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**AFRICA'S ECONOMIC RECOVERY AND SUPPORT
FROM THE INTERNATIONAL COMMUNITY**

by

World Bank

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AND SUPPORT FROM THE INTERNATIONAL COMMUNITY ^{1/}

Introduction

1. In June 1986, the Special Session of the UN General Assembly on the Critical Economic Situation in Africa adopted a Programme of Action for African Economic Recovery and Development (UNPAAERD) 1986-1990.

The UNPAAERD consists of two central elements:

- (a) The commitment of the African countries to launch national and regional programs of economic development as reflected in Africa's Priority Programs for Economic Recovery (APPER), 1986-90.
- (b) The response of the international community to support the African development efforts.

2. Under the APPER, African Governments, individually and collectively, reaffirmed their primary responsibility for the economic and social development of their countries, identified areas for priority action and undertook to mobilize domestic resources for the achievement of these priorities. The priorities identified in the APPER include: stimulating agricultural recovery and production, improving public sector management, addressing the human resources development and other long-term constraints to sustainable growth.

^{1/} Background paper for the International Conference on Africa: "Africa: Challenge of Economic Recovery and Development," Abuja, Nigeria - June 15-19, 1987, prepared by the World Bank's Special Office for African Affairs.

3. The international community fully supports these priorities and the broad policy orientation of the APPER and the operational recommendations of the UN Programme of Action adopted by the Special Session. Indeed, over the last few years, reports on sub-Saharan Africa prepared by the World Bank and endorsed by the World Bank/IMF Development Committee as well as other reports by the OAU, ECA and the African Development Bank have reached the same conclusions about the long-term nature of the African crisis and have made similar policy recommendations to African governments and donors. Like APPER, and earlier ECA reports of 1983 ^{2/} and the World Bank's Joint Program of Action ^{3/} of September 1984 emphasized the dual priority of vigorous medium-term adjustment policies and of comprehensive development strategies addressing the longer-term constraints to development, i.e. programs to develop human resources and institutional capacity, introduce appropriate environmental policies, improve agricultural research and support technological progress. The Joint Program of Action also focused attention on the on-going decline in overall resource flows and recommended concerted action by the donor community to increase financial support and to improve aid coordination for African programs of adjustment and development.

^{2/} ECA and Africa's Development, 1983-2008. A Preliminary Perspective Study, April 1983.

^{3/} Toward Sustained Development in Sub-Saharan Africa: A Joint Program of Action, August 1984.

The same message was included in the 1986 World Bank report entitled Financing Adjustment with Growth in Sub-Saharan Africa, 1986-1990. This report commended efforts made by African governments to correct economic distortions, improve the incentive environment and implement comprehensive adjustment policies. The report urged the donor community to provide the additional concessional assistance needed to help restore the per capita import capacity of African countries to the 1980-82 level and presented detailed estimates of external financing requirements for sub-Saharan countries for the period 1986-90. These estimates were broadly comparable with those prepared by the OAU and ECA for the UN Special Session.^{4/}

4. The UN Programme of Action called on the international community to undertake complementary action to support Africa's recovery and development efforts in two areas:

-- Improvements in the External Economic Environment. It recommended that many of the external factors which affect African economies need to be addressed and examined in the competent international forums. It spoke of the need for the international community "to evolve and implement policies conducive to sustained, equitable and non-inflationary growth,

^{4/} APPER estimated that net transfers to Africa should reach about US\$9 billion annually, in addition to appropriate measures to help African countries meet their debt-service obligations of about US\$15-25 billion a year. Full implementation of the Bank's recommendations--an increase of US\$2.5 billion of official development assistance over and above the increase already in sight--would result in net transfers to sub-Saharan Africa equivalent to US\$9-12 billion annually during the period 1986-90.

including the expansion of trade through, inter alia, the elimination of protectionism, particularly non-tariff barriers, in accordance with existing commitments, the adoption of measures which encourage African exports and diversification programs and improved market access, especially for tropical products, within the framework of the General Agreement on Tariffs and Trade."

-- Improvements in the Level, Quality, and Coordination of Aid.

The UN Programme of Action stressed the "need for extensive international support for the priorities and policies that Africa has identified as necessary and on which many African countries have already embarked. African countries need assistance to enable them to achieve a speedier recovery and long-term development." It called for the international donor community to increase assistance to Africa and improve its quality and effectiveness.

5. This paper will discuss:

- (a) Improvements in Aid Coordination as a means for mobilizing more donor support and improving the efficiency of donor assistance programs; and
- (b) Improvements in World Trade, particularly in agriculture, given its predominant role in African economies.

PART I

Improving the Effectiveness of Aid Coordination and Donor Assistance Programs

Recent Developments in Sub-Saharan Africa

6. Since 1983-84, a growing number of African countries have taken action to improve incentives for increasing agricultural production, devalue real effective exchange rates, rationalize the public sector, and implement other policies aimed at restoring growth. There are now 28 countries in Africa, accounting for about three-fourths of the Region's population and GDP, which have adjustment programs underway or are about to launch such programs. Much remains to be done. In some countries, e.g. Cote d'Ivoire, Ghana, Senegal, Togo and Zaire, their adjustment efforts have been underway for several years. The challenge for these countries and for the donor community is to support the deepening of their adjustment programs on a sustained basis. For other countries, for example, Chad, CAR, The Gambia, Equatorial Guinea, Sierra Leone, and Tanzania, the adjustment process has barely begun and the initial momentum needs to be strengthened and supported. A major encouraging development has been the emergence of a far-reaching reform effort in Nigeria.

