ns 48513

48765

UNITED NATIONS

ECONOMIC and SOCIAL COUNCIL

Distr.
LIMITED

E/CN.14/CAP.3/7
15 May 1970

ENGLISH
Original: FRENCH

ECONOMIC COMMISSION FOR AFRICA
Conference of African Planners
Third session
Addis Ababa, 20-29 May 1970

PROBLEMS OF PLANNING IN AFRICA

M70-1092

PROBLEMS OF PLANNING IN AFRICA

The planning principle is now officially recognized in most of the African countries. Each country has its plan. Some are no longer in step with events, some have not won political approval, and some are in process of implementation. There are countries which have reached their third plan and, in a few cases, middle-term plans (triennial or quinquennial) have been established on a long-term basis (ten or fifteen years).

Very varied forms of planning exist in Africa: imperative plans of the planned socialism type; indicative plans of the concerted liberalism type. These plans, moreover, are more or less elaborate, their basis is more or less scientific, and they are more or less founded on modern econometric or planning methods. Some are based on macroeconomic models, others - although they are called "plans" - are in fact only programmes or lists of projects concerned, generally speaking, with the country's activities as a whole, and the ratio between the various sectors has not necessarily been studied. Sometimes, even, they are just action programmes concerning the public sector or some other individual branch.

While simultaneously pursuing the studies of models and projections, the ECA secretariat continued its analyses of the African countries' development plans, and drew comparisons between the targets aimed at and the results achieved. Generally speaking, these results on balance proved disappointing. Some countries, although they regularly aimed at annual growth rates of more than 5 per cent in the GDP in their various successive plans, never in fact succeeded in exceeding an average of 1 or 2 per cent. Other countries indicated that they had attained the objectives set, but more detailed and more objective critical analyses revealed that, although the overall rate of growth fixed had been achieved, the countries' economic development had followed a completely different pattern from that laid down in the plan. The tempo and time-table of investment had no connexion with what was envisaged, or again the growth rates in various sectors were at complete variance with those indicated in the plan, although the general overall rate had been virtually attained.

As planning methods had proved their worth in other parts of the world, and as overall macro-economic models had been sufficiently studied to ensure that their value should not again be challenged, it was therefore necessary to question why the application of these methods in Africa had to contend with difficulties apparently unknown to the other regional commissions.

The explanation is apparently that efforts have been directed towards the application, rather than the adaptation to the special

conditions of the African economies, of planning techniques established by and for developed countries with more ample and more diversified economies. We shall therefore proceed to examine hereunder the difficulties of planning in Africa, listing them on a commodity basis according to three criteria: economic, technical, institutional and political.

Difficulties of an economic nature

A comparative analysis of the growth achieved by the economies of countries in other regions of the world makes apparent two features that are peculiar to Africa: on the one hand, the small dimensions and the lack of diversification of the national economies and, on the other, the chaotic and haphazard progress of their development. The total GDP of the 44 African developing countries is only 62 per cent of the GDP of Italy. Graphs I, II and III annexed hereto reflect the importance of Africa in the world economy. In addition to its comparatively small dimensions, the African economy is divided up into some forty small national economies which are often too small to achieve the harmonious and rapid development necessary for the large-scale economies indispensable to the progress of the modern world.

The global GDP of the six principal Latin-American countries constitutes 80 per cent of the total for the region. In Asia, the six principal countries represent 85 per cent of the total. In Africa, this is no more than 50 per cent. The other half of the total (amounting to a little less than the GDP of Mexico) is divided among more than 35 countries. It will be seen from the graphs (annexes IV, V and VI) on the evolution of growth rates in the GDP at constant prices for the 6 principal countries in each of the major regions of the world, that the small dimensions of these national economies is linked to extremely important variations in the annual growth rates. It appears that the smaller a country's GDP, the more marked the impact of factors exogenous to its economy and, therefore, planning.

Events which may be considered as fortuitous in relation to national planning lead to variations in the normal growth of countries which rapidly exceed the endogenous variations desired and looked for by the planners. The terms "exogenous" and "endogenous" must be understood in relation to the plan or the projections. They may very well be domestic in origin. One might compare this *de facto* situation with that occurring in radiotelephony when, over a given distance for reception, the power of the transmitter diminishes and the proportionate volume of background noise and atmospherics to the original transmission increases progressively, finally drowning the message transmitted and making it unintelligible. An initial

assumption led to the belief that effects of this nature must make themselves felt more especially in countries dependent upon agriculture, and particularly upon a monoculture - and hence unduly prone to suffer from variations in the climate - and it was believed that the industrial sector should to some extent constitute a stabilizing factor. Examination in greater depth (see Graphs IV and V) has demonstrated that the industrial sectors do not seem to escape from this general rule. Although in certain countries manufacturing industry is essentially linked with the processing of agricultural commodities (sugar-factories in Mauritius; oil mills in Senegal), and for that very reason suffer the repercussions of climatic variations, it is apparent that in other countries whose economies are centred on industries that are less dependent on agriculture or more diversified, exogenous factors that cannot be controlled - at least not by the country's planners - assume just as great importance, either because of the small dimensions of the present industrial sector in an already feeble GDP, the launching of new special projects takes on considerable and disproportionate importance, leading to erratic progress.

This trend towards sharp fluctuations is increased by the fact that the economy of a number of African countries is based essentially on some products or some industries. The result is that the economy as a whole is unusually sensitive to fluctuations affecting such products or industries. Lacking the compensations to be found in more diversified economies in which the law of large numbers can offset accidental fluctuations in a given sector, the planner has no weapon with which to combat unforeseen fluctuations which, although they affect only one factor, can throw the entire domestic product into confusion.

