily

<sup>1</sup> W. Roider, Zum Stand der Industrialisierung in Tropisch-Afrika (On the State of Industrialisation in Tropical Africa). In: Ifo-Schnelldienst, No. 15/16, 1971, p. 9.

<sup>2</sup> cf. A. F. Ewing, Industry in Africa, London-Oxford 1968, and Industrial Growth in Developing Africa from 1950 to 1968 and Prospects for 1980. In: Economic Bulletin for Africa, Vol. X, No. 1, 1970, p. 1 ff.

<sup>3</sup> W. Roider, *Ibid.*, p. 12.

mean industry in the hands of Africans. An analysis of the "economic miracle" on the Ivory Coast for instance (where the industrial sector in 1960–1970 grew at an annual average of 20 p.c.) reveals that the industry expanding at such a gratifying pace is essentially an industry of Europeans. Of 510 industrial enterprises in 1965 as many as 481 (= 94.3 p.c.) were operated by Europeans, chiefly French, 14 (2.8 p.c.) by Lebanese and Syrians, and only 13 (2.6 p.c.) by Africans<sup>4</sup>. Native-born citizens held an even smaller share of the total investment: they owned no more than Fr (CFA) 300 mn (= 0.5 p.c.) of the total investment in the industrial sector of about Fr (CFA) 60 bn in 1970. There is no denying that the foreign investments have had very positive consequences for the Africans, especially on employment, incomes and training. But in the light of the experience in other African countries, especially Uganda<sup>5</sup>, an industrial development sustained almost entirely by foreign businessmen must arouse misgivings.

This point is all the more serious because of the extreme dualism engendered by the large foreign engagement. Side by side with the modern sector but quite unconnected with it still vegetate native crafts of a mostly traditional type. They are not being modernised in the wake of the rapid industrial development and integrated with the industrial sector but superseded by the growing modern industry or by imports from abroad<sup>6</sup>. This gulf between industry and crafts is all the more serious because the crafts are usually one of the major reser-

voirs of potential industrial entrepreneurs<sup>7</sup>.

The stagnation or retrogression of the crafts is not due to one single constraint but to miscellaneous negative factors which are together responsible for the situation of the small artisans on the Ivory Coast as in other parts of Africa. They include in particular lack of vocational qualifications in the technical and commercial fields, inadequate production facilities, deficient technical equipment and consequently unproductive manufacturing methods, shortage of capital, unskilled labour and last not least absence of achievement motivation. This list could be easily extended.

In many African countries this dualism of modern industry and traditional crafts is a characteristic feature of the state of industrial development. It is also the starting point for the encouragement of manufacturing activities with the aim of creating an African-operated industry.

#### The "Philosophy" of the Aid for Manufacturing Activities

The possible aid measures in support of manufacturing activities can be classified according to the production factors which they are intended to foster: labour, capital, land and entrepreneurial, managerial and technical skills. Assistance for industrial personnel can be given by vocational schools and similar training facilities in particular. Lack of capital can be remedied by a variety of alternative or complementary aid

measures: credit institutes specialising in small loans, guarantee funds, group credit guarantees, leasing and hire-purchase programmes<sup>8</sup>. Suitable sites can be provided in industrial estates or industrial zones. The measures for the promotion of technical, commercial and entrepreneurial skills include training courses, consultancy services, internal extension services and even courses to generate achievement motivation<sup>9</sup>.

Other measures for the encouragement of manufacturing activities may be more suitably classified according to the different operational functions to which they apply. During the planning and establishment stage assistance can be given by an industrial centre which carries out feasibility studies for example or helps to draw up credit applications. At the operating stage enterprises can be aided by the selective forming out of suitable tasks in certain fields: cooperative enterprises can undertake the procurement of all or some raw, ancillary and operating materials, tools and investment goods or else attend to sales, storage or financing functions; machine pools can relieve small enterprises of the need to purchase equipment of which a small enterprise could not alone make full use. Similar arguments apply to cooperative workshops.

Manufacturing activities are encouraged by a third set of measures from the market side. Protective tariffs or corresponding taxes on foreign investors can provide at least partial protection for young enterprises

<sup>4</sup> Ivory Coast Ministry of Planning, *Emploi 1965* (Employment in 1965), October 1968, p. 49.

<sup>5</sup> cf. A. J. Halbach, Uganda: Die Ausweisung der Asiaten und ihre Folgen (Uganda – The Expulsion of the Asians and its Consequences). In: Ifo-Schnelldienst, No. 7, 1973, p. 13 ff.