Donor Support

7. Multilateral and bilateral donors are supporting these programs with increased commitments and accelerated disbursements. Firm data for concessional aid flows in 1985 shows a large increase over 1984; gross disbursements of grants and concessional loans to all sub-Saharan Africa appear to have risen by almost 17 percent, although about half of the increase can be attributed to emergency food aid. Preliminary figures for 1986 suggest further increases in concessional flows. Countries

implementing adjustment programs are the main beneficiaries. For 22 IDA-eligible countries with adjustment programs, total net concessional aid flows (excluding food aid, which probably declined), are tentatively estimated to have increased by \$800 million, or some 24 percent over 1985 levels. The Bank, through IDA and the Special Facility for Africa (SFA), increased disbursements by 80 percent in 1986 over 1985 and is responsible for almost \$500 million of this increase. For all of sub-Saharan Africa, disbursements of IDA and SFA rose to \$1.4 billion in 1986, compared to \$0.9 billion in 1985 and to an annual average of only \$0.7 billion during 1982-84. Policy-based quick-disbursing operations now account for more than 50 percent of Bank-managed concessional assistance. The European Community, in the context of the Lome III Agreement, the African Development Bank, and several major bilateral donors are also increasing the share of their aid programs in support of policy reforms. Close to half of IDA-8 resources and a high proportion of the IMF's Structural Adjustment Facility will be allocated to sub-Saharan Africa.

8. Despite on-going and anticipated increases in multilateral and bilateral aid flows, current projections indicate that a large number of low-income sub-Saharan African countries will be unable to mobilize the overall resource flows necessary to maintain adequate import levels and achieve even modest growth in per capita income and consumption levels. Recent Bank estimates indicate that an additional annual average of \$700 million over and above foreseen aid flows would be required to prevent per capita consumption from declining in 1987-89 in just six countries: Madagascar, Niger, Senegal, Tanzania, Zaire, and Zambia.

Mounting Debt Problem

9. Two major factors explain the shortage of external capital--the decline in non-concessional and private loans and the rapid increase in debt service obligations and payments. Addressing the mounting external debt problem is essential for recovery and growth. For low-income sub-Saharan African countries, the debt service ratio rose by almost half between 1980 and 1985 and would have been much higher had it not been for a large number of reschedulings (17 countries in 1984-86) and, in some cases, a build-up of arrears that often disrupted needed adjustment efforts. Nor is the situation expected to improve. For some fifteen countries with prolonged debt problems, even continued rescheduling with the liberal terms currently practiced will leave their debt burden unmanageably high at the end of the century. For thirteen of these countries, the large and growing multilateral share (including the IMF) of debt service payments--51 percent in 1985--means that past solutions to debt problems will not work for them. The situation is worse in 1986-88, when these payments will exceed \$1 billion per year, accounting for as much as three-fourth of actual debt service payments. Dealing with this debt service problem will require new flows of aid and/or innovative debt relief.

Improving the Effectiveness and Coordination of Assistance

10. The current situation in Africa underscores the importance of increasing external assistance on an urgent and coordinated basis. If African countries are to be successful in reorienting their economies and restoring growth, not only are additional external resources required, but the effectiveness of donor assistance programs and aid coordination need to be improved.

11. There is strong support and a basic consensus on the actions that are needed to improve the effectiveness of aid coordination on the part of African governments, bilateral donors, and multilateral institutions.

This consensus is reflected in the recommendations contained in:

-- the U.N. Programme of Action for African Economic Recovery and Development, 1986-90, which incorporates the recommendations for improving the level, quality, and the coordination of aid contained in the OAU's Report on African Priority Program of Economic Recovery (APPER, 1986-90).

-- the DAC's Guiding Principles for Aid Coordination, which were approved at the DAC-High-Level Meeting in December 1986.

-- the Bank's April 1986 Report on Improving the Effectiveness of Aid Coordination in Sub-Saharan Africa, prepared at the request of the Development Committee, which expressed support for the actions already taken by the international community to strengthen aid coordination and "... urged the Bank to continue to exert leadership when taking or participating in further initiatives along the lines set forth in the report ..."^{5/}.

Before discussing the major recommendations of these Reports, there follows below a brief review of the substantial improvements in aid coordination in Africa over the last few years.

^{5/} Development Committee Press Communique, September 29, 1986

Increase in Aid Coordination Activities

12. In the early 1980s, African countries began to recognize the need for policy reforms in order to arrest their continuing economic decline as well as "donor fatigue" reflected in declining net external flows. As the recovery programs were launched, however, the need for more donor support and the importance of better coordination became crucial. There was a substantial increase in aid coordination activities, which is clearly reflected in the increase in the number of active Bank-chaired Consultative Groups (CGs) and UNDP-sponsored Round Tables (RT). During the period 1980-82, only five CGs were active in Africa, i.e. meeting on a regular basis every twelve to eighteen months. In 1983-84, three inactive CGs started up again (Ghana, Kenya, and Zambia) and two new CGs were established (Senegal and Somalia). Since 1985, three new CGs have been established (Guinea, Malawi, and Mauritania) and two more have been reactivated (Morocco and Tanzania). There are now 16 CGs in Africa, of which 11 are scheduled to meet in 1987. Similarly, the number of Round Tables increased rapidly. New Round Tables were initiated in five countries in 1984 and another three in 1985. At the present time there are eighteen Round Tables in Africa and nine RT meetings are scheduled for 1987. There was also a major increase in sector meetings and various local aid coordination meetings. Annex 1 provides information on the current status of CGs, UNDP Round Tables, and other aid coordination arrangements.

