



STRENGTHENING
DEVELOPMENT
MANAGEMENT

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Africa competitiveness

Until the mid-1990s, African governments and the donor community, including international agencies, paid relatively little attention to competitiveness. Economic policymakers saw the concept largely in terms of relative wage levels, inflation and exchange rates, while structural adjustment and economic reform programmes focused on macroeconomic fundamentals.

The net effect has been to create an environment in which competitiveness is seen mainly as the responsibility of corporate managers. This situation is changing. The inclusion of two sub-Saharan economies, South Africa and Zimbabwe in the *Global Competitiveness Report* published by the World Economic Forum was followed in

1998 by the World Economic Forum's first *Africa Competitiveness Report*.

The report measures the competitiveness of 23 African economies, all but three of them in sub-Saharan Africa, based on estimates of their medium-term growth prospects, while adjusting for levels of initial income. The index is calculated using a weighted average of the results of the Executive Survey of African businesses and data collected from international institutions (the World Bank, the IMF, and the United Nations), African Central Banks, Ministries of Finance and Departments of Statistics.

Overall competitiveness is based on an average of six indices: openness, government, finance, labour, infrastructure and institutions. From table 1 below, the survey shows that:

- Small, dynamic stable economies with solid export bases, perform best. The three top sub-Saharan economies, Mauritius, Botswana and Namibia fit into this category;
- Countries in the top half of the ratings are largely those that have managed to avoid the high levels of political and economic turmoil that have bedevilled economic performance over much of the continent;
- Moderate performers include those undertaking reforms but that are still recovering from long periods of weak performance. Even "model" reformers such as Ghana and Uganda are included in this group, because, even after a decade of largely successful

[to page 8](#)

In this issue

- 1 **Africa competitiveness**
- 2 **Issues on Globalization**
- 3 **Support Service Measures to Strengthen SME Capacities**
- 4 **Civil Service Reform: The Case of Tunisia**
- 5 **A Social Safety Net Organization**
- 6 **Capital Markets Development in Africa**
- 7 **Upcoming Events at DMD**

Issues on Globalization

The term “globalization” has acquired considerable emotive force. Some view it as a process that is beneficial - a key to future world economic development and one that is inevitable and irreversible. Others regard it with hostility, even fear, believing that it increases inequality within and among nations, threatens employment and living standards and thwarts social progress. This brief offers an overview of some aspects of globalization and aims to identify ways in which countries can tap the gains of this process, while remaining realistic about its potential and its risks.

Globalization offers extensive opportunities for truly worldwide development but it is not progressing evenly. Some countries are becoming integrated into the global economy more quickly than others are. Countries that have been able to integrate are seeing faster growth and reduced poverty. Outward-oriented policies brought dynamism and greater prosperity to much of East Asia, transforming it from one of the poorest areas of the world 40 years ago. As living standards rose, it became possible to make progress on democracy and economic issues such as the environment and work standards.

By contrast, in the 1970s, and 1980s when many countries in Latin America and Africa pursued inward-oriented policies, their economies stagnated or declined, poverty increased and high inflation became the norm. In many cases, especially in Africa, adverse external developments made the problem worse. As these regions changed their policies, their incomes have begun to rise. An important transformation is underway. Encouraging this trend, not reversing it, is the best course for promoting growth, development and poverty reduction.

The crises in the emerging markets in the 1990s have made it quite evident that globalization opportunities do not come without risks. Risks arising from volatile capital movements and the risks of social, economic and environmental degradation can create more poverty. This is not a reason to reverse direction, but all stakeholders, including investors, in developing and developed countries should embrace policy changes to build strong economies and a stronger world financial system that will produce

more rapid growth and ensure that poverty is reduced.

How can the developing countries, especially the poorest, be helped to catch up? Does globalization exacerbate inequality or can it help to reduce poverty? Are countries that integrate with the global economy inevitably vulnerable to instability? These are some of the questions to be answered.

Does globalization increase poverty and inequality?

During the 20th century, the global average per capita income rose strongly, but with considerable variation among countries. It is clear that the income gap between rich and poor countries has been widening for many decades. The most recent “*World Economic Outlook*” studies 42 countries for which data are available for the entire 20th century. It reaches the conclusion that output per capita has risen appreciably but the distribution of income among countries has become more unequal than at the beginning of the century.

But incomes do not tell the whole story; broader welfare measures that take account of social conditions show that poorer countries have made considerable progress. One recent paper finds that if countries are compared using the United Nations Human Development Indicators (HDI), which take education and life expectancy into account, then the picture that emerges is quite different from that suggested by the income data alone.

Indeed, the gaps may have narrowed. A striking inference from the study is a contrast between what may be termed an “*income gap*” and an “*HDI gap*”. The inflation-adjusted income levels of today’s poor countries are still well below those of the leading countries in 1870. The gap in incomes has increased, but judged by their HDIs, today’s poor countries are well ahead of where the leading countries were in 1870. This is largely because medical advances and improved living standards have brought significant increases in life expectancy.

to page 12

Support Service Measures to Strengthen SME Capacities

The socio-economic crisis of the 1980s had demonstrated the weaknesses of African economies and obliged governments to adopt programmes, policy measures, and strategies geared towards transforming the structure of Africa's economies. These programmes aimed at self-reliant and self-sustained development through economic recovery, with industry as the engine. In fact, during that period, many African countries had started to disengage from the productive sector, putting more emphasis on private sector initiatives, in particular the development of small- and medium-enterprises. Support institutions were therefore established at national and subregional levels, with a view, to assisting member countries in their efforts to develop and promote entrepreneurial, managerial and technological capacities.

