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ECONOMIC COMMISSION FOR AFRICA

Mission Report

Twenty-sixth Session of Committee for Development Planning

BY

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SERPD

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The Committee for Development Planning met in its Twenty-sixth Session in New York on 30 April-4 May 1990. The meeting was chaired by Mr. Al-Hamad, Abdlatif, head of the Arab Development Fund and in attendance were 21 members, three of them Africans namely, Prof. T. A Gogue, Vice-Rector, University of Benin, Prof. T. Ademota Oyejidi of University of Ibadan and Prof. Akilagpa Sawyerr, Vice-Chancellor, University of Ghana (Legon). (see annex). Organizations and UN agencies, including the ECA represented by Mr. M. El-Egaily, were present as observers.

The meeting adopted the following agenda:

1. Adoption of the agenda and organization of work
2. Emerging trends in the world economy
3. Self-evaluation of the Committee
4. Emerging trading blocs and their implications for development planning
5. National policies in the areas of public expenditures and tax reform in relation to economic development
6. Measures for the alleviation of poverty
7. Criteria for designation as least developed among the developing countries
8. Identification of the least developed among the developing countries: the case of Liberia
9. Organization of the work of the twenty-seventh session
10. Adoption of the report of the Committee on its twenty-sixth session.

On agenda item 5, the Committee decided to defer discussion on this item to future meetings. The agenda was adopted as amended.

Agenda item 2: Emerging trends in the world economy

Discussions on this agenda item centered around developments in economic and social spheres. The Committee reviewed recent developments and concluded that the reduction in output experienced in 1989 is likely to intensify in 1990, with some acceleration expected to begin in 1991. Of all countries, it is only south east Asian countries who manage to grow rapidly in the 1980s. In particular it noted that in the earlier years of 1990s there will be no increase in per capita income of Africa and a very sluggish growth in Latin America of less than 1 per cent. The Committee noted that such dismal picture for Africa represents a challenge not only to national governments in Africa, but also to the world community at large and in particular to the group of economic powers that shape the international economic framework within which the smaller and poorer countries have to operate. It questioned whether it is politically and morally right for the economic community to accept the prolongation for an indefinite future of an economically devastated continent of Africa.

Agenda item 4: Emerging trading blocs and their implication for development planning

On this agenda item, the Committee discussed the report of Working Group II on regional and multi-lateral trading arrangements as introduced by Prof. Helen Hughes.

The document highlighted the importance of a multilateral trading systems and emphasized that the maintenance of an open global trading framework is of utmost importance to all nations, in particular to those of centrally planned economies of East Europe seeking to enter the market system; and, to developing countries, especially to the smaller and less developed among them. The document then assessed the trade trends and growth of international

trade as the most remarkable characteristic of the economic changes of the past 45 years. Developing countries have to concern themselves with overall trends in their principal markets. For example, the apparent consumption of textiles, clothing and footwear is no longer growing appreciably as consumers demand in industrialized countries moved into expenditures on complex manufactures. This is one reason why East Asian countries had managed to penetrate the markets of industrialized countries. Another factor to take into account is the tendencies for markets to become more competitive with the emergence of the new democracies in Eastern Europe.

The document emphasized that in contrast to multi-lateralism, the concentration on regional bloc economies has proved to be unconducive to liberalization of international trade as it leads to the creation of more and more protectionistic structures. For example, the EEC's common agricultural policy which is discriminating in character and nature, has resulted in high barrier, against the rest of the world. Thus, it is not only costly in terms of EC employment, budgets and consumers, but also imposing high costs on the rest of the world. It was also noted that most proposals for new regional arrangements, notably between the United States and East Asian countries, arise from bilateral imbalances rather than from a liberalization impetus. The renewed impetus for bloc formulation has caused concern because of the trade diverting potential of recently formed blocs among industrialized countries. The enlargement of the EEC, the formation of the Canada-United States and Australia-New Zealand blocs and of the Israel-United States bloc have added to discrimination within the global trading system. It is hoped that multilateral pressures will make these blocs increasingly open so that income growth effects will dominate. That hope rests primarily on the strengthening of the GATT and restrictions on countries that are presently playing the role of free riders.