Primary Role of the Recipient Country in the Aid Coordination Process

13. As the recovery programs gained momentum, it became increasingly apparent that the recipient country has to be at the center of the aid

coordination process. Effective aid coordination requires the recipient country to articulate and implement a realistic adjustment and investment program and to monitor aid and other financial flows. Many African governments recognizing this need requested technical assistance to strengthen their economic management capacity. The UNDP, the IMF, the Bank ^{6/} as well as a number of bilateral donors are supporting various activities to help African governments improve the planning and management skills in order to restructure their economies.

While many African governments still find it necessary to rely on external expertise to help with economic policy management, they are giving high priority to making more effective use of national personnel and to strengthening their local institutions. They are also assessing critically their technical assistance needs for institutional development and are calling for better coordination of such assistance provided by various donors.

Improving the Effectiveness of Aid Coordination in Support of
Medium-Term Programs of Adjustment for Growth.

14. Although there have been significant improvements in aid coordination in recent years, the effective implementation of medium-term adjustment programs requires a far more comprehensive and sustained

^{6/} The Bank is providing substantial amounts of technical assistance to help African governments improve their economic policy management through a variety of mechanisms including: the Bank's country economic and sector work (CESW); IDA-financed technical assistance projects, which are currently supporting institutional development and training in 28 sub-Saharan countries in such critical areas as policy analysis, public investment programming, debt management; the special program involving the assignment of Bank staff members as advisers concerned with policy analysis and planning; and lastly the Bank is the executing agent for UNDP-financed technical assistance projects supporting economic planning in 12 countries in sub-Saharan Africa.

effort by both donors and recipient countries. The UN Programme of Action, the DAC's Guiding Principles for Aid Coordination, and the Bank's reports recommend improvements in four areas which are discussed below:

- (a) a multi-year comprehensive approach by recipient and donors;
- (b) greater discipline in adhering to public investment priorities;
- (c) provision of adequate levels of quick-disbursing assistance and coordination of policies in support of adjustment lending; and
- (d) strengthening aid coordination mechanisms, with particular emphasis on monitoring.

Multi-Year Comprehensive Approach to Development Strategies and Resource Requirements

15. Many African countries have launched adjustment programs, but the process of adjustment is a long-term process. African governments have the major burden of implementing key policy and structural changes on a sustained basis. They need to develop coherent multi-year public investment and expenditures programs with an appropriate balance between maintenance and new investments and with adequate attention to long-term aspects of development. Family planning, education, health and resource conservation are vital in this respect. This task is extremely difficult because it involves: addressing problems relating to adjustment and growth that have accumulated over two decades, strengthening or restructuring institutions, and coping with fragile political systems. Each government must not only take responsibility for implementing its own appropriate adjustment program but it must be ready to review the progress of its programs with the donors. In addition, the country must give high priority and take an active role in improving aid coordination.

16. Donors for their part cannot encourage recipient countries to undertake multi-year adjustment and investment programs without providing adequate financial packages. Donors must be willing to adopt a comprehensive approach and support a medium-term framework for their assistance programs. A more comprehensive approach to financial flows is needed, especially in those sub-Saharan countries which have protracted debt-servicing problems. Donors need to better harmonize their decisions with regard to debt relief and new aid and provide meaningful envelopes of resource availabilities, which will permit recipient countries to implement their medium-term adjustment and investment programs. While it is recognized that some donors lack legislative authority to make multi-year commitments, even indicative levels of future aid can help in medium-term planning. In an effort to obtain forward aid indications, the Bank is distributing standardized aid forms to donors prior to CG meetings. (See paragraph 22 below).

17. The Bank and the Fund are now developing with individual countries joint Policy Framework Papers (PFPs). These papers reflect the Government's intentions over the next several years regarding the main features of its adjustment and investment programs and the associated financing requirements. These PFPs can serve as a basis for discussion in Consultative Group and Round Table meetings. PFPs supplemented by other documentation prepared by the Bank, for example Public Investment and Expenditure Reviews, can form the basis for medium-term donor country assessments of both the development program and its financial requirements. The donor country is stressed in this context because the development framework and the financing plan for each recipient country require adherence by aid agencies as well as by export credit agencies.

Support of Multi-Year Public Investment and Expenditure (PIP/PE)

Programs and Priorities

18. Rationalizing public investment programs is a central element of the restructuring process. Public investment and expenditure programs must reflect national priorities and be brought in line with resource availabilities. The sectoral composition needs to be properly balanced and clear-cut criteria established to assure that only high-priority viable projects and programs are financed. The Bank is providing technical assistance to many African countries, for example, Ghana, Guinea, Kenya, Madagascar, Mauritania, Senegal, Somalia, Togo, Zambia and Zaire, to help them develop three-year rolling Public Investment Programs. The Bank is also undertaking its own review of these multi-year programs, identifying the core investment and expenditure programs which can serve as a framework for mobilizing donor support. Since FY83, the Bank has undertaken 36 PIP/PE reviews in 27 sub-Saharan African countries. For FY87 and FY88, there are some 20 PIP/PE reviews planned.

