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ECONOMIC COMMISSION FOR AFRICA

AFRICA'S CRISIS AND STRUCTURAL CHANGE

INTRODUCTION

1. The present study is prepared in response to the request of the Committee for Development Planning in which the Economic Commission for Africa was invited to prepare a study on the critical situation of sub-Saharan Africa, its long-term problems and needs and the role of development assistance.^{1/}
2. However, in view of the decision of the 20th Assembly of the African Heads of State and Government to devote the 21st Summit to the economic problems of the African region, it was felt that it would be more appropriate to deal with the request of the GDP in the context of the African region as a whole. Thus, while sub-Saharan Africa represents the part of the African region where the problems outlined in the paper are most critical, the perspectives of both the present crisis and the longer-term development must be seen in the context of Africa as a whole. Further, the Lagos Plan of Action which forms the basis of a structural reformation is set on an approach that encompasses Africa as a whole.
3. Taking into account the very critical situation of the African region as a whole, the paper focuses on two aspects namely (a) the crisis situation in the region and (b) the long-term structural problems of the African economies. The paper also addresses itself to the major operational problem of how Africa can make a successful transition from dealing with survival issues during the ongoing emergence situation to the vigorous tackling of structural reforms. Thus, due emphasis is put on the rehabilitation phase that Africa has, as of necessity, to go through before it can effectively embark on resolving its long-term problematiques.
4. Part One of the paper gives an overview of the crisis situation in Africa. The nature and evaluation of the emergency situation are analysed along with the basic causes of the crisis in the region including, in particular, the structural fragility of the African economy, the drought, and the unfavourable international economic environment. The needs of the African countries in the various priority sectors, the assistance received from the donor community as well as the groups of countries that are seriously affected are outlined.

^{1/} See Report of the 20th Session of the Committee for Development Planning, para.123.

Further, part One gives a preliminary perspective of the crisis emergency situation in 1985 as well as for the urgent rehabilitation of the critical sectors. The policy adjustments that have been attempted in the region are also briefly reviewed.

5. Part Two addresses the problem of structural change in Africa. The African structural problematique is first defined from the various angles of drought, demography, the international environment and the socio-political setting. Against this analytical background, the paper examines the means and ways to tackle the region's structural malaise. Policies for structural reform at the national, subregional, regional and international levels are proposed. At the national level particular emphasis is put on the long-term structural reform in food and agriculture, industrial and infrastructural development, human resources and external trade policies. At the subregional and regional levels, the focus of the paper is on drought and desertification as well as African integration. International support measures are discussed bearing in mind, the long-term priority areas of the region. Thus, the paper proposes concrete international actions to support Africa's development efforts, including in particular an international agricultural assistance package. Further, modalities of external assistance to Africa are examined with a view to identifying ways of making aid to the region more effective.

PART ONE
OVERVIEW OF THE CRISIS SITUATION IN AFRICA

1.1 The crisis in Africa and its evolution

6. There is now a general consensus that Africa's social and economic crisis has not come about suddenly.^{2/} From the second half of the 1970s, Africa itself as well as the international community were increasingly concerned about the region's rapidly deteriorating conditions. The unfortunate structural fragility of the African economies was then identified as one of the major causes of the continually sombre economic situation in Africa. However, the widespread and persistent drought and the deteriorating international environment turned the African socio-economic situation into a crisis of unprecedented proportion.

7. It must be emphasized that the crisis is multi-dimensional affecting the basic elements of survival of the African people. The nebulous nature of the crisis on the social life and economic activities of the African people has been manifested in the emergency situation that has swept through Africa. Besides the tragic loss of human lives in various parts of Africa as a result of famine and hunger, the whole production structure of many African economies has suffered serious disruptions of one form or other. In the rural areas, drought, insufficiency of rains, soil degradation, disintegration of farm units, civil strife and the displacement of massive population has dislocated even the little dynamism that existed in the region's agricultural sector. The high rate of depletion of livestock resultant from drought conditions and acute shortage of pasture land has thrown pastoral life into disarray. The industrial sector has, on its part, suffered from the scarcity of resources and national efforts have had to be redeployed to maintain day-to-day survival. At a time when African governments have been experiencing acute shortages of resources, essential services and institutional structures have come under pressure to cope with the crisis situation that have deteriorated seriously or have completely collapsed under the unbearable burdens.

8. Given the gravity of the African social and economic conditions, it is of paramount importance to fully examine the factors that underlie both the emergency situation and the structural retardation of the region. In this part, the basic causes of the emergency in Africa are briefly outlined along with the necessary survival programmes that are urgently called for to ensure that the social and economic situation does not deteriorate to a point of no return.

^{2/} See for example Special Memorandum by the ECA Conference of Ministers on Africa's Economic and Social Crisis, E/ECA.CM.10/37/Rev.2.

1.1.1 The structural fragility and poor performance of the African economy

9. The economic structures of African countries, particularly those south of the Sahara, are characterised by excessive internal inarticulation and, consequently, by an overwhelming vulnerability to external shocks. Many of the African economies have not made any sustainable structural transformation from the type of economies that they inherited from the colonial era. After more than two decades of independence, the African economies remain overly dependent on non-resilient and often neglected rural production base dominated by subsistence output which, in many cases, is even inadequate to supply the basic necessities of life. The agricultural sector on which African economies depend for employment, incomes, foreign exchange earnings and government revenue, is characterized by inadequate traditional production techniques. The small modern agricultural output is limited to export crops with no focus to the domestic requirements. But even this is limited to only one or two primary commodities which makes it highly vulnerable to international market shocks. On the other hand, the industrial sector is often narrow and significantly fragmented. The few lines of import-substitution industries that have been established have little or no link with the rural resources base. The sector as a whole is, consequently an enclave with a preponderant dependence on external factors and basic inputs such as raw materials, intermediate inputs, spare parts, capital and management and technical skills. The external trade sector on which most of the economies have, with little success, depended for economic growth has suffered from the limited number of commodities from the region and the generalized unfavourable international environment. The physical resources as well as the human resources of the region remain either underdeveloped or inadequately exploited while the institutional structures are either inappropriate or dysfunctional.

10. In addition to such a weak structural base, many African countries have suffered from inappropriate economic policies. Africa itself has identified some important elements of the region's structural problems and has, in response, adopted a regional strategy in the form of the Lagos Plan of Action. But, it is apparent that there are still many unresolved problems. Incentives to producers through appropriate producer prices and the establishment of an

appropriate production environment as well as the rationalization of the public sector still require urgent attention. The efficient utilization of human and financial resources to ensure commensurate returns to investments has also been recently brought to the fore as an area that must be addressed by appropriate policies in Africa 3/.

11. The result of a poor and vulnerable economic structure as well as inadequate domestic policies has, no doubt, been the very poor economic performance of the African region. At the close of the 1970s, Africa recorded a growth rate of only 1.3 per cent yearly. However, since the beginning of the 1980s no positive rate of growth has been recorded in the region. While the rate of growth of GDP stagnated or declined, population continued to grow at high rates of over 2.5 per cent increasing from 438 million in 1980 to 497 in 1985. The result of these trends has, naturally, been that average per capita income in many African countries has consistently declined. In 1983 per capita income for the region as a whole is estimated to have declined by as much as 10.2 per cent relative to its level in 1980. With a continued decline in output, unemployment has inevitably increased. For Africa as a whole about 50 per cent of the active labour force is presently either unemployed or grossly under-employed. These no-performance cumulative trends have constituted a crisis characterised by an overall decline in the availability of basic goods and services such as food, water, housing, health etc., a disintegration of institutional structures; a substantial increase in poverty and sufferings.

12. Of course, the alarming slow growth of the agricultural sector is at the core of Africa's poor performance as it constitutes the basic source of growth and development. The sector has, through natural calamities and neglect, failed to catch up with the needs of a very rapidly increasing population. Between 1980 and 1984 food and agriculture grew by less than 2 per cent yearly implying a continual decline in per capita agricultural output. Per capita food production declined so sharply in the 1980s that over 20 per cent of the African population is presently dependent on food imports. The industrial sector also suffered from scarcity of resources, particularly, external resources to finance inputs and spare parts as well as from domestic problems of management, maintenance and markets. As a result, in many African countries, industries are operating well below half the installed capacity and, in many cases, the entire industrial sector is in need of rehabilitation and overhaul.

13. But behind the poor overall and sectoral performance, there looms another major constraint which has often not received the attention it deserves especially in the context of small underdeveloped economies. This aspect concerns the performance of the government sector which in many African countries plays a critical role in spearheading development through investments and provision of basic services and employment. In recent years, the government sector has come under mounting pressures and has been experiencing increasing difficulties to cope with the needs of the countries. For the region as a whole, public expenditures have risen steadily, often faster than output, to reach a weighted average of 44 per cent of GDP in 1983. Conversely, the weighted average ratio of realised government revenues to GDP has declined from 31 per cent in 1981 to only 24 per cent in 1983. These trends must be seen against the background of the tensions and strifes that can result when government is unable to cope with certain basic obligations to society. On one hand, the curtailment of expenditures is not often easy or feasible owing to the various political and social pressures on governments in an increasingly turbulent domestic and international economic environment. On the other hand, revenues cannot increase fast enough given the continued poor performance of the economies, a trend which erodes the taxable base for excise duties, indirect taxes and direct income taxes.

1.1.2 The drought and the emergency situation

14. The drought that has and continues to devastate the African countries has triggered off an emergency situation whose scale and magnitude had never been witnessed in the region in the present century. At the beginning of 1984, there were 36 African countries that were assessed to have been most seriously affected. At this time as many as 24 of these countries were identified as food-aid-dependent countries. By the end of the third quarter of 1984, the number of food-deficit countries had increased to 27 and the intensity of famine and hunger had grown into a clear tragedy as millions of human lives were being seriously threatened. In 1983/1984, the food requirements of the 24 most seriously food deficit countries amounted to 3.3 million tons of cereals. For 1984/1985 it is estimated that food needs in affected countries will reach a level of 5-6 million tons of cereals alone. And, over and above the requirements for cereals, there is an urgent need for supplies of supplementary foods such as powder milk, sugar, dry fruits etc. to ensure the survival of vulnerable groups like children, old people and women.

15/ It must further be emphasized that the drought-induced emergency situation in Africa has not concentrated in one given region. Thus while Mozambique in the Southern part of the continent was on top of the list of countries that were hit hardest in the early part of 1984, Ethiopia in the Norther-Eastern Africa is now the leading disaster area. The situation has evolved further in 1985 as additional countries like Chad, Mali, Niger, Mauritania, Somalia and Sudan require increasing attention to avert the recurrence of the Ethiopian tragedy.