<sup>6</sup> cf. A. Kruse-Rodenacker, H. G. Geis, H.-G. Braun, *Entwicklungsbanken und Gewerbeförderung in afrikanischen Ländern* (Development Banks and Assistance for Manufacture in African Countries), Institut für empirische Wirtschaftsforschung, Berlin 1970, p. 50 ff.; cf. also D. Karsten, *The Economics of Handicrafts in Traditional Societies*, Munich 1970, especially p. 141 ff.

<sup>7</sup> cf. R. Clapham, *Marktwirtschaft in Entwicklungsländern* (Market Economy in Developing Countries), Freiburg i. B. 1973, p. 102 ff.

<sup>8</sup> cf. A. Kruse-Rodenacker and others, *ibid.*, p. 196 ff.

<sup>9</sup> cf. K. Marsden, *The Functions, Characteristics and Training Needs of Small-scale Entrepreneurs in Developing Countries* (with Particular Reference to Africa). In: I. L. O. (ed.), *Report on the I. L. O. Inter-regional Seminar on Programmes and Policies for Small-scale Industry within the Framework of Overall Economic Development Planning*, Geneva 1968, p. 103 ff.

against inordinate foreign competition. Certain product lines can be reserved by legislation on investment for indigenous or even small enterprises only. The public authorities can be compelled to purchase goods from indigenous (small) firms.

### **Diversified Aid Measures Required**

So there exist a variety of approaches to aid measures and indeed a whole series of alternative and complementary instruments. It is useful to catalogue them because almost all the mentioned instruments are encountered in industrial aid institutions in the African continent. It may be asked why nevertheless no industrialisation of major proportions has yet taken place. The following reflections will help to answer the question: Adoption of any single measure leads as a matter of simple logic to the establishment of a new enterprise only if it removes the constraint on a potential entrepreneur which is the final obstacle to his setting up an enterprise. No amount of business training however good can yield results if the potential entrepreneur lacks the finance or suitable labour with which to launch an enterprise. An aid measure can only have a positive effect if it fills a last remaining gap in the chain of requisite factors, if all the other complementary prerequisites for success already exist.

In this context it is useful to recall the situation and potentialities of the craftsmen referred to earlier. They lack almost all the factors required to set up a modern artisan establishment or a small industrial enterprise. It follows that support for these craftsmen can in reason only be successful if all missing attributes and factors are provided by a combination of complementary aid programmes.

India is one of the very few countries with a highly differentiated system of assistance for manufacturing activities<sup>10</sup> and is for this reason in a position to point to considerable successes. There is not one country on the African continent of which it could be said that it has institutionalised a substantial number of the listed instruments. The African countries have for the most part taken isolated measures<sup>11</sup> of which sweeping successes cannot reasonably be expected even if they are operating with maximum efficiency. This poses the question what will be the effect of such individual measures if they fail to achieve the desired objective. What happens if a country in need of diversified aid measures to stimulate manufacturing activities is served by only a few of these instruments, if for instance only training for skilled workers is provided through vocational schools, or if a development bank alone is set up, or if nothing but management training is given? In that case the aid measures taken in isolation will generate or strengthen production factors which lack complementary factors. To exemplify, a development bank will not remain idle but, instead of financing small African enterprises as was the intention, support big foreign-operated projects. Trained workers will perhaps find an outlet for their skills in foreign factories. Even industrial estates which may be regarded as a "package" of diverse aid measures can only be effective if there are capable entrepreneurs who can make use of them.

<sup>10</sup> cf. Government of India, Development Commissioner Small Scale Industries (ed.), *Small Scale Industries in India*, New Delhi 1968.

<sup>11</sup> cf. H. Müller, *Das Handwerk in Marokko (Handicrafts in Morocco)*, Frankfurt 1968; K. Schäfer, *Das Handwerk in Togo (Handicrafts in Togo)*, Frankfurt 1967; K. Vorläufer, *Handwerk und Kleinindustrie in Uganda (Handicrafts and Small Industries in Uganda)*; A. Kruse-Rodenacker and others, *Ibid.*

It can probably be argued that many of the industrial aid appliances provided in Africa in recent years have struck a vacuum. So far the external effects have been internalised only by foreigners to any substantial extent if at all and not by Africans. A completion of the national industrial aid systems should therefore be attended by greater successes. This idea may be illustrated by the national industrial aid system of the Ivory Coast.

