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Development Policy in Crisis

The Case of Sub-Saharan Africa and its Consequences for Cooperation

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The present crisis symptoms evident in most developing economies are particularly pronounced in black Africa. Although this is largely due to factors beyond the control of the countries concerned, inappropriate development strategies have aggravated their effects. In order to mobilize the black African countries' own potential for development, a reorientation of both their internal policies and their cooperation with industrialised countries is called for.

In the 39 developing countries south of the Sahara the modest rate of per capita economic growth of the 1960s (1.3 %) fell back to 0.8 % in the 1970s; with the exception of Nigeria, their per capita GDP has even been shrinking. No other developing region has been hit so hard by the reversal in the trend of the world economy that occurred in the late 1970s.

The features of this critical development extend to all economic and social sectors:

☐ The production of industrial and agricultural goods has declined in relation to population. In some countries this decline has been absolute, e.g. in Somalia, Sierra Leone and Zaire in the case of industrial production, and in Upper Volta and Ghana in the case of agricultural production.

☐ Unemployment, or underemployment, has increased.

☐ State revenue is stagnating because internal sources of finance have been exhausted and new ones do not exist (exceptions being not only the few oil-exporting countries but also countries like Botswana, with its growing revenue from mining).

☐ Balance-of-trade deficits are growing: sharp increases in imports of energy and capital goods as well as foodstuffs are not being matched by increases in export revenue, since the trend in world market prices of the few – mostly agricultural – raw materials exported is one of relative decline and even the quantities exported by some countries (e.g. Benin) are decreasing.

☐ In addition, a number of social indicators (e.g. life expectancy, literacy rate) show that the provision of basic services is still far more limited than in other developing regions.

The effects of these phenomena are obvious: poverty is increasing, growing sections of the population are being reduced to a marginal existence. The enormity of the problem of growing poverty becomes even more evident when it is remembered that the level of development from which black Africa started was very much lower than in other regions.

Causes of the Crisis

Efforts to deal with the difficult economic and social situation in these countries have been stepped up in two ways since last year. Firstly, the situation in black Africa was discussed at the conference on the problems of the LLDCs organized by UNCTAD in Paris in September 1981. Africa does after all account for 20 of the world's 31 poorest countries. Furthermore, figures on various African countries indicate that, although they may not qualify for the LLDC category, they are only slightly above the qualification threshold. Secondly, the World Bank published a report on the causes of the problems in sub-Saharan Africa and offered various solutions for discussion[1].

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[1] The World Bank, Accelerated Development in Sub-Saharan Africa, An Agenda for Action, Washington, D.C., 1981.

A limited resource base limits the opportunities for economic and social development of most black African countries. Natural conditions are an obstacle, particularly to the growth of agricultural production. A total of fourteen countries are land-locked and therefore face a difficult transport situation. When reference is made to the level at which these countries started, they all rightly point to their colonial heritage, which left them in a far poorer initial position, especially with regard to trained manpower and economic and social infrastructural facilities, than other developing regions. Some countries in southern Africa can claim that their room for political and economic manoeuvre is restricted by the proximity of the Republic of South Africa, and in some cases their economic dependence is even sanctioned by international treaties (e.g. Botswana, Lesotho and Swaziland through their membership of the Southern African Customs Union).

External Factors

External factors have also helped to set the crisis spiralling downwards. The reversal of the world economic trend and the second oil price increase, accompanied by the austerity policies of the leading Western industrial countries, have hit the oil-importing countries of black Africa particularly hard because their export pattern (principally mineral and agricultural raw materials) leaves them little scope to adjust to changes in the world economic situation by increasing their exports.

However, the reference to colonial heritage and shortage of resources, oil prices and the trend in the world economy does not in itself wholly explain the present situation and the reduced prospects of development in black Africa. In many countries the failure to implement reforms and excessive concentration on certain sectors and regions have resulted in structural distortions, which have aggravated the effects on the economic and social situation caused by those external processes over which these countries have no control.

The assumption that imitation of the course development took in the industrial countries will lead to a permanent improvement of the living standards of the people is proving to be a miscalculation for these countries. The decision to adopt a development strategy of this kind has in fact resulted in a one-sided encouragement of capital, not least in the hope of the injection of massive foreign investments. In many countries, the distortion of factor prices has led to the misguided allocation of scarce capital to a small number of modern sectors and hampered, if not prevented, the productive utilisation of the abundantly available labour. The trickle-down and linkage effects which it was hoped this development strategy would produce have not as a rule occurred. On the contrary: the development of the modern sector has only been made possible by the use of corresponding absorptive mechanisms in the rural areas and in the agricultural sector in particular.

The consequences are to be seen in the development of the industrial sector, e.g. in Upper Volta: investments in modern, capital-intensive plants manufacturing a range of import substitutes and in associated infrastructural facilities resulted in the displacement of handicrafts and small-scale industries, or have hampered the exploitation of potential that undoubtedly exists.