19. Donors and recipients must exercise more discipline and work within agreed public investment and expenditure programs which have been reviewed and agreed to at CG and/or RT meetings. Project selection should be based on rigorous economic evaluation and donors must avoid financing oversized, non-viable projects. Viable projects which are not priorities and even fully financed marginal projects should be deferred. This is a continuing problem and requires constant monitoring, because some donors do not always adhere to these criteria and to a core PIP. Similarly, in utilizing export credits, discipline must be exercised to ensure that such credits are in line with the recipients' investment priorities and the adjustment program.

Need for Increasing Levels and Better Coordination of Adjustment-Related Assistance

20. There is a continuing need for better coordination among donors with regard to policy dialogue and for the timely provision of adequate levels of adjustment lending within a multi-year framework. As indicated above, the Bank/IMF Policy Framework Papers can provide the outline of the resource requirements and the CGs and RTs will continue to serve as the mechanisms for mobilizing additional donors' resources. IDA-8 resources, however, will barely maintain the level of lending to Africa in real terms achieved by the combination of IDA and Special Facility lending in the last two years, despite the agreed increase in Africa's share of IDA-8. Fast-disbursing aid is required to finance essential imports, e.g. fertilizer, seeds, fuels, spare parts and wage goods to keep the adjustment process going and to maintain basic consumption levels. Such assistance is also needed to offset the decline in non-concessional flows and the growing increases in the debt-service burdens in many African countries. Special relief is needed for some 15 countries in Africa with protracted debt-problems.

Donors' aid budgets need to be increased and refocused to support adjustment programs. Cofinancing should be expanded and the CG process needs to be strengthened through the establishment of mechanisms to monitor donors' performance regarding their aid commitments.

21. A number of alternatives are currently under study with regard to addressing the need for expanding adjustment assistance and concessional debt relief for African countries implementing comprehensive adjustment programs. In any future arrangements in support of adjustment

lending, one important feature of the Special Facility merits being retained, whereby bilateral donors earmarked a significant amount of their assistance programs for cofinancing in support of multi-year adjustment programs for an agreed list of eligible countries and operations.

Strengthening Aid Coordination Mechanisms - Particularly Monitoring.

22. Consultative Group (CG) and Round Table (RT) Meetings

Considerable improvements have already been introduced into CG and RT ^{1/} operations. However, listed below are several additional changes which have been recommended.

-- While recognizing the role of lead multilateral agencies, more extensive participation by the key bilateral and other donors is encouraged in the review of a country's adjustment and public investment and expenditure programs. Such participation is essential to ensure the emergence of a genuine consensus on a recipient country's development policies and programs.

-- Donors need to provide more precise commitment/disbursement information concerning their current aid operations and future levels of assistance. The Bank has prepared standard aid indication forms which are distributed to donors in advance of

^{1/} The UNDP has recently made a series of recommendations to strengthen Round Tables (RT) and to enhance its capacity to perform its coordination more effectively including, inter alia: emphasis on policy reforms; the strengthening of UNPD staff; a more selective approach to the choice of countries and participants; improved analysis and in-country follow-up; better preparation and organization of the RT meetings with UNDP chairmanship of the meetings and closer collaboration with the World Bank.

Consultative Group meetings. These tables should help to improve the monitoring of donors' performance and allow better planning by the recipient countries.

-- CG and RT meetings should facilitate a more frank and substantive exchange of views on key policy issues and problems; more critical reviews of recipient countries' investment and expenditure programs, greater discussion of the aid implications of recipient countries' stabilization and structural adjustment programs and more harmonization of aid flows and debt relief options. The Chairman should aim for operationally relevant conclusions which will allow for more effective monitoring.

These improvements have already been introduced in a number of CG meetings and the Bank plans to extend their application to other CGs.

23. Sector Meetings. The number of sector meetings has increased dramatically in recent years. For example, in 1986 sector meetings were held in 12 sub-Saharan countries. With few exceptions the Bank has taken the lead in helping the recipient country to organize these meetings and to prepare the necessary documentation. Donor participation is self-regulating inasmuch as only interested donors participate in specific sector meetings. The links between CG and RT meetings and the sector meetings need to be strengthened to insure proper integration of the sector strategy with the country's overall development strategy. Sector meetings should seek a consensus among the donors concerning the sector strategy, investment priorities, institutional and policy changes required and mobilize additional resources for the sector. Here again cofinancing can provide a good vehicle for coordinating donors' operations.

24. Local Aid Coordination. In most sub-Saharan countries donors meet informally but regularly under the chairmanship of the UN Resident Representative or the World Bank Representative. The degree of participation by the host government varies among countries. With resident missions in 25 sub-Saharan countries, the Bank's ability to support such meetings is expanding and is being further strengthened by the addition of resident economists in many of the Bank's missions.

25. Joint Monitoring Committees. Various forms of Joint Monitoring Committees (JMCs) have been established in a number of sub-Saharan countries including Ghana, Kenya, Senegal, Sudan, Zambia and Zaire. The mandates and the experience of these joint monitoring committees vary a great deal. For example, some JMCs just provide for an exchange of information between donors and the host country. Others are handling the sector meetings. With very few exceptions, however, these committees are not systematically monitoring the implementation of the government reform programs and donors' performance regarding their aid commitments.