Table IX of the African Economic Indicators (information document available at the conference) shows the considerable influence which certain agricultural or mining products can exercise on the African economies: coffee in Burundi, oil in Libya, iron in Mauritania, sugar in Mauritius and Reunion, copper in Zambia, groundnuts in Senegal, cotton in Chad, and so on... It is thus easier to understand the repercussions on these countries' plans of, say, frost in Brazil, a rise in the world market rates of so-called strategic products at a moment when the world political horizon is cloudy, new discoveries in synthetics, the closing of the Suez Canal, or merely the decision of some board of directors in New York or Paris for or against installing new plant in a given country.

Often this erratic pace precludes the use of the macro-economic methods normally employed in the countries whose economies are bigger, more varied and more controlled by the planners. The following table shows the variations in calculating

the marginal co-efficient of capital in some African countries, as compared with other countries whose economies are more far-reaching:

Marginal co-efficients of capital calculated annually in certain countries

	United Kingdom	France	Ivory Coast	Ghana	Senegal
1958	3.8	...	...	...	
1959	3.2	2.3	...	...	
1960	3.2	2.2	...	...	
1961	2.9	2.8	2.3	8.6	6.7
1962	3.7	2.1	8.1	4.1	8.1
1963	3.0	2.1	1.2	12.8	2.5
1964	2.6	2.5	1.3	1.9	3.4
1965	2.9	3.4	-7.3	3.1	48.5
1966	3.3	3.2	6.2	4.0	7.6

The above are not extreme examples. Many others could be given showing still more stable series for better-endowed and more diversified economies, and even more erratic examples in the case of the smaller African countries based to a greater extent on monoculture.

However, it must be stressed that the small size of the national economies cannot be regarded as a miniature representation of the situations prevailing in developed countries. There are important constraints due to lack of infrastructure and the scarcity of qualified personnel which would introduce limits in the models. Moreover, in the African countries economic activity is still at the initial stage and its development cannot always be conceived in a continuous manner, as is the case in some less-favoured economies of the developed countries. For instance, an increase in cement production in an African country cannot be anticipated in terms of 2.8 per cent or 16,500 tons per annum. Generally, there is no cement plant and production will continue to be nil, or will jump immediately to 50,000 tons or more when such a plant has been installed.

It is clear from the foregoing that even for the endogenous factors involved in plans or projections, the traditional macroeconomic approach is not always suitable. There is often reason to conceive discreet variations resulting from regression

equations or calculations of elasticity co-efficients. These discreet variations will contribute to the accentuation of the apparently chaotic nature of economic growth, and will complicate the work of the planner, who will have to use other methods of plan analysis and utilization. Of course, the terms "limit", "continuous" and "discreet" should be understood in the mathematical sense.

We may thus speculate whether the planning methods and overall macro-economic models perfected and applied in the major developed countries do not encounter increasing difficulties when we wish to use them in conditions which are further and further removed from those prevailing when they were worked out and put to practical use in the developed countries. It might perhaps be necessary to modify them and to adapt them so as to take into account the importance, on the one hand, of exogenous factors and, on the other, of particular commodities or projects. It would be well to study what methodology should be applied to adapt planning projections to the benefit of those mini-States whose economic dimensions do not allow them to withstand the shocks, hazards and contingencies encountered in their development. It seems that a realistic approach to the problems of the African countries should use both econometric methods and the more empirical ones of project analysis.

Macroeconomic models have been elaborated for widely diversified economies with many enterprises, where the law of large numbers is completely applicable. The study of all the particular cases, none of which has a special weight, would be impossible. Therefore, generalisations are valid and necessary. These methods can be used in the countries of the region to foresee numerous and diverse reactions each of which may have only limited importance. For example, the elasticity of consumption can be used for the study of household expenditures as a function of the increase in income.

On the other hand, when important operations are involved, even if they are isolated and very specific phenomena, it is absolutely necessary to take them into account. Macroeconomic models of the U.A.R. which would exclude the Aswan Dam project or of Liberia without the inclusion of the future plans of AMCO (iron ore) and Firestone (rubber plantations), companies which alone account for a very important fraction of total production, would be completely academic and inoperable.

Moreover, it still seems necessary to remember the heterogeneous character of African economies, where, alongside a modern sector capable of rapid progress and growth, there exists a subsistence sector whose evolution is only partially induced by the development of the modern sector.

It is through a combination of macroeconomic models (used by the CDPPP for the world and for large regions) and of analysis by projects or by important products (too often submerged in project catalogues called "plans" by the countries) that the solution for the problems mentioned above may be found.

The ECA programme of work therefore provides for a study group in which experts from the African countries can examine this problem in greater detail.

Technical difficulties

There are many technical difficulties, but we shall confine ourselves to the commonest. The main problem is the quantitative insufficiency of statistical data concerning the African countries.

Very often the chronological series generally used for determining the ratio between the various economic factors are too brief to be significant. In addition, the African statistical services are recently-established, and are short of material and financial facilities, as well as being under-staffed, so that much of the information received is still not complete enough fully to meet the planners' requirements. Some countries have only three or four national accounts estimates. A number of countries have no constant prices series and whatever deflators are available are often out-of-date or ill-adapted - applying, for instance, only to consumer-price indices relating to European-style consumption. Sometimes they combine both these faults, which render them virtually useless in calculating constant prices. Let us recall here that only 14 African countries establish their national accounts at constant prices, while 29 indicate in their development plans the increase in the gross domestic product which they hope to obtain by the final year of the decade. As the value of this terminal GDP is expressed in terms of prices and currency values obtaining at the time when the plan was established, and therefore at constant prices on that basis, it is hard to see how the planner can follow up and verify the progress and implementation of the plan.

In addition, some countries possess only rudimentary data regarding their total population figure and its probable evolution. Registers are still non-existent in most African countries, and when a census is taken it is not unusual to find the population estimates suddenly altered by 20 or 30 per cent. As a result, all the GDP estimates, as well as those concerning agricultural production and consumption, are open to doubt and, with them, all the internal ratios on which the cohesion of the plan depends.

