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OBJECTIVES AND STRATEGIES OF DEVELOPMENT

LECTURE 7

THE TIME DIMENSION OF DEVELOPMENT:

by

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Lecture 7

4 - The time dimension of development

In history long periods of slow, gradual evolution, i.e. accumulation of knowledge and wealth were intermitted by comparatively short period of rapid, dramatic revolution of economic development.

It seems that in the last century science and technology made it possible that the development has become faster in the evolution periods and the revolution have become more frequent. (synthetics, electronics, space-flights, automation, computers, etc.)

However, the time dimension of economic development did not affect the various regions of the world uniformly. The development that had been fast in England in the 18th and 19th century, slowed down later. In the beginning of our century, the tempo became very fast in the United States, followed later by Germany, Italy and Japan.

The third world still lags behind. There is an astonishing gap between the economic performance of the developed countries and of the African countries. The gap is so great that evolution cannot close it. A revolutionary upsurge is needed in economic development.

In the middle of 1967 there were 42 politically independent states in Africa as well as 25 larger and smaller dependent territories. In 1964 the total population was 303 million. The net growth rate was 2.2 percent between 1958 and 1964. Later it was estimated at 2.5 percent. The percapita net domestic product was estimated at US $72 in 1961.

The terms-of-trade of African countries deteriorated by 6 per cent between 1958 and 1966 which means that if the foreign trade prices had not changed the annual net foreign exchange earnings would have been 400 - 500 million dollars higher. This amount is about 1.6% of the net domestic product of the same period.

5.5 DEVELOPING COUNTRIES: GAINS OR LOSSES ON ACCOUNT OF CHANGES IN TERMS OF TRADE, 1961-67

Year	EXPORTS				IMPORTS						
	Current price	Export a unit value 1953-57=100	(1) deflated by (2)	Gains (+) or losses (-)	Current price	Import unit value 1953-57=100	(5) deflated by (6)	Gains (+) or losses (-)	Net gains (+) or losses (-)	Net b official financial flows	Losses as percentage of official aid
	Million $U.S.	Per cent	Million $U.S.	Per cent	Million $U.S.	Per cent	Million $U.S.	Million $U.S.	Million $U.S.	Million $US	Per cent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1961	27 800	90.7	30 650	- 2 850	31 100	96.7	32 161	+ 1 061	- 1 789	5 475	32.7
1962	29 000	88.0	32 954	- 3 954	31 500	97.7	32 242	+ 742	- 3 212	5 470	58.7
1963	31 500	90.7	34 729	- 3 229	32 800	97.7	33 572	+ 772	- 2 457	5 626	43.7
1964	34 500	93.5	36 898	- 2 398	36 100	98.6	36 613	+ 513	- 1 885	5 605	33.6
1965	36 400	92.6	39 309	- 2 909	38 000	99.6	38 153	+ 153	- 2 756	5 886	46.8
1966	38 700	94.4	40 996	- 2 296	40 400	99.6	40 562	+ 162	- 2 134	6 060	35.2
1967	40 000	93.5	42 781	- 2 781	42 400	100.6	42 147	- 253	- 3 034	6 640	45.7
TOTAL	237 900	92.1	258.317	-20 417	252 300	98.8	255 450	+ 3 150	-17 267	40 762	42.4

Source: UNCTAD secretariat based on:

(1) Monthly Bulletin of Statistics, April 1969
(2) UN, International Flow of Long-term capital and official donations, 1962-1966
(3) UNCTAD, "External Development Finance: Present and Future" (TD/B/C.3/61), 11 November 1968.
(4) OECD, Development Assistance Efforts and Polices - 1968 Review.

Notes: a) Export unit values of developed to developing countries
b) From DME countries and multilateral agencies.

FROM: Handbook of International Trade and Development Statistics 1969. UNCTAD p.155

Over the 5 years from 1960-1964 the net capital outflow from Africa was estimated between 1-3 thousand million dollars (the gross capital inflow estimate is 7 to 8 thousand million dollars, while the outflow is 8 to 11 thousand millions). This means a difference of about 1.4% per annum difference between net domestic product and net national income.

Population growth	2.2%
Worsening of terms-of-trade	1.6%
Net capital outflow	1.4%
	5.2%

We must have a minimum of 5-6 per cent growth of net domestic product in order to keep the living standard at unchanged level.

But living standards must be raised. Let us assume the 1 to 2 per cent rise is satisfactory. (It will be very difficult to equally disperse such a slow growth.)

Therefore, the minimum annual growth of net domestic product must be 6 - 8 per cent.

In actual fact, the aggregate net domestic product of Africa except the Republic of South Africa grew by an annual average of 4.5% between 1958 and 1967.

The growth of net domestic product of the Asian and of the Latin American developing countries was 5% in thesame period. The average target of the UN Development Decade was 5%.