26. The UN Programme of Action and the Bank's recent reports on sub-Saharan Africa stressed the critical role of effective monitoring for implementing a multi-year framework of adjustment and assistance. Effective monitoring requires that it be joint and include representatives of the government and the donors. It must also be comprehensive and provide timely and adequate reporting on its overall financial requirements as well as the performance of donors in meeting their aid commitments.

27. The strengthening of the monitoring mechanism remains as one of the major requirements for improving aid coordination. The Bank is prepared to work with individual host countries and other donors to help establish more effective Joint Monitoring Committees. These Committees to be effective need to work in country, meet on a regular basis and follow-up and supplement the work of CG and RT meetings. One alternative would be to convert local aid groups into such monitoring committees. This would require high-level commitment from the recipient government, technical support from the donors as well as accepting the discipline that effective monitoring implies.

Conclusion

28. Over the last several years, there have been substantial improvements in aid coordination. However, to be effective, coordination must evolve with changing requirements. An increasing number of African countries have launched medium-term adjustment programs which require a more comprehensive and sustained aid coordination effort than has been evidenced to date. This paper outlined a series of recommendations for strengthening aid coordination aimed at mobilizing more donor support and improving the efficiency of assistance programs. The Bank stands ready to join with recipient countries and donors to implement these recommendations. Most of them are not new, but their implementation has lagged far behind the implementation of adjustment programs by many African countries. Unless there is sustained action to increase overall external flows, including the provision of innovative debt relief, and to improve the coordination of aid, Africa's reform and growth programs will fall far short of their goals. Such a prospect is not acceptable in a continent where, in most countries, per capita income levels today are no higher than they were twenty years ago.

PART II

Improvements in the World Economy -- Liberalizing Trade in Agriculture

29. In 1986, the world economy enjoyed the fourth consecutive year of recovery from the deep recession of 1980-82. Given the interdependence of economies, if the recovery is to continue and expand, better policies are needed by both industrial and developing countries to reduce market distortions and trade barriers and thereby foster higher levels of international trade and capital flows which in turn will stimulate economic growth.

30. The interdependence of economies is clearly evident in the agricultural sector. Public policies in both developing and industrial countries greatly influence the growth of agriculture and rural incomes and extend far beyond national frontiers. Furthermore agriculture accounts for a very significant share of the labor force, GDP, and exports in developing countries. This is particularly true in Africa where agriculture accounts for over 70% of the labor force; about 40% of GDP and over 65% of the exports (see Table 1). Agriculture, therefore, will play a major role in determining the course of growth of the developing countries' economies for decades to come. Within a country and throughout the world, improved agricultural policies which permit more liberal trade are needed to improve the resource allocations and raise real incomes.

Table 1 Agriculture's share of GDP, employment, and exports, selected years, 1964-84
(percent)

Country group	Share of agriculture in:					
	GDP		Employment		Exports ^a	
	1964-66	1982-84	1965	1980	1964-66	1982-84
Low-income countries	42.8	36.3	76.0	72.0	58.6	32.8
Africa	46.9	41.3	84.0	78.0	70.7	68.4
Asia	42.5	35.7	74.0	71.0	54.0	25.9
Middle-income oil exporters	21.8	14.8	62.0	50.0	40.8	13.6
Middle-income oil importers, excluding major exporters of manufactures	25.2	18.0	63.0	53.0	54.2	44.8
Major exporters of manufactures	19.3	12.1	50.0	36.0	56.9	20.2
Developing countries	30.2	19.9	66.9	63.2	52.3	22.0
Industrial countries	5.1	3.1	13.7	7.1	21.4	14.1

Note: Data for developing countries are based on a sample of ninety countries
a Includes reexports

Source: World Development Report 1986, p. 3

Agricultural Production

31. Agricultural output has grown rapidly in many developing countries during the past fifteen years. The growth in food production was faster in developing countries than in the industrial countries and East European non-market economies largely because of the "Green Revolution" (see Table 2). This revolution began in the mid-1960s with the development of high-yielding varieties of wheat and rice which were so productive that it was profitable for farmers to utilize better farming methods, more fertilizers, and for both governments and farmers to invest in irrigation. China and India expanded cereal production at the rate of 3.2 and 4.1 percent a year, respectively, with both rates exceeding their population growth. However, the Green Revolution left some areas, especially in Africa, largely untouched. Nevertheless, it demonstrated the enormous impact of technological change. The fact that Africa still

lags far behind in yields, suggests that with the right technological packages plus price and marketing incentives, Africa can experience significant increases in agriculture production in the future.

