Center For Economic Research on Africa
School of Business
Montclair State University
Upper Montclair, New Jersey 07043

Managing Africa's Economic Recovery

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Phillip LeBel, Director
Center for Economic Research on Africa
Lebelp@mail.montclair.edu

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The Center for Economic Research on Africa seeks to foster closer understanding of economic relations between the United States and Africa. Through its research program, it is concerned with examining the scope and consequences of economic policies within Africa, United States economic policies toward Africa, and how specific policy alternatives bear on economic relationships between the two regions. The Center operates with financial support from academic, government, professional, and business organizations, and works in close collaboration with the Department of Economics of Montclair State University.

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Managing Africa's Economic Recovery
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Conference Program:

George Carner, Deputy Director, U.S. AID, Dakar, Senegal

George J. Clark, Executive Vice-President, Citibank, N.A., New York, New York

Michael Edo, Economic Advisor, Africa Department, International Monetary Fund, Washington, D.C.

G. David Loos, World Bank Representative to the United Nations, New YorK New York

S.S. Omari, Deputy Director, African Development Bank and Fund, Abdjan, Côte d'lvoire (Ivory Coast)

Keynote Luncheon Speaker:

Jennifer Seymour Whitaker, Senior Fellow, Council on Foreign Relations, New York, New York

Introduction

During the past decade and a half, most countries in Sub-Saharan Africa experienced relatively stagnant rates of economic growth. In many cases, real per capita incomes have not risen significantly higher from the levels of the independence period of the early 1960s, while for others they have aclually fallen. What are the prospects for economic recovery in Africa? Will current strategies be successful in reversing past declines? What additional steps should be considered to strengthen the potential for growth in the period ahead? To address these questions, the Center for Economic Research on Africa and the Department of Economics of Montclair State University sponsored a conference on May 12, 1987, assembling a group of experts from major financial and policy institutions involved with the management of Africa's economic recovery.

Determinants of Africa's Weak Economic Performance

The dimensions of Africa's economic crisis are widely known. Apart from stagnant per capita incomes, many observers have noted the impact of drought and famine, explosive rates of population growth, chronic inflation, and burgeoning external debt arising from deepening balance of payments deficits. Yet, for the most part, these measures have been but symptomatic of deeper underlying causal forces that are only now being addressed.

External Factors

Many factors have led to Afrids poor economic performance. Extemally, African countries have confronted at least three major obstacles to sustainable economic growth. One has been the severity of primary commodity price fluctuations over the past two decades. While some African countries benefitted initially from the commodity price boom that accompanied the energy crisis of the 1970's, delays in structural adjustment, first to higher energy prices, and subsequently to the energy and primary commodity price collapse of recent years, added substantially to the economic pressures on many African countries.

Closely related to fluctuations in primary commodity prices has been the impact of world-wide inflation on global economic performance. Although global inflation rates have now receded substantially from the levels they experienced during the late 1970's, inflation distorted flows of international investment in two fundamental ways. First, it led to lower levels of real investment.

Second, inflationary pressures led to relatively inefficient uses of investment resources, as investors often sought inflation hedges by allocating funds lo relatively non-productive assets. Both of these factors contributed to a slowdown in economic growth, which in turn limited opportunities for expanded international trade by African countries.

A third external pressure facing African countries has been the growth of global economic protectionism. While African countries themselves have often used. protectionist barriers as pad of impon substitution industrialization strategies, the slowdown of economic growth in the major industrial countries, the expansion of agricultural subsidies among industrial countries, and the persistence of trade barriers in these countries have made it difficult for many African countries to expand even the traditional agricultural exports in which many have held a comparative advantage.

Internal Factors

Beyond these external factors, African countries have themselves contributed to their poor economic peformance. There are at least four fundamental areas in which African policies have contributed to economic stagnation. One has been the failure to adopt realistic currency exchange rates. In many cases, African countries allowed national currencies to remain overvalued, even when deficits in balance of payments accounts were growing rapidly. They did so for several reasons, among them being the desire to offset the higher cost of energy and other imports, as well as the desire to promote cheap food and related consumer goods for the urban communities on whom the fate of governments often depended.

Another policy distortion was the depression of primary producer prices, along with arbitrary and inefficient input subsidies in agricurure. For many newly independent African countries, shedding the colonial legacy meant trying to accelerate industrialization, usually through import substitution policies, while at the same time neglecting the role that agriculture could play in economic growth. To do so, governments taxed traditional primary commodity exports, usually through indirect mechanisms such as marketing boards, using the difference between world and producer prices as a source of government revenue.

The effect of such policies was to discourage agricultural production, accelerate the exodus of population from rural areas to already overburdened urban communities, and to cause an increase in nontraditional food imports such as wheat and rice. Dependency on food imports, even in times of adequate rainfall, rose accordingly. In turn, artificial price distortions fostered the growth of parallel markets and corruption, often to the detriment of treasury revenues as buyers and sellers sought to bypass inefficient official marketing channels.

A third policy distortion has been poor management of newly established industries.

Efforts to accelerate industrialization through import substitution often involved the erection of substantial import barriers to protect infant industries. Because these industries did not face the pressure of global economic competition, nor were they for the most part seeking to export production to world markets, they were often inefficiently managed.Poor management controls over costs, coupled with weak domestic demand, led to growing deficits which governments sustained largely by neglecting expenditures on infrastructure and other sectors of the economy. As has been widely noted, inward-focused policies generally have not been successful in accelerating economic growth, particularly in comparison to export-led strategies such as those so successfully pursued by many newly industrializing countries of Asia.