GATT needs the support of all countries if the trading environment is to be improved further, in particular gains from negotiated reductions in trade barriers. The failure of the GATT to achieve liberal trade regimes for which it was designed was the fault of the members, not of the system. The ineffective participation of developing countries reduces the influence of GATT. However, the East Asian newly industrialized countries managed to have their voice heard in the Uruguay negotiation in particular to the issue of inclusion of trade in services i.e. changing composition of demand from goods to services.

Flow of capital will also favour open economic environment. If the country environment is open and world market price oriented, capital inflow ill increase in particular that of private direct foreign investment as the benefit of it are likely to exceed the costs but in a protected environment the cost to capital is likely to exceed the benefits. It is important therefore to avoid measures to add to the restrictions on the movement of capital. Such movements depend on the buoyancy of the global economy and the domestic policies of individual countries. If fiscal and monetary policies are effective so that there is no inflation, the exchange rate is at equilibrium, and savings and investment are high and productive, an economy can develop rapidly if trade policy ensures export growth. If industrial countries retreat from trade creation to trade diversion, world growth will slow and so will exports.

Three African members of the committee namely, Prof. T.A. Gogue, Vice-Rector, University of Benin, Prof. T. Ademola Oyejide of University of Ibadan and Prof. Akilagpa Sawyerr, Vice-Chancellor, University of Ghana, Legon, made strong reservations as to the negative effects of regional integration in Africa and its adverse impact on world multi-lateralism. Prof. Gogue underscored the importance of regional integration as a vehicle that can provide the potential for economic and political stability in

Africa that multi-lateralism cannot equally do. Prof. Sawyerr described the state of affairs as appalling, small countries with small market size and so they have to do it themselves than wait and depend on multi-lateral systems to do it for them. If there is not much success achieved it is not because of the faulty idea but may be rather the policy framework for its implementation. It is in fact the external factors and outside allegiance to countries like France, Britain, etc., that retard the progress. He gave the example of how external factors prevent ECOWAS from being successful. He said ECA and other African institutions are undertaking concrete steps towards the establishment of the African Economic Community and he requested the CDP not to come out with a statement which prevent them to do so.

Other views expressed relate to:

- Africa's move from closed national economies to regional economies in the context of cooperation and development is conducive to world development.

- regional integration in Europe (EEC) succeeded because it is done within the context of reducing trade barriers within GATT and not defensively as the case of Africa

- Political discriminatory measures make countries move away from multi-lateralism. In 1986 USSR applied for an observer status in GATT but was not accepted and being a superpower, it therefore remains outside the multi-lateral system.

- For a very different reason, USA in recent years moved away from multi-lateralism to bilateralism; enacting anti-dumping laws, preferential treatments, discrimination against bad boys are indeed measures that

constitute a real threat to multi-lateralism. The history is rather long. The USA adopted in 1961 voluntary export restrictions to protect textile, then it extended it to cars and later moved to machinery.

- regionalism in Africa should not be seen as damaging to multi-lateralism. Indeed external difficulties make it necessary as most countries are unable to compete under the present international financial systems.

Agenda item 5: National Policies in the Areas of Public Expenditures and Tax Reforms in relation to Economic Development

Discussion of this agenda item is deferred to future meeting

Agenda item 6: Measures for the alleviation of Poverty

This agenda item was requested by the UN General Assembly to serve as part of the Fourth United Nations Development Decade of the International development Strategy. There is no report of a CDP working group on the item.

Professor Ferdinand Van Dam introduced the agenda item. It was noted that there were great hopes that the vigorous expansion of international commerce at the end of the decade, introduction of policies to encourage structural adjustment and attempts to resolve the debt problem would resolve the problem of poverty. But in vain, the situation was more precarious by the end of the decade than in its beginning. The absolute number of persons in poverty have then increased. Thus, it seems that growth alone is not sufficient to eliminate poverty.

Government policies to reduce poverty have not formed part of an overall development strategy but have been adopted on an ad-hoc

basis. But what is needed is not mere anti-poverty projects but a development strategy centered on the elimination of poverty so that the poor should not be viewed as objects of charity or recipients of welfare services. Thus, investing in the poor should be seen as expenditure with potentially high rates of return in a cost-benefit analysis context.