Table 2 Growth of agricultural production by major commodity group, 1961-84
(average annual percentage change)

Country group	Beverages		Food		Raw materials		Total agriculture	
	1961-70	1971-84	1961-70	1971-84	1961-70	1971-84	1961-70	1971-84
Developing countries	-0.4	1.9	2.2	3.2	4.5	2.3	2.4	3.0
Low-income countries	1.9	1.2	1.3	3.2	5.7	3.8	1.9	3.3
Africa	2.3	-0.5	2.6	2.0	6.0	-1.8	3.0	1.2
Asia	1.2	3.6	1.2	3.4	5.7	4.3	1.8	3.6
Middle-income oil exporters	3.5	0.5	3.0	3.1	1.5	-0.9	2.7	2.2
Middle-income oil importers	-2.9	2.8	3.5	3.2	4.8	1.0	2.9	2.9
High-income oil exporters	-6.8	0.6	4.9	14.6	8.0	-0.5	5.0	14.1
Industrial market economies	0.9	0.4	2.9	2.1	-4.9	0.4	2.2	2.0
East European nonmarket economies	5.3	7.0	3.6	0.5	4.3	1.9	3.7	0.7
World	-0.3	1.9	2.7	2.4	2.2	2.0	2.5	2.3

Note: Data are weighted by the 1978-82 world export unit prices to permit cross-country comparisons. Growth rates are least squares estimates. Beverages comprise coffee, cocoa, and tea. Food comprises cereals, sugar, meat, poultry, dairy products, roots and tubers, pulses, fruits, and vegetables. Raw materials comprise cotton, jute, rubber, and tobacco.
Source: Based on FAO data.

Source: World Development Report 1986, p. 4

32. One cannot, however, be too sanguine about the state of world agriculture because of existing trade and pricing policies. Given the fact that most agricultural goods are traded in world markets, all countries have opportunities to increase their incomes by specializing in products in which they have a comparative advantage. The strides made by developing countries in agriculture during the past few decades indicate that developing countries as well as industrial countries can benefit from an efficient system of world trade. Yet trade barriers in industrial countries have become more restrictive and many developing countries pursue policies that inhibit the growth of agricultural output and rural incomes.

33. The Bank's World Development Report 1986 focused on trade and pricing policies in world agriculture. It examined the agricultural policies of developing and industrial countries, stressing their interdependence and the potential for large gains from more liberal trade in agriculture.

Priorities in Developing Countries

34. In many developing countries, both macro- and microeconomic policies have hindered agricultural development. Low producer prices and overvalued exchange rates have discouraged domestic agricultural production and exports. It is ironic that in many developing countries, although the farmers account for a large share of gross domestic product and exports, government intervention results in policies which discriminate against agriculture. Low food prices are used to subsidize consumers, particularly in urban areas. However, these subsidies distributed benefits widely across income classes and are inefficient and costly instruments for helping the poorest people. Well-targeted food distribution programs are more effective in reaching especially disadvantaged groups.

35. Many developing countries have begun to reform their agricultural policies and are experiencing good results. In sub-Saharan Africa, in 1986, with favorable weather conditions and improved policies, agricultural production increased by almost 3 percent. Food production kept pace with population growth, and only a few countries are expected to require exceptional food aid in 1987. There is ample evidence that agriculture can be a dynamic sector in Africa and can contribute very significantly to growth in real incomes, employment, foreign exchange earnings and the alleviation of poverty.

Agricultural Policies in Industrial Countries

36. The World Development Report analyzed the agricultural trade and pricing policies of the industrial countries and their costs and benefits, both domestically and internationally. It points out that the agricultural support policies of the industrial countries have surprisingly little effect on farmers' income over longer-run while imposing a heavy cost on their taxpayers and consumers.

37. In the European Community (EC), for example, \$23.5 billion was spent in 1984 on agricultural price supports. In the U.S. this spending is also very significant with agricultural subsidies expected to average \$20 billion a year in the period 1968-88. The main aim of all this spending is to raise farmers' incomes and keep them from fluctuating. Some stability has probably been achieved, but it is doubtful that high product prices have raised farm incomes in the long-term and maintained the farmers on the land. In the United States net farm income as a proportion of farmers' total income fell from 58% in 1960 to 36 percent in 1982. In Japan, whose small-scale farming is more important, farm households derived 75 percent of their income from non-farm sources in 1980.

International Consequences

38. The effects of industrial countries' agricultural policies spill over onto the rest of the world. By expanding output and depressing domestic demand, their policies reduce world prices and distort the

8/ The World Development Report 1986, p. 131

relative prices of agricultural and manufactured goods. By granting special trading privileges and subsidizing exports, industrial countries help destabilize international markets and amplify commodity price fluctuations. The World Development Report noted that with global liberalization of agricultural policies, the industrial and developing countries would together gain about \$64 billion annually--more than double the annual level of official development assistance from OECD countries, which averaged about \$27 billion annually during 1980-84.^{9/} The adage that "Trade is better than Aid" is clearly demonstrated with regard to agriculture.

39. Many of the international initiatives to increase the benefits of agricultural trade including international commodity agreements, and special trade preferences, often address the symptoms rather than the problem itself--inappropriate policies in both the industrial and developing countries. For example, international commodity agreements are costly and often degenerate into efforts by producer groups to raise rather than stabilize prices and incomes. Compensatory arrangements, such as the IMF's Compensatory Financing Facility, are superior instruments for promoting stability in earnings. Regional schemes which provide trade preferences to a limited number of countries can erode the interest of the beneficiaries in promoting general trade liberalization.

40. Increased trade liberalization will help developing countries attain faster rates of economic growth and will also bring benefits to industrial countries as well. Less government intervention will help stabilize international prices and assist all countries in attaining their common objective of more stability in farm incomes and prices.

41. Preparations are underway for negotiations regarding agricultural protection in a new round of GATT negotiations. There seems to be increasing recognition that existing agricultural policies will lead to higher and higher costs of protection and greater instability in agricultural markets and trade. The World Development Report concluded that:

"What Governments must be willing to negotiate about are the degrees of protection provided by their domestic price and income support programs and the effects that these programs have upon production, consumption exports and imports and international market prices."