Beyond these factors, African governments have also followed relatively inefficient monetary and fiscal policies. Domestic inflation rates, and the accompanying disionions on investment that follow, have often risen as governments paid too little attention to excessive rates of monetary expansion. In turn, government taxation and spending policies resulted in rising budget deficits, contributing funher to inflationary pressures as monetary authorities sought to finance public sector debt through a corresponding expansion of money and credit. When African governments also sought expansion of international aid as a means to overcome the inadequacy of domestic savings and investment, funds would often be used inefficiently because of the absence of domestic structural reforms and weak coordination of aid among donor institutions, with the result that external indebtedness grew at far faster rates than economic pedormance could justify.

Structural Reforms in African Economies

Against a changing global economic climate and poor local pedormance, many African countries have now embarked on a series of structural reforms. For the most part, these reforms directly address the causal factors that have contributed so much to the poor economic performance of African countries in recent years.

Internally, these reforms include an increase in real producer prices, elimination of inefficient agricultural input subsidies, reduction or elimination of commodity marketing boards, reform of or elimination of inefficient parastatal industrial enterprises, setting domestic interest rates at least equal to the domestic inflation rate so as to encourage domestic capital formation, as well as embracing monetary and fiscal restraint. Formal sector employment, which always accounted for only a small fraction of the active labor force in African economies, has shrunk in many cases, forcing an expanded shift to informal sector employment in services, as well as some return to the agricultural sector.

Externally, African governments have moved to set exchange rates at more realistic levels, to reduce import tariffs on many goods, and to encourage a revitalization of both agricultural and industrial exports. To do so, they have adopted stronger management controls over public sector budgets, particularly where governmental activities have contributed to deficits in balance of payments accounts.

Policy Implications for Africa's Economic Recovery

In many African countries, structural reform has meant a radical departure from past policies. In the short term, reform has involved severe economic dislocation, with shrinking public sector formal employment, and rising uncertainty in the rural sector as market-driven activity shapes the pace of adjustment. Because adjustment in most cases also involves a transfer of real income from urban minority populations to the majority population who live and work in the rural agricultural sector, governments face major political realignments in their constituencies. Rising food prices for urban consumers often breeds resentment and public protests. Because governments could fall, some, such as Zambia, resist the trend to devalue their currency to more competitive levels, even though overvaluation reduces the prospects for renewed economic growth.

Against this climate of uncertainty in the face of structural reform, African countries have sought additional assistance from international donors. Thus far, this assistance has been uneven, and in light of such pressures such as the threat of global economic protectionism, African countries have not yet been successful in attracting any significant increases. Because Africa's economic pedormarice has benefited recently by the decline in world energy prices and by a return to favorable rainfall, recovery rests on a fragile foundation. Continued international assistance, including improved am coordination and the sustained suppon of the majority of Africa's population, is likely to be a key to the success of the reform strategies now being implemented.

Phillip LeBel,
Director, CERAF

Managing Africa's Economic Recovery
Proceedings

Phillip LeBel, Director, CERAF, Department of Economics, Montclair State University

Good morning. On behalf of the Center for Economic Research on Africa and the Department of Economics, I would like to welcome you to todays conference, 'Managing Afrids Economic Recovery'. We have assembled this morning a distinguished group of panelists who represent major institutions in the decision-making process. They are going to provide us their perspectives on the problems that they see taking place within Africa and abroad. We hope they will share with us not only their wisdom, but also their recommendations as to what they think should be done from this point forward.

I would now like to introduce our guests. First is Mr. George Carner, who is Deputy Director of U.S. A.I.D. in Dakar, Senegal. Next, is Mr. George Clark, Executive Vice-President of Citibank, in the Planning and Policy division in New York. To his right is Dr. Michael Edo, who is in the Africa Department of the-IMF in Washington. Mr. G. David Loos is the World Bank Representative to the United Nations in New York, and finally we have Mr. S.S. Omari, Deputy Director of the Research and Planning Division of the African Development Bank in Abidjan, Côte d'Ivoire (the Ivory Coast).

Rather than spend any additional time describing our panelists, I would like lo call on Dr. Suresh Desai, Dean of the School of Business at Montclair State University, who has offered to provide a few welcoming remarks. Before I do so, let me conclude with a brief description of our agenda.The way in which we will proceed this morning is alphabetically. Each panelist will make an initial brief preservation. We would like to limit the initial presentations to half an hour each. To our panelists, please be mindful of that time frame as I would like you to have an opportunity to share your observations with each other and also with members of the audience.

Suresh A. Dessi, Dean, School of Business, Montclair State University

I am very happy and delighted lo extend a welcome on behalf of Montclair State University, and the School of Business and Administration, to this first conference organized by the Center for Economic Research on Africa. We in the School of Business have wholeheartedly supported the establishment of this center because we believe that in the next two decades at least, a major problem that the business world is going to face is the external environment. How to manage and shape it in terms of public policy is going to be of fundamental importance. For business firms to pursue economic efficiency through traditional modes of organization is not enough in todays world. Although the business system has established a dominant position in our society, today there are different groups making claims, not only for its resources, but also for the opportunities it affords for broader panicipation for achieving historic social goals.

In deciding our scholarly priorities, we in the School of Business think that research on Africa will complement the solid academic environment of Montclair State University. We already have at Montclair well established programs in Latin American Studies and Asian Studies. These programs are sustained by scholars both within the School of Business and within the School of Humanities and Social Sciences. We also have scholars within these schools with research and teaching specializations in Africa, but have not until now provided a centrally focused program on which we could encourage collaborative efforts among our colleagues and with colleagues at other institutions. What the Center for Economic Research on Africa can do is to provide such a scholarly environment, not only to look at the problems of the region, but also its potential as it takes its due place in the world system.