16. Also while the emergency food situation remains the most prominent aspect of Africa's present crisis, there are many other areas that are as critical. As outlined in the Addenda to the Secretary General's report on the Critical Economic Situation in Africa 4/ the emergency situation encompasses many critical areas. For instance, the long and repeated insufficiency of rains has led to a reduction in the flows and levels of water resources including the drying up of wells and boreholes thus affecting human and animal survival as well as energy availability. Similarly the degradation of pastures as a result of the drought has engendered loss of livestock sometimes to the tune of 40-90 per cent of the national herds. There are also serious problems of health and malnutrition involving dangerous and contagious diseases such as meningitis and cholera. In addition many African countries are faced with a serious problem of displaced persons searching for survival either due to internal mass movement of population or due to external migration of refugees from civil disturbances. As of 1985 a total of nearly 6 million African people are estimated to have been displaced from their normal habitat with serious repurcussion on the production process and insurmountable pressures on resources to support these helpless people with food, clothing, housing and relief activities that can generate some income.

17. There are also other very serious problems that have come to the fore during the recent emergency relief efforts in African countries. These problems relate particularly to the logistical support systems that are necessary to ensure an integrated and swift approach to the delivery of emergency and relief supplies. Several bottlenecks have surfaced in the transport, storage and distribution systems. Ports are often congested given their low discharge

4/ E/1984/68/Add.1 and A/39/594.

capacities and unserviceable handling equipment. Transport is often limited to costly and slow road transport covering long distances. Often, even the use of these roads is constrained by the poor road networks, their lack of repair and maintenance and absence of transport equipment. Storage facilities are scanty with no up-country relay warehousing facilities or buffer discharge points. In other cases distribution is hampered by internal strife.

1.1.3 The most vulnerable groups of African countries

18. While the African region as a whole is presently undergoing a crisis of unprecedented proportions, it must be emphasized that all the countries have not been affected to the same degree. There are certain groups of countries that have been severely affected by the emergence situation while other countries, even if not affected by calamities like drought, are facing major structural handicaps.

19. The characterization attempted below tries to group countries into categories that reflect the severity of the major difficulties that the region as a whole is experiencing. It must, however, be cautioned that the crisis situation in Africa and especially the drought aspect of it has not been localized in specific countries. It has indeed moved from country to country in sporadic and uncertain ways. Thus, while certain countries might not presently appear in the list of countries facing critical conditions, the possibility of their facing serious difficulties in the future must not be discounted.

(a) The drought-stricken and drought-prone African countries

20. The first group of countries that face and will continue to face very serious development difficulties is that of the drought-stricken and drought-prone countries. This group of countries has recently become larger than in earlier years when the drought was mainly concentrated in the Sahelian zone and the Kalahari desert area. Presently many countries in Eastern and Southern Africa have become increasingly vulnerable to drought. Thus countries like Kenya, Tanzania, Mozambique, Zambia, Zimbabwe and Angola must be assessed as having become drought prone. For the region as a whole, 34 countries are assessed to be in this unfortunate category. But even for those countries that are not

drought-prone there is a structural problem of an inordinate dependence on rain-fed agriculture which makes the countries to be vulnerable to seasonal changes in the amount of timing of the rains.

(b) The least developed African countries

21. Africa has 26 out of the 36 least developed countries of the world. This group of countries have long been identified as suffering from very serious development problems which that need to be urgently addressed not only by the countries themselves but also by the international community. Structurally, the African least developed countries have some of the severest problems and urgent actions have to be taken to redress their problems.

(c) Land-locked and island countries

22. The third group of countries that presently face major difficulties includes all the countries in Africa that are handicapped by their geographical location, in that they are either land-locked or surrounded by the ocean. For the land-locked countries there is an urgent need to implement specific package programmes that will ensure their access to the sea. The African region as a whole and the international community have therefore to support the programmes of these countries in the transport and communication sector in the framework of the United Nations Transport and Communication Decade in Africa.

1.1.4 The international environment and Africa's crisis

23. While the survival aspects of the drought emergency situation have attracted the attention and conscience of the international community, it is pertinent to warn that the drought has seriously devastated other important aspects of economic activities. Some of these have very serious implications for Africa's recovery and future stability. The degradation and significant loss of agricultural soils, the destruction of vegetable cover, the depletion of ground water and the widespread deforestation and desertification of massive land areas are not aspects on which action can be postponed even in the short-term without serious implication on the survival of the people and livestock in Africa. The prolonged drought has already reduced pastoral land in the arid and semi-arid regions of Africa by as much as 25 per cent. It is thus clear that failure to situate and address these issues as integral components of the ongoing

efforts to deal with the African crisis would only ensure the unfortunate recurrence of the present African tragedy. There are grounds to fear that Africa might undergo a "bio-geophysical" feedback which is likely to induce the persistence of dry conditions and thereby bring about a permanent damage to the African eco-system.

(a) Emergency assistance

24. The multiple faceted crisis resulting from world recession, debt problems and import constraints was aggravated in 1983-1984 by the devastating drought and other national calamities. Due to the gravity of the crisis, there has been a noticeable change in attitude by the donor community to come to the support of the urgent need of the African countries. Hence, in 1984 most DAC countries increased their food aid to Africa, including a \$100 million commitment by Japan, a 35 per cent increase by both Canada and France and a 17 per cent increase by the Federal Republic of Germany and a record total of \$342 million by the United States of America which represents 43 per cent increase over the 1983 level.

25. Thus, food aid accounted for a substantial proportion of the total assistance to Sub-Saharan Africa in 1984 because of the exceptional food supply shortages that are currently being encountered by several African countries. In Western Africa, particularly in the Sahelian countries, production declined seriously with cereal production at only 3.6 million tons representing about 1 million tons below the 1983 harvest. Hence food imports increased to 2.7 million tons in 1984 as compared to 1.7 million tons in 1983. The total food import requirements estimated at 1.7 million tons was higher than the total food aid of 0.8 million tons received in 1983. Against this figure, donor pledges so far totalled 0.9 million tons, leaving an uncovered gap of 9.8 million tons. Of the pledges made, only about 0.3 million tons have so far been received.

26. In Eastern Africa, the total 1984 cereal production of the six most affected countries (Burundi, Ethiopia, Kenya, Rwanda, Somalia, the United Republic of Tanzania) is estimated at 10.3 million tons, which is 2.4 million tons lower than in 1983 and 22 per cent below the annual average for the period 1979-1983.

The food import requirements in 1984 were about 3.5 million tons, with the total food aid needs presently estimated at 2.4 million tons as compared to 0.9 million tons of food aid received in 1983. Food aid pledges made so far amounted to 1.6 million tons, of which 0.6 million tons have been received leaving an uncovered gap of 1 million tons. The situation is critical in Ethiopia, and deteriorating rapidly in Somalia.

27. In southern Africa, the total cereal production in 1984 of the six countries affected by exceptional food supply problems (Angola, Botswana, Lesotho, Mozambique, Zambia, Zimbabwe) is estimated at 3.4 million tons, well below the average annual output of the previous five years. The aggregate cereal import requirement of these countries in 1984 is 2.1 million tons compared with 1.5 million tons imported in 1983. Consequently, the food aid requirements are estimated at 1.1 million tons, almost double the actual receipts in 1983. Donor pledges announced so far amount to about 1 million tons; leaving an uncovered balance of 116 000 tons mainly for Mozambique and Zambia.

28. In North Africa, Morocco's 1984 cereal harvest is estimated at 3.7 million tons. The cereal import requirements in 1984 are estimated at 2.5 million tons, against 2.2 million tons in 1983. Donor pledges announced so far amounted to 392 000 tons against the food aid requirements of 400 000 tons. In Sudan, the food supply situation is deteriorating rapidly. The cereal harvest of 1984 is estimated to have amounted to only 1.4 million tons, whereas in 1983 the harvest was 2.1 million tons. Total cereal import requirements were 2.9 million tons of food of which 1.4 million should be aid. So far however only 0.5 million tons were received. Donors pledges amounted to 711 000 tons; but only 157 000 tons were delivered. Thus Sudan still faces an uncovered gap of 689 000 tons.

29. The aggregate cereal production of the 21 most seriously affected countries in 1984 is currently estimated at 22.5 million tons, 14 per cent below the drought-reduced output of 1983 and 20 per cent below the average for the previous five years. Their total import requirements were about 12.3 million tons, some 5.2 million tons more than in 1983. The food aid requirements were estimated at 7 million tons in 1984 compared with 6.6 million tons in 1983. Donor pledges reported amounted to 5.1 million tons. This fell short of the requirements by about 2 million tons. It should further be noted that only about 60 per cent of the known pledges have been received. Thus the international

community should take steps to fulfil their pledges, ensure prompt delivery of food aid and give logistic support for food distribution within the countries affected.

30. In general, the countries of the Development Assistance Committee of the Organization for Economic Co-operation and Development (DAC) have shifted much of their aid in Africa in support of short and medium-term measures such as reactivating existing production capacities in agriculture and industry, rehabilitating and maintaining key facilities and services. In addition, the donor countries have acknowledged the need for greater non-project lending in support of the adjustment process.

(b) Development assistance

31. Africa's very high structural dependence on the outside world has resulted in serious problems in the last few years of global economic recession with its debilitating impact on trade, money and finance. The perverse international financial and monetary structures, the increasing penetration of transnational corporations, the monopolistic technology markets and the stagnant or declining prices of raw materials exported from Africa are some of the aspects that attest to the inequitable nature of the present world economic order.

32. Total resource flows to developing Africa from both bilateral and multilateral sources amounted to \$19.1 billion in nominal terms in 1983, a decrease of 10.3 per cent over the 1982 level of \$21.3 billion. However, Africa's share in the total net disbursements to all developing countries increased by 6.2 percentage points in 1983.

33. Of the total inflow in 1983, bilateral flows accounted for 80 per cent and multilateral resources for only 20 per cent. Net official development assistance (ODA) from all sources to developing Africa represented about 51.5 per cent of the total resource flows, and DAC countries accounted for about 30 per cent of total ODA. Compared to the flow in 1982, ODA decreased by 2.2 per cent in real terms in 1983. Sub-Saharan Africa received \$7.7 billion in 1983 (\$2.4 billion in loans net of repayments and \$5.3 billion in grants). The largest recipients of bilateral ODA in 1983 were the Sudan (\$929 million), the United Republic of Tanzania (\$577 million) and Kenya (\$397 million). These countries together received 27.1 per cent of all ODA allocated for 45 sub-Saharan countries. In per capita terms, the Sudan alone received \$45.6 in 1983.

34. The multilateral resource flows increased by 11.4 per cent in current dollar terms from \$3.5 billion in 1982 to \$3.8 billion in 1983. Four East African countries got almost 29 per cent of all multilateral ODA allocated to the sub-Saharan Africa. These are Ethiopia (\$176 million), the Sudan (\$166 million), Somalia (\$152 million) and the United Republic of Tanzania (\$150 million). The largest amount of OPEC ODA went to the Sudan (\$352 million), Madagascar (\$53 million), Senegal (\$43 million), in all accounting for about 73 per cent of the net disbursements to sub-Saharan countries in 1983.

35. With regard to non-concessional assistance and private financial flows to developing Africa, which amounted to \$8.8 billion in 1983 (46 per cent of total flows), the net flow from multilateral organizations increased from \$0.8 billion in 1982 to \$1.2 billion in 1983, whereas the net flow from the bilateral sources decreased from \$9.9 billion to \$7.6 billion in those years. This resulted from the fact that direct investment from DAC countries fell sharply, from \$2.2 billion in 1982 to only about \$0.2 billion in 1983. Non-concessional resource flows of non-oil-exporting sub-Saharan Africa were affected by the resources outflows from Zaire (\$384 million), Liberia (\$127 million) and Togo (\$74 million). However, significant resource inflows were received by Zimbabwe (\$329 million), Senegal (\$106 million) and the Ivory Coast (\$105 million).

