

THE CHALLENGE TO THE INTERNATIONAL COMMUNITY OF  
SUSTAINING AFRICA'S ECONOMIC RECOVERY

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and  
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at the

formal opening of the twenty-second session of the  
Commission and thirteenth meeting of the Conference  
of Ministers held at the Commission's Headquarters,  
Addis Ababa from 23 to 27 April 1987

Africa Hall  
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It is, indeed, a great honour and privilege for me to participate at this solemn official opening of the twenty-second session of the Economic Commission for Africa and thirteenth meeting of its Conference of Ministers. Since the sixth of this month, a series of preparatory meetings have been held. Between then and now, six separate intergovernmental meetings have been successfully held in preparation for this Conference of Ministers which has just been formally declared open a few minutes ago.

The first was the meeting on the Traditional Practices Affecting the Health of Women and Children in Africa (6-10 April). It was followed by the sixth meeting of the Intergovernmental Committee of Experts of African Least Developed Countries (9-11 April) and the ninth meeting of the African Regional Coordinating Committee for the Integration of Women in the Development Process (10-11 April). From 13-20 April, your prestigious and extremely effective Technical Preparatory Committee of the Whole (TEPCOW) held its eighth meeting.

The fifth preparatory meeting which has since taken place is that of the Ministers of the 27 African least developed countries. This ministerial conference of African least developed countries, ended only yesterday. The Regional Technical Advisory Committee on ECA's Pan-African Documentation and Information System (PADIS) - the sixth in the series - held its meeting to consider its medium-term plan for 1990-1995.

In addition to these six meetings, IDEP Governing Council held an extraordinary session during this period. And on Saturday, 25 April 1987 the Sixth Pledging Conference for the United Nations Trust Fund for African Development will take place. And I must not forget to mention the meetings of the MULPOC of Central Africa, both at official and ministerial levels, which exceptionally also took place here in Addis Ababa during the period.

Not only is each of these meetings held since 6th April unique in its concerns for specific aspects of the development of our continent, but also collectively, and together with the sectoral ministerial meetings and the MULPOC meetings, they constitute the basis for submitting, in an integrated and coordinated manner, all major issues in the field of economic and social development to the annual session of the Commission. This is a task that TEPCOW performs admirably. For this year's session, the Committee is submitting, in addition to a comprehensive report, some 32 draft resolutions for approval.

All our meetings have been successfully held during the past two and a half weeks because of the extremely congenial atmosphere which has been provided by our host Government - the Government of Socialist Ethiopia. For all these and for the continued support of our host Government to the ECA secretariat, I wish to express through you the most sincere appreciation of my colleagues and of myself to His Excellency Comrade Mengistu Haile Mariam, General Secretary of the Central Committee of the Workers' Party of Ethiopia, Chairman of the Provisional Military Administrative Council and Commander-in-Chief of the Revolutionary Armed Forces of Socialist Ethiopia.

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At the formal opening of the twenty-second session of the Commission and twelfth meeting of your conference held in Yaounde (Cameroon), this time last year, I made bold to assert that the African economies were at the crossroads and that the most significant and peculiar

attribute of being at the crossroads is that one is forced to make a deliberate and calculated decision as to the turning which one should make and having made the choice, of the imperative necessity to pursue it to its logical conclusion. That choice, I suggested, must be made by Africa in the form of a package of at least five commitments which African governments and people must irrevocably undertake.

These are: (i) that African Governments must indeed and in fact give the highest priority, in their rehabilitation and recovery programme, to the rural sector in general and to food and agriculture development in particular; (ii) that African governments must continue to make genuine efforts to improve the management of their economies, to rationalize their public investment policies and to promote the most efficient utilization of resources; (iii) that African governments and people must accept to impose greater sacrifices on themselves by adopting appropriate austerity measures, so as to achieve greater mobilization of domestic resources through both private and public savings and through the adoption of necessary fiscal and monetary reform measures; (iv) that our governments must continue the process of undertaking essential policy reforms, difficult and painful as they are; and, (v) that Africa must demonstrate in every practical way its recognition of the need to bear the burden of its development, even in spite of the very low standard of living of its people - a low standard of living that has fallen even further as a result of the cumulative impact of the poor economic performance of the past ten to fifteen years and the disastrous consequences of the Great African Drought Disaster of 1983-1985.