Another difficulty is that usually the time-limit for establishing or issuing statistics and national accounts is

still too long. The planner needs to follow variations in economic activities as soon as possible, so as to verify the progress of the plan, decide what adjustments should be made while the plan is being carried out, and pave the way for the next plan.

Among the 14 African countries establishing national accounts at constant prices, in April 1970, only 13 accounts had been received for 1967 and 7 for 1968.

At the end of 1970 a seminar is to take place under the auspices of ECA to discuss the necessary data for projections. A large part of its work will of course concern the establishment of plans, and the African experts will be called upon to make their contribution.

Institutional and political difficulties

To a much greater extent than elsewhere, the African economies are dominated by political activities and endure their repercussions. Generally speaking, political bodies entrusted with the definition of planning trends do exist, and are sometimes quite numerous. Yet those entrusted with technical preparations for the plan, or with supervising its implementation, are limited in number and have only restricted powers. This sometimes leads to directives which are contradictory or difficult to apply. Frequent changes of régime in Africa involve changes in planning trends; that is to say, plans made by the former authorities are challenged. In this way, many plans either failed to win approval before being launched, or were cancelled in course of implementation; so that we are faced with a vacuum or, at best, a short-term programme of action for solving current problems outright.

The African countries gained their independence recently, and they are often sensitive about their national prerogatives. The result is that even the smallest countries are trying to ensure their own economic growth independently of neighbouring countries. They hope to achieve everything alone. Nearly all the plans disregard what is being done in neighbour countries of the sub-region, and this often leads to contradiction and duplication. One of the documents submitted to the conference stresses the need for harmonization in African planning.

Some countries draw a clear distinction between the public and private sectors, and programme their plans only for the government sector, either because they are without influence over a too-powerful private sector (mining concerns, oil companies, etc.) or because they believe the State should not interfere in the private sector. Obviously nothing further can be said at this stage of the plan, which by definition covers all economic activities throughout these countries.

Finally, the African countries' lack of resources means that nearly all of them count largely on foreign capital to ensure their development. Only too often the help they are given is in the form of tied aid, with all the political and economic constraints that this implies. Some plans even anticipate that up to 90 per cent of their investments will be financed by foreign capital. Only in rare cases does this proportion fall below 50 per cent. These figures are often fanciful, for foreign investors are obviously losing interest and are taking advantage of the competition between States by way of fiscal and financial concessions or guarantees designed to attract whatever capital may be available. Moreover, even public aid is apparently running low, or is granted only in loan form, whereas in the past it was usually donated. The foreign debt load is increasing, too, and for some countries in the region the interest and redemption of prior loans of foreign capital, to be repaid annually, exceeds the total amount of foreign aid obtained during the year. One sometimes gains the impression that, to attract such aid, some plans quote GDP growth rates which are quite unrealistic when compared with the rates achieved in the past. To attract investors or aid organizations, annual growth rates of 6 to 7 per cent are quoted in the new plans, whereas to date they have practically never been more than 2 or 3 per cent. This leads to bitter disappointment as regards both the amount of aid obtained and the actual growth rates as compared with those listed in the plans.

Another difficulty often arises from the fact that the planning service is sometimes rather cut off inside the administrative organization and does not always possess the weight and prestige necessary to play its part effectively. In countries in the region where the administrative services are considerable, conflicts of attributions between the various ministries may sometimes arise, to the detriment of the body entrusted with planning. Frequently the existence of a powerful political party (often a single party) is reflected in the government's decisions, and it may so happen that the more powerful ministries, or those headed by someone who has the ear of those in power, feel less committed to the trends of the plan than they should.

Finally, the African planners' task is rendered still more far-reaching and difficult by the fact that, side by side with economic development in general, the economic infrastructures must be reoriented and recast in line with a country's new independent status. Monetary systems, trade structures, shipping and airline companies, telecommunication facilities, tariff agreements, publicity, consumption habits, cultural environment, the existence of enterprises stemming from former metropolitan interests but firmly rooted in the country, etc., perpetuate long-standing situations which may have made sense in the logic

of the colonial system, but are certainly not adapted to the new context.

The planner must therefore both recast the economy and ensure its growth. It is understandable that in these conditions the few lessons to be learnt from the past are even less valid because they would be applied in different circumstances.

We must nevertheless mitigate the possibly pessimistic impression to be gained from the preceding paragraphs by stressing that the ECA survey of African plans shows appreciable progress during the past six years.