36. Besides, the declining external development assistance, Africa has identified 5/ other external factors which have interacted to make the present African situation much worse than it would otherwise have been. These include, inter alia:

- (i) the collapse in commodity prices;
- (ii) high interest rates;
- (iii) fluctuations in exchange rates;
- (iv) increasing protectionism.

37. The recent global economic recession and the resultant momentum for increased protectionism in developed countries, has resulted in a sharp contraction in the demand of Africa's major raw material exports. Also there has been a serious collapse of the region's export commodity prices. In real terms, it is estimated that commodity prices plummeted to their lowest level since 1940. The loss of

5/ Special Memorandum op. cit. p.9.

foreign exchange that the region as whole has suffered as a result of the price trends in the 1980s has been enormous. At the same time, official development assistance has continued to decline quantitatively and qualitatively. Under these conditions, African countries were forced to curb imports of even essential agricultural and industrial inputs thus aggravating further the growing crisis in the region.

38. The most dramatic and critical result of the unfavourable trends in the international environment has, of course, been the explosive external indebtedness of African countries. The outstanding external debt of Africa as a whole (including undisbursed loans) is estimated to have reached \$150 billion at the end of 1983. This amount represented about 223.5 per cent of exports. At this level it is clear that the debt is almost unbearable, especially in view of the limitations imposed by the crisis on national resources. Many countries currently face major problems in servicing their debt in the face of the high interest rates. It has been estimated that an increase of 1 per cent in interest rates would add \$1.5 billion to the African debt burden. For the region as a whole, the debt-service burden is estimated to have jumped from 10.7 per cent of exports in 1980 to over 25 per cent in 1983. In some African countries, particularly in the group of the least developed African countries, the ratio of debt service to revenue has reached 30-50 per cent.

39. The effects of the explosive debt level are clearly disastrous. Many African countries are seriously incapacitated by their present debt burdens from carrying out not only their long-term development programmes but also the urgently needed programmes of national survival. Further, as their debt grows, there is a commensurate erosion of the credit status of the countries of the region. It has therefore been inevitable that the number of African countries that urgently require extensive debt rescheduling has increased.

1.2 PRELIMINARY PERSPECTIVES FOR THE AFRICAN CRISIS

1.1.1 Perspectives for the emergency situation in 1985

40. After the relatively satisfactory rain seasons in 1984 in some parts of Africa, the number of countries facing critical food emergencies slightly declined by early 1985 to 21 countries as compared to 27 countries in 1983/84.

This number could further decline when some Eastern and Southern African countries complete their harvesting season. However, the reduction in the number of countries assessed to be seriously affected is not an indication of an improvement in the African emergency situation. While some relatively less populated countries have emerged out of the food emergency situation, other countries with large populations have become very seriously hit. Consequently, the total population of the 21 countries that presently remain in a very critical situation is as high as 205 million people representing almost half of the total African population. Also, the emergency has deepened in many African countries like Ethiopia, Sudan and Mozambique. As such, Africa is likely to remain in a precarious and dangerous situation throughout 1985.

41. Preliminary estimates indicate that for the 21 presently affected countries, the cereal imports requirements would amount to 12 million tons of which 6.6 million tons would have to be food-aid. Comparable figures for the 1983/84 period were 5.3 million tons of import requirements and 2.9 million tons of food -aid thus implying that the situation is even worse now than it was earlier. Present estimates of pledges for food assistance as reported to the FAO global information and early warning system by January 1985 show that 2.2 million tons of food assistance still remain uncovered by pledges. The projected tremendous increase in food imports and food-aid requirements will have direct consequences on the transport, storage and distribution facilities. This will place great strains on entry ports, roads and railways, and the overall physical infrastructure such that additional resources will be required to support the delivery of food to the needy.

42. In 1985/86 increased pressures are likely to be experienced as a result of massive population displacements that started during the 1983/84 period. In this respect, the critical problems to be faced include the emergency areas of water supply, health, nutrition and livestock. Emergency water programmes will be needed not only for the supply of the many relief centres of displaced people but also for improving the quality of water to prevent diseases in the affected countries. Further, the displacement of people is likely to necessitate the creation of massive relief operations for shelter including semi-permanent infrastructures. This will constitute a critical burden to most of the affected countries.

43. While most emergency operations have thus far focused on the efforts to save human lives so gravely threatened by famine, hunger and diseases, it is pertinent to note that the emergency situation in many countries calls for urgent actions in the revitalisation of critical areas that have suffered the ravages of drought. It is, therefore, of great importance to keep in perspective the immediate needs of African countries to better cope with the emergency situation. The emergency rehabilitation areas cover food and agriculture and the livestock sector. In the food and agriculture sector, there will be urgent need for seed supplies and supplementary farm inputs as well as for the immediate repair and reactivation of crop irrigation systems that were abandoned or damaged during the drought. The timely provision of pesticides for plant and crop protection is another element of relief and preparedness necessary for the re-establishment of a starting point for fuller programmes to rehabilitate the food and agriculture sector.

44. The perspectives of the livestock sector in the affected African countries point to a need for concerted and co-ordinated actions aiming at arresting the accelerated deterioration of the sector. The extremely high mortality rate of herds experienced during 1983/84 as well as the destocking measures adopted by some countries call for action to preserve a minimum nucleus stock of reproduction for cattle and draught animals. The supply of animal feed, feed concentrates, vaccines and supplementary ingredients like minerals and vitamins is one of the critical component of emergency programmes to stabilise the ongoing disaster in the livestock sector. Given the fact that many of the areas affected by drought contained large populations of herdsmen there is urgent need to immediately rehabilitate certain key elements of the livestock sector to ensure the resumption of a minimum of pastoral and agro-economic activities for the affected populations.

45. The emergency and rehabilitation needs in 1985 for the 21 critically affected countries with expected poor harvest is estimated at \$2 billion 6/. The identified needs for international support include food-aid gap as of 15 January 1985 (\$435.8 million), emergency water supply (\$30.7 million) 7/, transport of food-aid (\$769.2 million); resettlement of displaced population (\$101.2 million) 8/; supplementary feeding (\$292.2 million) 8/, essential health services (191.6 million) 8/; and urgent rehabilitation needs for food, agriculture and livestock (\$164.2 million) 9/.

6/Provisional. 7/ Excluding Morocco and Zambia. 8/Excluding Burundi, Morocco, Rwanda and Zambia. 9/ Excluding Morocco, Mozambique, Rwanda, Senegal, Somalia, the Sudan, the United Republic of Tanzania, Zambia and Zimbabwe.

1.2.2. Perspectives for the urgent rehabilitation of critical areas affected by the crisis

46. It is presently fully understood that Africa has to go through an intensive and extensive exercise of rehabilitation so as to establish some workable basis and increase the absorptive capacities of the economies. It is only from such a base that more fundamental long-term programmes and structural reforms can be effectively launched and implemented. Until day-to-day survival of the African people is assured, there can be little hope to permanently curing the deep-rooted malaise of Africa's social and economic structures. The present part of the paper addresses itself to this critical phase of Africa's social economic rescucitation, by examining actions needed for the various survival programmes of rehabilitation in the different critical sectors.

(a) Food, agriculture and water resources

47. There should be no doubt that efforts to rescucitate the African economy as a whole, will critically depend on the immediate success of the rehabilitation and revitalisation of African agriculture. It has however to be understood that other secondary and tertiary sectors should be simultaneously revamped in a manner that supports the agricultural sector. Industry, transport, financial and administrative services should be mobilized in a fully defined framework of a rehabilitation package to drive the resumption of growth in agriculture. Some basic elements that should be addressed immediately are briefly outlined below.

(i) Incentive measures to immediately increase food and agricultural production and productivity

48. African countries should immediately formulate and implement an agricultural incentive package. While such a package might differ from country to country, it should contain a core minimum of incentives addressed specifically to the rural sector to ensure that food production increases in the next coming season, the internal rural-urban terms of trade shift in favour of the rural sector and the domestic and external resources invested in agriculture attain a rehabilitative efficiency. Some elements of such incentives include:

- the provision of seeds, fertilizers, implements to farmers at accessible prices;

- establishment of remunerative producer pricing policy!
- rehabilitating the marketing system of agricultural output;
- ensuring adequate supply of consumer goods to the rural people;
- facilitating access to credit and land resources;
- establishment of special task forces in rural areas to carry out urgent extension services including repair of agricultural units and maintenance of implements.

(ii) Rehabilitating agricultural institutions and infrastructures

49. There are many basic agricultural infrastructures which have been devastated by the crisis situation. These have to be immediately and urgently rehabilitated to bring about an immediate improvement in agricultural output. The main areas in this respect include the rehabilitation of:

- small irrigation schemes;
- small bridges as well as access and service roads;
- livestock infrastructures;
- storage facilities especially in the rural areas;
- agricultural planning services.

(iii) Rehabilitating the water resources infrastructures

50. For drought alleviation in the short-term, action is needed to ensure the conservation of existing water reserves as soon as it becomes apparent that seasonal rainfall is less than normal. Although very limited action in the way of conservation can presently be achieved in the seriously drought-affected rural areas, it is pertinent to rehabilitate and even strengthen all the infrastructure available for the conservation of water resources. Actions are therefore urgently needed for the:

- rehabilitation of hill-dams for the mobilization of surface waters;
- rehabilitation of rural water pumping systems;
- establishment or rehabilitating above-ground and underground water storage;
- increasing the number of water points.

(b) The industrial sector

51. Africa's industrial sector, like most other sectors, is in a desperate need of rehabilitation and efforts have to be undertaken in the very short-run to rectify some of the pressing problems of the sector. In an industrial rehabilitation package it would be necessary to aim at alleviating the most critical problems of the crisis and thereby pave the way for the recovery of the economies and enable the implementation of longer term measures of structural reform. A survival programme for the industrial sector should at least cover two areas namely: (a) the rehabilitation of critical industries; and (b) the rationalization of industrial operations.

(i) Immediate rehabilitation of critical and viable industries

52. As a matter of survival, national task forces should embark on the identification of high priority needs in industry and establish criteria for industries that should be immediately and viably rehabilitated. A clear distinction should be made among those industries that might have been established without sufficient economic justification and those that are economically viable and with strong linkages to the support of agriculture but are not sufficiently operational. After the identification of an emergency rehabilitation package of industries, countries should embark on bulk importation of the required machinery for rehabilitation and the necessary inputs to ensure an immediate return to normal operations of the industries concerned.

(ii) The rationalization of industrial operations

53. To form a basis for a meaningful restructuring of the industrial sector, African countries require an immediate rationalization of their industrial operations paying particular attention to issues like foreign exchange burdens of industries, public finance dependence and overall operational efficiency.