Three broad approaches to combat poverty can be identified as:

(i) trickle down approach: this approach relies on economic growth alone to benefit all groups of the population

(ii) redistribution from growth: this approach calls for greater government intervention to reduce the flow of growth in income to the rich and to channel some of it to the poor.

(iii) redistribution of existing productive assets: this approach calls for increase in the productive employment and incomes of the rural poor.

The enabling measures will include, redistribution of land and reform of tenancy laws; greater investments in agriculture, greater investments in human resource development; social and legal reform to enhance free participation in particular of women and development of informal sector.

The measures that should be avoided as discriminatory against the poor are the inequitable taxes such as the practice of some Latin American countries of financing government deficit through "inflation tax". The granting of tax exemptions and tax incentives to privileged sectors or groups and subsidies to superior goods with a high income elasticity of demand, provision of public

university education, credit subsidies to agriculture, often tends to discriminate against the poor.

International support is also necessary and can be achieved by creating a global environment conducive to accelerated and sustainable growth in poor economies. It is an obligation not only to own people of industrialized countries but to the international community at large. The volume of lending of Bretton-woods institutions affects global balances and its composition can affect the extent to which the benefits of internationally financed investment actually reach the poor. It should help to ensure then that the net flow of capital is in favour of the poor countries not against them. On the other hand, discriminatory measures in trade and protectionism affects poor countries of third world. Thus, the success of the Uruguay round and the strengthening of GATT and the multi-lateral system are essential elements of an international strategy to reduce poverty.

International cooperation for the eradication of poverty is also needed in such areas as debt relief to enable indebted countries to grow on a sustained basis. Technical assistance is another area of significant importance. UNDP proposes to make human development a central theme of its work. International Fund for Agricultural Development (IFAD) is increasingly investing in the poor. ILO is mandated to tackle employment and poverty issues in developing countries. WHO is doing valuable work on primary health care, and so does UNICEF for improving the well being of children, youths and women. Perhaps much could be done by UNESCO who led the way in the international struggle against illiteracy and put emphasis on human resource development as an integral part of a poverty eradication strategy. FAO should focus more on the poor who cultivate the land and UNIDO more on labour intensive industrial processes. The point is that given a limited technical assistance budget, the allocation criteria should favour the

activities which have a good prospect of reducing poverty directly. On the other hand, foreign aid does little to alleviate poverty. The new aid orientation should be not to select good projects but to avoid bad priorities.

In the discussion that followed, many comments were raised. They relate to:

- Some questions were raised as to the efficacy of growth in the elimination of poverty. For some, growth distorted factor prices; wages do not reflect abundance of labour and price of capital does not reflect scarcity. Growth has to be accompanied with effective income distribution policies. The World Bank, whose emphasis is on growth, market and prices, has itself admitted that with these policies the number of the poor is growing. In spite of this contention, the bank is not doing much on anti-poverty measures.

- The skewed infrastructure in favour of urban dwellers is a sort of discrimination in allocation of resources.

- Some types of subsidy in favour of the urban rich are discriminatory against the poor in particular petrol subsidy

- NGO's programmes should be encouraged in the short-run.

- Government programme should address the structural aspects of poverty and not absolute poverty per se.

- An all embracing world programme should be designed to specifically eradicate poverty within a defined period say 50 years.

- The programme should link in a clear definitive manner poverty, environment and sustainable development issues.

Agenda item 7: Criteria for designation as least developed among developing countries

The Committee reiterated its position that the existing criteria does not reflect the long-term structural weaknesses which underline the concept of least developed. A new set of criteria is currently under review. It should be recalled, however, that in this context, the Committee reviewed two progress reports: a) a progress report prepared by DIESA (April 1989) on proposals for formulating a new set of criteria for designating countries as least developed was reviewed in its last session (b) a progress report on a criteria for designating least developed among developing countries (April 1990).

Discussion on this agenda item was postponed until next session (Twenty-seventh session) and the secretariat, meanwhile, was requested to continue collecting the data necessary to complete its evaluation.

