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**UNITED NATIONS  
ECONOMIC COMMISSION FOR AFRICA**



**SECOND GENERAL ASSEMBLY MEETING OF  
THE ETHIOPIAN ECONOMIC ASSOCIATION**

(Conference Hall of the Ministry of Planning  
and Economic Development, 11 December 1993)

**THE PERSPECTIVES OF AFRICA'S DEVELOPMENT  
IN THE 1990s**

Keynote Address

by

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December 1993

Dr. Eshetu Chole  
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Distinguished Members of the Association,

Ladies and Gentlemen,

It gives me great pleasure to be here with you this morning to deliver a keynote address on the occasion of the Second General Assembly of your Association. I am particularly pleased to see that the Association has been active since it was established two years ago. You collectively have an important responsibility to perform in developing the economic Profession in Ethiopia and in helping the country to devise and implement appropriate economic policies and strategies.

For my keynote address this morning, I have chosen the subject of *"The Perspectives of Africa's Development in the 1990s"*, for the 1990s constitute a watershed for Africa's development in a very real sense. It is a decade that marks, for Africa, the closing years of a century that has for the better part of its second half been remarkable for its paradoxes and contradictions. Following the struggle for independence in the 1950s and 1960s, the challenge of accelerated development in Africa has had to be faced and addressed head-on. The advent of independence carried with it great expectations and hope, and indeed the promise of higher standards of living for the emerging nations of Africa. The first two decades after independence saw significant gains in per capita incomes and considerable expansion in education, health services, production and infrastructural capacities. But the euphoria at independence soon turned sour, and into bitter disappointment, apathy and despondency on the continent.

The 1980s brought about sharp reverses in the fortunes of the African countries. With a drastic deterioration in economic performance and in almost all parameters of social and political development, the lot of the overall majority of the African people was that of growing immiserization and vulnerability. In addition to the various policy shortcomings and deficiencies in economic management and resource allocation and utilization, socio-political instability and lack of popular participation in the development process prevailed in most of Africa. There was also the inconducive international economic environment to contend with. In consequence, Africa fell well behind the other developing regions in almost all areas of economic accomplishment; with its share in world trade shrinking for instance from 4 per cent in the 1960s to only 2 per cent at the beginning of the current decade. Of the world's 47 countries classified as least developed countries (LDCs), 32 are now in Africa. With per capita incomes falling by over 20 per cent between 1980 and 1990 in real terms, the decade of the 1980s was almost entirely lost to development in Africa. Thus, the decade of the 1990s is one during which African countries must per force undertake agonizing reappraisals, basic and fundamental restructuring, and, the creation of a more enabling environment for socio-economic renewal and sustained growth.

The 1990s also represent a watershed for Africa's development on account of the sheer weight and wide range of emerging changes and realities in the world at large. To mention only the major ones: there have been systemic changes in significant areas of human lives and organization in recent years - the collapse of the centrally planned economies; the creation of regional economic blocs; global liberalization and the rebirth of

neo-classical economic thinking and prescriptions with their doctrinaire emphasis on market forces, a paradigm which, in spite of its overwhelming dominance and contemporary appeal, is not very helpful in understanding the current economic crisis in Africa.

Africa faces also along with the rest of the world a number of other challenges that are likely to dominate the world agenda for the 1990s and the first few years of the next century. Chief among these are the questions of security which are still a major cause for concern even with the end of the cold war due to the revival of micro-nationalism and the resurfacing of racialism. There are also the age-old problems of global trade and finance, international division of labour, technology, and, more recently, the environment. Finally, and indeed most important for the developing world as a whole, is the challenge of creating a world economic environment that not only promises greater wealth, but also greater equity and equality of opportunity for Africa within the context of an interdependent world. We have now seen beyond doubt that lop-sided development - which became a hallmark of this century - is nothing but a recipe for misery, political instability and further marginalization of the poorer inhabitants of our world, particularly in Africa.

In addition to the overall binding constraint imposed on Africa's development by the factors and tendencies that I have just identified above, Africa has had to grapple with a long list of equally formidable challenges, the most important among which are: (a) wide-spread and escalating poverty; (b) a disarticulate and low-based productive capacity and declining productivity; (c) demographic explosion; (d) inadequate physical environment for development and a deteriorating natural resource base; (e)

inconducive political environment; and, (f) the external resource constraints, typified in particular by the excruciating debt problems, falling commodity prices and inadequate foreign investment and aid flows. I will highlight only the more important of these challenges that I consider most essential for a healthy relaunching of development during the remaining six and a half years of the current decade, and in connection with which the unflinching support of our development partners would be absolutely crucial.