54. The efforts in this regard might require merging of certain industries or the abolition of others. Also, the support structure will have to be enhanced through, inter alia, subcontracting, facilitating of access to sources of raw materials, finance and markets, etc. Further, a full industrial rationalization

programme might necessitate a change in short-term objectives and approaches. Such a change might include aspects like:

- the suspension or Postponement of some projects of the development plans, especially those which are assigned relatively low priority and/or the implementation of which is likely to make a strong call on the limited resources being mobilized for the survival;
- the Modification of the consumption and investment patterns and rates, including the suspension of the importation of luxuries and non-essentials;
- the preparation of interim crash programmes taking into account the need to implement austerity measures for survival and to organize a transition towards the recovery of the industrial sector and the whole economy;
- increased manufacturing of spare parts and mobile repair units for the rehabilitation of the transport sector;
- the readjustment of appropriate policy instruments namely, the fiscal, monetary and pricing policies, (tariff and non-tariff measures, taxes on business profit and incomes, interest rates, incentives and disincentives, price of the inputs, etc).

(c) Human resources utilization and economic management

55. To effectively undertake immediate and short-term measures to deal with the crisis in its multi-ferous forms, Africa has to pay particular and immediate focus to the vital role of proper human resource utilization, management and administration. Particularly important is the designing of training programmes aiming at improving the skills of agricultural staff at all levels including farmers. Resilient administrative structures and mechanisms have to be strengthened or created. The success of any programmes that Africa will conceive to deal comprehensively with the crisis situation will critically depend on the effective management of the national economies. Thus, there is need for immediate action in the priority areas of public sector management, institutional reorientation and mobilization of the human resources.

56. Given the rapid expansion in the size of the public sector in Africa and its importance it is paramount as a first step to ensure its efficiency and operationality. The two immediate steps that seem desirable towards this end include the undertaking of a systematic analysis of the efficacy of the different structures of the public sector with a view to optimizing the use of scarce resources and the re-ordering of priorities and the institution of immediate mechanisms to improve the organisational and managerial capacity of the public sector so as to eliminate such problems as duplication and to reduce fiscal burdens and inefficiency.

57. Similarly other development institutions will require a refocus aiming at making them play a genuinely positive role in dealing with the region's crisis both in the short- and long-run. The relevance of the various development institutions has to be fully and boldly examined in the face of the region's present sad realities. The reorientation that should be aimed at must include inter alia, the basic aspect of mass participation and initiatives in tackling emergency and survival problems such as food distribution, water, housing, etc.

(d) Subregional approaches

58. As far as the drought and other natural calamities inflict large areas going beyond the confines of individual countries, some immediate measures for their control can best be dealt with in subregional contexts. It is in this context that the OAU has formed a standing Committee on drought and a Regional Inter-Agency Working Group on Drought in Africa to monitor the progress of implementation of the Regional Plan of Action, and to co-ordinate and strengthen inter-agency drought-related activities. Africa has already taken a very positive step by establishing a Special Emergency Assistance Fund for Drought and Famine.

59. The subregional and regional approaches to the control of drought should immediately co-ordinate the analysis of available data at the country level and ensure its effective dissemination throughout the region. The various subregional structures should embark on the establishment of climatic data banks and conduct training programmes and undertake studies on the evaluation of the eco-system of the various subregions.

60. To bring about a more effective subregional approach to the food situation, there is also a need to co-ordinate pricing policies to effectively facilitate the exchange of agricultural and other food products between surplus and deficit areas together with plans for strengthening the marketing channels and development of all-weather feeder roads among neighbouring countries. Indeed, intra-African trade is of particular importance in the emergency period especially with respect to food. Thus, efforts have to be immediately undertaken to facilitate the exchange of food through the relaxation of existing tax and administration trade controls and the overall encouragement of border trade.

61. In the industrial sector, subregional approaches are particularly pertinent in the exchange of information on availability of processed goods, raw materials and energy resources. A subregional defining of areas of industrial complementarities would also be very necessary in ensuring operational continuity and in the reduction of product costs. The most important areas, in this field, are the exchange of expertise and indigenous technologies, common use of available opportunities in training, and repair and maintenance facilities, establishment of agreements on market access, joint undertakings in bulk importation with the view of achieving cost reductions through the harmonization of procurement policies, and strengthening of subregional financial institutions by modifying their terms of lending to favour measures that mitigate the crisis.

(a) International approaches

62. To ensure the success of the revitalization programmes in Africa there will be need for increased international support that goes beyond the emergency assistance. In this regard, the first element relates to the drought and related problems. Substantial assistance will be needed to strengthen the institutional capabilities of national meteorological and hydrological services. The international community will therefore have to come to the help of Africa for the provision of instruments, maintenance and operation of equipment for the generation, processing and dissemination of meteorological and hydrological data. Also attention should concentrate on provision of training in all drought-related programmes especially those aiming at identifying the causes and ensuring an early detection of drought

as well as strengthening institutional capabilities in the priority areas of drought control.

63. To stabilize the food supply situation, international assistance packages should be established with the aim of revitalizing local production of food crops by the provision of seeds, fertilizer, agricultural implements and increased improvement of transport, storage and conservation facilities. Also provisions should be made to control animal diseases by providing livestock feed, vaccines, vaccines equipments and related facilities.

64. Immediate assistance, in the form of grants or low priced sales, for rehabilitation of basic industries especially in the branches of food, textile and health care industries. Regular supplies of spare parts and basic industrial inputs such as chemicals, fertilizers should constitute a package of continuous assistance. Such a package should not only cover the provision of supplies but also concessionary arrangements. Most importantly is the temporary relaxation of rules governing the quotas and other protectionist policies in favour of increased exports of agricultural and manufactured goods of African developing countries. Further, during the present time of deepening economic crisis and tight liquidity situation, international assistance should also address itself to the problems that African countries are facing in funding counterpart local and recurrent costs. These costs could be covered by the international community until a time when the financial position of these countries improves.

65. Moreover, measures should be taken to improve the process of debt rescheduling and the need for the total or partial cancellation of external debt of developing African countries, and in particular the Least Developed Countries and those seriously affected by natural calamities.

1.3 ADJUSTMENT POLICIES

66. To cope with the repeated crisis and to deal with the serious growing economic difficulties, African countries had undertaken major domestic reform measures aiming at rapid and sustained resumption of normal growth. Various adjustment and corrective measures were undertaken, mostly with IMF and World Bank support, with the view of internally achieving greater coherence of fiscal and monetary management and externally reducing unsustainable external deficits.

67. To reverse the deteriorating situation in the external sector, the African countries focused at two basic options. The first relates to achieving high and sustainable levels of export performance while maintaining the level of essential and necessary imports. The second option relates to drastic cuts in the level of imports so as to maintain a healthy external balance.

68. It should, however, be emphasized that increasing export is an unlikely venture in the short-run. The rigid and inelastic structure of Africa's exports itself in terms of both composition and volume, the impact of the recession, the impact of protectionist policies on the export revenue - generating capacity, increased competition from products of labour - surplus countries, and the development of technology of synthetics all interactively act as a severe deterrent to the expansion of Africa's exports. Thus, given the formidable difficulties in the short-run to boost African exports, most of the countries of the region increasingly resorted to measures to curtail the growth of imports, sometimes, at the expense of the much needed development projects. Direct controls and quota restrictions were the most applicable instruments in the formulation of import policies.

69. The policies for the revival of export growth momentum were only successful in a few countries. While 21 countries out of the 49 countries for which data are available were able to raise or maintain the ratio of their exports to GDP between 1975 and 1978, only 15 countries managed to do so during the period 1979-1982. On the other hand, many countries of the region during this period experienced faster growth in their import bill as a result of failing to achieve any significant break-through in import substitution programmes. Hence, the rising trade deficit was largely attributed to the rise in imports and the failure of exports to expand sufficiently. As foreign reserves were already drained off, the major portions of these deficits has to be covered by loans. With the hard term of borrowing, debt management emerged as an insurmountable development problem in Africa to-day.

70. The deterioration in the external sector resulted in a worsening of an already depressed financial position of governments. In the face of such a situation, various adjustment management instruments, mostly associated with IMF stabilization programmes, had to be applied, albeit, in varying degrees depending on the nature of the programmes and the problems to be addressed.

71. Demand management, in the form of budgetary reform was one of the most widely used instrument. Containment of the growth of public expenditure and application of other austerity measures were pursued with vigor by virtually all the countries of the region. However, the brunt of the adjustment, inter alia, fell on development expenditure. Public investment programmes were periodically revised and more recourse was made to increase rehabilitation programmes and Postponement of new projects. Tax reforms were also initiated with the aim of broadening the revenue base. These measures were often supplemented by policies for improving tax administration and collection, and increased involvement of the private and cooperative sectors. Actions to rehabilitate and revitalize the operation of the public enterprise sector and improve their financial position were made by undertaking extensive cost reduction measures. Salary and employment freeze and reduction of privileges of public sector employees became frequent incidences in every adjustment package. Nevertheless, inspite of the efforts to increase the operationality of the public sector, the instruments applied were not as successful as desired. In many instances adjustment policies proved to be politically and socially costly as the burden tended to fall mainly on the poorer segment of society, thus causing wide unemployment and considerably reducing growth.

72. On the supply-side, fiscal measures were also pursued to effectively correct for the existing imbalance in the patterns of production and in the saving-investment relationship. Due emphasis was given to reforms to increase incentives for savings so as to stimulate investment and to bring about a production pattern which is more appropriate to the resource endowments and the characteristics of export demand. To these were added institutional reforms, improvement of management standards, and rehabilitation of the productive base particularly in agriculture. In most countries price support

policies which act as a disincentive for production were discontinued in favour of improved incentive packages that would ensure guaranteed remunerative prices to farmers with the aim of reversing the terms of trade in favour of agriculture and thereby giving due inducement to the modernisation of the sector. The packages also included provisions for the development of the industrial sector, through encouragement of investment policies favouring promotion of export-oriented, import-substitution industries, and provision of economic and financial incentives to attract foreign capital in areas that have a direct bearing on capacity for future industrialization and technological growth.

73. The increased tendencies by most African countries for monetary expansion as a result of increased recourse to deficit financing measures to overcome tight liquidity situation, and excessive credit expansion had led to high and persistent inflation with harmful implications on production. Aside from imported inflation and its effects on the domestic cost structure, the demand management measures required to moderate the rate of monetary expansion by setting ceilings on the government recourse to bank borrowing, and restriction on credit creation, were relatively effective in some African countries in containing inflation at a reasonable rate and thus bringing about substantial improvements in productivity levels. The success of this policy has been demonstrated by the improvements made in the structure of credit, in particular the efforts made to redirect credit from the public sector to the private sector as well as in the maintaining of a stable and sufficient level of liquidity.

74. Nevertheless, the efficacy of changing the structure of demand through interest adjustment as well as those achieved by pricing measures are quite marginal in African developing countries that are characterized by low levels of income and consumption. It is also difficult to rely solely on monetary policies in developing countries with weak financial systems to bring about the desired changes. In many African countries experience has shown that it is extremely difficult to achieve a significant deceleration in monetary growth without a reduction in the overall public sector deficit. Consequently, a policy mix adjustment were undertaken whereby subsidies for essential

commodities were continued at a moderating rate and at the same time government recourse for banking system was allowed to increase at established and fixed ceilings.