Africa is also an intellectually exciting place. With emerging nations in pursuit of economic and social development, there are issues of national and regional identity, and patterns of conflict and collaboration. Understanding how such conflicts and collaboration can arise is important not only to the actors but also to members of the broader international community which may find themselves affected by these events. Understanding such economc and social dynamics is also essential to their management. What the academic environment affords is the freedom to look at these larger issues in a dispassionate way, and to enable one to investigate them in a systematic fashion. In so doing, this effort can make a major contribution at least to international understanding, as well as to help inform the process of change that is inevitable in Africa. It is this perspective that has guided us in our decision to support the establishment and operations of the Center for Economic Research on Africa.

Today I am very happy to see five practitioners, to put it mildly. I am looking forward to hearing from them how they perceive what are the dynamics of African social and economic development, what trends they see for the next decade or so, and to their providing us some basic understanding from a practitioners perspective. Let me stop here, as we came to listen to these individuals who are actually engaged in the process of change in Africa. I also look forward to the future activities of the Center and I am sure the interest that you stimulate today will continue. Again, let me welcome you on behalf of the School of Business and Montclair State University.

George Carner, Deputy Director, U.S. AID, Dakar, Senegal

Good morning ladies and gentlemen. Economic recovery in Africa has been the central pre-occupation of most African leaders for the past several years. Africa'a plight captured the attention of the industrial countries when television shots of drought victims were projected into our living rooms two years ago, Indeed, this conference and your turnout testify to this concern.

The causes of Afrids economic crisis have been well documented and a lot of thought has gone into identifying the economic reforms and strategies designed to help African countries resume growth. Now that these reforms are being implemented widely throughout the continent, it is natural to ask 'What are the prospects of recovery I these strategies are followed?'. In our deliberations this morning, I am sure we will find that the answer to this guestion is far from clear, given the many variables at play across the forty-five countries in Sub-Saharan Africa. What is clear is that the crisis left countries no other option but to reform, that the process is under way, and that the road to recovery is ao to be long and uneven, requiring sustained commitment from the Africans and continued support from the international community.

I would like to focus my remarks on management aspects of the recovery process, dwelling on my experience in Senegal, short as that may be for only nine months right now. I do not think that the question of managing Africa’s economic recovery has been given sufficient attention to date. I am therefore very pleased to participate in this conference and thank the organizers for the invitation.

What Do We Mean by Economic Recovery in Africa?

In the past decade, many African countries have slid backwards economically, witnessing reduced or even negative per capita growth rates, deteriorating infrastructure and capital stock, mounting public debt and financial disequilibria, rising unemployment, and increasing vulnerability to drought and international shocks. So recovery could be viewed as an attempt to reverse this backsliding by correcting past economic policy distortions and increasing the efficency of investment while getting one's financial house in order. Unfortunately, given the rapid population grouth, the deteriorating natural resource base and the relatively low level of development of many African countries, in the face of a dramatically different international economy, recovery entails a much more fundamental transformation of the African economy from a tightly regulated primary commodity-based structure to a diversified market oriented system. Otherwise, countries will simply have to run faster just to stand still.

Senegal’s Reform Program

The Government of Senegal, with the assistance of major donors, has put in place since 1984 a wide-ranging structural reform program that is aimed at: (a.) restoring financal equilibrium and strengthening its fiscal regime through tight demand management and revenue enhancement policies; (b.) increasing agricultural productivity and output by market liberalization and incentive pricing, and finally; (c.) trying to make Senegalese industry more efficient and competitive with foreign producers through reductions in impon quotas, lower tariffs, and elimination of special subsidies and exonerations to privileged groups.

The Senegalese government has made substantial progress in implementing these economic and financal adjustment measures. The economy is being progressively liberalized where it should, agricultural floor prices have been established, product and input markets have been opened to the private sector, the overall fiscal deficit has been sharply reduced, public enterprise reform initiated, domestic credit expansion has been brought under control, the. external payments position has been improved, and real economic growth has exceeded four percent for the last two years, when in 1984 it was minus four percent. In sum, we may be seeing adjustment with growth rather than major income transfers from northhem areas to developing world areas.

Despite these encouraging signs that the reform strategy is working, Senegal's progress rests in part on a shaky foundation of windfall gains from lower oil and rice prices internationally, and favorable rains in the Sahel. Senegal will remain vulnerable until the government receives steady revenues from a broad tax and tariff base, until the private sector invests in growth stimulated by ready access to bank credit and predictable rules in the market place, until local production becomes more diversified and less dependent on rainfed agriculture, through efficent irrigation and natural resources management, and until local cereals are marketed and tranformed into covenient and affordable products. Sustainable growth in the long run will also depend on bringing population growth under control and restoring ecological balance.

The Nature of the Reform Process

I would like to say a few words about the reform process itself. Over the past two years, the government of Senegal has devoted considerable effort to elaborating its reform program and mobilizing external funding to fill the financing gaps. The IMF, the Wodd Bank, France, the United States, and others, have been steadfast partners in this process, As Senegal enters the implementation phase of the reforms, we are beginning to see certain stresses and strains, lags and spins, paradoxes and contradictions, doubts and concerns, and costs and benefits.

Price policy offers a good example of all of these cross-currents. As part of its new agricultural policy and is Cereals Plan, the government of Senegal is trying to encourage expanded production and consumption of local cereals, and to contain rice imports by maintaining a remunerative floor price for local cereals and an artificially high price for imported rice, which is set currently at three times the world market price. Because of the large spread on imported rice the government and the private traders now being allowed into the market are eager to increase rice imports. What is more important: increased revenues and privatization of rice impons, or expanded cereal production and reduced dependence on imported rice? Meanwhile, the millers are complaining that milk and corn floor prices are too high to encourage processing and transformation into convenient products that can compete effectively with imported rice.