This allocation policy follows a similar pattern in many countries. Tax incentives, low-interest loans and high import barriers are intended to offset the limits to low-cost mass production set by a small market, but they also distort competitiveness to the detriment of small-scale industry which is often more adaptable. Such industrial promotion leads to the construction of plants which do not work to capacity and are unable to improve their position by exporting because they are not sufficiently competitive on the international market.

Comparable intrasectoral distortions are caused by agricultural policies. The one-sided promotion of agricultural production for export and/or the subsidization of agricultural imports to provide the urban population with cheap foodstuffs has led a number of countries to neglect the growing of basic foodstuffs. (Upper Volta and Benin are examples of the consequent decline in self-sufficiency.) This is particularly true of countries with a wealth of natural resources, such as Zaire and Zambia, which, despite the assurances given in their various multiannual plans, have for years failed to tap the potential of small-holder agriculture. Malawi, on the other hand, has consistently encouraged not only production for export but also the growing of foodstuffs for domestic consumption and has thus achieved its goal of national self-sufficiency.

Moreover, most countries face interregional structural distortions: the neglect of the rural areas in favour of the urban centres not only presents the towns with overpopulation problems with which they are hardly able to cope. Migration to the towns also results in the deterioration of the factor endowment in rural areas and in failure to exploit their development potential. This tendency has been aggravated by allocation decisions in the social sectors, education, for example, being geared to too high a level of qualification. This has resulted in the concentration of a few facilities in the urban centres and the neglect of intermediate-level education and the on-the-job training of the majority of the rural population. The same is true of the health sector.

Limited Scope for Action

Intersectoral structural distortions also hamper uniform development in some countries. Thus cattle-farming in Botswana and merchanting in Somalia and Benin – not least as a result of state promotional policies – are highly profitable sectors, but they have generated few linkages and little employment. Counteraction through the promotion of other sectors and the absorption of profits is unlikely in these cases, either because those who benefit from these high sectoral yields also form the political élite of the country (the cattle-farmers of Botswana) or because their loyalty seems vital to national stability (the merchants of Somalia and Benin).

Largely ignoring indigenous energy resources (especially coal and hydro-power), the black African developing countries also relied excessively on what was for many years cheap imported oil for the development of their modern sectors. The increase in the price of oil not only had an adverse effect on their balance of payments: the sections of the population with low cash incomes have also been compelled to resort to other sources of energy, particularly wood. This, and the failure to consider the ecological implications of producing agricultural goods for export, has helped to destroy huge quantities of environmental resources, a trend which can be reversed only by an immense effort, if at all.

The consequences of these structural distortions are exacerbated by the absence of opportunities for the people directly affected to articulate their views and to ensure that the central planning apparatus does not work counter to their local and regional interests. This makes it difficult, if not impossible, to mobilize the potential for self-help that undoubtedly exists.

Even at the time of world economic growth the scope for introducing structural reforms and changing allocation policies that distorted structures was fairly limited. Their dependence on the Republic of South Africa (open trade frontiers, a large migratory work force, dependence on transport infrastructure) means that countries like Lesotho and Botswana simply do not have certain policy instruments. Another factor with which many countries (e.g. Somalia, Sudan and Angola) have to contend is the refugee problem, which has grown considerably in the recent past, absorbs ever increasing financial resources, is a threat to internal balance and obstructs these countries' own development efforts.

The deterioration of the world economic situation has further reduced the scope for such action. The most significant obstacle to a realignment of development strategy and its transformation into appropriate allocation policies is the economic and political power wielded by the ruling élite. In the present situation in particular, these groups are clearly at pains to preserve their position by holding fast to the traditional strategies. However, the deterioration of living conditions in many of these countries has also revealed the need for a change in development policy.

Adjustment Policies

The low level of development thus far achieved by most black African countries explains the call for a massive increase in development aid for this region. Experience with development cooperation particularly in Africa, however, shows that, despite decades of project financing, productive activities are stagnating. The demand for a substantial increase in cooperation was also the focal point of the Paris conference on LLDCs, a condition being, however, that these countries put forward long-term development programmes. But from the programmes themselves and the debate on them at the preparatory conferences it is clear that the paths of traditional development strategy have not been abandoned.

If the development problems of most black African countries have been correctly diagnosed, an increase in the transfer of aid will not be enough. Where unsuccessful internal policies – home-made problems, as it were – are largely to blame for the aforementioned structural distortions, it is clear that development policies must be changed if these problems are to be overcome.

A realistic aim of these countries' development policies, and one which in most cases can be achieved in the medium term, must be to attain decent living standards for the majority of the population. This means above all satisfying basic needs by facilitating access to means of production and social facilities.

For most countries the key to the achievement of this goal lies in the realignment of state allocation decisions to benefit the agricultural sector and the rural areas. Experience has shown that African peasant farmers, in particular, are relatively flexible in their reaction to suitable measures to assist agriculture. The promotion of small-holder farming is more likely to succeed, however, if basic conditions are changed: action must at last be taken to implement the reforms that have been put off for years, price policies must be so formulated as to offer incentives to produce, and the state and parastate service systems must ensure a more efficient supply of inputs and marketing of products, which will be the most difficult adjustment to make.