75. Perhaps the most important demand management instrument is the foreign exchange rate adjustment. Devaluation was one of the most widely adopted tool. Depreciation in the exchange rates was adopted with the view of accelerating foreign demand for exports and at the same time achieving a certain degree of competitiveness in the relative prices of domestic production vis-à-vis imports. The devaluation packages also aimed at lowering inflation rates, eliminating price distortions and improving the performance of the public sectors.

76. Due to excessive devaluation, African currencies fell against the dollar by 15 per cent in 1984. The cumulative depreciation against the dollar over the period 1981-1984 was about 55 per cent. Not only was the magnitude of the devaluation quite big, but some countries kept on depreciating their currencies several times a year in connection with IMF-supported programmes. This continuous trend in devaluation which formed a major component of the adjustment policy package demonstrates the weakness of these economies to substantiate growth in key productive sectors through production incentives and improved services.

77. Devaluation can not in many ways be the basic prescription for rapidly restoring growth or for bringing about the desired improvement in the balance of payments. Experience has shown that excessive devaluation aiming at affecting the release of resources to productive ventures through changes in the relative prices is a long process and could only be effective in countries that are not inhibited by technological, economical, and social constraints. In countries with a weak production base dependent on a high import content and a rigid and inelastic production structure, devaluation can only lead to severe pressure on domestic prices as well as adversely affecting the terms of trade. However, the relaxation or even the abolition of protectionist measures and the improvement in the IMF lending facilities would perhaps be more conducive to the improvement of the balance of payments than the continued recourse to devaluation. In fact many countries of the region have shown reluctance to resort to the regular IMF facilities because of the

conditions attached to drawings, which many countries believe can not be justified by the small quota resources made available to them. Hence many countries used IMF facilities only as a last resort.

78. All the adjustment programmes adopted with the support of IMF are short-term oriented aiming at overcoming the consequences of temporary external shocks. Structural improvements in supply capacity are no doubt more relevant instruments for restoring healthy growth and maintaining output in the short and the long-term. Given the structural characteristics of African developing countries, it can hardly be believed that mere restraining of domestic demand alone can bring about the required switch of resources to the production of exports and/or imports substitutes. In this context, the instruments of change should be of a long-term nature catering for the real causes behind the dislocations of the African economies. Structural rigidities, particularly in agriculture, infrastructure and distribution systems are recognized as major factors behind the slow expansion of economic activities. Hence, the need for structural adjustment becomes inevitable. The path to this goal is no doubt difficult and long and requires considerable political will and a degree of collaboration from the development partners.

PART TWO
TACKLING AFRICA'S LONG-TERM STRUCTURAL PROBLEMS

2.1 The African-Problematique.

79. It has been emphasized that the structural weaknesses of the African economy have led to the emergence of the crisis in the region. It must also be added that the crisis itself has seriously deepened the structural deficiencies thus leading to a vicious circle of crises and the entrenchment of under-development. In the face of such a situation, the management of the crisis and of development are intertwined in the short and long-term. It is therefore, inevitable that devices and preventive mechanisms be formulated, and effectively implemented not only to mitigate the crisis but also to prevent its future occurrence. This would call for a drastic change in attitudes, new dimensions and structural reforms compatible with the critical need to radically deal with the root causes of the African development problems. ✓

80. In the wake of the social and economic crisis, the first of Africa's problematique is the drought and desertification phenomenon. In the short-term, the many disastrous effects of the drought have been amply demonstrated by the tragedies that have involved the loss of thousands of human lives. However, it must be underscored that in many African countries there is a real threat for drought and desertification to become a permanent feature. It is presently estimated that desertification on the fringes of the Sahara is spreading at an alarming rate of nearly 4 million acres per annum. This means that in only a few decades to come, Africa South of the Sahara will only include a few countries around the tropical zone. Some very distressing characteristics of the drought and desertification problem include the following: 10/

- (a) the drought which began in the Sahel has in recent years spread to southern and to parts of eastern Africa;
- (b) no useful periodicities or trends exist in the climate of Africa which can be used to predict the onset or duration of drought;
- (c) no known method exists to reliably predict the onset, cessation or recurrence of drought in the African region.

81. The second major African problem relates to the host of demographic factors that the region faces. As a result of a high birth rates and declining death rates many African countries are experiencing rates of population growth that threaten to bring about a population explosion. It is presently estimated

10/ See "Report of the Scientific Round Table on the Climatic Situation and Drought in Africa" (E/ECA/CM.10/23, March 1984.

that in about two decades from now the African continent will have a population of about one billion. The implications of such a possibility in the face of the present poor economic performance are clearly a cause for alarm. Firstly, the rapid population growth threatens to make famine and hunger a structural characteristics of the region. But even if Africa managed to forestall the catastrophe of permanent famine, it must be pointed out that the children who suffer from malnutrition become physically and mentally impaired. As a consequence their participation in the development of the region becomes minimal if not negative. Secondly, the pressure that a high population is likely to put on the limited arable and ^{pastoral} land in Africa is bound to cause a serious disintegration of the continent's rural base of production and survival. The urban population would also cause insurmountable problems of provision of adequate services for basic survival.

82. The international economic environment has a tremendous structural impact on the African economy and as such it constitutes a very basic problem for the region. One of the basic elements on which many of Africa's problems hinge is the structural dependence of the African economy on a hostile and rigid international economic system. As such, the region finds itself trapped into problems of structural balance of payments resulting into a structural indebtedness, structural international specialisation implying a structural inability for Africa to move from raw material production and, finally, a structural centralisation of international finance which makes Africa as a structural borrower.

83. Poor management of the African economies, the failure to adequately democratise the development process and the inability to efficiently exploit and use the region's abundant natural resources constitute a set of factors that structurally impede the attainment of a break through in social and economic progress. These set of factors could also be seen under a general umbrella of the region's problem in establishing a "development environment" in which the political will and the development force inherent in the people should converse and propel the African economy to a stage of self-sustaining development.

84. Despite Africa's sad realities that are deeply rooted in a desperately weak structural setting, there are reasons for hope. While Africa is today a very sick child on planet earth, there is every possibility to try to make her a

mature and healthy continent tomorrow. What is needed is the will on the part of the region and the international community to act through dedicated and concerted efforts to pull Africa out of the abyss of despair. The African problematique can be resolved if systematic approaches are adopted, now, at the national, subregional, regional and international levels. Some of these urgently needed approaches are outlined in the present part of the study.

2.2 Long-term national actions

(a) Food and agriculture

85. The need for radically improved domestic policies in Africa is crucial given the gravity of the region's economic situation and its growing proportions. The required domestic policy reforms should aim at both resolving the critical areas as well as at achieving lasting structural change. First and foremost, Africa's policy shift must include an orientation towards the building of new and dynamic institutional mechanisms that would ensure a rapid and sustainable economic and social transformation of the African economies while making them less vulnerable to external shocks and disequilibria. Indeed, there is little doubt that improved policies and sound economic management can ease the long-term constraints on Africa's development.

86. The most critical area with which Africa has to start its structural reform is that of food. The main reasons for the anxiety about the food situation in Africa include the recurrent nature of the drought and repeated crop-failures and the presently limited capacity of the countries to adequately deal with the food problem. Further, the ongoing rapid population growth is leading to a growing food demand, which, in turn, leads to land exhaustion and erosion, deforestation and increased desertification. For these reasons, a new agricultural policy has to be formulated with particular emphasis on expanding food output in line with the accelerated growth in population and incorporating measures to combat desertification and deforestation and to change the cropping pattern.

87. The cropping pattern should change to favour increased food production especially of grains and crops which are more drought resistant. The cropping pattern should also aim at maintaining maximum complementarity with neighbouring countries with the view to achieving ^{food} self-sufficiency. In addition, the new cropping patterns should expand rural employment, ensure an agro-balance

between forestry and food crops and increased export earnings. This approach would need to be supported by measures for the provision of fertilizers, improved varieties of seeds, suitable agricultural implements, expansion of the network of agricultural extension services, and provision of credit and effective and remunerative pricing and fiscal policies. Most importantly in this direction is the urgent need for increased support of government policies in favour of farmers who grow food crops. The success of the new patterns would also necessitate the establishment of land-holding systems conducive to increased output per unit of land. Major changes should be adopted in the use and development of irrigation systems to lessen the dependence on rainfed agriculture. Efforts should be made to strengthen and provide a mechanism for efficient marketing channels to resolve the problem of distribution and thereby reduce post-harvest food losses and improve the position of food reserves.

88. Another basic policy package of crucial structural importance involves the stepping up of activities and more effective use of the agricultural research. Inadequate research in agriculture and especially in food production has made the food sector to remain under traditional methods and more prone to natural calamities. Research should vigorously address itself not only to changes in the cropping patterns and farming systems that maximize output of agricultural produce under the reality of the fluctuation and diversity in weather conditions but also to combat desertification and soil erosion and to develop the appropriate technologies that suit the local conditions. Research should also be directed to improving the livestock, management of existing forests and reforestation in order to keep a balance that would integrate the programmes of crop production, livestock and forestry. The development of the integrated research is the only effective mechanism that can enable African countries to control the hazards of nature.

89. National planning systems should vigorously address themselves to measures and policies that would ensure that the effects of drought are controllable. In this regard, particular attention should be directed to the strengthening and development of programmes for the detection of weather and climatic changes and to deal with the causes of drought. Specific programmes aiming at adapting the traditional system of cultivation to climatic variability should be established. Equally important is the establishment of a system to combat the man-made effects on climate arising from over-grazing and deforestation.

90. Integrated development is one of the prerequisite for sustainable rural development. It is therefore vitally important for African countries to establish a basic rural development programme with a specific and integrated policy package. Such an integrated rural development package should include, inter-alia, the development of small-scale rural industries that are based on local resource, development of local skills, improving agricultural extension services, credit, improved transportation and communication, marketing, live-stock management, land use planning, and health and education facilities. Of crucial importance is the development of local but more advanced technologies that suit the rural conditions and environment.

(b) Industrial and infrastructural development

91. There is a lot of potential for the development of industry in African countries. The causes of the present industrial stagnation are easily discernible and can easily be removed. Thus efforts should be directed to the alleviation of the basic constraints in a consistent and timely manner so as to create the necessary linkage to agriculture. Policies aiming at enhancing the optimum utilization of industrial capacities through subregional and regional groupings, and creation of resource-based industries that uses local skills and domestic raw materials should be formulated. Of crucial importance, in this regard, is the promotion of small-scale agro-processing industries in the rural sector, the promotion of entrepreneurial capabilities and the development of technical and managerial skills. African countries must also embark on the development of core industries with strong linkages in their economies. Particular emphasis should be placed on the development of a capital goods sector capable of supporting the rural industries and small- and medium-scale industries while at the same time catering for the development of standardized spare parts. It is only through such an approach that Africa can lessen its dependence on external markets and attain a mastery of its technology.