Having designated the year 1986 as Africa's year with destiny, as the year when Africa must begin to demonstrate to itself and to an increasingly cynical world its resolution and total commitment to this package and as the year when the people and governments of Africa, finding themselves at the economic crossroads, must take the path of honour and integrity to will an economic future of recovery and growth for themselves, it was natural, meet and right that I should seek your approval to undertake an empirical investigation to ascertain the overall picture that would emerge at the end of the year, not only in terms of macro-economic aggregates, not only in terms of the usual socio-economic indicators but also - and most importantly - in terms of qualitative changes in policies and programmes and in the management of the economies. You were kind enough to give the green light for a comprehensive questionnaire to be sent to all member States and to lend your full support to the imperative necessity of all governments completing the questionnaire in time for an analysis thereof to be presented to your august body at this session.

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Through the ECA annual Survey of Economic and Social Conditions in Africa 1985/86 and ECA/ADB Annual Economic Report, 1987, the picture which has emerged on the basis of the main economic indicators is the transition of the economic performance of the continent from the uniformly disastrous situation of the past years to one that is distinctly marginally better. Unlike in the past when

there was hardly a redeeming feature in Africa's economic firmament, 1986 saw a large number of African countries achieving positive growth rates and of a significant improvement in food production. Africa had record harvests. For the first time in more than a decade and a half, agricultural output grew in 1986 by more than three per cent and for the first time also in many a year, the problem was how to dispose of exceptional food surpluses internally.

This is not to suggest that the overall food deficit situation of Africa has disappeared. While a few countries are approaching the food self-sufficiency ratio, food deficits still persist on the continent as a whole. Indeed, many African countries - particularly those which still have pockets of drought, a large population of refugees and/or are suffering from civil strife - will need increased food aid in 1987 in order to meet their structural food deficits. While the standard of living of Africans as a whole did not improve in 1986 as total regional output grew by only 1.3 per cent in 1986 against a population growth rate of nearly 3 per cent, while Africa's major economies - many of which are also oil producing and oil and/or mineral exporting countries - experienced negative growth rates, and while, therefore, it will be premature to conclude that Africa is now out of the economic doldrums, one cannot, nevertheless, escape the conclusion that the Africans and their leaders have accepted the challenge and are rising to it and are, at last, determined to take the path of honour and integrity to will the recovery of their economies.

Indeed, ECA's Preliminary Survey on the Implementation of Africa's Priority Programme for Economic Recovery, 1986-1990 (APPER) and the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990 (UN-PAAERD) (Document E/ECA/CM.13/5 of 6 April 1987) gives credence to this emerging trend. This ECA's Preliminary Survey is the result of that comprehensive questionnaire administered by ECA to all member states late last year. The questionnaire which was designed in five parts focussed on (i) general issues related to the implementation of APPER and UN-PAAERD; (ii) immediate measures to enable African countries to cope with future emergencies and catastrophies; (iii) short-term measures to assist in Africa's economic recovery and development; (iv) financial resource mobilization; and, (v) modalities and mechanisms for implementing and monitoring both programmes.

The questionnaire also followed closely the structure of both APPER and UN-PAAERD in another respect. It was structured in such a way as to obtain information on the main priority areas which, as we all know full well, are (i) food and agriculture; (ii) other sectors in support of agriculture; (iii) drought and desertification; (iv) human resources development, planning and utilization; (v) policy reforms; and, (vi) refugees and displaced persons.

The responses to the questionnaire - both in terms of the number of countries and in their geo-political spread as well as in the facts and information provided have been quite encouraging. As of today, 34 out ECA's total states membership of 50 have completed and returned the questionnaire to us. Twenty-two of the responding countries are LDCs and all the seven economic and ecological sub-regions to which ECA has divided Africa i.e. Indian Ocean Island countries, East Africa, Southern African States,

Central Africa, The Sahel, Non-Sahelian West Africa and North Africa - are well represented in the responses. This is why we are confident that the overall picture which emerges from our analysis of the responses is typical of the trend which is discernible throughout Africa today.