### **The National Industrial Aid System of the Ivory Coast**

On the Ivory Coast the establishment of a national industrial aid system began with the setting-up of three development banks. The *Crédit du Côte d'Ivoire* (CCI) was founded in 1955 as a development bank of the universal bank type, the *Société Nationale de Financement* (SONAFI) in 1963 as a participation bank and the *Banque Ivoirienne de Développement Industriel* (BIDI) in 1964 as an investment bank of the World Bank type with special emphasis on loan finance. All three institutes are enjoined by their articles of association to finance the establishment of small and medium-sized manufacturing enterprises in particular. In 1968 advances to consumers and for housebuilding were the biggest item in CCI's credit business. SONAFI has participated almost exclusively in big projects operated by foreigners and used a quarter of its long-term funds for money market loans rather than to finance small manufacturing enterprises. BIDI has developed into a very successful institute which concentrates almost entirely on big loans (of over Fr (CFA) 100 mn = DM 1.3 mn). The three institutes have certainly made a major contribution to the industrialisation of the Ivory Coast but not to the establishment of

a manufacturing industry operated by native-born businessmen. This was not because of bad intentions. The decisive reason was that no sound financial propositions were submitted by competent native-born businessmen and that, on the other hand, large and highly profitable projects were suggested by foreign businessmen. That the Ivory Coast has a relatively well developed and diversified vocational training system for middle-rank managerial and skilled staffs certainly helped to make the foreign projects profitable.

The decisive bottleneck was and is the lack of qualified native-born entrepreneurs on the Ivory Coast. The Office National de Promotion de l'Entreprise Ivoirienne (OPEI) was set up in 1968 to overcome it. As an industrial centre it can provide a miscellany of management assistance measures, including in particular the preparation of market, project and sector studies, operational consultancy, investment consultancy and management training. If OPEI and complementary institutions succeed in producing entrepreneurs of native stock, this is likely to have a lasting effect on the development of an indigenous manufacturing industry.

In that case other, already existing institutions like the Association pour la Promotion de la Petite et Moyenne Entreprise en Côte d'Ivoire, the organisation of small and

medium-sized firms, the Société d'Assistance Comptable, the book-keeping company, the Centrale Ivoirienne d'Achats et de Crédit, the trading centre, and the Centre National de Promotion des Entreprises Coopératives, the centre for the promotion of cooperatives, will also be able to make a substantial contribution to the establishment of native-operated trades and industries.

#### **Aid for Manufacture and Direct Investment**

The question of the ultimate aims of the encouragement of manufacturing activities in the countries of Africa has received little attention yet. As in all countries of the world, measures of this kind have also the purpose of advancing the redistribution of incomes, regional policy (development of rural areas), nation building, etc. The crucial question however is which of the two — largely incompatible — aims is to have priority: economic growth (at any price) or Africanisation (at any price). Every African country is faced with the question of what rating to give to these two aims. In practice there is a wide range of choices, with the Ivory Coast and Uganda demonstrating the extremes.

The policy which is pursued towards foreign direct investment shows how this question is decided. For the francophone countries of Tropical Africa W. Schneider<sup>12</sup> noted: "The de-

mand for direct investments is so strong that the countries believe that they have to compete with each other in granting preferences. The incentives have in part reached such dimensions . . . that it is being asked more and more often whether the direct investments justify the price paid by the host country." This price includes all kinds of subsidies, infrastructural services, monopoly protection, guarantees against tax increases, etc. In the long term the price is that dualism between foreign-operated modern industries and traditional crafts which was described earlier. It leaves virtually no scope for evolutionary Africanisation of the industrial sector.

The preferences for foreign investments in the anglophone countries of Tropical Africa are more heterogeneous but on the whole less lavish. Ghana, for instance, is one of the few countries which concede equal incentives to domestic and foreign investors and do not offer any additional inducements to foreigners<sup>13</sup>. These anglophone countries, like Kenya, Ghana and Nigeria in particular, seem to try to keep a balance between the two aims of industrialisation — Africanisation and economic growth. There are many reasons which suggest that in the long run this will prove to be the more successful way.

<sup>12</sup> W. Schneider, *Direktinvestitionen und die Politik der Entwicklungsländer* (Direct Investment and the Policies of the Developing Countries), Berlin 1974, p. 157.

<sup>13</sup> W. Schneider, *Ibid.*, p. 160.



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