92. Another important long-term aspect to which particular attention should be given is the attainment of an improved energy balance in Africa. As of now, energy resources such as coal, natural gas, hydropower and new and renewable energy sources are insufficiently exploited. Africa now meets the biggest part

of its energy requirements from external sources. The oil bill alone absorbs a sizeable portion of the region's total foreign exchange earnings at a high opportunity cost. To alleviate this problem, African countries should establish concrete co-operation arrangements that will ensure the exchange of energy with a minimum loss of foreign exchange for the region as a whole. Another important policy for long-term structural change in energy relates to the need to shift from oil to other forms of energy for which African countries have considerable potential. The development of hydro-electric power to cater for the electrification of the rural areas with the view of generating savings in fuel consumption should form the core of energy policies in Africa. This would, however, have to be supplemented by increased research in the development and domestic use of solar, wind energy and other forms of new and renewable sources of energy. Rationalizing energy consumption and conservation are also important elements in the long-term.

93. The promotion and development of integrated infrastructures particularly transport constitute an essential prerequisite to sound development. First of all this is important as long as it facilitates distribution and marketing of basic commodities, especially agricultural produce as well as storage, refrigeration to reduce food losses. The link between the development of the productive sectors of agriculture, mining and industry and the development of road, rail, air, and inland transport is very basic to Africa's socio-economic integration. In this context, the development and promotion of basic communications and transport services in Africa should be one of the top priority areas.

94. The general economic and social development of the region has been seriously hampered by the undeveloped road network and the unintegrated and disjointed railway structure due to lack of investment and poor maintenance. However, the successful implementation of the United Nations Transport and Communication Decade in Africa especially with respect to the five trans-African highways, the substantial development of feeder and village access roads and water transport is expected to lead to a beneficial integration of the continent as well as the expansion of domestic markets. The integration of the various subregions would ultimately promote intra-African trade as well as provide easy access to the sea, especially for the many land-locked countries of the region.

(c) The human resource factor

95. It cannot be overemphasized that Africa's human resources will have to play a pivotal role in the efforts to change the region's structure of production. Inadequate development and utilisation of manpower constitute one of the most impeding long-term constraint to development. Full mobilization and effective utilization of the labour force ^{for national development} and social progress has to be one of the basic objectives of Africa. This, will require planning and development of manpower for the development of scientific and technical skills and know-how for modern development, co-ordination of policies and programmes of the various economic sectors for manpower development, and upgrading and building of the entrepreneurial capabilities through training and institutional building to facilitate their effective integration in the overall development process.

96. The institutional support to maximize the utilization of human resources requires the promotion of a high level of general education and adult literacy, as well as a radical change in the education system in favour of increased technical orientation through vocational and technical training to fill the glaring skill gaps in the productive sectors. Efforts have to be undertaken to design programmes of training that lead to attendant improvements in productivity in agricultural and rural industries in an effort to arrest the adverse effects of the push factors which have recently been accentuated by the drought. Employment planning capacities and capabilities should be strengthened at all levels. To effectively deal with the growing unemployment problems, emphasis should be placed on development of projects that would boost the demand for labour such as expanded programmes of public works and choice of technologies that are labour intensive.

(d) External trade

97. The rigid structure of African foreign trade has a serious adverse impact on the realisation of economic and social transformation. Efforts should be made to reverse the unsustainable position of Africa's external transactions. Such efforts should focus on improving the structure of foreign trade and align it with the natural resource base where Africa has a potential advantage. To

that extent, export policies have to put greater emphasis on diversification of products and outlets and to gear the resources for increased processing of Africa agricultural and natural resources. Import policies have to be directed to the vigorous restructuring of the import substitution programmes with a view to increasing the possibilities of self-sufficiency in major import items such as food, energy and basic industrial products. Such policies should take into account the changes necessary at the subregional and regional levels especially with regard to subregional and regional complementarities and specialisation, removal of barriers to expand intra-African trade, and change in consumption habits in favour of African products.

98. This would require enhancement of export policies to increase and diversify the region's exports increased trade with developing countries, reversal of the trend of the region's being a price taker in international markets through vigorous programmes of further processing and fabrication of primary products, and the establishment of structures that lessen the undue dependence on export outside the region.

2.3 Long-term joint actions at the subregional and regional levels

99. The Lagos Plan of Action, in its perception of the future of Africa, has emphatically stipulated that the dynamics of development should be based on the region's own resources and potential. It is in the way of things, therefore, that the combined resources of the region should be directed to combat the tractable problems that are often beyond the control and capacity of individual countries. Given the fact that the compounded intensity of the present African crisis threatens to cause lasting damage to the fragile economies, collective action by African countries is more necessary than ever before.

(a) Drought, desertification and drought-induced problems

100. An area of grave concern is the encroachment of desert and the prevalence of drought with a disastrous effect on food and agricultural production. A joint programme of Action should be drawn up at the different subregional levels to integrate the drought and desertification control plans of

individual countries into subregional master plans of drought control. Such plans should include, inter alia, the development of a common strategy with specific elements of collaboration to the drought problems. The plans should also contain regional networks to co-ordinate the activities of stabilization of sand dunes and reafforestation. For effective implementation, the plan should lay the basis and provide the actions for the establishment of a common subregional fund that would provide means and mechanism for the initiation of common projects dealing with afforestation, resources conservation, diversification of vegetation cover, and establishment of green belts.

101. It would also be essential at the subregional level to strengthen and establish subregional research centres to support the programmes of action with increased research in methods and techniques to combat desertification and drought control. The promotion of exchange of information so as to create a degree of preparedness against the effects of drought should also be envisaged.

102. The recurring nature of the drought-induced food crisis is a feature which requires collective actions at all levels. Renewed efforts and measures have to be taken at the subregional and regional levels to effectively develop food strategies that would take into account the regions' need for self-sufficiency in cereals and other food crops. The strategies should cater for the subregional potentialities, endowment, and geographical and climatical factors so that specialization in food production and exchange can be effectively established.

103. The food strategy should integrate and harmonize the food security programmes of individual countries which should include measures to encourage the farmers to establish their own security stocks in staple crops, and to reduce food losses through utilization of pesticides, improvement of storage and conservation systems. The programmes should induce the development of quick-maturing as well as drought, disease and pest resistant crop varieties. The development of veterinary services for common livestock disease control, and the development of coastal and maritime fishing through integration of small artisanal fishing at a subregional level.

104. To combat the devastating effects of drought in sustained manner, concerted measures have to be undertaken for the integration of water resource master plans within the region's overall economic planning. Specifically, sub-regional plans for drought prone countries must be drawn up in all fields of water resource development. Of urgency is the development of small-scale irrigation and long-term management of groundwater resources as well as the development of instruments to locate ^{underground} water resources. Rainfall conservation policies are quite essential for the prevention of the intensification of the drought. Meteorological knowledge to detect climatic fluctuation has to be strengthened and properly disseminated. Subregional co-operation should extend to cover areas of agreement for the optimum use of shared water resources. In this context, the joint development of major river basins relating to irrigation, navigation, municipal and industrial water supply, flood controls, and drainage should constitute some of the basic elements of water resource development policies.

(b) Industry and infrastructure

105. The successful implementation of the Industrial Development Decade for Africa depends on the concerted efforts at the subregional, and regional levels. In this regard, joint exploration and evaluation of natural resources and assessment of inventories showing the volume and disposition of raw materials, minerals and energy resources is quite essential for profitable industrial co-operation and integration of projects at the subregional level. Appropriate measures at the subregional and regional levels should also be taken to strengthen and establish centres for the transfer, modification, adaptation, diffusion and assimilation of imported technology and the development of indigenous technology. The advantage of such co-operation is immense as it boosts industrial production by opening up of new markets, development of raw materials on a complementarity basis especially in the production of intermediate goods and other industrial inputs long-term agreements in product specialization and product-sharing system, and strengthening of commodity exchange markets and information relating to methods of production, and transfer of technology.

106. Joint measures in the development of the transport sector is of extreme importance for the rapid integration of the continent. The inadequacy in transport services has considerably limited the development of agriculture, industry and trade and affected the ability of the African countries to effectively and jointly make use of their potential resources. The regional strategy, as laid out in the Transport and Communication Decade in Africa (1978-1988) stipulates increased harmonisation, and co-ordination of projects to link the vast regions of the continent by the development of road network and trans-African highways, integrated railway networks and inland and sea transport.

(c) Trade and finance relations

107. Efforts should be directed to the strengthening of the monetary and financing structures of the region. Areas of particular importance include the creation of an African Monetary Fund to promote regional trade, the strengthening and integration of financial co-operation in multilateral clearing and payment arrangements, and the establishment of subregional and regional development banks to enhance the co-operation in the field of production.

108. It has also to be stated that no genuine development can be attained in Africa if the region is not properly integrated with solid economic co-operation arrangements not only in the field of trade and transport but in all spheres of production. No industrial take-off will be possible unless the envisaged degree of regional and subregional co-operation is achieved. Thus economic co-operation has to be enhanced to match the hopes of the Lagos Plan of Action and the Final Act of Lagos. Some co-operative efforts are well in operation such as the United Nations Transport and Communication Decade, the Industrial Development Decade for Africa, the Preferential Trade Area for Eastern and Southern African States, the Southern African Development Co-ordination Conference, the Economic Community of West African States, and the emerging Economic Community of Central African States. Arrangements to cover the various fields in training, technology, mineral resources, energy, money and finance, production have also to be initiated.

2.4. Long-term international measures

109. There is no doubt that for Africa to achieve a structural transformation, it will require external assistance and support. External assistance should

not only be positive in terms of its magnitude, terms and conditionality but has to address the basic structural issues that underlie the crisis. This will require that assistance tackles all fronts with specified changes in attitudes on the part of the international community. There is, therefore, urgent need too for reforms in donor policies to sustain domestic policy reforms and to support Africa's structural development needs. The priority areas that should be vigorously supported include food and agriculture, human resources and social development, natural resources and energy, manufacturing industry, physical and institutional infrastructures, environment, and foreign trade. International solidarity with Africa in these areas should aim at promoting the structural change needed to bring about rapid and sustainable growth and genuine development.

110. First and foremost, the limited ability of African countries to raise sufficient funds for the execution of development programmes from an undiversified and narrow production base poses a serious obstacle to the full realization of the development reforms that Africa has embarked on or envisaged. The export sector is characterized by adverse developments in international markets regarding both demand and prices. The imposition of quota restrictions and other protectionist policies in international markets coupled with the rigidity of the export structure itself, the fluctuation of prices of primary products despite international commodity agreements and buffer-stocks schemes have all been major bottlenecks in the securing of resources for development. The unprecedented rise in the prices of basic imported development goods such as agricultural and other equipment, energy, fertilizers, etc. and the continually unfavourable terms of trade constitute a drain on the limited foreign exchange reserves of African countries. The flow of external assistance which has been stagnant and unco-ordinated has thus far not been able to meet the genuine need of African countries for adequate, decent and internationally accepted minimum standards of living, nutrition, health, education, transport and communications and productive employment opportunities. The hostile international environment and the structure of international financial markets are also not conducive to the realization of the developmental efforts of the African region. Most of the

African countries are heavily indebted and face major amortisation difficulties due to the rigidity of loans on hard terms and unfavourable conditionalities. The incidence and burden of the repayments of debt under hard conditions has necessitated a halt on basic development activities. Most alarming is the continuation of the crunch in the coming 5 years where the bulk of the debt will be due for repayment.