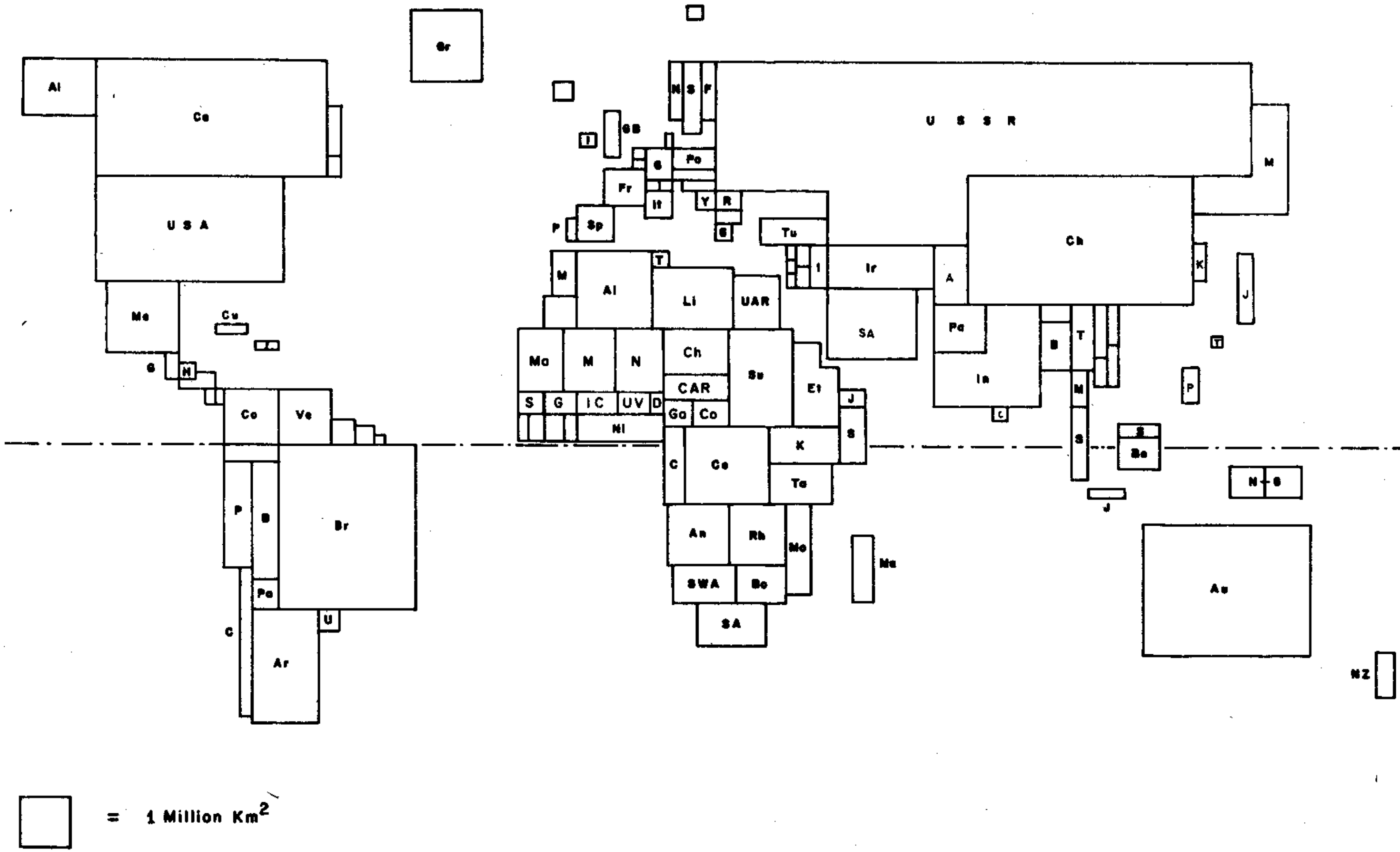
Economic development, and above all the growth of industry, is increasing the economic stature of the countries and also diversifying their activities. The African countries, apart from exceptions such as Libya with its oil, depend less and less on monoculture and are increasing the scope of their activities from year to year. International agreements such as those on coffee and sugar are helping to reduce the chaotic conditions in prices and outlets, and are also regularizing the markets. Basic statistical information is improving and being perfected from year to year, thus permitting more valid analyses based on longer series.

The confusion between plans and programmes is lessening, and the technical planning bodies are gaining experience and finding their place in the traditional administrations. Lastly, planning has made certain countries aware of the true state of their economies, and emphasized their possibilities. The rates anticipated for the GDP growth are becoming less fanciful, and the analyses more profound.

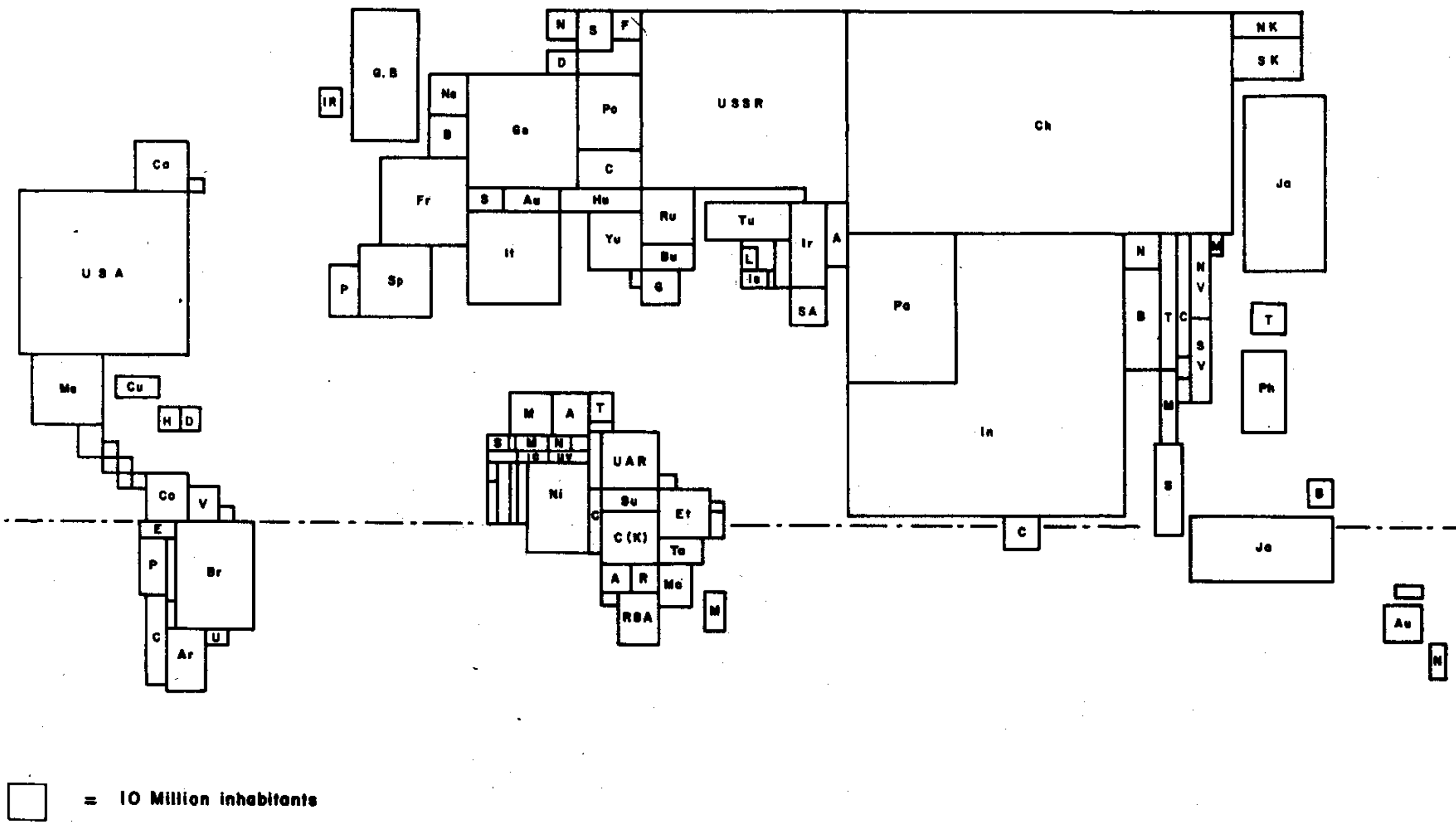
Notwithstanding the many difficulties that still exist, the augury concerning the results which African planners can expect on the occasion of the second Development Decade is a favourable one.