In Cameroon and Gabon, this political will was translated into action by the establishment of such SME support services as: le Fonds d'expansion et de développement, des PME/PMI (FODEX), le Fonds d'aide et de garantie aux PME (FAGA), la Banque gabonaise de développement, PROMOGABON, le Centre national d'assistance aux PME (CAPME), le Fonds de garantie pour les entreprises: (FOGAPE), la Société nationale d'investissement (SNI), la Banque camerounaise de développement (BCD) and, more recently, l'Office nationale des Zones franches industrielles (ONZFI) in Cameroon.

The idea was to establish a class of African national entrepreneurs with the capacity to identify, evaluate, implement, manage and follow-up industrial projects as well as with the capacity to control the quality of African products and services that could be competitive in the national, regional and global markets.

Ten or fifteen years after the commitment to disengage from the productive sector and play the role of regulator or creator of an enabling environment, it seems that everything is back at square zero. Advancement of the entrepreneurial spirit and formation of a class of dynamic African entrepreneurs able to produce goods and services that are competitive on the global market are still inadequate. A quick review has shown that many of the national support services indicated above exist only on paper or have ceased as a result of SAPs that obliged countries to disengage completely from the productive sector and to refrain from providing financial support to SME support institutions.

The following major constraints to promotion of SME competitiveness were identified during an evaluation of the national private sector undertaken by two countries:

- Lack of proactive political will;
- Lack of effective and efficient democratic Institutions and rule of law; inadequate physical and institutional infrastructure;

- Inadequate policy measures and strategies;
- Inadequate financial and human resources;
- Multiplicity of support institutions; and
- Lack of export-oriented support institutions.

In order to alleviate those constraints and strengthen the capacity of those support services, the following measures have to be taken:

- Create an enabling environment of peace, security, stability and the rule of law;
- Create and maintain a stable macroeconomic environment and the right strategy and policy framework for industrial development;
- Undertake administrative reforms for effective and efficient public services, relieved from all forms of favouritism and corruption;
- Build up key human and institutional capacities to support private sector development;
- Commit individually and collectively to finance SME support services in close cooperation with donor partners, by mobilizing and utilizing domestic financial resources in a rational manner and by attracting foreign direct investment;

to page 14

Civil Service Reform: The Case of Tunisia

Quality of services

In an effort to improve the quality of its services to users, the Tunisian Government established the "Citizen superviseur" team, by Law No. 93-147 of 18 January 1993. This team was entrusted with real public service duties of verifying the quality of service within the administrative departments as well as with observing the ways by which public officials provide services.

Under the Directorate responsible for public service quality control, supervised by the Primature, the "*superviseur*" carries out his/her duties in the State departments, public establishments, local public communities and, generally, in all the bodies to whose budget the State or local public communities contribute directly or indirectly.

Recruitment of the "*citizen superviseur*"

The Prime Minister appoints the "*citizen superviseur*" for a one-year term renewable once only. The selection is made from among serving public servants of at least the grade B category, retirees, those within the category stipulated by the laws and regulations in force, and officers on contract with the Prime Minister. The candidate undergoes a test to evaluate his/her aptitude and predisposition for efficient performance of his/her duties.

Serving civil servants that are appointed "*citizen superviseur*" receive their normal remuneration and allowances in addition to a general allowance for their spe-

cial function. This general allowance is meant to cover all the necessary expenses incurred in carrying out his/her various public service operations. The allowance for each "*superviseur*" ranges from Dinars 100 to 150 a month, depending on the Prime Minister's decision. The allowance is fixed in accordance with the legal provisions and regulations in force.

Each "*superviseur*" is issued a confidential reference number used for identifying all documents submitted through the public service quality control department to the Prime Minister. A list is established for matching the names with the reference numbers; this list is kept as a confidential document.

Carrying out the duty of "*citizen superviseur*"

The "*citizen superviseur*" works in conformance with the plans drawn up by the public service quality control department and carries out his/her duties anywhere in the country. He/she is forbidden to disclose in personal documents, the missions assigned to him during the tenure of duty and thereafter. He/she must not reveal his/her status in any circumstances and must not interfere in the operations of the department being visited. His/her status is kept secret during and after the mission. Thus, every effort is made to keep all the stages of recruitment separated to prevent members of the team of supervisors from knowing one another.

The "*citizen superviseur*" must suspend the work assignment if the administrative official being monitored is a relative or if it is clear that the mission cannot be accomplished objectively and impartially. In either case, the public service quality control department must be informed accordingly.

The visit record sheet, among other things, contains the confidential reference number; the identity of the administration, department or organization visited; the date, time and duration of the visit; and the nature of the operation carried out. The visit record sheet must not bear the name of the officer visited or any other feature capable of indicating his/her identity. It is the administration's duty to protect the "*citizen superviseur*" from any threats or attacks to which he/she may be exposed and to pay compensation for any prejudice suffered as a result of the work.

The visits of the supervisory team

Visits made by the team on the basis of a pre-established programme are followed by prepared reports on the following:

- The general state of the administrative locality visited and its environment;
- The reception given and the information gathered;

A SOCIAL SAFETY NET ORGANIZATION AS A TOOL FOR DEVELOPMENT: THE EGYPTIAN EXPERIENCE

The Social Fund for Development (SFD) was created in 1991 to launch programmes of action that would facilitate the social transition associated with Egypt's Economic Reform and Structural Adjustment Programme, through the provision of social services. The SFD's initial financial phase that ended in 1996 was supported by 18 donors including the Egyptian Government and totalled \$700 million. For the second phase ending in 2000, the amount is \$750 million. The SFD's mission is to raise international and local funds and obtain technical assistance to:

- (a) Address the needs of the vulnerable groups; and
- (b) To achieve social and human development.