Conclusion

42. The Bank strongly supports an expansion and liberalization of the world trading system to help stimulate economic growth. In this connection, the President's Report to the Development Committee in April 1987 pointed out that the GATT Uruguay Round provides an excellent opportunity to liberalize trade in agriculture and change agricultural policies through improving market access and the reduction of production and export subsidies. Given the significance of industrial country agricultural policies to both developed and developing countries economic prospects, the President's Report called on the Ministers "to consider how they can strengthen the resolve of their governments to modify agriculture policies and promote freer trade in agriculture."

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	CGs		Roundtables		Joint coordinating mechanisms	Sector meetings	Local aid coordination efforts
	First/since 83 Meetings	Forthcoming Meetings	Past Meetings	Forthcoming Meetings			
Angola							Meetings focussing on emergency supply management and rehabilitation issues are held weekly.
Benin	1980		Feb/Mar 1983		Formal fortnightly meetings of the "Comite Mixte" have taken place since Jan 1984. France, Germany, EEC, UNDP, FAO, WFP, and the Bank participate.	Forestry (Mar 1983); Nangbeto Dam (Feb 1984) Principal roads (Apr/Jun 1984); Tourism and cultural sub-sectors (Jun 1984); Health (Oct 1984); Rural development (Mar/Aug 1985) Dassa-Parakou highway (Mar 1986); Transport (Mar 1987); Telecommunications (planned spring 1987); Quarterly meetings take place on water supply and sanitation sector.	
Botswana						Under consideration.	Government handles own aid coordination. Periodic informal meetings of donors. Semi-formal local coordination meetings, with govt. participation, in drought relief, environment, and food aid.
Burkina				Jul 1987 1/		Govt. has organized informal coordination meetings with donors active in the health sector. The Bank chaired a health sector meeting in Jan 1987.	Donor coordination takes place in emergency food aid, regular food aid, NGOs, and infrastructure projects.
Burundi			Feb 1984			Education mini RT to be scheduled; Energy under consideration.	Informal monthly donor meetings to share information. Ad hoc sectoral meetings with full Government participation.
Cameroon							Occasional informal meetings hosted by France, U.K., and the World Bank.
Cape Verde			Jun 1982 Dec 1986			Water planned late June 1987	Regular formal meetings among agencies of the UN system, including UNDP, WFP, UNICEF, FAO and WHO.
C.A.R.			Jun 1980	Jun 1987		Transport and petroleum sector meetings to be coordinated by the Bank.	
Chad			Dec 1985			Weekly meetings in the health sector. Cotton (May 1986); Petroleum refineries (Jul 1986). Food (Dec 1986); Transport (planned May 1987).	
Comoros			Jul 1984				
Congo							No regular aid coord. mechanisms.
Djibouti			Nov 1983				
Eq. Guinea			Apr 1982	Jul 1987			

	CGs		Roundtables		Joint coordinating mechanisms	Sector meetings	Local aid coordination efforts
	First/since 83 Meetings	Forthcoming Meetings	Past Meetings	Forthcoming Meetings			
Ethiopia	1971 1973					Transport sector meeting planned. WFP initiated Govt/donor meetings in the reforestation and soil conservation sectors.	Local consultations on emergency relief assistance have been frequent.
Cabon							No formal local consultation mechanisms.
Gambia			Nov 1984 Sep 1985 2/		Regular bi-monthly meetings of donors and government.	Health (Dec 1984); Fisheries (Jun 1985); Agriculture and water (scheduled for Mar/Apr 1987).	
Ghana	1967 Nov 1983 Dec 1984 Nov 1985	Mar 1987			Regular meetings of the Joint Monitoring Committee chaired by the government. Central project monitoring unit also established.	Industry (May 1986); Education and health (Sep 1986). Water (planned Apr 1987); Transport (planned May 1987).	Monthly local donor meetings.
Guinea	Apr 1986 Mar 1987	3/				On-going consultations in agriculture, transport, power and water, prior to CG. Agriculture planned Apr 1987; other sector meetings to be planned.	Monthly local donor meetings.
Guinea Bissau			May 1984 Feb 1985 2/ Apr 1985 4/			Health (Feb 1986); Agriculture and fisheries (planned May 1987); Water supply and sanitation (to be scheduled).	Semi-annual meetings for local aid coordination activities.
Ivory Coast						Annual meeting between Bank/UNDP on agricultural research and forestry.	No formal aid coordination at the local level.
Kenya	1970 Jan/Feb 1984 Apr 1986				Joint Monitoring Committee organized after 1984 CG. Subcommittee on Agriculture meets frequently.	Agricultural (Apr 1984)	World Bank resident representative chairs frequent but irregular meetings of donors on health, population, agriculture. Other ad hoc meetings also held.
Lesotho			May 1984			Water and sanitation (June 1985); Integrated rural development and employment generation (Jul 1986).	Monthly donor meetings led by the UNDP. "Government/Donor Coordination Committee to Monitor Utilization of Food Aid and Other External Assistance Related to the Drought" established in June 1985.
Liberia			Oct 1983 5/				Informal contacts among local donors, particularly in the agricultural and health sectors.
Madagascar	1982 Apr 1983 Nov 1984 Apr 1986	Dec 1987				Road rehabilitation (Sep 1986); Fisheries (1985); Frequent meetings on irrigation. Periodic meetings on agricultural policy.	Informal local meetings organized by the Bank's resident representative.