Annex I

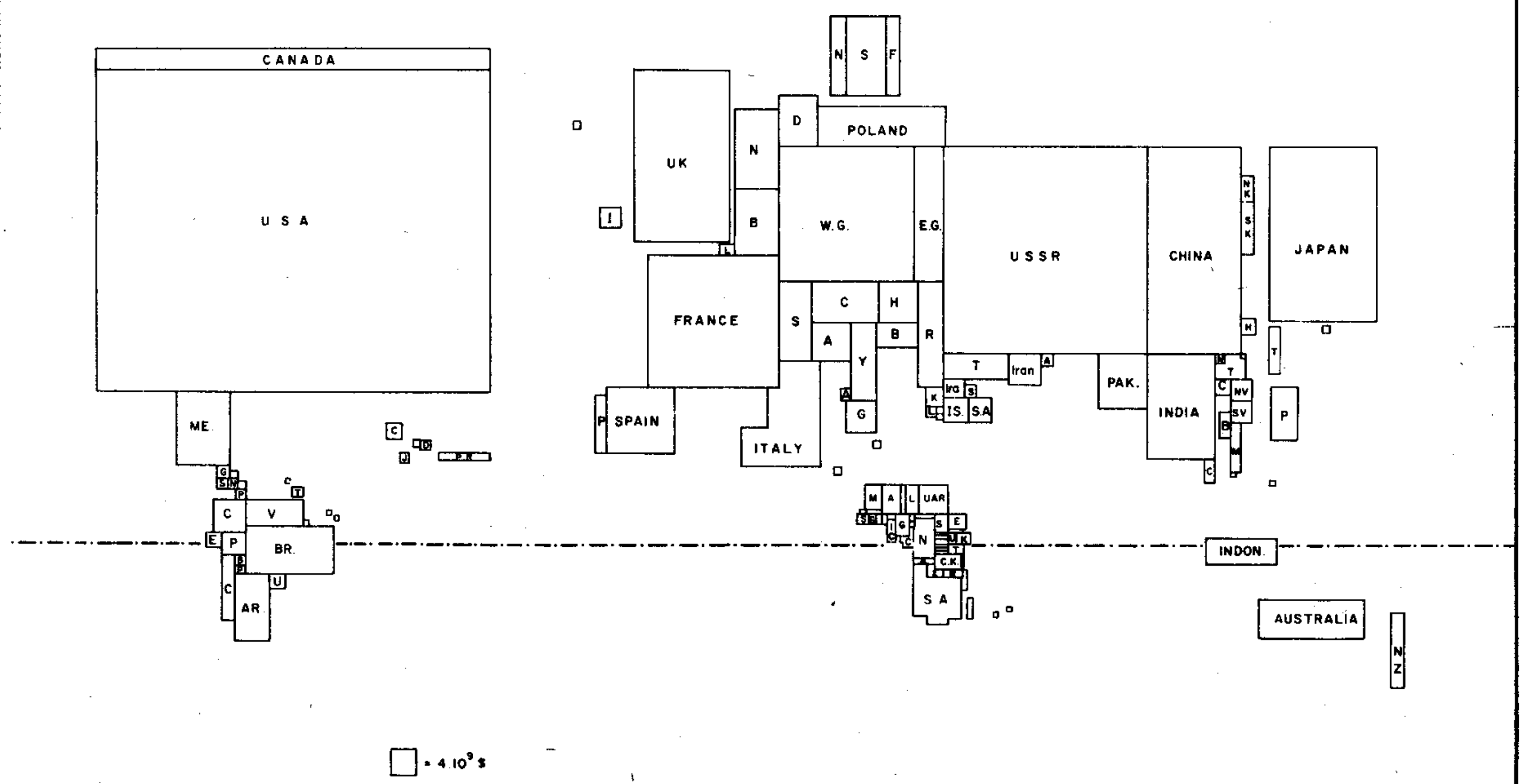
THE WORLD ACCORDING TO ITS AREA
LE MONDE SELON LA SUPERFICIE