The first of these challenges is economic re-invigoration, with a focus on poverty alleviation and eradication. For this, the creation of new capacity and the revamping and rehabilitation of existing production structures in Africa should be the top priority, particularly in agriculture and industry, with a view to meeting the basic necessities of life and the internalization of the development process. Food self-sufficiency and food security in Africa's basic staples as well as competitiveness of commercial agriculture and manufactured exports should be the prime goals of such a strategy. There is a special need for the modernization of the traditional patterns of production in Africa, the intensification of farming methods, extensive land reclamation and the establishment of a better agro-animal forestry balance. There will also have to be an irreversible break-through in water resource management to relieve the fatal dependence of African agriculture on rainfall and the vagaries of weather conditions, especially if the race between population growth and food production is to be won. In the field of industry, focus should be on overall operational efficiency in both public and private enterprises, technological upgrading and the broadening of the industrial base.

A corollary of this basic strategy and indeed an important corollary for its successful implementation is technological upgrading, keeping in mind that the challenge of production and exports is increasingly shifting to the domain of technology. Such a move, for which the assistance of our development partners is urgently required, would inevitably help shift upwards the production possibilities functions in the African countries, widen the production base and permit Africa to effectively compete in international markets. Indeed, the restoration of the growth and development momentum in Africa needs to be predicated on a radical departure from the practices and policies that have retarded socio-economic progress in past decades. The trickle-down effects of enhanced production will have to be coupled with deliberate distributional policies in favour of the poor, and the empowerment of people to participate in the production process if poverty is to be effectively addressed and tackled. What is needed is a conscious and calculated effort to achieve tangible results, a process which naturally requires radical changes in attitudes and approaches to development, and the propagation of a supportive work culture and ethic. Difficult as it is, this is by no means a tall or insurmountable order once there is genuine commitment.

Closely related to the strengthening of the production capacity is the restoration of a healthy physical environment of development. So far, Africa's development has drawn heavily on the continent's natural resources. However, the resource-based strategies and policies implied in Africa's past development efforts would seem to confer little or no significant comparative advantages for the near-future in competition with the technology-based strategies of Africa's trading partners; nor are

they entirely free of unacceptable environment-degrading side-effects. Hence Africa's attention must increasingly shift to the goal of sustainable development, of which, arguably, there are international dimensions. Africa's Common Position within the context of Agenda 21 has spelt out the challenges to be addressed in the follow-up to the Rio's Conference on the Environment. Seven critical areas have been identified in Africa where sustainable development should reflect regional concerns, namely the challenges of: food self-sufficiency; population; the exploitation of water resources; energy efficiency and self-sufficiency; industrialization; stabilization of the ecosystems; and, reversing desertification.

Socio-political harmony is essential also to economic development. People are the focus of development and the beneficiaries of its outcome. The recent drive towards democratization of the development process in Africa, following a relatively prolonged period of crisis in governance and over-centralization of power, must be seen as holding a real promise for the take-off for an improved socio-political context of development on the continent. The continent is in economic as well as in political transition. Basic human rights are generally what are at stake, including people's rights to effectively participate in the development process. But it would be a major mistake in Africa to ideologically nurture a particular model of political participation beyond the basic subscription to a democratic culture. In addition to committing themselves to democratic traditions, African countries will equally need to appreciate the importance of cultural diversity.

The African society also needs to be sensitized towards the utility of collective regional efforts. The political and development institutions in Africa are more than ever before required to intensify efforts at collective actions in support and acceleration of the implementation of region-wide strategies and programmes of action, especially in the context of the Treaty establishing the African Economic Community. In a continent that emerged from colonial dependence in a fragmented and parlous state, and have remained balkanized ever since, it has become increasingly clear that only concerted efforts at regional and subregional economic integration will guarantee a full mobilization and maximization of its immense potential for sustained growth and economic relations with the rest of the world. The first two stages identified in the Abuja Treaty for implementation in the course of the 1990s relate to the strengthening of existing subregional economic communities in Africa; reduction of tariff and non-trade barriers within the subregional communities, strengthening infrastructural linkages, integration of production structures, and, harmonization of fiscal and monetary policies among member States.

It is by now generally accepted that the domestic challenges in Africa have been greatly complicated by a generally hostile international economic and financial system, judging particularly by the experience of the 1980s. The external constraints include, *inter alia*, the general deterioration in the terms of trade, arising essentially from the catastrophic collapse in the prices of primary products exported by Africa, inadequate capital flows, mounting debt burden and the hardening of the conditionalities and terms of resource transfers and debt relief. Let me give some brief illustrations. The price index for Africa's



primary commodity exports fell precipitously by 35 per cent since 1980. It has been estimated by UNECA that Africa lost between 1986 and 1988 about US\$50 billion, owing to the fall in commodity prices. This pattern continued unabated through the early years of the present decade. The associated rounds of income effects, primary and secondary, are no doubt significant and had in many situations disrupted the implementation of development plans at the national level.