Agenda item 8: identification of the least developed among the developing countries: the case of Liberia

At its organizational session in February 1990 the Economic and social Council requested the Committee, by decision 206, to consider the case of Liberia for inclusion in the list of LDCs and to submit its recommendations to the Council at its Second regular Session of 1990.

After lengthy discussion on whether the case of Liberia for inclusion be treated on the old criteria or to postpone until the

criteria is revised, the Committee decided to treat the case of Liberia on the old criteria.

In its seventeenth session, the Committee adopted the following rules for application of criteria:

A country would qualify for inclusion in the list of the least developed countries (a) if its per capita GDP fell below the lower cut-off point of the per capita GDP criterion and it had a manufacturing share of 10 per cent or less of total GDP and a literacy rate of 20 per cent or less; or b) if it satisfied the last two criteria, even if its per capita GDP exceeded the lower cut-off point of the per capita GDP criterion, as long as it did not exceed the upper cut-off point; or (c) if its per capita GDP fell below the lower cut-off point of the per capita GDP criterion and it had a manufacturing share of 10 per cent or less of total GDP even if its literacy rate exceeded 20 per cent.

Since then the per capita GDP criterion has been adjusted to take account of the rate of expansion of world per capita GDP at current market prices on an average of three years period between 1970-1972 to 1986-1988. As world per capita GDP in current market prices was found to expand by 278 per cent during those periods, the lower and upper cut off points were accordingly adjusted to $473 and $567 respectively.

The Government of Liberia submitted the Country Memorandum to the Committee for its examination of Liberia's eligibility for inclusion on the list of the LDCs on April 2, 1990. The memorandum gave a detailed account of the overall economic decline characterizing the 1980s both in the export-oriented and domestic oriented sectors. Real output in export oriented sectors recorded a meagre increase of 0.2 per cent on an average annual basis during 1981-1988 due to lower production of iron-ore which fell by 35.3

per cent between 1981 and 1988. The decline was partly due to weak demand in world markets and scaling down of mining activities and subsequent closure of LAMCO, the largest iron ore mine. Also real output in domestic oriented sector recorded a sluggish growth of 0.2 per cent during the same period.

The major two export items iron ore and rubber, both accounting for 60 per cent and 20 per cent of export earnings respectively, suffered from weak prices on world markets. Consequently, Liberia's external debt rose from $904 million to $1.7 billion during 1982-1988. Stock of external arrears rose from $25.5 million to $862.7 million over the same period. Debt-servicing ratio in consonance rose from 20 per cent in 1983 to over 66 per cent of GDP (1987-1988) and 151 per cent of export earnings. In terms of ability to pay, Liberia has had one of the world's biggest debt burden since 1984. This will not only weighs heavily on the government limited budgetary resources, but undoubtedly exceeds its capacity to generate foreign exchange and in many instances further assistance to Liberia has had to be suspended by many bilateral as well as multilateral donors.

The Committee also discussed the information provided by other sources such as IMF, World Bank, and UN Statistical Office on Liberia After considerable deliberation, it was found that per capita GDP at current market prices during 1986-1988 is below the lower cut-off point being $445 according to the Government of Liberia, and $473 according to the United Nations statistical office but slightly higher according to World Bank estimate. Manufacturing share by all sources was confirmed at less than 10 per cent of GDP at current factor cost. As regard literacy, some members expressed skepticism. While according to the census of population of 1974, adult literacy rate was 19.6 per cent it dropped to 18 per cent in 1988 according to government estimate. Other estimates put it as high as 60.5 per cent (UNESCO) and 35 per

cent by World Bank. However, on the basis of the criteria relating to GDP per capita and manufacturing share, Liberia was recommended to ECOSOC for admission to the list of LDCs. To that effect, some views were expressed that the Committee will not deal with new requests for admission until the criteria is revised by ECOSOC.

Agenda item 9: Organization of the Work of the Twenty-Seventh Session

The Committee discussed its future work with regard to themes and formulation of working groups. Of particular importance here is the proposal of Prof. Gogue to form a working group on resource flows to Africa as the one predicated for Eastern Europe. Other proposals include poverty, environment and sustainable development in Africa.