THE WORLD ACCORDING TO ITS POPULATION
LE MONDE SELON LA POPULATION

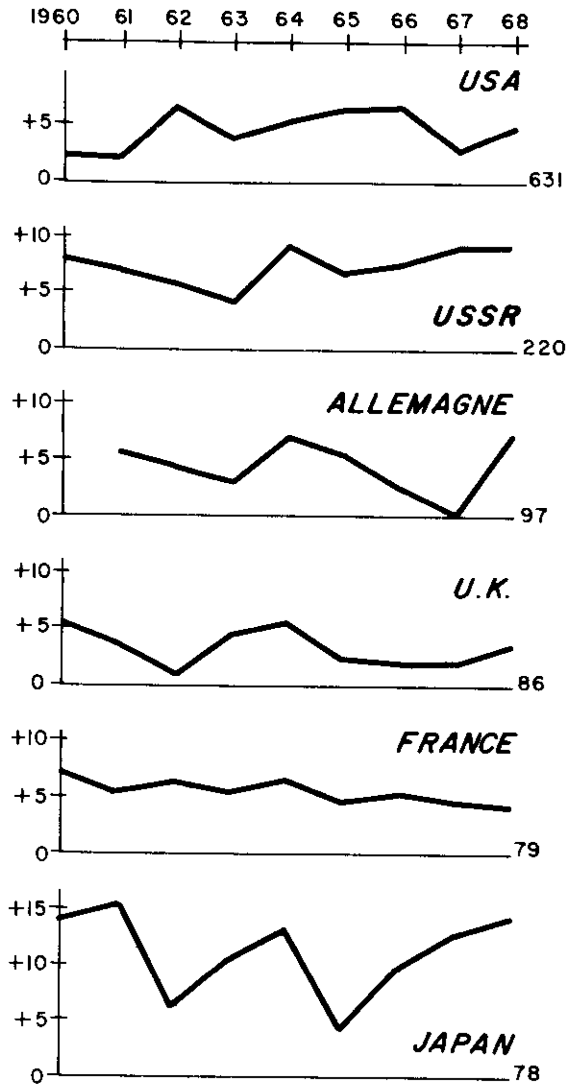


THE WORLD ACCORDING TO ITS GDP
LE MONDE SELON LE P.I.B

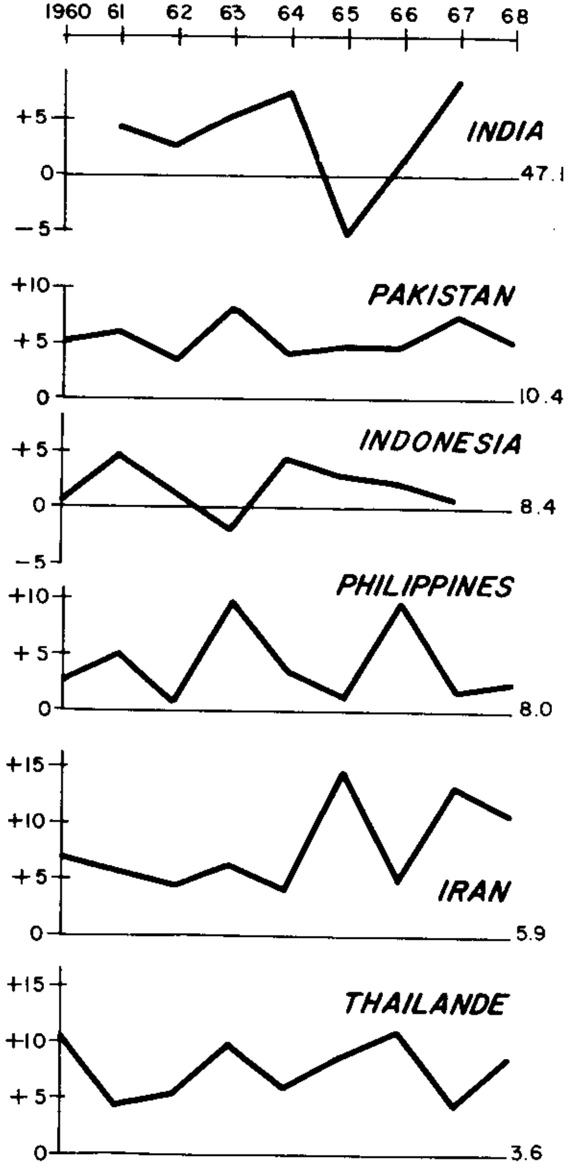


070-335

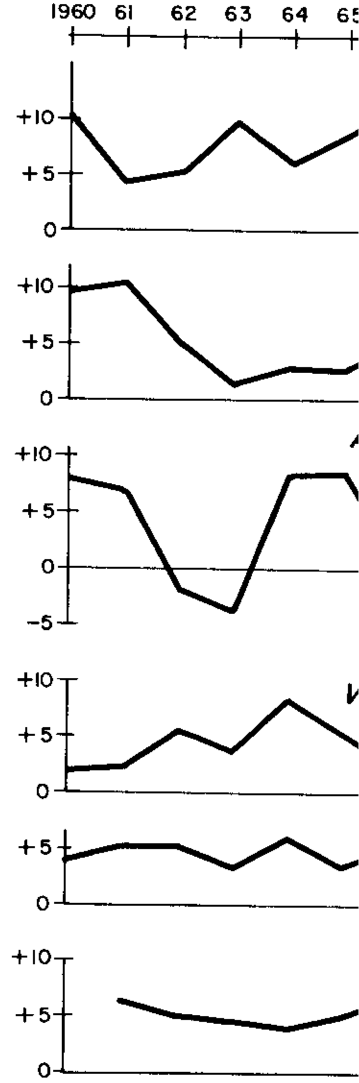
ANNUAL GROWTH RATES OF GDP AT CONSTANT MARKET PRICES



