AFRICA AND THE WORLD BANK: NOTES ON AFRICA'S OPTION IN DEVELOPMENT

by

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The World Bank has identified Sub-Sahara Africa, comprising some 39 countries as an area of "top regional priority" and has produced a report titled Accelerated Development in Sub-Sahara Africa: An Agenda for Action. The Bank Report was prepared at the request of the African Governors of the World Bank who were particularly alarmed by the dim economic prospects of the region and solicited the World Bank to prepare a "special paper on economic development problems of these countries." The objective was to recommend an appropriate program to assist Sub-Sahara Africa in overcoming the economic crisis facing the region.

The analysis offered by the Bank Report centered on the recent economic performance of Sub-Sahara Africa, particularly the last two decades, and scrutinized, the causes of widespread stagnation both in agriculture and industry and recommended a package of policy instruments to achieve an "accelerated development" of the region both in the short and long run.

The Bank Report and its policy recommendations sometimes clothed in a transparently veiled threat of withdrawal of financial support to African governments, has generated a widespread debate among scholars, planners and policy makers concerning the future economic prospects of Sub-Sahara Africa. Thus, it is imperative to examine in a summary from the salient features of the economic performance of Sub-Sahara Africa during the last two decades as per Bank Report as well as the proposed agenda of action.

The central theme of the Bank Report was neatly stated by Mr. Clausen, the President of the World Bank, who asserted boldly that "more efficient use of scarce resources -- human and capital, managerial and technical, domestic and foreign -- is essential for improving the economic condition in most African countries." (P.v.) This dictum taken from the pages of development economics rests comfortably on the monumental edifice erected by neo-classical economic theory. As a body of economic doctrine, development economics recognizes three factors of production -- land, labor and capital -- which are all materially indispensable for production. These factors of production are predicated on the notion that they are socially equivalent to each other and as a result exclude altogether any possibility of exploitation since the owners of these factors of production are presumed to be rewarded in the form of rents, wages and profits respectively according to what they contribute to the value of production.

The logical explanation for poverty and underdevelopment is therefore the existence of distortion in the factors of production that prevents the free operation of the market forces. The inequalities that exist among social classes and between regions is considered to be a temporary problem that will disappear through efficient factor allocation over a period of time. At the heart of this doctrine is the need to eliminate all forms of state intervention so as to restore the supreme virtues of perfect competition. "African governments" notes the President of the World Bank ". . . . should not only examine ways in which the public sector organization can be operated more efficiently, but should also examine the possibility of placing greater reliance on the private sector." (ibid) (emphasis mine)

The President's appeal for greater reliance on the private sector is presented with figures and "case studies" to demonstrate the efficiency of the market forces. When persuasive logic and figures are presumed not sufficient, the Bank Report does not hesitate to give a stern warning to the governments of Sub-Sahara Africa.

> *African governments . . . Must be willing to take firm action on internal problems; be more open to proposals to revise policies in light of experience and be willing to accept propositions that without policy reform, higher aid will be difficult to mobilize." (p. 8)*

Behind this threat, the Bank Report provides useful quantitative indictors of the magnitude of economic problems in Sub-Sahara Africa. Unlike Asia and Latin America, Sub-Sahara Africa is a region of contrasting diversity in resource endowment population and level of economic development. Despite this obvious heterogeneity, there is a considerable homogeneity within the region. African economies are small in economic terms, a result of low average income and small populations. In addition, their economies are open to international capital and export accounts for a larger share of the market production. While foreign trade accounts for a quarter of the GDP, imports constitute a significant share of consumption.

In the last decade, the economic performance of Sub-Sahara has been a disappointing failure. During the 1960's and 1970's per-capita income in 19 countries of the region grew by less than 1 percent, while during the last decade 15 countries recorded a negative rate of growth of income per-capita. Output per person rose more slowly in Sub-Sahara Africa than any other part of the world, particularly in the 1960's and in the 1970's.

Of the major geographical regions of the world, Sub-Sahara Africa witnessed a fall in per-capita food production in the 1960's and 1970's, while in the 1960's agricultural production (crops and livestock) barely kept pace with population growth, in the 1970's the former grew at 1.3 percent while the latter by 2.7 percent. Table 1 shows the dimension of per-capita food production in 32 countries on which information is available. Only nine countries maintained or exceeded their 1969-71 level of per-capita food production.