After lengthy discussion, the Committee decided to organize its future work for the twenty-seventh session as follows:

1. Working Group I:

Reform in (formerly) socialist countries: Eastern Europe, USSR, China, Vietnam

- Problems of the transitional period
- Implications for the world economy, especially developing countries

2. Working Group II:

International Co-operation for Development

- Volume and quality of aid, including tied aid
- Reducing dependence on aid

- Importance of trade policies of developed countries
- Private investment
- Criteria for least developed countries
- Peace dividend (developed/developing)
- Policies of international financial institutions including impact of world-wide trends toward democratization

3. The Committee would incorporate the delayed report of the working group on national policies in a chapter on implementation of the international development strategy.

It was decided that the Working Group I will be chaired by Mr. Karel Dyba and Mr. Ferdinand Van dam will be the Rapporteur. For Working Group II, Mr. Just Faaland will be the Chairman and Prof. Akilagpa Sawyerr (Ghana) the Rapporteur. Working Group I will convene at end of October 1990 and Working Group II at end of November 1990. One of the working groups will be in New York and the other in Geneva.

ANNEX

List of Participants

AL-HAMMAD, Abdlatif Y. (Kuwait), Head of the Arab Development Fund.

BACHA, Edmar (Brazil), Professor of Economics at the Catholic University of Rio De Janeiro.

DHAR, Prithvi Nath (India), Chairman, Institute of Economic Growth.

DYBA, Karel (Czechoslovakia), Senior Research Fellow and Head of the Department of Economic Analysis, Institute for Forecasting, Czechoslovak Academy of Sciences.

FAALAND, Just (Norway), Member of the Christian Michelsen Institute.

FFRENCH-DAVIS, Ricardo (Chile), Vice-President and Senior Research Economist, Economic Research Corporation for Latin America.

GOGUE, Tchabouré Aymé (Togo), Vice-Rector, University of Benin.

GRIFFIN, Keith Broadwell (United Kingdom), Chairman, Department of Economics, University of California.

HIRONO, Ryokichi (Japan), Professor of Economics, Seikei University, Tokyo.

Hughes, Helen (Australia), Professor of Economics, Australian National University.

LIVENTSEV, Nicolai N. (USSR), Professor and Head, International Economic Relations Department, Moscow State Institute of Foreign Relations.

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NAU, Henry (United States of America), Professor and Associate Dean, School of International Affairs, George Washington University.

O'NEIL, Maureen (Canada), Executive Director, North-South Institute.

OYEJIDE, T. Ademola (Nigeria), Professor of Economics, University of Ibadan.

PU, Shan (People's Republic of China), President, Chinese Society

of World Economy.

SAWYERR, Akilagpa (Ghana), Vice-Chancellor, University of Ghana, Legon.

SIMONIS, Udo Ernst (Federal Republic of Germany), Head, International Institute for Environment and Society, Centre for Sciences, Berlin (West).

SURANYI, George (Hungary), State Secretary, National Planning Office.

Van Dam Ferdinand (Netherlands), Director-General for Development Co-operation and Professor of Economics, Institute of Social Studies, The Hague.

Observers

UNICEF:	Mr. Rolph Van der Hoeven, Senior Planning Officer Ms. Eva Jespersen, Planning Officer
UNDP:	Mr. Francis Blain, External Relations Officer Mr. A. Haemmerli, External Relations Officer Ms. M. Roos, External Relations Officer
UNEP:	Mr. Noel Brown, Director, UNEP Liaison Office
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ECA:	Mr. M. El-Egaily, Chief, Planning and Projections Section
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ESCAP:	Mr. M. Naseem, Chief, Development Planning Division
WFP:	Mr. Tekle Tomlinson, Director WFP Liaison Office
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IMF:	Mr. Rattan Bhatia, Director, IMF Liaison Office
IAEA:	Mr. B. Andemicael, Representative to the United Nations
HABITAT:	Ms. A. Celik, Human Settlements Officer
UNCTC:	Mr. Azizul Islam, Economic Affairs Officer
DTCD:	Mr. S. Soumahoro, Economic Affairs Officer
CSTD:	Mr. J. Stephanines, Senior External Relations Officer
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ILO:	Mr. V. Tokman, Director, Employment and Development department
	Mr. G. Minet, Depty Director, ILO Liaison Office
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