DEVELOPED COUNTRIES

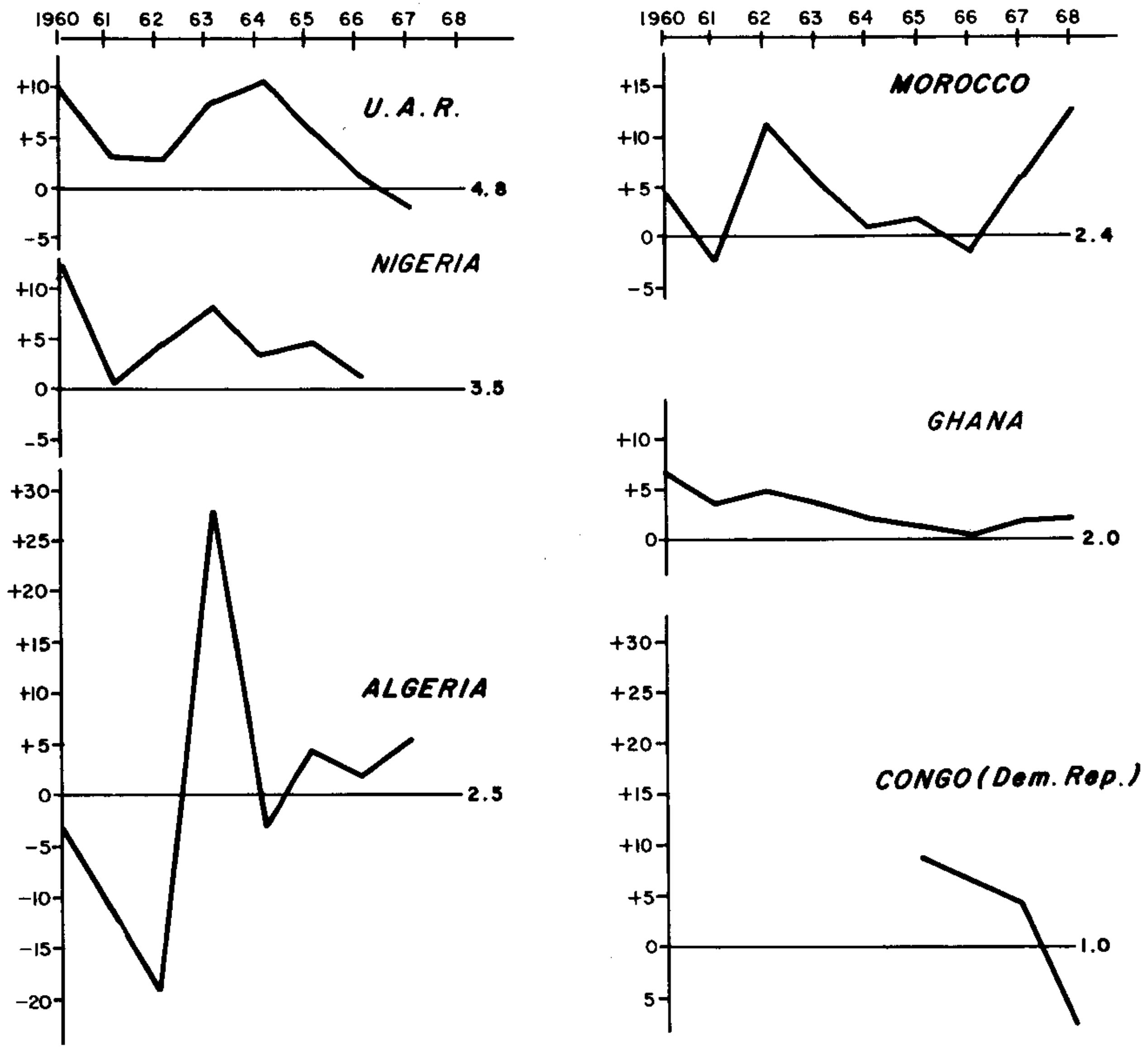


ECAFE



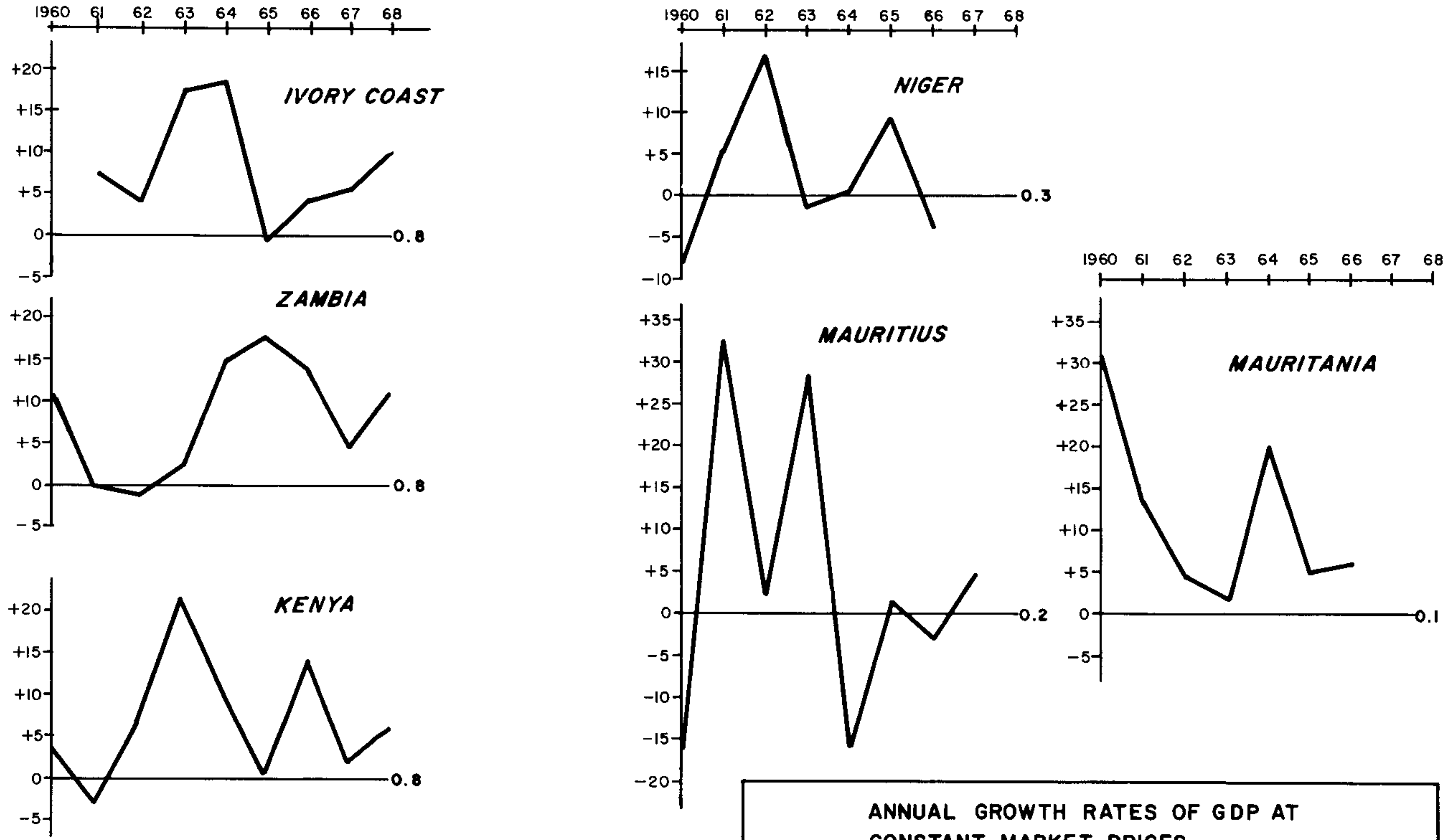
ECLA

The figure shown under each country is the of G.D.P. for the year 1965 in $ 10^9

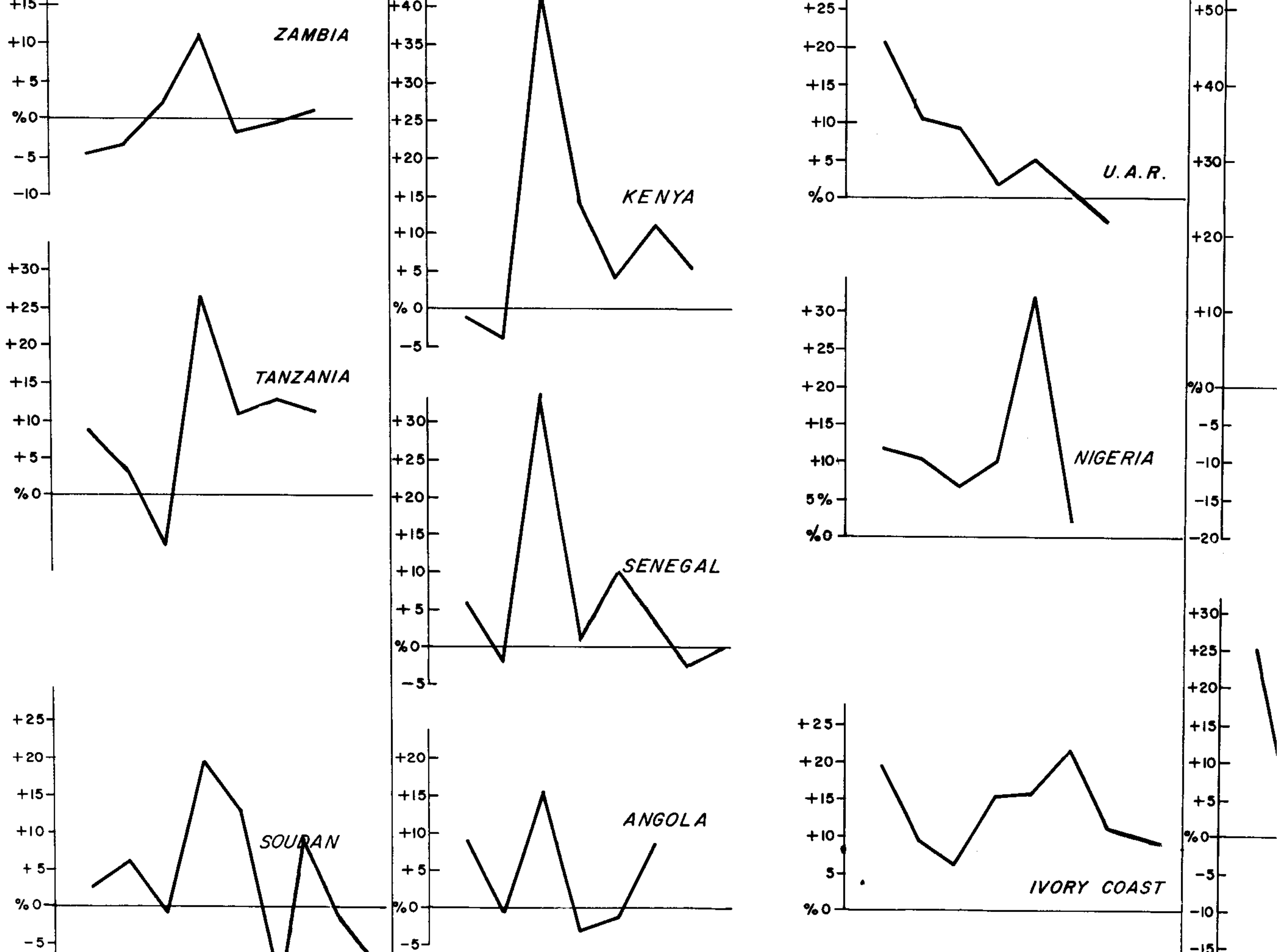


070-366

ANNUAL GROWTH RATES OF GDP AT
CONSTANT MARKET PRICES



ANNUAL GROWTH RATES OF GDP AT CONSTANT MARKET PRICES



ANNUAL GROWTH RATE OF INDUSTRIAL PRODUCTION (Constant Prices)

For Soudan : 1959 to 1967