	CGs		Roundtables		Joint coordinating mechanisms	Sector meetings	Local aid coordination efforts
	First/since 83 Meetings	Forthcoming Meetings	Past Meetings	Forthcoming Meetings			
Malawi	Jan 1986	Oct/Nov 1987 1/	Feb 1984		Development Coordination Committee established as result of 1986 CG. Sectoral committees being established; transport sector committee active.	Health (Jun, Sept 1986).	Monthly informal donor coordination meetings organized by the UNDP.
Mali			Dec 1982 Nov 1985	late 1987 3/		Power (Jun 1986, Mar 1987); Industrial dev't (Oct 1986); Agricultural price policies (planned Apr 1987); Rural development. (tent. late 1987).	In-country RT review chaired by the UNDP/Gov't in December 1985. Joint gov't/donor group on food aid and cereals policy reform meets regularly.
Mauritania	Nov 1985	1988				Fisheries, Water supply and Irrigation are planned for 1987.	World Bank/UNDP sponsor regular meetings of donors.
Mauritius	1980 May 1985					Sugar sector (Feb 1987).	Occasional informal meetings organized by UNDP.
Morocco	1970s Jan 1985 Mar 1987						
Mozambique		July 1987					
Niger				Jun 1987		Agricultural policies (Feb 1987); Transport (plan. Apr 1987); Health (plan. Apr/May 1987).	
Nigeria	May 1971					Quarterly health care meetings.	
Rwanda			Dec 1982			NGO's (Jun 1985); Highway (Sep 1985); Industry (Jan 1986); Water and sanitation (Jan 1986, Mar 1987); Agriculture (May, Dec 1986); Population and nutrition (Aug 1986); Agr. Extension (Feb 1987); Mining (tent. May 1987); Census/PNN (tent. late 1987).	Monthly meetings with full gov't participation chaired in rotation by donor representatives.
Sao Tome & Principe			Dec 1985	Jul 1987 4/		May 1986: rural development, fisheries, energy, water, transport, and problems of geographical isolation. NGO's (Nov 1986).	
Senegal	1984 Mar 1987				Interministerial Committee, under chairmanship of the Head of State, periodically reviews progress in the implementation of the "Action Plan". A technical monitoring unit provides support.	Telecommunications (Dec 1984); Energy (Jan 1985); Agriculture and OMVS power (Jun 1986); Human resources (Sep, Nov 1986); Household energy conservation, Transport (Dec. 1986); Education, Tourism (cheduled Spring 1987); Industry (planned Oct 1987); Water supply (planned 1988).	Bi-monthly meetings of all donor representatives. Joint donor/gov't commission on food aid counterpart.
Seychelles							No formal local aid coordination.
Sierra Leone				May 1987 1/			UNDP organizes occasional meetings of donors.

	CGs		Roundtables		Joint coordinating mechanisms	Sector meetings	Local aid coordination efforts
	First/since 83 Meetings	Forthcoming Meetings	Past Meetings	Forthcoming Meetings			
Somalia	1983 Jan 1985 2/ Nov 1985 Apr 1987					Regular sector meetings in forestry and livestock since 1982. Bardere Dam aid coordination (planned Nov 1987).	Local aid coordination efforts Regular meetings of local donors co-chaired by World Bank and UNDP.
Sudan	1983 Dec 1983				Joint Monitoring Committee which was set up after last CG is no longer active.		World Bank resident representative organizes regular meetings of government and donors. Monthly informal local donor meetings.
Swaziland							
Tanzania	1970 Jun 1986	July 1987				Transport/railways (Feb 1987).	Informal monthly meetings of principal donors chaired alternately by UNDP and World Bank representatives. Government has established aid coordination office.
Togo			Jun 1985	Mar 1987 6/		Agriculture and rural development (Mar 1986). Infrastructure, Transport, Social, Health and Human resources (Oct 1986).	
Uganda	1969 Jan 1984				"Joint Donor Co-ordination Committee on External Resources" established to improve management of financial resources provided by external donors.		Government aid coordinator. Quarterly donor meetings.
Zaire	Dec 1983 Apr 1986 May 1987				"Commission de Suivi" established to follow-up the recommendations of CG, meets twice a year.	Highways (Mar 1985); CECAMINES (Sep 1985). Transport, Energy and Agriculture (to be determined).	Local representatives meet informally about once a month.
Zambia	1978 May 1984 Jun 1985 Dec 1985 2/ Dec 1986				Established a Joint Monitoring Committee in 1984. A project tracking system is being put into place to assist donor coordination.	One JMC meeting dealt with agricultural research and extension.	Informal meetings organized by EC representatives and EC member countries with occasional government observers.
Zimbabwe	see 7/						Regular informal meetings of local donor representatives, often with government participation. Several joint working groups.

1/ Tentative date.

2/ Balance of payments meeting chaired by World Bank.

3/ Meeting on economic reform chaired by World Bank.

4/ Interim meeting: Round Table follow-up.

5/ Inter-Governmental Group for Liberia (IGGL) will replace RT; the US will chair, and the World Bank and the UNDP will provide technical support and help the Gov't prepare documentation.

6/ Interim meeting: Non-project finance.

7/ ZIMCORD first met in 1981, with a review in 1983.