A similar contradiction arises in the case of energy prices, where the goals of industrial competitiveness and developmard argue for lower prices, while the need for fiscal revenues argues for keeping energy prices high. Peanuts are the key cash crop in Senegal. To encourage production, the government established a floor price of 30 cents a kilogram. In the meantime, the world price plummeted to half that amount. While the price policy was effective in encouraging a bumper crop, the treasury will be an additional 50 million dollars in the red. At the same time, the floor price of peanuts relative lo cereals may be undercutting the cereals policy of trying to encourage more open cereals production.

I think these developments underscore that the reform process is uneven and presents many tradeoffs and questions of timing and sequencing of policy choices which demand careful management. Also, we should recognize that structural reform on the scale we are seeing in Senegal, and throughout the conlinent, it is a new process, not only for African leaders, but for economists and development practitioners. Once the most obvious distortions are corrected, the process requires a lot lighter and more precise touch on the policy levers.

Reform Management Requirements

What other requirements should be considered for managing the recovery process? If one accepts that the reform process Itself must be managed, and that this entails a certain amount of learning and fine-tuning of policies as you go, then there are some fairly obvious requirements that go beyond good economic management. I have singled out six that reflect my own perspective as a development professional:

1. Public Consensus and Coalition-Building

2. Inter-Ministerial Coordination

3. Instutional Re-orientation

4. Reform Monitoring
5. Public Investment Management
6. Aid Coordination.

1. Public Consensus and Coalition-Building

Each society and policy in Africa differs, but in order for the reform process to succeed will require, to be sure, the active leadership of the head of state with full support of key ministers and advisers. Public understanding and support must be built for the new policies of increased competition and self-reliance at various levels of society. Given the new distribution of economic benefits and costs, and the new roles being asked of the private sector and other economic interest groups, it is vital that governments manage their publics and political constituencies with great skill and purposefulness in enlarging the consensus for reform and expanding the coalition for change.

What we are talking about here is managing the political economy as well as the general economy. We need lo recognize that economic power will be shifted in this process, that there will be, as we are seeing in Senegal, income tranfers from urban populations, who are feeling the pinch of the belt tightening, to rural populations, who are seeing income lifted significantly, by way of shifts away from historically low agricultural pricing policies to more world market determined levels.

Timing is crucial. Perceived benefits of reform cannot lag too long behind the pain that accompanies most economic and social change. Because the stakes are so high, outsiders need to be sensitiive to these needs, and as supportive as possible. External resources can play a very important role in cushioning the worst effects of the reform process.

Senegal enjoys the benefits of a democratic and tolerant society and inspired leadership that is increasingly attuned to these needs. Just over a month ago, the cabinet went on television to explain in great detail how the new policies were going. The lines of direct communication to the business community, however, remain comparatively thin. Clearly, it is not enough to announce that the rules have changed. One needs to define the new rules in consultation with the private sector. We are seeing this very clearly in the transfers of fertilizer distribution, which was in the hands of the government until only very recently, to the private sector.

Having said that the government is getting out of the market, what does it mean for the private firms? Under what rules will they operate when they can get involved? We were discussing precisely this issue with some members of the audience early this morning. Setting the rules under which private businesses can operate is a major question. The real question is how are these goals to be set? Is government again the one responsable for setting the rules, or should we be looking for that adjustment to emerge from the market place itself ?

2. Interministerial-Coordination

lnterministerial coordination is essential to coherent and effective implementation of the reform program. Achieving a reasonable degree of coordination is a daunting challenge, given the normal turf and bureaucratic factors, but in Africa this is often compounded by inherent administrative weaknesses and a poor understanding of the sectoral and project implications of reform.

Senegal has approached this problem in a reasonably effective way. The President himself chairs a quarterly interministerial review of the reform program, its progress, problems and implications. In between sessions, there is consultation at the staff levels of the Presidency, Finance, Plan, and Agriculture and Industry on sectoral issues. There is a recognition that the sectoral ministries need to strengthen their own capacity to monitor the reforms at the sector level. This, in turn, would help synchronize actions across different ministries. One of the more interesting challenges is harmonizing the short-term financal requirements of the Ministry of Finance, or the short-term political needs of agricultural campaigns that the Ministry of Agriculture feels towards its constituency, with the medium-term objective of sound development investment and farmer self-reliance of the new policies.

3. Institutional Re-Orientation

The third management requirment is institutional re-orientation. Structural reform calls on institutions, whether markets, banking systems, of public agricultural service systems, to alter familiar functions and adopt new roles. This requires new capacities, personnel incentives, and ultimately, new attitudes. This is the aspect of the reform process that may be the most critical to its sucsess and the most difficult to bring about because the demands are immediate and the human and financal resources are scarce.

In Senegal, parastatal organizations have been the major institutions in rural areas responsible for agricultural development, including input supoy credit extension and marketing, As their role in these activities diminishes, other agencies and the private sector are slow to move in, leaving services unprovided. The banking system is emerging as a critical bottleneck to private sector expansion into agriculture and industry, especially for small and medium scale firms. The need for training in market-oriented skills for businessmen and bureaucrats alike is increasingly evident.

4. Reform Monitoring

It stands to reason that a good reform program depends on timely and accurate information on the effects of reform on the economy and how producers and consumers are responding. In the African setting, this is a tall order, when many countries do not even have accurate information on their populations. The policy maker must have recourse to a organized information base and sound analysis to avoid the pitfalls in inherent in the reform process and to tailor policy actions to reality and experience. While this justifies the presence of foreign advisors in many African capitals today, clearly African policy research and analysis capacity must be developed in concert to carry the reforms forward.