A realignment of policies and allocation decisions in this way should be accompanied by the progressive reduction of the subsidization of scarce capital, particularly in the modern industrial sector.

Here again, encouraging the manufacture of simple consumer goods and, where appropriate, means of agricultural production by small-scale industry, especially in rural areas, is more likely to ensure the proper use of abundant production factors than the continued expansion of inflexible modern units.

The success of a comprehensive adjustment of external economic policy aimed at increasing exports is doubtful, despite what the World Bank's Sub-Sahara study, for example, suggests. Most African countries lack the flexibility of production and the marketing know-how to win new markets in the industrial countries for their manufactures at short notice. Experience has shown that even in the European Community market, to which the ACP countries have free access, the less favoured developing countries of South and South-East Asia, for instance, have the edge on the African countries in price and quality. On the other hand, the risk of a substantial increase in agricultural and mineral exports triggering off a decline in world market prices cannot be completely excluded, not to speak of the massive investments required to achieve an increase in export production of this magnitude.

The diagnosis of black Africa's development problems is not new, nor are the proposals for overcoming them. The declarations of intent in this regard are to be found under the chapters on targets in the relevant development programmes and, for example, in the programme of the Lagos Plan of Action. The question is how far development cooperation can be used as a lever to ensure the implementation of the policies which have not yet been introduced.

Conclusions for Development Cooperation

The domestic resources which the developing countries can mobilize themselves are inadequate to solve their development problems. An increase in development cooperation therefore seems necessary. However, in view of the leading Western industrial countries' financial room for manoeuvre, it would be illusory to believe there can be a massive quantitative increase in the transfer of resources. Furthermore, this increase would be pointless if it could not be ensured that such resources were used to achieve permanent mobilization of developing countries' own potential for development along the lines described above. Development cooperation thus has two tasks to perform:

☐ adjusting aid instruments to the need for policy realignment;

☐ persuading recipient countries to implement appropriate adjustment policies.

There should be greater concentration of development aid than hitherto on:

☐ productive sectors, especially in rural areas (the growing of basic foodstuffs, the small-scale industrial manufacture of consumer goods for which there is a demand and, where appropriate, of means of agricultural production) and the corresponding infrastructural and service facilities;

☐ facilities to improve the living conditions of the poorer sections of the population;

☐ measures to correct undesirable ecological developments;

☐ the tapping of potential indigenous sources of energy;

☐ increasing efforts to achieve regional cooperation in sectors in which economies of scale will result in the conservation of resources.

To improve the ability of the rural population to make their needs known and to increase the absorptive capacity of rural areas, steps should be taken to strengthen regional and local administration. Greater use of technical cooperation at these sub-national levels would serve this purpose. In addition, such measures must take account of the limited indigenous financial potential of these countries. Projects which comply with these guidelines are designed for the long term and call less for comprehensive financial cooperation than for high local project costs and recurring expenditure, which frequently overtax the budgets of the recipient countries. Thought should therefore be given to transfers of aid to cover these costs, too.

An even further-reaching addition would be the financing of structural adjustment programmes on the model of the facility introduced by the World Bank in 1980. The aim of such loans is to assist policy changes and to alleviate their adverse effects. The advantage of this instrument over project aid is obvious: in principle, it is better suited to cushioning the effects on the urban population of, for example, a reduction in food subsidies or to ensuring the reform of the system of agricultural services.

An adjustment of development cooperation modalities must, of course, be accompanied by efforts by the recipient countries to introduce reforms. The disquieting results of twenty years of development planning in most black African countries reveal the urgent need to abandon the guiding principles of the past. If effective action is to be taken to halt the deterioration of the living conditions of the majority of the people in these countries, it is high time their governments were persuaded that they must at last make a start on the reforms they have so far failed to implement, abandon allocation policies which distort structures and enable the neglected sections of the population to join in the decision-making process.

Influence to this end can be exerted by providing élites ready to undertake reform efforts with particularly intensive development aid. It can be supported by conditions attached to the allocation of development aid, the financing of policies and programmes being a far more suitable instrument than project aid. Possibly the method most likely to succeed is a dialogue within the framework of the annual intergovernmental negotiations on development cooperation, whereby success will depend on both sides accepting the need for the realignment of development policy. A dialogue of this kind will be more effective if it includes several donor countries (e.g. the Member States of the European Community) and institutions (e.g. the World Bank), who declare themselves willing to take adequate aid measures in support of the far from easy processes of adjustment in individual countries. Global dialogues, such as a continuation of the UNCTAD conference on the LLDCs, have little chance of solving these problems.

Influencing the realignment of internal policies in black Africa is certainly also in the donor countries' own interests: if the development problems of the poorer sections of the population are not tackled soon, an increasing proportion of aid will take the form of disaster and survival aid, and that part of development cooperation which improves productivity and whose form can therefore be influenced will shrink to a no longer acceptable minimum.