111. While the African governments themselves have acknowledged the deficiencies of past policies and their ineffectiveness to deal effectively with the crisis in its multi-facet dimensions, genuine efforts on the part of the international community have to be undertaken to support the policy reforms that are needed to resolve the region's development impasse. To make the external assistance package beneficial, it is pertinent to underscore the importance that should be given to the alignment of the assistance to the national priorities of countries with the view to making it supportive and complementary to national efforts.

(a) An agricultural assistance package

112. Development assistance should be changed in both form and substance in line with the changing needs. Within this context, the priority of international assistance should be placed on the development of the agricultural sector in an integrated package of assistance covering not only agriculture but all related activities in livestock, fisheries and forestry. It is clear that agriculture which used to be the source of growth, can no longer sustain this role given the damage caused by the drought, other natural calamities and other policy problems. Revitalizing productivity within the agricultural sector is thus the most logical starting point in any international assistance package. To this end, the old modalities which tended to focus international assistance towards large-scale projects for cash crops and raw materials to feed foreign markets has to be modified in favour of increased support for the production of food crops ^{where} the bulk of farmers are engaged. It has been estimated that only 4 per cent of the total volume of assistance to the African region has been directed to the expansion of food production.

113. New modalities of external assistance have been evolved. These modalities must favour increased modernization of the traditional pattern of production. Massive aid has to be directed to production of food to support and modernize the activities of subsistence small-holding farmers. Assistance should also be directed to land reclamation and expansion of the area under cultivation especially in the arid and semi-arid zones of the region and to the intensification of farming methods.

114. At the same time, assistance for the development of forestry and livestock has to be incorporated in the package so as to ensure the establishment of a better agro-animal-forestry balance. Technical assistance and massive transfer of resources have to be directed to restore depleted pastoral and grazing lands, disease control, procurement of vaccines, laboratory equipment, reafforestation, underground water exploitation, development of rivers and lakes, and irrigation schemes.

115. Assistance in the form of knowledge, techniques and financial resources should also be directed to the conservation of plant and animal genetic resources and the establishment of gene Banks in the long-run. The international community should provide support to plant research stations, protection and animal breeding experiments, specifically those related to improving the resistance of crops and cattle.

116. International assistance should also address itself to rural development in Africa without which no genuine development can be expected. Emphasis should be placed on projects that upgrade the quality of life of the rural population. An agricultural package should therefore not lose sight of projects to develop villages, and to provide basic services in rural education, training, and health.

117. But while the donor community should put its weight on the development of agriculture and the rural sector, it must not ignore the other sectors such as industry and the supportive physical infrastructure. Project assistance in terms of programme aid at the national, subregional and regional levels has to be co-ordinated in such a manner that would lead to the full realization of programmes such as the United Nations Industrial Development Decade ^{for} Africa and the United Nations Transport and Communication Decade in Africa

Such aid co-ordination is of vital importance as it is the only way to ensure that packages of projects with their forward and backward linkages are successfully implemented. Co-ordination of the financing aspect will not only provide continuity, coherence and timely execution but also avoid bottlenecks, lags and delays, and resource wastage.

(b) Modalities of external assistance

118. Given the gravity of the situation and the sad realities of the African economies to-day, the recovery and development needs of sub-Saharan Africa should be addressed with extreme urgency. In the recent past there has been an apparent increasing reluctance on the part of the donor community to change its assistance modalities. Increased protectionism has reduced the export earnings. Further, even the limited export earnings have been drained off by escalating debt services payments due to unprecedented rises in the rates of interest. Given the rigidity of Africa's exports and the consequent inability to expand quickly, the brunt of the adjustment process has to fall on imports both through direct restriction on demand and on devaluation. Thus to correct for the existing imbalances in the accounts of the external sector and in an effort to cushion the balance-of-payments difficulties, African countries have to resort to heavy foreign borrowing from the international capital markets; resulting in a debt burden that has grown out of proportion to the capacity of the region. The factors behind this debt overhang are largely external, notably among them are the recession of 1980-1982 with its resultant high interest rates, the ever increasing oil bill, and the slump in raw material markets.

119. It is apparent then that the donor community has to increase its response to the needs of the African countries. In line with this, a recent World Bank report has noted that "experience suggests that donors do not have the flexibility in their programmes to generate the external support that these countries require. In any case, if this implied a reduction in the financing of basic programmes in sub-Sahara Africa, it would not be desirable. There are already several countries in which domestic programmes are threatened by inadequate external financial support" 11/.

11/ See World Bank, Toward self-sustained growth, op.cit., p.47.

120. The same report has projected bleak estimates for net capital flows in 1985-1987 in the absence of special action. While total gross capital flows will remain stagnant at their average 1980-1982 level of \$13 billion, the quadrupling of amortisation payments in 1985-1987 will imply a substantial reduction in net capital flows of nearly half its level in 1980-1982 of \$10.8 billion on an annual basis to only \$5 billion in 1985-1987. More alarming is the reversal of the capital flow of private loans. While during 1980-1982, there was a net capital inflow of \$2.5 billion annually, the period 1985-1987 would see an annual outflow of 1 billion dollars, i.e., foreign private banks would receive from the African countries more than they lent to them.

121. Indeed, the perverse structure of international capital markets, involving elements such as rises of interest rates, increased privatization, politicalisation and commercialization of external resource flows, the rises in the value of the dollar and other major currencies, and the tying of loans, has limited the ability of African countries to cope with the external resources problem. Moreover, the repayment commitments constituted a heavy drain on Africa's scarce foreign resources at a time of low expansion of exports. External debt servicing increased from 1.5 per cent of GDP on an annual average between 1975-1980 to 2 per cent in 1981 and 2.6 per cent in 1982.

122. Given the formidable difficulties that Africa is presently experiencing there is need for more concerted international action in regard to increased resource flows to Africa, debt relief measures, measures against rising interest rates, balance-of-payments support and the alleviation of external debt through fair trade practices.

123. Donor countries have committed themselves to a target of 0.7 per cent of their GNP in real terms as ODA to developing countries. At present, the share of aid in GNP of merely 0.27 per cent and 0.38 per cent for the United States and the members of the Organization for Economic Co-operation and Development, respectively, is well below the target. There is thus a clear and urgent need for a new reallocation of ODA in favour of the poorest countries and especially those whose economies are prone to natural disasters.

But donor countries should not only enlarge the total volume of aid but also improve the quality and effectiveness of aid. Concessionary and more flexible forms of aid are more conducive to the development of African countries and in particular the least developed countries. Donor countries should make the necessary efforts to provide assistance to African countries in the form of grants and highly concessional loans on an untied basis and to liberalize capital movements and relax capital controls which are becoming harder with the incidence of high indebtedness and default.

124. As political and commercial tying of bilateral aid undermines its developmental effectiveness, the multi-lateral financial institution should also play a vigorous role in assisting Africa to cope with the external debt crisis. The World Bank should give more support to poorer countries with conditionalities that are not inflationary. The World Bank can and should increase its medium- and long-term financing and expand its structural adjustment lending programme in conformity with the growing needs of the African countries. The International Development Association (IDA), the world's largest programme directed to the needs of low-income countries, should be assisted to expand its activities significantly to take into account the current economic crisis facing the African continent. The seventh IDA replenishment which has been negotiated at the amount of \$9 billion, falls short of the needs of African countries and it is of extreme importance that negotiations should be undertaken for supplementary funding of at least \$3 billion.

125. Net drawings from the Compensatory Fund Facilities (CFF) of the IMF, which aim at improving the liquidity situation of the poorest countries, are presently less than the shortfall in the external resources of the African countries. The IMF should therefore enlarge the CFF and reformulate its criteria in favour of countries afflicted by natural disaster. There is also need for a substantial new reallocation of IMF special drawing rights (SDR) to restore the reserves of African countries so as to increase their credit-worthiness. In the Special Memorandum of the ECA Conference of Ministers on Africa's Economic and Social Crisis, 12/ the African Ministers reiterated the view that "In the overall allocation of the increased resources of the IMF, we are concerned that in the past Africa's share was relatively

12/ Op. cit.

smaller although its needs were evidently greater. We therefore urge that Africa should have an increased share of SDR allocations to meet the current economic crisis."

126. Rescheduling of debt should be arranged in a consistent and timely manner, as agreed upon by the Trade and Development Board in its resolution 165 (S-IX), to bring about a symmetrical sharing of debt that allows for a smooth cushioning of the problems raised by the existing debts. In this connexion, the Special Memorandum urged that the period for consolidating debt service due should be at least five years and that the repayment period for the consolidated amounts should be not less than 15 years (including substantial grace periods). The process of debt reorganization should have a longer perspective to allow for structural adjustment measures to bring about desired changes in the level of exports. Furthermore, there should be established a moratorium for at least 3 to 5 years on servicing of both public and private debt including the conversion of a substantial part of the debt service obligations of African countries into grants. In any case, the debt service should not be allowed to exceed a reasonable percentage of the export earnings and GNP of African countries 13/.

127. The international financial markets and developed countries are urged to develop fiscal, budgetary and monetary policies that would bring about substantial reductions in the level of interest rates that affect the credit-worthiness of countries and encourage large-scale bank lending. Accumulated arrears resulting from recent increases in the rate of interest should be either written off or converted into grants. Moreover, ways and means have to be found to consolidate debts on a long-term basis such as setting a ceiling on interest rates and extending maturities.

128. As the short-term balance-of-payments support measures are not adequate to deal effectively with the problem in its long-term structural aspect, the IMF should consider relaxation of its conditionality terms ~~66rr~~ such support, which are not conducive to the revival of the export sector in the long-run. The period during which IMF contemplates adjustment of the current account should be 5-15 years and the interest rates should be low. The Extended Fund Facility should be integrated with the Structural Adjustment Programme of the World Bank with a repayment period of over 10 years. IMF is also urged

13/ Special Memorandum, op.cit., pp.48-49.

to have less resort to devaluation policies which are predicated on a strong supply-side response (practically inelastic and rigid in most African developing countries) and seldom stimulate exports substantially but adversely affect the terms of trade.

129. To make African foreign trade a dynamic sector, and a viable and effective instrument for ^{rapid} structural transformation, a new orientation in international economic relations has to be achieved. Such orientation should aim at reversing the continuous and sharp decline in prices of primary products by increasing the supply of investment capital for strengthening and establishing commodity-processing industries, special action for African countries on commodity prices by the establishment of the Common Fund for the Integrated Programme for Commodities, with a view to securing favourable terms for financing interim commodity agreements, more favourable increases in compensatory financing for shortfalls in commodity export earnings, improved market access for African primary and processed commodities in developed country markets, and enforcement of "disciplines of an open trading system governed by multilateral agreements" 14/.