I think there is a lot of talk of whether much of the reform process can be sold from the outside. While this is a question that we will most likely be getting into later on in our discussion, I do think that one way to ensure that the policy reform process succeeds is for Africans to be doing their own diagnoses, for Africans to be spelling out the options open to their societies, and for African policy makers to be making those choices on their own steam, without the necessity of looking to outside institutions for conditions that are required. I say this because I think that the reform process really requires a popular commitment to reform. Indeed, it is too facile to say that Washington and New York, or Paris and London, dictate reform, for any such externally determined reform would surely be doomed to failure if there were no popular basis on which to succeed.

Senegal has established two administrative centers, one in Finance, and another in the Ministry of Planning, that are responsible for monitoring the reform program. They are shon-staffed and research tends to be ad hoc and donor determined. The World Bank and the IMF are doing continuous and in-depth analysis of the economy during periodic visits by appraisal missions. France and the U.S. sponsor specific sectoral studies that serve to inform the reform process from step to step. As we get into the more critical phases ol the reform, I wonder I this approach will be adequate. I think we need to look to the capacity of Senegalese research insititutions and government ministries to really do a systematic job in monitoring their own economy, monitoring the effects of the reform, and judging the pace and nature of what comes next in what is certainly a complicated process.

5. Public Investment Management

If reform efforts are to result in renewed growth, how African leaders manage their total investment resources is pivotal. In the past, the return on development investments in Africa has been abysmally low. Today, many governments, along with the help of the World Bank and others, are revitalizing their investment planning systems with a view to tightening discipline in project selection and targeting short lo medium-term projects with early returns, especially in infrastructure rehabilitation and maintanence, with due regard for recurrent cost implications.

Senegal has adopted a three-year rolling investment plan and established sound criteria for project selection. The problem, though, is that eighty percent of the investment budget is committed to projects, mostly foreign-assisted, that predate the reform program, but are too far along to drop or postpone, though they may riot be of the highest priority, The Ministry of Planning is reviewing the pipeline, just the same, to see it any reallocations can be made. I think with the tightness of resources which we are seeing around the continent, it is not enough to complain that there are not enough external resources to support the reform process. Clearly, over time, mobilization of domestic resources has to expand if the reform process is going to succeed. Likewise, I think that with the resources that are available, whether domestic or external, how efficiently these resources are used is very important. That brings me to aid coordination.

6. Aid Coordination

With the multiplicity of international assistance agencies, and the heavy dependence of African countries on external financing of their development plans, which in Senegal's case is in the neighborhood of 75 to 80 percent, and the dependence on external resources for stabilization, aid coordination is a critical element in managing reform. If coordinated effectively, assistance could really make a difference in helping bring about a relatively smooth and speedy recovery. If not, it could seriously disrupt and retard the process by squandering resources, dispersing efforts, and sending conflicting signals.

The critical variables are: the timeliness and type of resource flows, budget support, (which I think tends to be more useful at this stage than project aid, although there is still room for projects), the degree and consistency of performance conditionality among donors, the consistency with investment priorities to which those resources are pointed, (which gets back to the investment planning), and the harmony among approaches, policies, and procedures the various donors are pursuing.

Coordination is, I think, becoming an increasingly important issue, as the recipient countries complain that with all the conditions and all the different accountability procedures and all the other different requirements, that these governments that are busy trying to manage their economic reforms are also busy trying to manage the various donors' programs, whereas the administrative capacity to do that is stretched very, very thin. I think it really does behoove the donors to begin to look very closely at harmonizatin of their procedures. So I would say that project proliferation and donor parochialism are the real enemies of reform.

I think that the Government of Senegal and the donors can be proud of the quality of coordination and the effectivness of the coordinating fora in place. The IMF holds quarterly reviews in Dakar with the Ministry of Finance and the key donors on the government's progress in meeting the standby pedomance criteria. These sessions are a good opponunry for frank exchanges of where these lags and spurts are taking place and to air issues as to where strains may be emerging.

The World Bank, in turn, chairs periodic meetings among the donors on their structural adjustment lending. Every two years, it organizes a consultative goup meeting to review progress and prospects and new requirements in the recovery effort. The most recent consultative group meeting was held at the end of March in Paris, where all the donors gathered with the Senegalese authorities to review the last two years. I think everyone concluded that Senegal had made a very serious effort, that progress was indeed very good, enough to justify $1.8 billion dollars over the next three years to move forward the next phase of implementing the reforms that are already in place.

Various donors in Senegal assume leadership for review of particular sectors. The World Bank continues to exercise leadership in the agricultural sector. The Canadians exercise that leadership in coordinating food aid resources in a forum that is chaired by the Presidency and with representatives of other agencies, which discuss ways to implement cereals policy through the programming of local currencies that are generated from food programs.

Issues remain, however, in coordinating policies and approaches, and assuring consistency across the many projects that are being implemented. I think one of the immediate things we are realizing is that as donors, in their own compartmentalized ways, pursue individual projects, particularly if these donors are not involved in policy reform efforts, they may not be aware of the changed policies that are in place.

If the government is getting out of subsidizing inputs, for example, one donor may come along and, just to make their project work better, may decide for their panicular community to subsidize agricultural inputs. Well that is all very nice, but one project may be undercutting the overall government policy in the sense that this community gets a fifty percent subsidy on inputs while the community next door is asked to pay one hundred percent of the cost. Naturally, the ones that are paying the full cost say 'What's going on? How come the neighbors are getting a fifty percent lower cost?'. Well if you multiply that disparity across twenty donors, and all within a similar valley, you have got some real problems.