And what is this overall picture like? On the canvas are writ-large determination, commitment, and sacrifice; the making of painful choices, and unprecedented political courage; and, the will to pull Africa up by its bootstraps. Country after country introduced policy reforms and undertook structural adjustment programmes which have imposed more sacrifice on their people and which have had dire political consequences. The overall picture therefore is one of African leadership, one after another, their governments and their people rising to the challenge posed by APPER and UN-PAAERD.

The Survey shows that 97 per cent of the countries that have responded have adopted the same priorities as APPER and UN-PAAERD; it shows that many countries have adopted stabilization programme (43 per cent), structural adjustment programme (70 per cent), and overall economic rehabilitation programme (17 per cent). It is of course the case that structural adjustment programmes have been in existence in some countries for a number of years now and their impact is being increasingly felt. As far as immediate measures are concerned, 50 per cent have created or maintained national emergency preparedness mechanism; 47 per cent are instituting effective early-warning system, and 50 per cent have established national food security system while 87 per cent have adopted price incentives for agricultural products.



On short/medium-term measures, 80 per cent of the countries indicated that they had raised substantially the level of investment; 13 per cent have plans to do this by 1990. 73 per cent had already established or strengthened agricultural credit institutions while only 47 per cent had already taken measures to provide incentives to encourage rural savings. The responses also reveal interestingly encouraging developments in the field of the introduction of mechanization of agriculture (67 per cent); development, dissemination and encouragement of modern inputs and methods (87 per cent); improving and expanding storage capacity (70 per cent); and strengthening or creation of a network of agronomical research stations (73 per cent).

I could go on quoting from the ECA's Survey of what the responses are in other areas which I know are of interest to all of you - in the domain of the management of the economy, encouraging the private sector, establishment of a national population policy, of measures to mobilize domestic resources and of efforts to liberalize the investment codes. Substantial information has also been made available through responses to the questionnaire on the modalities and mechanisms which have been put in place at the national level for the implementation and monitoring of APPER and UN-PAAERD. The ECA's Survey has thus made available to you and the international community a wealth of data and information and an overall picture. The current survey is a baseline one and it is ECA's intention to update it regularly and to extend its coverage and its depth as part of its monitoring function. Meanwhile a close study of the survey by all of you and indeed by the entire international community is highly recommended. It is the

first document of its kind - providing comprehensive information as to what is taking place at the national level - that will be available since the UN-PAAERD was adopted on June 1, 1986 and indeed since APPER itself was adopted in July 1985.

From all the information and data - qualitative and quantitative - available, there can be no doubt about the overall picture which is discernible both from the analysis of the questionnaire and from our Survey of Economic and Social Conditions in Africa. This unmistakable picture is that, at least for once, Africa is matching its rhetorics with its deeds and its promise with its performance. In Africa's Submission to the Special Session of the United Nations General Assembly on Africa's Economic and Social Crisis (E/ECA/ECM.1/1/Rev.2) both the OAU Council of Ministers and your goodselves pledged on behalf of the continent Africa's determination "to face and overcome the twin challenges of survival and development... to make all the sacrifices for bringing about economic rehabilitation, recovery and development (and) accordingly ... take measures to strengthen incentive schemes, review public investment policies, improve economic management, including greater discipline and efficiency in the use of resources, encourage domestic resource mobilization and ensure the broad participation of all our peoples in the veritable fight against poverty, famine and hunger, disease and ignorance."<sup>1</sup>

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<sup>1</sup>Ibid. pp. 1-3.

What, in the face of the heroic efforts made by Africa, have been the responses of the international community? What is the nature of the international economic environment in which Africa has had to pursue its economic recovery and development goals during the past twelve months? What has become of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 as far as the implementation of the commitments of the international community is concerned since the adoption of the Programme on June 1, 1986? After examining the performance of Africa in the fulfilment of the commitment its leaders and governments undertook, we cannot but X-ray the performance of the international community, particularly of Africa's development partners.