It attempts to improve the living conditions of the target groups in rural areas and urban poverty zones by promoting income-generating projects. It also assists new graduates and the unemployed by providing training programmes and job placement services. The SFD carries out its projects through intermediary agencies such as banks and other executing agencies that may be ministries, governorates, private or public institutions/companies and non-governmental organizations (NGOs). It is responsible for supervising sub-project implementation based on established monitoring and evaluation standards and procedures

To this end, as well as to facilitate its decentralized process and networking, SFD has one regional office in each of the 26 gov-

ernorates. It became operational in 1993 with the following five programmes: Institutional Development Programme (IDP), Public Works Programme (PWP), Community Development programme (CDP), Human Resources 'Development Programme (HRDP), and Small Enterprise Development Organization (SEDO). However, unlike other similar programmes developed in many African countries, SFD has expanded to become a vanguard of economic empowerment, quality human resources, and an enabling environment for enterprise development. During the past 8 years, SFD has accumulated an intensive experience in the process of creating thousands of viable sustainable jobs and income-generating opportunities. It is important to underline that its staff members are not civil servants. Special efforts are deployed to recruit high-calibre staff whose contract renewal depends on his/her performance and motivation:

(a) Community Development Programme (CDP)

The CDP implements projects through an intermediary, which can be private organizations, NGOs, local administrative bodies, community-based organizations, governorates or ministries. However, whenever feasible, NGOs have preferential treatment. The CDP either receives projects, or puts together projects, which can help develop a community. The normal channelling of projects is usually through SFD's respective regional office, which undertakes

a basic review of the project. Since support given by the CDP is either through grants or loans, grants are given exclusively to institutions for capacity building, and are conditioned by the sustainability of the project. Loans are usually given either through the sponsoring agency or through commercial banks in support of productive activities. Loans usually require group collateral or NGO or bank guarantee. During the course of 1998, 75 project contracts were awarded to both governmental and non-governmental agencies for a total budget of LE84.31 million. A total of 37 per cent of the total number of projects was awarded to NGOs. Their activities encompassed training and awareness, income-generating activities, NGO capacity building, eradication of illiteracy projects, and health.

(b) Public Works Programme (PWP)

The PWP is not only fostering an environment for people-centred development by involving people directly in the participatory developmental process, but is also allowing them to rely on themselves. This is apparent from their involvement in the decision-making process, from a project's identification and formulation phases until its implementation. The result is improved community-based physical and social services that truly reflect the needs of the people. The decentralization strategy particularly strengthened by PWP during the past year is based on four main aspects:

Capital Markets Development in Africa

Mobilizing relevant financial resources from local savings or foreign capital constitutes the major challenge for private sector development. According to the European Investment Bank, flight capital from the continent might be equal to the region's need for financial and investment resources in the long term. The banking system in Africa is well developed in the trading sector and in short-term credit because it represents mostly foreign banks, which are reluctant to finance long-term private sector investments that seem risky. In addition, the existing banking system does not provide appropriate tools for mobilizing and investing local financial resources. This situation impedes economic growth.

In Africa, stock exchanges have been developing in recent years thanks to the current trend of instituting judicious statutory and financial reforms. Such exchanges have been set up in Algeria, Botswana, Côte d'Ivoire, Egypt, Ghana, Kenya, Malawi, Mauritius, Morocco, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe, but they remain narrow and little developed. Governments have to take the measures for facilitating orderly buying and selling of securities and for promoting shares and bonds. Though the number of stock exchanges has tremendously increased in Africa, there are still gaps in the fields of information efficiency, and in the level of skilled human resources necessary for

conducting operations in national and international markets. These markets have become very complex given the progress of information technology. Gaps impede the access of African entrepreneurs to capital markets and their investment-financing transactions. Capital market development has also become important in the new context of mobilizing both domestic resources and foreign private investment flows to Africa. The contribution of foreign investment through equity funds to the financing of the enterprise sector in developing countries is well recognized. The existence of well-functioning capital markets and especially stock exchanges will help to mobilize these investments.

However, there is a serious shortage of requisite skills, resulting from the brain drain and the lack of training institutions appropriately equipped to meet the human resource needs of the securities sector. In many cases, the African economies are too small to justify the cost involved in setting up an efficient stock market. In these cases, regional cooperation on capital market development may help to improve mobilization of both local and foreign resources for the financing of a sufficiently large number of companies, thus, providing a wider choice of stocks and more market liquidity. However, the establishment of regional capital markets or stock exchanges would require intensified efforts for harmonizing accounting and reporting systems, tax regulations, and

monetary and financial policies.

ECA has prepared a project with the overall aim of promoting capital markets in Africa with Japanese financial inputs in its phase one. With this objective in mind, the project needs to be implemented in successive stages. In the first phase, capital market development needs are assessed. In the second phase, these needs will be addressed through training, seminars, preparation of policy studies, and provision of technical assistance in the form of advisory services and feasibility studies. In the third phase, regional cooperation will be further reinforced.