130. Moreover, the persistent disequilibria in the international financial markets, without any genuine remedial measures to reduce the growing disparities between developing and developed countries, continued to pressurize the already depressed financial situation of the African economies. A new and judicial international economic order has to prevail to take fully into account the peculiarities of the seriously affected African countries. The major changes, in this regard, should aim at supporting Africa's move towards the realization of the physical, social and economic integration and in particular the urgently needed support for the African least developed countries as stipulated in the Substantial New Programme of Action for the Least Developed Countries. Furthermore, to facilitate the flow of resources and to ensure the right level of liquidity, reforms in the international monetary system in favour of the most seriously affected countries are deemed necessary.

131. In the absence of special action by the donor community, the African economies will continue to be side-tracked into over-specialization in raw materials production with stagnant or declining prices, while prices of

14/ Brandt Commission, Common crisis - North-South: co-operation for world recovery, (1983).

manufactured imports from the developed countries rise continually. The region will also be over-dependent on external markets in a south-north framework, with growing domination by developed countries through, inter alia, transnational corporations and monopolistic technology markets. If the perverse international financial and monetary arrangements were to continue in an increasingly privatized system; if interest rates remain exorbitant and exchange rates volatile; if the deteriorating trends in aid modalities and quality persist --then indeed the prospects for the inflow of foreign resources to Africa will be bleak and ^{the} existing sombre situation will get even worse. The chances for Africa's recovery and stability during the rest of the decade would be in serious jeopardy in those circumstances.

CONCLUSION

131. The African region, not fully recovered from a series of oil crises, was hard hit by the most devastating natural disaster on record, affecting at one time almost all countries with few exceptions. The structural deficiencies are considered the main cause of the intensity of the crises. As a result, the production structure of many African economies fell into disarray. Agriculture, the impetus of growth, can no longer sustain the basic necessities of the African population, given the damage to the soil caused by drought and other natural calamities. Moreover, the hostile international environment and inadequate and inappropriate domestic policies have, no doubt, been responsible for the very poor economic performance of the African region. Since the beginning of the 1980's there has been no significant growth in output.

132. At the close of the 1970's, when the African population was expanding on the average at around 2.5 per cent, food production was only expanding by less than 2 per cent per annum. The situation is even much worse in the 1980's, per capita food production declined so sharply that each African is estimated to have around 10 - 12 per cent less home-grown food than five years earlier^{15/}. Thus, the region has had to import food or receive food aid in increasing amounts. It is believed that over 20 per cent of the African population currently depends on food imports. Even so, the African region still remains calorie deficient. The calorie intake of over a quarter of the present population is below the critical minimum limit. In spite of the concerted efforts of FAO, WFP and WFC, reinforced by the repeated appeals of the Secretary-General of the United Nations for assistance in favour of the most seriously affected countries, aid has not yet arrived on anything like the scale necessary to defuse permanently the African food crises. The situation in 1985 is still precarious. About 40 per cent of the known pledges for food aid have not been received. Furthermore, there

^{15/} FAO, Monthly Bulletin of Statistics, vol. 7.

are frequent serious delays in delivery of food aid owing to the lack of adequate logistic support to effect distribution within the countries affected.

133. The emergency and rehabilitation needs in 1985 for the 21 critically affected countries (13 of them being among the least developed countries) with expected poor harvests are estimated at \$2 billion ^{16/}. The identified needs for international support include the food-aid gap as of 15 January (\$435.8 million), emergency water supplies (\$30.7 million) ^{17/}, transport of food-aid (\$769.2 million), resettlement of displaced populations (\$101.2 million), supplementary feeding (\$292.2 million), essential health services (\$191.6 million) ^{18/} and urgent rehabilitation of food-growing land and livestock (\$164.2 million) ^{19/}.

134. The needs of the various survival programmes of rehabilitation should be addressed with urgency. There should be no doubt that efforts to resuscitate the African economy as a whole, will critically depend on the immediate success of the rehabilitation and revitalization of the African agricultural sector. Specific emphasis should, therefore, be given to incentive measures to immediately increase food and agricultural production and productivity as well as to the development of water resource infrastructures. Of crucial importance, other secondary and tertiary sectors (industry, transport, financial and administrative services) should be simultaneously revamped in a fully defined framework of rehabilitation package that supports the agricultural sector. It has to be understood therefore that only through building of the necessary capabilities and enhancing the absorptive capacity of the African economies there can be any hope for the successful implementation of long-term programmes and structural reforms that would ensure a rapid and sustainable growth.

^{16/} Provisional.

^{17/} Excluding Morocco and Zambia.

^{18/} Excluding Burundi, Morocco, Rwanda and Zambia.

^{19/} Excluding Morocco, Mozambique, Senegal, Somalia, the Sudan, Rwanda, the United Republic of Tanzania, Zambia and Zimbabwe.

135. To ensure the success of the programme to revitalize Africa, ^{economies} international support will have to extend its scope beyond the provision of emergency assistance. Continuing assistance should be initiated immediately, through a package of measures that would aim to:

- (a) Combat drought and related problems;
- (b) Stabilize the food-supply situation;
- (c) Rationalize the production of basic industries by regular supplies of spare parts and basic industrial inputs, especially food, textiles and health care industries;
- (d) Strengthen transport services by provision of repair and maintenance facilities for trucks and roads;
- (e) Increase balance-of-payments support;
- (f) Rationalize the promotion of price stabilization at remunerative levels, commodity agreements and compensation for short-falls in export earnings;
- (g) Remove all trade barriers vis-à-vis African countries;
- (h) Grant moratoria for at least 3 - 5 years on the servicing of both public and private debt;
- (i) Write off accumulated arrears resulting from recent increases in the rate of interest or convert them into grants;
- (j) Cover all or a large part of counterpart local and recurrent costs of projects; and
- (k) Provide more non-project assistance in support of the adjustment process.

136. It has to be fully emphasized from the start that the root causes of the African *problematique* are structural. It is, however, well known that the structural weaknesses of the African economies have led to the emergence of the crisis in the region. Consequently, the crisis itself has seriously deepened the structural deficiencies; thus leading to a vicious circle of crisis and entrenchment of under-development. It is, therefore, inevitable that devices and preventive mechanisms must be formulated and effectively implemented, not only to mitigate the crisis but also to prevent future recurrences. This would, however, call for a drastic change in attitudes which will open up new dimensions; and for structural reforms compatible with the critical needs that will deal radically with the fundamental causes of development problems in the region. There is need not only for radically improved domestic policies, but also for careful specification of the roles to be performed by donors to support and sustain domestic policy reforms.

137. There is no doubt that Africa will require external assistance and support if it is to achieve a structural transformation and secure rapid and sustainable growth. External assistance should not only be positive in its magnitude, terms and conditionality but must also address the basic structural issues that underline the crisis. While African countries are making every effort to cure permanently the deep-rooted malaise in their social and economic structures, international support measures should be such as to assist that endeavour. Thus, the donor community is called upon to address urgently and support positively Africa's long-term development needs in the following areas::

(a) The full execution of all commitments made to Africa by all developed countries and multilateral institutions, so that the concerned countries can effectively implement their national development programmes;

(b) Greater resource flows from all sources, in line with national and sectoral priorities and the needs of the region to sustain development and increase individual and collective self-reliance, as stipulated in the Lagos Plan of Action and the Final Act of Lagos;

(c) Support as a matter of urgency for the African Least Developed Countries in accordance with the Substantial New Programme of Action for the Least Developed Countries;

(d) Increased support for the implementation of the Regional Plan of Action to Combat the Impact of Drought in Africa;

(e) A well defined and articulated agricultural assistance package to form part of the implementation of the African Food Plan and to develop the rural sector;

(f) Increased support to governments for the successful implementation of the United Nations Transport and Communications Decade in Africa, the Industrial Development Decade for Africa and the existing co-operative arrangements such as Preferential Trade Area for Eastern and Southern Africa and the economic communities established within the region.

138. The new modalities of assistance should be compatible with the following prescriptions:

(a) There should be a reallocation of ODA in favour of the poorest countries, especially those whose economies are prone to natural disasters;

(b) Donor countries should make every effort to provide assistance in the form of grants and highly concessional loans, on a united basis and in a timely co-ordinated manner;

(c) Donor countries should refrain from political and commercial tying of bilateral aid;

(d) Capital movements should be liberalized and capital controls, which have become onerous with the incidence of high indebtedness and default, should be relaxed;

(e) Debts should be consolidated on a long-term basis, such as capping interest rates by setting a ceiling and extending maturities;

(f) The period for consolidating debt services due should be at least five years and the repayment period for the consolidated amounts be not less than 15 years (including substantial grace periods);

(g) Debt service should not be allowed to exceed a reasonable proportion of export earnings or of a country's GNP;

(h) An international conference should be convened to deal with the existing external indebtedness of African countries and to elicit the pledging of additional financial resources on concessionary terms;

(i) The international financial markets and developed countries should be urged to develop fiscal, budgetary and monetary policies that would bring about substantial reductions in the level of interest rates that have to be paid by African countries, and encourage large-scale bank lending to those countries;

(j) The World Bank should be urged to increase its medium- and long-term financing and to expand its structural adjustment lending programmes both in scope and duration, in conformity with the growing needs of the African countries;

(k) The seventh replenishment of the International Development Association, negotiated in the amount of \$9 billion, falls short of the needs of African countries and it is extremely important that supplementary funding of at least \$3 billion should be negotiated;

(l) The International Monetary Fund should reformulate the criteria of its Compensatory Fund Facilities in favour of countries afflicted by natural disasters; and should make a substantial reallocation of special drawing rights in response to the current economic crisis, thereby restoring the reserves of African countries and increasing their credit-worthiness;

(m) The period within which IMF envisages adjustment of the current-account balance of payments should be 5-15 years, associated with low interest rates;

(n) IMF should be urged to resort less to devaluation policies which are predicated on a strong supply-side response (practically inelastic and rigid in most African developing countries) and which seldom stimulate exports while adversely affecting the terms of trade; and

(o) The international community should adopt measures that improve access to the markets of the industrialized countries, develop schemes of generalized preferences, negotiate long-term sales agreements, devise mechanisms for the transfer and development of technology, together with schemes for technical and economic co-operation on a multilateral basis, and generally promote south-south co-operation on a large scale.

139. Above all, Africa requires a better, more equitable international economic order, in which it will be an equal partner in the production, distribution and consumption of the world's wealth. The world order must take into account the real needs of Africa. In the words of the Executive Secretary of the Economic Commission for Africa ^{20/},

✓ The agenda for a new international economic order will therefore include the following: (i) international efforts to enable Africa to achieve effective sovereignty over its natural resources; (ii) international support for the physical integration of Africa through full co-operation in the implementation of the United Nations Transport and Communications Decade 1978 to 1988; (iii) international co-operation to achieve a break through in manpower development in Africa; (iv) decolonization of Africa's colonial monetary arrangements and the setting up of an African monetary system; (v) respect for Africa's political independence and the elimination of outside manipulation of the African economy by outside powers with a view to frustrating the

^{20/} Adebayo Adedeji, Africa and the New International Economic Order: A Reassessment, December 1979.

achievement of national and regional objectives; (vi) acceptance by the entire international community that Africa's continued economic backwardness constitutes a danger to world peace and stability and consequently an international agreement to provide Africa with the wherewithal to enable her to achieve a new national and regional order by the year 2000s.