TABLE 1

AVERAGE INDEX OF FOOD PRODUCTION PER-CAPITA 1977-1979*

(1969-71 = 100)

Angola	85	Mauritania	75
Benin	97	Mozambique	75
Burundi	105	Niger	89
Cameroon	110	Nigeria	87
Central African Republic	102	Rwanda	107
Chad	91	Senegal	88
Congo	81	Sierra Leone	87
Ethiopia	84	Somalia	85
Ghana	82	Sudan	105
Guinea	86	Tanzania	94
Ivory Coast	102	Togo	81
Kenya	92	Uganda	90
Lesotho	100	Upper Volta	93
Madagascar	94	Zaire	90
Malawi	100	Zambia	99
Mali	88	Zimbabwe	100

The immediate impact of the decline in per-capita food production despite major investment efforts in additional use of farm inputs has led to a dramatic rise in food imports (wheat, rice and maize) which soared by 8 percent since the

*Source: World Development Report 1981.

early 1960's. A major implication of this trend in food-grain depencency is the widening of the balance of payment crisis which rose from 6 billion in 1970 to 32 billion in 1979. Debt servicing now makes up 12 percent of the export earning compared to 6 percent ten years ago. Over a decade ago, the Overseas Development Council has predicted that about 30 nations from developing countries with 900 million people will face economic collapse unless other countries help pay their higher food and oil bills. James P. Grant, the author of the report estimated that the poorest nations (most of them in Sub-Sahara Africa) need three billion dollars of aid annually just to cover the increased cost of food, fertilizers and fuel.

The internal and external problems facing Sub-Sahara Africa have been exacerbated according to the Bank Report by domestic policies of which three are considered to be critical. First, overvalued exchange rate and over-protection of industry as part of import-substitution strategy leading to unfavourable internal terms for agriculture. Second, very little attention was given to administrative constraints in mobilizing and managing resources for development. Finally, there has been a consistent bias against agriculture in prices, taxes and exchange rate policies.

AGENDA OF ACTION

The key to the accelerated development of Sub-Sahara Africa according to the Bank Report is an agricultural based export-oriented strategy as an essential beginning to a process of long term transformation -- a prelude to industrialization. The strategy is considered to generate resources more quickly to "benefit more people" than any other alternatives. What precisely is this agricultural based export-oriented strategy?

The agricultural based export-oriented strategy promoted by the Bank Report for Sub-Sahara Africa is not in any sense new nor did it emerge from the Bank's critical examination of its policies in the last two decades in Africa. The strategy recommended by the Bank Report is in some ways a replica of the "export-oriented industrialization" that focused on the export of manufactured goods toward a seemingly limitless global market. The "export-oriented industrialization" has been promoted by the World Bank as an expeditious way of securing substantial foreign exchange for economic development. As it turned out, like the old import-substitution strategy, the "export-oriented industrialization" was also burdened with high import requirements. This import-dependent condition of the strategy led to the paradoxical result that while export earnings were rising, import payments were rising even faster -- leading to a steady widening balance of trade deficit.

The agricultural based export-oriented strategy is based on a modified version of the Ricardian doctrine of comparative advantage sanctified by neo-classical economic theory. The Hecksher-Ohion factor endowment theory unlike the classical international trade theory denies any inherent differences in relative labor productivity by postulating that all countries have access to the same technological possibilities for all commodities. The basis for trade arises, therefore, not because of inherent technological differences in labor productivity for different commodities between different countries, but because countries are endowed with factor supplies. It is then concluded that countries with cheap labor will have a relative cost and price advantage in those commodities that make abundant use of labor (e.g. agricultural products and minerals). It is suggested that these countries should focus on the production of labor-intensive products and export the primary products in return for import of capital-intensive goods.

The Bank Report relying on the neo-classical factor-endowment theory, argues, with arresting simplicity, for the potential benefit that may be generated from the export-oriented agricultural development strategy. The benefits of the proposed strategy were arrived at by using the measurement known as Domestic Resource Cost (DRC). This measurement is used to calculate the minimum cost of domestic resources (labor, material, etc.) in saving or earning a net unit of foreign exchange. Export crops such as cotton, coffee, cocoa, palm oil, tea and groundnuts have a DRC range of 0.21 to 0.82. By contrast the DRC for food crops such as rice, maize, millet and sorghum is much higher beginning at 0.62 to 2.55.