ECA is implementing phase one, which is identification of technical assistance needs. In this regard, fact-finding missions to 15 selected African countries: Algeria, Botswana, Cameroon, Côte d'Ivoire, Egypt, Ghana, Kenya, Malawi, Morocco, Nigeria, South Africa, Tanzania, Tunisia, Uganda and Zambia were undertaken in 1999 and 2000. These missions have determined the stage of capital market development in each country and have identified the type of technical assistance support needed, as well as the measures needed for improving existing support structures and services.

Furthermore, from 1 to 3 November 1999, the project organized a high-level policy workshop in Addis Ababa, in which 40 specific recommendations were made. These recommendations cover:

to page 15

Upcoming Events at DMD

Meetings

1. Ad hoc Expert Group Meeting on the strategic framework for designing and providing support services to enhance the regional and global competitiveness of small- and medium-sized enterprises

The Ad hoc Expert Group Meeting will consider and enrich two studies investigating the nature of support services currently available to African SMEs. These studies will determine their shortcomings and propose a strategic framework for designing and providing support services to enhance SME regional and global competitiveness.

The Ad hoc Expert Group Meeting took place in November/December 2000. The meeting was an opportunity for African experts to share their experience, and discuss and make valuable suggestions as inputs for finalizing the above-mentioned documents.

2. Ad hoc Expert Group Meeting on strengthening the effectiveness of local government financial resources management

It is generally agreed that the promotion and strengthening of decentralization in institutions and systems can accelerate growth and development. However, it is also recognized that the management of local government financial resources is not usually effective and efficient. The objective of this meeting is to bring African experts together to share their experience and recommend modalities to improve resource management.

3. Consultative meeting for a proposed forum for appointed and elected parliamentarians and corporate officials on their role in development management

The purpose of the consultative meeting is to assist in developing a programme and an action plan for the Forum, which will take place in 2001. A consensus on the content of the Forum based on the collective thinking of all stakeholders is critical to its substance, coordination, focus, launching and implementation. In this regard, the consultative meeting will provide a wide scope for all stakeholders, namely parliamentarians, policymakers, corporate officials, experts and civil society actors to come together to produce ideas openly and reach a common consensus on the content, structure, formatting, timing, etc. of the Forum. It is critical to develop a pragmatic framework that will provide guidance as to whether programmes of the Forum should be thematic, open-ended or project-based.

Technical publications

1. A critical review of existing support services for improvement of the regional and global competitiveness of small- and medium-sized enterprises in Africa

The study will examine existing support services in detail, as they relate to the SME regional and global competitiveness. In addition, the study will analyse the constraints to the development and promotion of support services in the region, and will make recom-

mendations for developing and strengthening them.

2. Strategic framework for designing and providing support services to enhance the regional and global competitiveness of small and medium-sized enterprises (SMEs)

The strategic framework will derive from the findings of the review of the existing support services. It will analyse the nature of the regional and global competition, the performance of SMEs in the regional and international markets, their competitiveness, and the constraints. The report will end with policy and strategy recommendations for enhancing SME competitiveness in regional and global markets.

3. Private sector enterprise needs analysis in African countries emerging from conflict

Following the economic reforms that took place in many African countries in recent years, many governments have liberalized their economies. As a result, the private sector in many African countries has come under tremendous pressure from imports. Many of the imported items are of better quality and are cheaper. The domestic enterprises in many African countries, even more so those emerging from conflict, are facing tremendous difficulties in revitalizing their economies and the private sector in these countries is unable to withstand such compe-

to page 12

Table 1: African competitiveness ranking, 1998

Ranking	Country	Competitiveness index	
1	Mauritius		0.87
2	Tunisia		0.79
3	Botswana		0.54
4	Namibia		0.43
5	Morocco		0.40
6	Egypt		0.38
7	South Africa		0.34
8	Swaziland		0.22
9	Ghana		0.09
10	Lesotho		0.06
11	Côte d'Ivoire		-0.09
12	Zambia		-0.09
13	Kenya		-0.15
14	Uganda		-0.16
15	Burkina Faso		-0.21
16	Tanzania		-0.24
17	Ethiopia		-0.25
18	Mozambique		-0.32
19	Cameroon		-0.38
20	Zimbabwe		-0.40
21	Malawi		-0.43
22	Nigeria		-0.48
23	Angola		-0.79

- reform, per capita GDP levels are still lower today than in 1970;
- A feature of some of the moderate performers is the sporadic or erratic nature of their reform programmes. Both Kenya and Zambia fit into this mould;
- Those ranked near the bottom include countries that have suffered recent political or civil turmoil (Angola, Ethiopia and Mozambique), or military dictatorship (Nigeria); these have been slow to implement economic reforms or are constrained by severe demographic, environmental

or geographical factors, such as the landlocked situation of Malawi.

"Problematic" factors

The Executive Survey asked how problematic certain factors were for doing 'business. The aggregated mean results, scored from 1 = very strong, to 4 = no impact, for sub-Saharan countries. Table 2 shows tax considerations at the top of the list, followed by difficulties in raising finance and limitations of weak infrastructure. Corruption ranked high and was at the number 4 position, followed by inflation.

At the other end of the spectrum, the Survey concluded that the least-risk factor was that of tribal conflict, followed by price controls, disadvantages of location, public health concerns and, ranked 16 out of 21, transfer costs incurred in repatriating capital.