First and foremost, the international economic environment was even more hostile last year than it had been for many a decade. As I said in my end-of-year assessment of the performance of the African economy, the slump in Africa's export trade in 1986 was unprecedented perhaps since the Great Depression of the inter-war years, resulting in a catastrophic drop in export value and in an escalation in the deficits on current accounts. In one single year, the value of Africa's merchandise exports declined by about 29 per cent from US\$64.0 billion in 1985 to US\$45.0 billion in 1986 as a result of the fall in prices of exports because of the collapse in the commodity market; export volumes having fallen by a mere 3.0 per cent. The export earnings of the nine African oil producers fell by a record of 36 per cent while those of non-oil producers crashed even further by 39 per cent in 1986.

Also in 1986, the external debt problem and debt-servicing obligations assumed unmanageable proportions. Africa's disbursed and undisbursed foreign debt - which is estimated to be about US\$200 billion by the end of 1986 - amounts to 44 per cent of its total GDP and 190 per cent of its total export earnings. Debt service ratio now exceeds 30 per cent of GDP on the average and is much higher for many low income countries. For over 25 per cent of African countries, the debt service ratio exceeds 50 per cent and, in some cases, more than 100 per cent of export earnings. For example, debt service obligations of the Sudan in 1986 were estimated at about 300 per cent of the value of its export of goods and services. It is for this reason that actual repayments have in fact been much lower and rescheduling of repayments has been more frequent. Indeed, indications are that unless and until some broad agreement on the debt issue is reached, the prospects of an increasing number of countries defaulting will loom larger and larger. And, worse still, the prospect of a sustained and sustainable African economic recovery will be in constant jeopardy.

With the debt servicing obligations of African countries now between US\$14.6 and US\$23.0 billion, with export earnings falling by about US\$19.00 billion in 1986, the African economies have been drained of resources to the tune of between US\$33.6 and US\$42.00 billion in one year. In the face of such a huge drain - such "outflow" - the capital inflows of US\$12.00 billion in 1986 seem rather insignificant. Therefore, unless the African commodity problems are addressed and unless the continent's debt servicing obligations are tackled, resource inflows will have little impact and seldom any meaning. And of course the implementation of APPER and UN-PAAERD will become a nigh impossibility.

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Let me deal with these two cancers in Africa's political economy in some detail. In the UN Programme of Action for African Economic Recovery, it was agreed that there is a need for the international community "to deal with commodity issues taking into account the special interest of the African countries". Given the precipitous fall in the prices of virtually all of these commodities in 1986, what a more opportune moment for action can exist? It is certainly not beyond the capacity of the international community to devise an imaginative package that can address Africa's perennial commodity issues.

The EEC and ACP countries came out with the STABEX as the single most significant innovation of the Lome Convention. STABEX has developed into a significant source of compensatory finance in the face of falling export earnings from products included in the scheme. STABEX is a particularly constructive response by the EEC to the perceived need to "do something" to assist primary producers in associated states. In the words of Claude Cheysson, EEC former Commissioner for Development, the scheme is both a sickness and unemployment insurance: compensation where earnings have declined as a result of local production problems (sickness) and compensation as a result of falling prices or reduced demand on the world market (unemployment).

Of course, the scheme has its many shortcomings and pitfalls. Its product coverage is limited. By not covering processed commodities it is acting to preserve the existing division of labour between EEC member states and ACP member states. The scheme also suffers from insufficiency of funds - a situation which no doubt accounts for the evolution of the rather arbitrary system of dependency threshold, the principal purpose of which appears to reduce the cost

of the scheme to the Community. Finally, the scheme does not cover minerals. Therefore mineral exporting countries are discriminated against. Needless to add that SYSMIN - the special financing facility for mineral products - is a poor substitute for STABEX.

But in spite of their limitations and their deficiencies STABEX and SYSMIN are innovative responses by EEC and ACP countries to deal with the commodities problem. Within the context of the UN-PAAERD cannot the international community come out with a similar innovative scheme which will draw from the experience of STABEX and SYSMIN for Africa?

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The African debt problems also deserve similar innovative approaches. Again, in the UN-PAAERD the international community "recognizes the magnitude of Africa's debt and the severe and restrictive burden which this has placed on many African countries. It realizes that measures have to be taken to alleviate this burden (emphasis added) and to enable those countries to concentrate on the full implementation of priorities"<sup>1</sup>.