I think in countries in Africa, which are so resource scarce for investment purposes to begin with, there is a tendency to go out and mobilize funding by saying, in effect, 'Well, we'll give this chunk of the action to this donor and this chunk to this other donor and another chunk to the other donor.' What you get at the end is a hodgepodge of projects all over the map such that there no common thread across any of these projects other than the fact that the governments themselves have extemalized the development programs and the resources required, That has got to change. The critical needs in Africa today are such that every resource available, financial or human, has to be put to the service of the structural transformation. If it is not, the recipient country is not going to make it. For Senegal, one major test will be the coordinating of assistance to the development of the Senegal River Basin when the two major dams on the river become operational nexi year.

The Role of U.S. Assistance

Let me say just a few words in closing about the role of the U.S. assistance program in Senegal. The U.S. is providing around forty-five million dollars a year to help carry out the reform program and to help resume economic growth. We are providing direct budget support on the order of 22 million dollars annually to help finance the public deficit in exchange for: policy reform performance in the areas of market liberalization, agricultural pricing, parastatal disengagemerd, privatization of input delivery, and tariff and tax rationalization. The remainder goes to projects aimed at improving agricultural productivity in irrigation, in forestry, in agricultural research, and in family health and planning. We are providing training grants to help develop the new skills and attitude required by a restructured market-oriented economy.

In the process of pointing out assistance to Senegal's reform needs we are discovering that the reform programs force us, as a donor, to change our own strategies and modes of assistance. They are forcing us to become more disciplined in the projects we undertake, to accelerate and better time out disbursements, to peg our assistance increasingly to performance, and to help address the management requirements I have just outlined.

Conclusion

In conclusion, even if African governments manage the reform process admirably, they are going to need favorable trends in the international economy, including access to industrial markets and continued help in managing their debt, to succeed in rekindling and fanning growth. They will also need the partnership of international business and banking to help them restructure their economies and tap their growth potential. They will also need the knowledge and training that universities and colleges like Montclair have to offer. To my mind, Africa's economic recovery is the development challenge of the 1980's and the 1990's. Thank you very much.

George Clark, Executive Vice-President, Policy Division, Citibank, New York, NY

I am with Citibank and we have $24 billion dollars invested around the world in the developing countries. We run that exposure on the basis of limits we set for over one hundred countries around the world. I happen to run that process, and I am partly responsible for the fact that we are up to our eyeballs with Brazil and some other developong countries. In Africa, I think this background relevant because it gives one a certain perspective. For forty years, since the end of the Second World War, we have been making these investmerds, and we have been drawing on our cumulative experience to form investment policy judgments. Believe it or not, in the process, you do learn a few things about economic development. Against this perspective, I thought I would try to give you some of the perceptions that we have acquired.

In the first place, I think the first thing to say is that economic development is economic development. It is interesting that we are here in an institution that is dedicated to Africa, and it is important to do that. However, we believe that Africa will develop or not depending on the ability of their leaders to follow fairly well defined orientations which have grown out of the experience of the postwar period, or they will fail, and have failed, to a very consdierable extent, because of their inability to take advantage of the quite apparent wisdom that has been acquired in the developing world over the last forty years.

What are these elements that make or break the Process of economic development? Well, I think a good place to start is good old fashioned comparative advantage. Comparative advantage is real, and it provides a tremendous guideline for development. One of the things we try to understand when we analyze these countries, and try to understand how much we can do to help, is to try to understand the extent to which these countries are successful in getting available very limited resources, as George (Carner) emphasized, in the areas where they do have some kind of comparative advantage. Over time, countries will succeed in economic development or not on their ability to so channel the available limited resources.

Proper Balance of Payments Management

Another thing that I think that our experience shows, and which is terribly important for sustained economic development, is good balance of payments management. If a country runs out of foreign exchange because it has poorly managed its balance of payments, that stops everything, including the economic development program. We have a good example of that today in Brazil, for example. That's a terribly discouraging process when you have a lot of good investments going on and all of a sudden you find that the country has run out of foreign exchange and can’t continue with its investment programs.

1. **Appropriate Foreign Exchange Rates**. Good balance of payments management breaks down into three or four things. You have got lo have an appropriate exchange rate. That's terribly important if you are going to have a balance of payments that is reasonably close to being in balance.

2. **Realistic Interest Rate Policies.** You have got to have domestic interest rates which are real, or your savers are going to want to hold their savings out of the country, and put them with Citibank in New York. We don't want that. We want those savings to stay in the developing countries.

3. **Judicious Domestic Monetary and Fiscal Policies.** You have to have appropriate domestic monetary and fiscal policies. You can't have deficits in the public sector that are not financially feasible. If you do, you are going to get into inflationary situations. We think the record is pretty clear that high inflation rates distort investment decisions and reduce economic development because capital does not find its way into areas where there is comparative advantage.

Export-Led Economic Growth and Development

Another major experience, and I am really surprised at how seldom it is mentioned, is that most of the successful economic development programs that we have had in the postwar period from the developing countries have been export-led. The Japanese learned that secret forty years ago and they are still working it hard. The more recent examples have been Korea and Taiwan, both enormously successful economies. Korea's exports grew thirty percent last year and its GNP grew thirteen percent, which is impressive for a country absolutely bereft of domestic natural resources. More recent countries that have learned this export-led model for growth have been Turkey and Brazil. Unfortunately, Brazil is a bad example to use at the moment, but for thirty years they worked this very hard and they did very well by it.