A feature of the rankings of problematic factors is the emphasis on either macroeconomic considerations (tax, financing, infrastructure, inflation and policy insta-

Table 2: Problematic factors affecting competitiveness in sub-Saharan business, 1998

Factor	Ranking (17 countries)
Tax regulations and/or high rates	1
Financing	2
inadequate infrastructure	3
Corruption	4
Inflation	5
Policy instability	6
Crime and theft	7
Inadequate educational levels	8
Regulations for starting businesses	9
Coups or political instability	10
Regulations on foreign trade	11
Labour regulations	12
Worth ethic of the labour force	13
Uncertainty surrounding costs of regulations	14
Foreign currency regulations	15
Transfer costs in exporting capital	16
Public health concerns	17
Safety or environmental regulations	18
Geographical location of your firm	19
Price controls	20
Tribal conflict	21

bility) or governance factors such as corruption, crime and theft, regulations for starting new businesses and political instability.

Significantly, labour force concerns (the availability of skilled personnel, labour regulation and the work ethics of the labour force) are ranked in the middle ground, while social and environmental issues appear to be of only limited concern.

Implications

The findings are more serious for some countries than for others. Where the Survey identifies policy shortcomings, such as policy instability, high inflation rates, price controls, labour, foreign trade or foreign exchange regulations or regulatory obstacles to starting new enterprises, these can be resolved relatively speedily, although reducing inflation may be a slow process. In this situation, it will be possible for policymakers to improve national competitiveness within a matter of a few years.

Where the problems concern quality of labour (the supply of ed-

ucated personnel, and the work ethic), or governance issues (corruption, crime and theft, uncertainty surrounding costs of regulations), political issues (crops and political instability or tribal conflict) or medium-term structural issues (the physical infrastructure), it will take far longer to improve a country's competitiveness.

Table 3 suggests that enhancing competitiveness at the national level in Africa will be a lengthy process while there are a number of steps that could be taken to improve competitiveness in the short to medium-term by reducing bureaucracy, improving access to finance, slowing inflation and reforming the policy environment. Competitiveness in all the countries reviewed is also being constrained by long-term structural and social issues.

Clearly, infrastructure improvements will take several years to achieve, while increasing the supply of skills and the quality of labour is also a long-run challenge. Changing attitudes in respect of the work ethic and corruption and

building sound socio-political institutions to improve certainty and reduce political and policy instability is also a long-term task. In sum, building competitiveness at the national level will take time, though this may be shortened, at least partially, by enhanced competitiveness at enterprise level.

A two-tier concept

However defined, competitiveness is essentially a two-tier concept: comparative advantage at national level and enterprise-driven, strategic, or competitive advantage. At national level, competitiveness has been defined as "*strategic government intervention in the economy to build national competitiveness*".

Ultimately, it is enterprises - not countries or governments - that compete with one another for orders and markets. But, it is enormously difficult, if not impossible, for even the most efficient firms to be globally competitive in a national economic environment characterized by high taxes, rampant inflation, high real interest rates, an

Table 3: Competitiveness time frames, 1998

Country	Ranking	Priorities	Time frame
Botswana	3	Labour, inflation, financing, infrastructure	Long
Burkina Faso	15	Financing, infrastructure, tax, regulations, coups	Medium/long
Cameroon	19	Corruption, financing, tax infrastructure	Medium/long
Côte d'Ivoire	11	Tax, policy, finance, education, infrastructure	Medium
Ethiopia	17	Infrastructure, tax, finance, corruption	Long
Ghana	9	Inflation, finance, tax infrastructure, corruption	Medium/long
Kenya	13	Corruption, infrastructure, crime, finance, policy instability	Long
Malawi	21	Infrastructure, finance, crime, corruption, education	Long
Mauritius	1	Labour, education, policy instability, inflation	Medium
Mozambique	18	Infrastructure, tax, crime, education, corruption	Very long
Namibia	4	Education, work ethic, labour, crime	Long
Nigeria	22	Infrastructure, corruption, political and policy instability	Medium/long
South Africa	7	Crime, tax, labour, work ethic, education	Medium
Tanzania	16	Tax, finance, infrastructure, inflation, regulations	Long
Uganda	14	Finance, infrastructure, tax, corruption, political instability	Long
Zambia	12	Finance, tax, inflation, crime, education and infrastructure	Long
Zimbabwe	20	Tax, inflation, infrastructure, corruption, policy instability	Medium

overvalued exchange rate, and weak infrastructure and institutions.

Comparative advantage is the source of national competitiveness while competitive advantage refers to enterprise-level competitiveness. In this dichotomy, the primary role of the state-of national industrial policy - should be to create the appropriate enabling environment within which enterprise managers in the industrial sector can build competitive advantage.

Both types of advantage - comparative and competitive - are dynamic and change over time. Economic success stories among the developing economies have been associated with those that "created" comparative advantage at national level rather than relying on resource-driven growth. The latter exploits inherited advantage in the form of mineral or oil

deposits, the combination of favourable climatic conditions and arable land and/or plentiful low-wage, though not necessarily low-cost, labour. Mauritius is such an example.

Competitive advantage

Unlike countries, enterprises seldom inherit competitive advantage, but must create it. Where the "home base" matters, advantage is location specific so that the competitive advantage achieved by the firm is dependent primarily upon the comparative advantage of the country.

A firm may exploit "pure comparative advantage" when it locates in a country where factor costs are low. The proposed Mozal aluminum smelter in Mozambique is an example, where the aim is to exploit low-energy costs (see box 8.1). Export Processing Zones

(EPZs) are also established chiefly to exploit low-wage costs.

Where labour costs among nations are similar, as is often the case in Africa, other influences may account for the advantage enjoyed by firms. Labour may be more productive because it is better educated or the infrastructure may be superior so that operating costs are lower. In such cases too, advantage arises at the national level - better infrastructure or more educated workers.