The comparison between the export and food crops based on the calculation of the DRC for each crop led the Bank Report to recommend that Sub-Sahara Africa should concentrate most of the agricultural resources of the region for the production of the export crops since they have a lower DRC. The Bank Report claims that this course of agricultural development "would benefit more people." But the prevailing reality does not support this view, especially in view of the 75 percent control by multi-national conglomerates of the export of the developing countries. A study prepared by the Center for Economics and Social Studies in the Third World elucidated the extent of multi-national conglomerates control of the world trade. The study points out that 41.5 percent of U.S. imports came from sales made by the multi-national subsidiary companies located in developing countries. In the same way, large companies from the developed countries control trade of certain basic products. For example, more than 70 percent of the banana, rice and rubber, 75 percent of the tin trade, over 85 percent of cocoa, tobacco, wheat, jute copper and forest products and 90 percent of the minerals such as iron and Bouxite. It is also pointed out that these figures reveal the enormous control by the developed countries of the production and distribution of raw materials. However, perhaps the most serious factor is that the mechanism that has led to this situation has implied the incapacity of most Sub-Sahara countries from producing the basic foodstuff for their own population.

Given this overwhelming evidence of multinational conglomerates control of the agricultural commodities, the Bank Report expects its agriculturally-based export strategy to benefit more people. While this strategy will throw Sub-Sahara Africa into the lap of multi-national conglomerates, its industrialization program will contribute to the further worsening of the already precarious situation.

There are a number of factors which affect the level of industrial development in Sub-Sahara Africa. The small population base of most countries as well as the low level of per-capita income limit the choices of industries because most industries require markets larger than those now existing. Second, the low population density makes the cost of infrastructure development relatively high. Third, industrial projects in Africa typically require investment costs that are 25 percent higher than in most developed countries -- and for some industries the margin may be as high as 60 percent. This extra-expense is associated with transport costs and long delays in construction. Although there is no evidence that the extra cost of investment is systematically higher in Africa than elsewhere in the developing countries, supportive infrastructure is less available in the region than in most parts of Asia and Latin America. Finally, wage rates in Africa are generally high compared for example with those of Asia. An ILO survey in 1979 showed that in 10 African countries, the level of wages was 50 percent higher than in Pakistan and twice as high as in Bangladesh. On the other hand, Africa labor productivity compares less unfavourably with many other regions of the world.

The patterns of income distribution have also an important bearing on industrial development in the region. The marked shift in consumer preference for imported cereals, while per-capita income and food production have remained more or less the same, indicates that the pattern of income distribution is getting more and more skewed. An export oriented strategy based on primary products and minerals to the detriment of food production suggested by the Bank Report will worsen the crisis in Sub-Sahara Africa and create even more import demand.

THE LAGOS PLAN AND DEVELOPMENT OPTIONS

The economic and political crisis facing Sub-Sahara Africa cannot be tackled without altering the existing framework within which the economy functions.

At the OAU Economic Summit in 1980 representatives of African states adopted a development strategy called "The Plan of Action for the Implementation of the Monrovia Strategy for Economic Development of Africa." The Lagos Plan was the result of a series of meetings -- Abidjan (1973), Kinshasa (1976) and Monrovia (1979) where the economic problem of Africa and the need for new development options have been on the agenda.

The final result, the Lagos Plan of Action, is based upon the present economic circumstance of the region which was a direct result of colonialism and the region's integration into the world economy. The Lagos Plan therefore emphasizes the urgent need for collective self-reliance, self-sustaining development, economic cooperation and integration.

The Lagos Plan gave top priority to three crucial areas affecting economic development in Sub-Sahara Africa. First, emphasis is given to the expansion of intra-African trade. This is to be achieved according to the plan by establishing sub-regional preferential trade areas and special institutions both at the sub-regional and regional level, to facilitate trade cooperation. Second, the Plan proposed self-sufficiency in food production. It calls for increased food production and the establishment of food reserves as well as measures to reduce poor harvest losses. Finally, the Plan calls for accelerated industrialization and joint action to overcome the constraints imposed by the small national market and lack of capital and technology.

Unlike the Bank Report, the Lagos Plan is intended to allow Sub-Sahara African countries to have a direct control over their socio-economic institutions and to forge a close balance between the structure of domestic demand and output. However, Sub-Sahara Africa needs to undertake a profound modification of the region's internal structure and external economic relations with a view to achieving a self-reliant development strategy for the benefit of the majority of the population. It is clear that the recommendations put forth by the Bank Report will exasperate further social and economic inequalities in which the power of capital and alienated labor will survive to reproduce the conditions of exploitation. The main issue should no longer be how to accelerate development but rather how to decelerate the process of underdevelopment.