The Stimulus of Free Markets

Another thing that we think leads to economic development has been an emphasis on freer markets. This means getting the government out of trying to run too many affairs, like getting the state economic enterprises cut back, or reduced, or even, hopefully, eliminated, and a general private sector orientation. You know, you can have your points of view and your biases, and I've got mine, but I think the record shows that where the private sector has been encouraged, you have tended to get good economic growth.

The Record of Africa’s Economic Policies

Let us just take a minute to review how, in general, Africa has done on these particular points. Going back to the point about comparative advantage, I have the general perception that for a lot of countries in Africa, their comparative advantage lies in agriculture. Now a lot of African countries became independent from European colonial powers at a time when their comparative advantage assets had been relatively well developed. It is kind of a quirk of history that the economic policies of the colonialists were basically to take advantage of what the colonies had to offer, and that happened to be precisely where their comparative advantage lay. As a result, most of the African countries came into independence with rather strong agricultural sectors. I think that this is a classic historic example of investing in areas where comparative advantage lay.

Unfortunately, as a result of their historical experience, many African leaders have associated agricultural development to some extent with colonialism. To be sure, there was a lot of emotion involved in that perception, and a lot of the early policies upon independence were aimed at anti-colonial activities and that meant anti-agriculture, which in turn meant anti-comparative advantage. To some extent, Africa still suffers from that perception, although I think that from recent events they are learning rapidly.

George (Carner) said that there am encouraging signs of changing attitudes already at work in Africa, and I think this is one area. It is interesting to note that Mr. (Robert) Mugabe, who is a very intelligent Prime Minister in Zimbabwe, has, I think, understood this, and he has been one of the more recent leaders who has tried to keep investments in his country in agriculture, and he has succeeded. He has done so because he knows that Zimbabwe's comparative advantage is in agriculture despite his country’s colonial legacy.

Zimbabwe is an exception. The typical African pattern is to set low producer prices in agriculture in order to subsidize the urban price of food commodities. The result is that you get a quirk, wherein production in the comparative advantage areas has been discouraged, and consistently so, for 30 years simply in order to subsidize the minority of urban consumers at the expense of the majority of the population, who are engaged in agriculture. This is, unfortunately, a very widely held policy phenomenon which continues down right to the present day.

Many managers of agricultural state economic enterprises see their role as getting agricultural output from domestic producers at the lowest possible price in order to sell it to the domestic urban market at the lowest possible price. Not only does this policy discourage investment and productivity. It also encourages a population shift from agriculture, where you want people to be able to produce, into the urban areas where they engage in the quest for the shrinking supplies of subsidized food that their rural relatives find less and less attractive to produce.

I would say that, in general, in terms of comparative advantage, Africa has done very poorly. Of course you can point out the recent drought situation, and you can also point to weak (world market) commodity prices, but those factors just tend to highlight just how weak domestic agricultural policies have been, sometimes for decades, When things go bad, (as in a drought), that is when you see how bad the basic policies have been.

Another thing I mentioned is proper balance of payments management. A lot of countries in Africa have exchange rates which are overvalued, rather than undervalued. Overvalued exchange rates encourage impons because R makes them relatively cheap. The politicians like them because they keep imported food items cheap and they can talk about how they are keeping prices down. The problem is that overvalued exchange rates absolutely kill you because they make it very difficult for your local producer to compete with imports. They also make it hard for your export sector to grow because domestic producers do not get much in local currency when they earn dollars. As I already mentioned, since export-led economic growth is a secret to success, you can see how an overvalued exchange rate can undermine a country's chances for economic development.

Another thing that overvalued exchange rates do is that they make it cheap for you to remit capital abroad. The result is that capital flight is subsidized. The reason that countries get into overvalued exchange rate situations is that they run high rates of inflation, and this has also been a serious distorter of the economic potential of African countries. If you are inflating at ten percent, or fifteen percent, each year, you either move the exchange rate along (downward) at ten or fifteen percent or more with the inflation rate, or you lag it. If you lag it, on a purchasing power parity basis, you end up with an overvalued exchange rate.

Because devaluation adds further to a country's underlying inflation rate, the willingness of leaders in these countries to keep moving exchange rates along with inflation is limited. They do not like to do so, for a lot of reasons. And so they tend to get these overvalued exchange rates which actually kill them.

Senegal is a country that has had more inflation than the other countries in its area and has moved its exchange rate along less rapidly than its inflation rate. In the banking business, we know that, as a result, you are left less cornpetrive in international markets than you would be it you had an appropriate exchange rate. If export-led growth is imponant and ff you are discouraging your exporters with overvalued exchange rates, you are making economic development very hard to achieve. That is exactly what has happened in so many of these exporting countries.

A lot of people say that what I am saying is 'Well that's motherhood'. Everybody says you shouldn't have inflation, and you should put your money where comparative advantage lies. I used to be bothered by such comments, but I am no longer bothered by being accused of citing motherhood because what I have found on the basis of experience in these developing countries is that motherhood is precisely what doesn’t get practiced.

You know, this is straight basic commonsense stuff, Yet it does not get implemented. We have the absolutely fantastic situation in Zambia today, where they have revalued the kwacha from 18 to 8. Mr. Kaunda thinks that somehow having an exchange rate that is three times overvalued is going to help him to achieve economic development for Zambia. While it is true that this is basic stuff - you have heard of comparative advantage in Economics 101 - they haven't heard about it in the areas that are making policies. So it is terribly important for those of us who work in the area to keep reminding people that either you do these things right of you don’t get economic development.