"Pure" competitive advantage arises where an economic activity is footloose, where the enterprise is able to build a market share without the benefit of a higher level of national competitiveness or comparative advantage. One example is the Japanese vehicle transplants in the European Union (EU) and USA in the 1980s.

The World Economic Forum (WEF) defines competitiveness as a country's ability to achieve sustained high rates growth in per capita real income - a yardstick that is highly appropriate for LDCs. The 1996 global Competitiveness Report identifies eight factors that drive national competitiveness:

- The openness of the economy to international trade and finance - the assumption being that open economies outperform closed ones.
- The role of the government, budget and regulation measures, the impact of high levels of public spending and regulation. The assumption is that, excluding the "crowding in" effects of public investment, countries with lower levels of state intervention, including public spending and taxation, will perform better than those with large public sectors. Financial market development - the more highly developed are banking and capital markets, the faster the economy will grow.
- Infrastructure - a well-developed, well-maintained physical infrastructure is crucial to sustained growth.
- Technology - a country's capacity in basic and applied sciences - an enhanced scientific capability - adds immeasurably to future output growth.
- Management measures the capacity of business to respond to market opportunity in a creative and flexible manner.
- Labour markets measure the hiring and firing of labour, the quality of industrial relations, the impact of taxes on work incentives. The more flexible the labour market, the faster the economy's underlying growth capacity.
- Judicial and political institutions measure the extent to which legal and political systems provide for low transaction costs in terms of property rights and legal contracts, An honest and efficient judicial system and a political environment that respects property rights are important factors underlying the performance of the economy.

The relationship between this competitiveness index and the growth of economies is "*unmistakably positive*". A high competitive score is strongly correlated with rapid economic growth and the relationship is both statistically and economically significant. The statistical relationship in the 1996 report suggested that the difference in medium-term growth, due to the gap in competitiveness between the highest- and lowest-ranked countries (Singapore and Russia), was on the order of 9.3 percentage points per year.

Source: Jeffrey Sachs, "Why Competitiveness Counts", in The Global Competitiveness Report 1996.

from page 4

- The attitude of the officers and their manner of providing services;
- The quality of the services provided; and
- The follow-up and control measures taken by the department, following the observations of the supervisory team.

The data collected in the reports sent periodically to the public service quality control department are processed electronically by computer. Comparisons are made for the purpose of drafting a monthly report that summarizes both the positive points and the negative ones that require adequate solutions.

Impact of the action of the supervisory team

The team can be an innovative tool of administrative control if it has the approval of various ministries and departments aware of the need for quality control. It stimulates a general sense of seriousness within the various administrative departments that now take concrete measures following the reports of the "*citizen superviseur*" and continue to improve the quality of relations between public actors and the users of their services.

Moreover, the public service quality control department prepares a report yearly for the President of the country, bringing together the results of the activities of the team and specifying the various measures taken by the ministries concerned to improve the quality of public ser-

vices. The report also gives a run-down on measures taken and improvements actually made in order to ensure continuity of the process of modernizing Tunisian administration.

Relations between the administration and citizens

Several initiatives have been taken to improve the level of information and guidance available to the public, and to gauge how receptive the administration is. These initiatives include establishment of offices responsible for relations with citizens, establishment of units responsible for administrative information by telephone, and the strengthening, updating and gradual expansion of the system of administrative information and communication (SICAD).

The Administrative Information and Communication System (SICAD)

Established in 1988 on an experimental basis, SICAD was formalized by law on 13 September 1993 in all State services, local public communities and public establishments. SICAD contains all legal references and regulations on every administrative service provided as well as the necessary administrative formalities for obtaining such services. The list of administrative services and the necessary formalities for obtaining them (included in SICAD) are established by the decision of the Ministry concerned. Users may verbally request and obtain free of charge a record sheet containing the necessary information on services

included in SICAD.

The offices responsible for citizen relations

Established by Decree no. 93-1549 of 26 July 1993, the offices responsible for citizen relations were established in every ministry or government department and are directly under the Minister or Governor concerned. At the central and regional levels, they are responsible for assisting citizens in overcoming any difficulties they may encounter in their relations with the administration and facilitate their access to administrative services in accordance with the legislation and regulations in force. They are responsible for:

- Receiving citizens, their complaints and, in cooperation with the departments concerned, for investigating these complaints in order to find appropriate solutions to them;
- Replying to citizens directly or by correspondence;
- Informing citizens directly, by correspondence or by telephone, on the administrative procedures and formalities used for the provision of various services;
- Centralizing and studying cases received from the administrative ombudsman as well as coordinating with the various departments and the Ministry concerned, with a view to finding adequate solutions to the cases;
- Deciding on how

to page 15

from page 2

However, even if the HDI gap has narrowed in the long run, far too many people are losing ground. Life expectancy may have increased but the quality of life for many has not improved, with many still living in abject poverty. In addition, the spread of AIDS through Africa in the past decade is reducing life expectancy in many countries.

This has brought new urgency to policies specially designed to alleviate poverty. Countries with a strong growth record, pursuing the right policies, can expect to see a sustained reduction in poverty, since recent evidence suggests that there exist at least a one-to-one correspondence between growth and poverty reduction. If strongly pro-poor policies, for instance, in well-targeted social expenditure are pursued, then there is a better chance that growth will be amplified into more rapid poverty reduction.

How can the poorest countries catch up more quickly?