Africans are becoming poorer. The gap between the developed and the developing is widening. 14/15/

15/ See also: Earnest Lamers (World Bank): "How Fast Will the Gap Close?" in International Development Review, March 1967, page 30-34. On the basis of past and recent percapita Gross National Products and of rates of growth of percapita GNP data he makes a tentative assumption, that its developing countries could provide to reach a 4-6% average yearly increase of their percapita GNP over a period of 75 years, by 2040 they could reach a US 4000 percapita GNP level, which would be roughly equivalent to that of (a nearly-stagnating) US percapita GNP level. Of course, factual achievements in last years are far below this 4-6% rate.

Levels of per capita gross domestic product of factor cost.

Regions	1958	1963 in US	1967	Percentage of total growths from 1958 to 1967
Developed countries	1170	1530	2020	173
Developing -"-	120	140	170x	142x
African -"- -"-	90	110	130x	144x

Source: Handbook of International Trade and Development Statistics, 1969. UNCTAD., p. 168-169.

x/ 1966.

Annual average growth rates of total and per capita real gross domestic product at market prices, between 1960 - 1966.

	GDP total 1960 - 1966 %	GDP percapita 1960 - 1966 %
World	5.7	3.5
Developed countries	5.2	3.8
Developing countries	4.4	1.8
-"- Africa	4.0	1.5

Source: Handbook of International Trade and Development Statistics 1969. UNCTAD, p.171 - 172.

Therefore there is a need to study the experience of fast-growing African countries. (UAR, Tunis, Ghana, Ethiopia, Nigeria, Zambia, Ivory Coast, Tanzania, Sudan, Uganda).

There have been estimates how much growth Africa could achieve and how far it would approach the developed countries. According to one estimate made in ECA, Africa could reach the present level of the industrialized countries within 40 to 50 years if an annual growth rate of 1.5 to 2 per cent could be maintained in agriculture and that of 7 to 8 per cent in industry which means an average growth of 5 per cent as total of these two sectors.1/

Illustrative measurement of the economic distance between Africa and the industrial Countries, 1960

Output by industrial origin	Africa: In African prices	Africa: In US relative prices	Industrial countries	Ratio of per capt. output in industrial countries to that in Africa (c):(b)	Rates of growth and period needed by Africa to reach the level (1960) in industrial countries: Annual per caput/ rate of growth in %	Years
	(a)	(b)	(c)	(d)	(e)	(f)
Agriculture	40	60	120	2	1.5-2	40-50
Industry	15	20	480	25	7-8	40-45
Commodity output	55	80	600	8	5	40-50
Other sectors	35	..b	600	..	?	?
Total output	90	(150)b	1,200	(8)	(5)	(40-50)

Source: Computed from Surendra J. Patel's study, Economic Distance between Nations: Its Origin, Management and Outlook.

Note: The figures, based on domestic product at factor cost, are very rough and have therefore been rounded to the nearest 5 or 10. Adjustments in column (b) are purely notional in character.

a) Excluding South Africa
b) Relative prices in the service sector are difficult to compare nearly everywhere but more so in Africa where, owing to the predominance of the non-African population in this sector, the remuneration is relatively high. The figure for total output in column (b) is therefore purely arbitrary.
c) Of the whole population, not according to sectors.

1/ United Nations Economic Commission for Africa. Industrial growth in Africa. United Nations, New York, 1963, p.3.

This document is very important in that it laid down the principle the economic development strategies can only be conceived in long perspectives. Another invaluable contribution of this document is that it already outlined a certain development strategy that promises to help Africa reach the target of a satisfactorily fast growth rate. We will discuss the strategy later. Only one remark has to be made here. The strategy must guarantee a quickening tempo of growth which means growth must very soon became a self-propelled, self-generating process.

The length of the time perspective is justified by the following reasons:

(a) the implementation period of projects varies according to type, sector and size.

a roadbuilding:	1 - 7 years
a factory:	1 - 7 years
a family planning scheme:	8 - 20 years
an educational reform programme:	15 - 30 years.

(b) results of projects have to be placed on a timetable, fitted into a plan, it has been realised that the usual 5-year plans cannot accommodate major development concepts. Therefore, 20 - 30 year plans are being attempted.

(c) Objectives (and strategies) should remain fairly constant for over a long spell of time if they are to be meaningful. (Flexivility does not contradict.)

On the other hand - for actual day-to-day guidance - we need short term action programmes, we need safe cover for expenditure. Therefrom the need for actual plans and budgets.

.../..

The controversy over the time-span of planning:

short-term (1-year) (Waterson)[16]
medium-term (5-7 years)
long-term (20-30 years)

The solution of conflict between plans carved in rock and the unforeseables is found in the onward rolling planning.

The planner is the quartermaster for the grand-children. But he has to feed his children, too.

16/ "Political instability and economic uncertainty, when combined with the largely formalistic acceptance of development plans and inadequate administrative systems often found in low-income countries, largely explain why such countries without much planning experience and expertise fail to carry out their plans."x/ On these grounds, Waterson, advocates "an annual planning-cum-sector-programming approach to planned development... in low-income countries."x/

x/ See: A. Waterson: "An Operational Approach to Development Planning" in Finance and Development Quarterly N°.4/1969 p.39.

" also on the same topic the same author in the same sense in development digest, April 1966, p.14-26.

" " October 1968.

" Conference on Crisis of Planning. Brigthon, 1969 June.