In view of this recognition, the time is due for the international community to come out with a package of measures that will be addressed uniquely to Africa's debt

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<sup>1</sup>UN General Assembly, United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (A/RES/S.13/2), page 16.

problem. The 31st Meeting of the IBRD/IMF Development Committee held on April 10, 1987 also gave recognition to the severe problems of indebtedness facing Africa and agreed that for many African countries "additional measures were needed to improve their capacity to service their debts and at the same time, undertake growth-oriented programmes<sup>2</sup>". The time has therefore come for remedial actions. Indeed it is already overdue.

In this connection, we must applaud the initiative that has been launched by some members of the Paris Club to work towards realistic rescheduling terms for the "poorest nations undertaking strong growth-oriented adjustment programme". While the move to stop keeping African debtor countries on a short leash is to be welcomed, longer rescheduling periods alone will not be adequate. Debt relief measures addressed to the realistic solution of African problems must be comprehensive enough to accommodate the three proposals which we made in Africa's Submission last year. These are (i) conversion of ODA debts and interest obligations into grants; (ii) consolidation of non-ODA official debts and service payments thereon due over the period 1986-1990 of UN-PAAERD and APPER into long-term loans payable over 30-40 years on concessional terms with a 10-year period of grace; and, (iii) improving the existing framework for commercial debt renegotiation. Capping and reducing interest rates for commercial debts as well as consolidating debt-servicing payments for these debts and their repayment over a long period of time on

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<sup>2</sup>Development Committee Press Communique (mimeo), p.3.

concessional terms must be part of the comprehensive approach.

In addition to the Paris Club and the London Club members adopting this package, both the Bretton Woods institutions - the World Bank and the IMF - must also, in so far as the debts owed them by African countries are concerned, adopt and implement similar measures. At present, these institutions are prevented by their rules from even rescheduling repayments of debts and debt service obligations. Hence, in order to ensure that countries do not default they give Structural Adjustment Loans or Facility, substantial part of which is merely recycled back to them for settlement of debt obligations.

Unless the twin problems of commodity prices and external debt are addressed, the UN Programme of Action for Africa's Economic Recovery and Development 1986-1990 will be a sham particularly in so far as the response and commitment of the international community are concerned. While the replenishment of IDA 8 to the tune of US\$12.4 billion and the decision to allocate 45 per cent thereof to Sub-Saharan Africa is most welcome, this measure is only meaningful within the context of the package that addresses the commodities issues and the debt problems. For without doubt, the recovery programme will be still born unless action is taken by the international community on these twin problems.

In conclusion, the package which I am urging the international community to put together in response to Africa's needs would therefore consist of the following four principal components:



- (i) Support and stabilization of earnings for commodities and minerals that are of primary interest to Africa at reasonably remunerative levels - i.e. a system analogous to the EEC/ACP STABEX and SYSMIN;
- (ii) Comprehensive measures to deal with the debt and debt-servicing problems;
- (iii) Measures to ensure that both the World Bank and the IMF can reschedule on a long-term basis the repayment of the debt and debt-service obligations owed to them by Africa's debt-distress countries; and,
- (iv) Measures to ensure the flow of net concessional resources at a level adequate to cover Africa's requirements for recovery and development.

Fortunately, there is a growing awareness among some developing countries that such actions are urgently required. It is therefore my earnest hope that such countries will take the lead in organizing concerted response from those donor countries that are like-minded. In this connection, the forthcoming annual meeting of the Group of 7 in Venice in June this year will provide an opportunity for the most advanced Western industrialized countries to put together a package that will address the vital issues of recovery and development in Africa.

Last year the entire international community adopted by consensus UN-PAAERD. The sceptical world did not think Africans meant business. Now that they have demonstrated

their commitment, will the international community rise to the challenge of sustaining the continent's economic recovery and development? The answer to this question, in operational terms, will have decisive impact not only on the future of Africa but also on the future of our world community.

I thank you for your attention and wish this 22nd Session of the Commission every success.