The experience of the countries that have increased output most rapidly shows the importance of creating conditions that are conducive to long-run per capita income growth. Economic stability, institution building, and structural reforms are at least as important for long-term development as financial

transfers, important as they are. What matters is the whole package of policies, financial and technical assistance, and debt relief if necessary.

Components of such a package might include:

- Macro-economic stability to create the right conditions for investment and saving;
- Outward-oriented policies to promote efficiency through increased trade and investment;
- Structural reform to encourage domestic competition;
- Strong institutions and an effective government to foster good governance;
- Education, training, research and development to promote productivity; and
- External debt management to ensure adequate resources for sustainable development.

All these policies should be focused on country-owned strategies to reduce poverty by promoting pro-poor policies that are properly budgeted including health, education and strong social safety nets. A participatory approach, including consultation with civil society, will add greatly to the chances of success. In addition, advanced economies can make a vital contribution to the efforts of low-income countries to integrate into the global economy.

from page 7

tition from outside. This has led to the demise of many SMEs. If the sector in the countries emerging from conflict is to play a major role in revitalizing the economies, it has to be assisted in order to assume the desired role. However, before designing an assistance package, it is necessary to assess its needs. The study will therefore focus on critical needs analysis, assessment of assistance initiatives underway and assessment of national policies for promoting private sector development. On the basis of these assessments, the study will propose modalities for meeting these needs and making the private sector an effective player in the development field.

4. Assessment of technical assistance needs for capital market development in Africa

The existence of well-functioning capital markets and especially stock markets is essential to the mobilization of resources both internally and externally. For these securities markets to operate with some degree of efficiency, the conditions are: a stable macroeconomic environment; an appropriate capital market infrastructure; and an adequate regulatory, legal and supervisory framework for protecting investors, promoting public confidence, and guaranteeing market discipline. Thus, the objectives of these studies are to assess the technical assistance needs in capital market development and to propose adequate technical assistance to overcome the bottlenecks.

from page 5

- Identification of target groups
- Project selection
- Implementation and
- Funding

With the help of special project formats available for this purpose, CDP proposals are prepared by the beneficiaries or the supporting institutions, and submitted to SFD's Regional Offices. In case the project is merely in a conceptual stage and is not yet developed into a fully-fledged project, the beneficiary or the institution may refer to the CDP technical staff to discuss ideas and help in developing an adequate project proposal. The proposal is formulated in close collaboration with the sponsoring agency and/or the beneficiary. It is then reviewed and approved by a SFD Appraisal Committee.

Once approved, the proposal is forwarded to SFD's Planning Department, which reviews the proposal, ascertains the adequacy of the indicators for monitoring and evaluating the project, and subdivides the phases according to budget by output. Finally, the Finance Department reviews the project, the budget is appropriated and the legal documents prepared for signing. Once documents are signed, the first portion of the budget is disbursed and deposited into the project's bank account. Project implementation can only be pursued if it proves effective and positive reporting is carried out on a regular basis. The report should also highlight difficulties or obstacles encountered during implementation and suggest corrective measures.

The PWP managers believe that by relinquishing more author-

ity in these four main categories and delegating more to the masses, beneficiaries are truly empowered. The PWP capitalized on the SFD's comprehensive network of regional offices to act primarily as advocates for target beneficiaries and relay their requirements to the programme. In addition, it entrusted the total responsibility of implementation and financial management of its projects to Project Implementation Units. Since the PWP is aiming at institutionalizing the concept of labour-based construction in rural Egypt, it agreed with the Danish International Development Agency (DANIDA) for a Danish technical assistance consulting team to train 150 trainees in 19 governorates. The trainees were geographically representative in order to serve all regions, and were labour-based contractors. In addition to the small contractors, selected local public officials, along with local civil society organization (CSO) leaders are also being trained.

Since the inception of SFD, the PWP and CDP have worked jointly on a variety of projects. The former has typically provided basic infrastructure services to low-income groups based on human resource indicators, while the latter offered the necessary social community services. This combined effort presented comprehensive services to the beneficiaries through full collaboration with local CSOs. It is important to point out the relevance of CSOs as catalysts for successful joint PWP/CDP efforts and as important partner.

(C) Institutional Development Programme IDP)

The purpose of IDP is to enhance the role of SFD at the local level

by providing the required developmental institutions. SFD has been able to update its work mechanisms and apply modern techniques to improve service delivery through two pilot projects: the needs assessment study, and ISO 9002 certification for its regional offices.

To improve its outreach and meet the real needs of its target groups, SFD selected Beheira Governorate to conduct a pilot study for developing a simple, practical needs-assessment model. Upon its completion and after conducting the necessary changes to suit local conditions the study was applied nation-wide. Moreover, in order to improve the quality of service delivery in the regional offices, SFD hired a consultant to implement ISO9002 quality systems, as a step to obtaining ISO certification. SFD has developed several prospects for similar technical programmes in different parts of the world. Several cooperation protocols were signed with other developing countries in the region. Programmes of technical cooperation and exchange of experience and information have also been set up.

(d) Human Resources Development Programme (HRDP)

This programme has provided assistance to public enterprises, and has acknowledged expertise in addressing labour-adjustment issues. The training and re-training cover managerial and vocational aspects, for dealing with retrenchments due to the privatization programme and for training the youth, especially unemployed graduates. The HRDP is also upgrading the skills

to page 14

from page 13

of concerned NGOs, other workers' skills and those of its own staff members, so that labour is available to perform new jobs within existing companies or to fill new jobs in the private sector.