Capital inflows have always been a valued addition to domestic resources in Africa; hence the crucial importance of the financial support by the international community. The United Nations General Assembly had adopted two programmes of action calling for a significant rise in these resources in support of Africa's development efforts. These are the United Nations Programme of Action for African Economic Recovery and Development, 1986 - 1990 (UN-PAAERD) and the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF). To achieve an annual growth rate of real GNP of at least 6 per cent by the African countries over the course of the 1990s, the Secretary-General of the United Nations has estimated that a minimum of US\$30 billion in net ODA would be need to grow at an annual average rate of 4 per cent per annum. In a recent study by UNECA, the nominal resource targets under this scheme here estimated at US\$34 billion for 1993, rising to US\$42 billion in 1988 and US\$86 billion in the year 2005 for the low-income group of African countries, and US\$32 billion, US\$33 billion and US\$59 billion respectively for the upper-income group of African countries. These estimates include the external debt service obligations which constitute a major share of the required resources. For example, an equivalent of about 73 per cent of

the aid requirements of the low-income countries for 1993, and some 96 per cent of the required inflow for the upper income countries for the same year will be taken away by debt service. Therefore, without the solution of the debt problem, Africa will be subjected to an unprecedented famine of foreign exchange constraints.

The high cost of borrowing, capitalization of interest payments obligations and the accumulation of arrears in the face of falling commodity prices and stagnating resource flows have led to a sharp worsening in the debt situation. The external debt burden, measured by indicators such as the ratio of debt-service payments to export earnings and GDP, had reached unprecedented and unmanageable proportions. Data available at UNECA indicate that the stock of debt amounted to US\$281.8 billion in December 1992, equivalent to about 92.6 per cent of the region's GDP. Ex post debt-service ratio for the region as a whole amounted to about 23.7 per cent. For some countries, debt-service obligations ranged between 100 per cent and 300 per cent of exports of goods and services. Thus, the continued escalation in debt-service obligations constitutes a major obstacle to the recovery and growth process through its adverse impact on resource availability to support reform measures.

In spite of the benefits that Africa has derived from many of the initiatives and steps taken to solve its debt crisis, the stock of debt has continued to rise, albeit at a slower rate, thanks to measures adopted to cancel part of Egypt's external debt in the recent past. The recognition in recent debt initiatives of the need for debt-service to match debtors' capacity to pay is indeed welcome; what is regrettable is the continued insistence on tying

debt-relief measures and new borrowing to stiffer conditionalities. Notwithstanding these initiatives, the debt burden of most African countries remains unsustainable. Many of them are forced to accumulate arrears which amounted to a massive US\$32 billion in 1991. Africa as a whole can only meet about two-thirds of its originally-scheduled debt service obligation, with the balance having to be rescheduled or accumulated into arrears. It is well known that the debt crisis has the added adverse impact of discouraging foreign direct investment in Africa since investors are unwilling to venture into countries which are tagged as bad debtors. There has, therefore, been a virtual cessation of foreign direct investment in many African countries in recent years and efforts at revamping such investment have sometimes met with limited success. What is needed is a major debt-relief initiative focused on the poorest nations - which is what most African countries really are. Surely, the obstacle to such an initiative is not one of the size of the debt stock to be cancelled, because many analysts believe that a major portion of the debt of developing Africa could be completely eliminated without undue repercussions on the economies of the debtor countries, but whether indeed the donor community will ever muster enough political will to remove the albatross of debt from the poorer nations.

In a world with a common future and of growing interdependence, Africa's development is a shared responsibility. Africans do recognize however that the prime responsibility and initiative remain theirs; and that the essentials of an enabling environment for development naturally have to be initiated and vigorously pursued domestically. The goals of economic development, and the focus and the modalities for such a

process have been articulated in the various policy documents adopted by the Assembly of the Heads of State and Government of the Organization of African Unity which are also fully consistent with the international peace and development context established by the United Nations. Africa's overall objective, as stated in these seminal documents and the plans of action and programmes contained in them, is to achieve full economic transformation and, in the process, eradicate poverty and establish the necessary conditions for self-reliant development. The journey may be far from smooth, and there may even be a long and arduous way to travel. However where there is a will there is a way. But the process will obviously be smoothed by building on Africa's already existing economic co-operation structures and by creating a solid enabling socio-political environment through the reform of political systems in Africa and the restoration of people's confidence in participatory development. This is easier said than done, given the very wide confidence gap currently separating the State and its institutions in Africa from the people and the fact that even the most generous of donor countries have agendas of their own which do not always or necessarily coincide completely with that of Africa. The transition to democracy is definitely not easy, as recent elections in countries such as Angola, Cameroon, Ethiopia and Nigeria have demonstrated regarding the difficulties associated with shifting to pluralistic systems. Our development partners, while encouraging us to travel the distance, would seem to have underestimated both the required time-frame and the financial costs needed to underpin the process of transition in Africa.

The international community has a major interest and role in the successful realization of the process of economic and

political transition in Africa, even if some donors find cause to disagree with the ordering of the priorities and or have different ideas on possibly some of the approaches and programmes that Africa has chosen to follow as its path to self-sustained development. I have only just a while ago elaborated on the magnitude of resources that are necessary to relaunch development in Africa. What Africa's development partners must not do is to link their financial assistance to stricter conditionalities and unrealistic payments schedules as this will not only derail the development efforts in Africa but lead to even higher levels of unutilized capacities, foregone output and a general deterioration in the living standards of the people.

I thank you for your kind attention.