(e) Small Enterprise Development Organization (SEDO)

The Enterprise Development Programme (EDP) had the broad objective of creating jobs for low-income groups, through the support of new and existing enterprises, namely, the spectrum of agro-industrial businesses concerned: 60 per cent; services: 20 per cent; and trading activities: 20 per cent. The less developed areas of the country were targeted as well as rural areas, which do not attract investors and which fuel migration into cities. The outcome of the evaluation during the preparation of Phase 11 of SFD and of a detailed feasibility study were that the EDP could be transformed into a sustainable apex-type institution for the SME sector. Therefore, EDP became SEDO in 1996, on the donors' suggestions.

SEDO has the mandate of reaching a job-creating capacity of 100,000 jobs per year, by supporting enterprises in the SME sector, addressing various regional issues based on local needs and resources. SEDO is a demand-driven apex body for the SME sector that is developing need-based financial products and services with appropriate cost-effective delivery mechanisms. The operational mode of SEDO has recognized the importance of local communi-

ty participation and need for local ownership, in order to achieve long-term success and sustainability. SEDO has adopted three types of credit –delivery mechanisms through the bank:

- The entrepreneur who is able to make a brief comprehensive business plan can go directly to the Social Fund Window of a given bank to request a loan.
- Social Fund/Regional Offices assist the entrepreneur to formulate his/her project and business plan and after a period of training, he/she is directed to the bank for financing.
- SFD, NGOs and banks, in a tripartite agreement lend to an association of entrepreneurs that form an NGO at the community level. SFD grants the NGO money for capacity building and also give loans to help the entrepreneurs carry out their projects. Such NGOs receive loans payable in 7 years from the associated banks and re-lend to the

entrepreneurs, who have to repay their loans in 5 years. It is the NGOs that advertise the projects, receive special capacity- building training and supervise the monitoring of the projects.

The success of this programme may derive from the decentralized mechanisms and procedures adopted; Also, the beneficiaries take ownership of the programmes, when these reflect the true needs of the community. However, in this age of globalization, the challenges that lie ahead for the SFD and its components are many. The SFD has to equip entrepreneurs, NGOs and other workers with the capacity to succeed in the global economy, and to provide social safety nets and other support mechanisms as required. Sustained growth and sustainable development are both an individual as well as a collective enterprise. Crucial to this endeavour is the strengthening of its partnerships with the Government and with all the major players in the decision-making process.

from page 3

- Rehabilitate national and subregional physical infrastructure such as, roads, railways, airways, telephone, electricity and water and develop a new technology of communication;
- Rationalize SME support services by limiting the number to those essential for

the promotion of SME competitiveness;

- Reaffirm development cooperation and regional integration within the framework of globalization;
- Develop and strengthen subregional economic groupings and mechanisms geared towards promoting SME competitiveness in regional and global markets.

from page 11

cumbersome and complex the administrative procedures are after a thorough analysis of citizens' complaints, and proposing reforms capable of overcoming them;

- A central office responsible for relations with citizens is established in the Primature and in addition to the responsibilities stated above, is entrusted with the following:
- Monitoring of the citizens' relations offices in the various ministries and governments;
- Preparing a communication plan for administrative reform and ensuring its implementation to inform the public of administrative activities and simplifications;
- Ensuring liaison among the various information media for dissemination of the administrative reform programme;
- Seeing to the design of media tools on the administrative reform, such as publications, television and radio adverts and public notices; disseminating these and facilitating their dissemination mechanisms;
- Providing technical assistance to the various ministries, public institutions and local public communities with a view to promoting information on administrative reform; and
- Coordinating administrative

communication activities among all the Ministries, local public communities and public institutions.

The control office responsible for citizen relations is made up of a group of high-level officials and acts as the Office of the Director-General for Central Administration. The offices responsible for relations with citizens under the various ministries submit a report to the central office every six months. The heads of these offices are equivalent to administrative ombudsmen and are required to deal with the complaints submitted to them with swift dispatch.

The structures under each ministry and under the regional and local administrations are required to assist the citizen relations offices in carrying out their missions. Such structures are obliged

to communicate urgently to the offices all necessary data and information that will enable them to resolve the issues submitted to them.

The units responsible for administrative information by telephone

These units were established in March 1993 in all Ministries to inform the public by telephone on the conditions of provision of various administrative services, to save the public the trouble of having to visit the offices physically for such information. Simplified telephone numbers are made available to users (4 numbers instead of 6) and the required information is given instantly to the requester if the request is ordinary and frequently received. If the information requested requires research, the requester is given a period of not more than one week to receive the information requested.

from page 6

- The regulatory environment ;
- The bond market;
- Stock exchanges;
- Brokerage services;
- Institutional investors;
- Public awareness;
- Technological infrastructure; and
- Regional integration.

The fact-finding missions and the high-level policy workshops have created a solid network of key players in capital market ac-

tivities within the continent and internationally, for effective working partnerships to implement technical assistance during Phases I and II of the project.

The phase two project document is ready and has been submitted to donors. This phase will focus on technical assistance implementation, in the form of a regional conference on capital market development and the role of the government; subregional level training workshops, intensive study tours, two policy-oriented studies and *ad hoc* provision of technical assistance upon request at the country level.

Development Management Newsletter: As an annual publication, it is a forum for dialogue on the activities of the Division in the area of development management in Africa, as well as a beacon for best practices, comparisons of national efforts, information on the availability of African experts and professionals in strategic areas and pertinent continent-wide events. It is also a think piece on contemporary issues in development management in Africa. The publication focuses on issues in Public Sector Management, Private Sector Development and Civil Society Participation in Development and Governance.

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