Everything I have said is highly policy-oriented. After all, every country in the world decides what exchange rate it is going to have. Even little Togo decides what exchange rate it is going to have. If a country has an overvalued exchange rate, it is because its leaders have decided to have an overvalued exchange rate. The same thing is true with inflation, with the domestic agricultural prices that you set, and so on. If these things are set wrong, it is because the local authorities are setting them wrong. They have the option of doing it differently. So I think those of us who work in these countries have to keep reminding people how important it is to get these fundamentals right if they are going to take seriously their goal of economic growth.

This conference is a little bit in the context of coming off the droughts and the related economic ills of Africa of the past several years. However, the droughts came at a period of time that made everybody realize how badly the process was going. Yet the process had been going badly almost since independence. That is what still has to be turned around. Now George (Carner) expressed the point of view that a lot of change is going on. Senegal is one of the better examples. Unfortunately, for every Senegal, and for every Nigeria, we have got a Zambia on the other side that is still going the other way. it is very sad that these leaders haven't learned from their mistakes. That is still very much the case in too many countries.

I would like to mention one other thing and then I am going to close. This is a very highly policy-oriented type of talk that I have given. I have tried to outline the decisions that African leaders can take for themselves to help them achieve economic development. Now they love to talk about access to markets, and commodity prices, and terms of trade, and global interest rates, and all those kinds of things, and so on, as excuses for their inability to achieve economic growth.

All of those other items are relevant, and they need to be discussed, e.g., we need to keep these markets open, and we like to have more foreign aid and so on, but if the countries themselves are not doing the things that make economic development possible, then there is very little that we outsiders can do.

African leaders have got to concentrate on the things that they can manage. There is no point talking about drought if every year your GNP is declining because your domestic policies are bad and you are going to have famine eventually anyhow. As a matter of fact, the World Bank, in one of its recent reports, pointed out that at the rate Africa is going, by 1988, which is next year, there will be famine in a lot of these countries even if we do not have droughts. That really brings the point home. So it is terribly important that we get these countries moving on economic development. I think the way to do it is through the policy orientation that I have talked about here. Thank you very much.

Michael Edo, Economic Advisor, Africa Department, International Monetary Fund,Washington, D.C.

I would like to start by thanking the Center for Economic Research on Africa, and Montclair State University, for organizing this conference. Public awareness about Africa was greatly increased by the emergency relief efforts during the drought of 1984-85. 1 think that one of the important things about a conference of this son is that it helps us to sustain this awareness and interest, and to enable us to consider what are Africa's future development priorities. Also, as there are different perspectives on development and adjustment issues, conferences such as this are very useful, as they bring together participants from different financial institutions and from the academic world.

I would like to divide my presentation into the following sections. First, I will describe the involvement of the IMF in African countries, which, as many of you know, has increased since 1980-1981. I will outline the background of that increasing involvement in Africa, and describe what sorts of measures have been implemented.Thirdly, I will talk about the results of this involvement, and finally, I would like to touch briefly on where we stand now, and what the prospects for the immediate future appear to be.

External Factors Leading to Expanded IMF Activity in Africa

The current state of close involvement of the IMF in Africa began around the end of the 1970's and the beginning of the 1980's. This expansion took place in large part because during the 1970's there had been a number of external shocks which had made economic management very difficult in some African countries.

1. **The Energy crisis** You are all aware that there was an oil price increase in 1973-74 of about 400 percent. There was another oil price increase in 1979-80 of about one hundred sixty-five percent. In addition, during the early 1980's, partly in response to the budgetary and monetary policies in the major industrial countries, interest rates rose to unusually high levels. The U.S, prime rate increased from a level of about six to seven percent in the mid-1970's to about fifteen percent in 1981. A third factor, partly involving the first cause I mentioned (which was the increase in oil prices), was a deterioration in the terms of trade in a number of countries towards the end of the decade.

2. **The Collapse of Primary Commodity Prices at the End of the 1970s.** As a result of these developments, many countries found it difficult to maintain the set of budgetary and other policies that they had been following in the mid-1970's. This was particularly so for countries that had received substantial increases in export earnings from the commodity boom in the mid-1970's, but found those earnings in decline with the collapse of primary commodity prices by the end of the decade.

3. **Increased Borrowing by African Countries.** To respond to this changing external environment, many African countries found themselves resorting to external borrowing at an increasing rate in order to maintain domestic investment and imports at levels they had been experiencing in the mid-1970's. Continuation of these expansionary policies at a time when terms of trade had weakened led to an increase in inflation rates, which rose

from an average of about ten percent for the African countries in the mid-1970's to about twenty percent in 1981.

There was also a deceleration in economic growth rates in African economies toward the end of the decade. Growth rates, which had averaged five percent from 1969 to 1978, were reduced to about 3.5 percent in 1979-1980. Particularly of note was the impact of these developments on the external accounts of the African countries. The current account deficit increased from $3.5 billion dollars in 1979 to $22.6 billion in 1981, or as a percentage of exports of goods and services, from 4.4 percent in 1979 to 24 percent in 1981.

There was also a corresponding increase in external debt as countries borrowed to try to maintain domestic investment and import levels, External debt as a ratio of GDP rose from about twenty-five percent in the late 1970's to just under thirty percent at the turn of the decade. In turn, the debt service ratio increased from about 10 percent in the mid-1970's to about 15 percent by the turn of the decade.

African Economic Progress in an Era of International Economic Turmoil

Before we proceed to the adjustment efforts in the 1980's, I think it is fair to state that there were some positive changes in the 1960's and 1970's. In fact, many African countries made substantial progress in educational levels, in the provision of infrastructure, especially in the 1960's, and in improvements of life expectancy, but the adverse economic circumstances of the late 1970's that I have mentioned made it difficult to sustain the policies which had brought about those improvements.

As a result of these developments, many African countries came to the IMF, beginning about 1980-1981, to seek Fund financial assistance and also to seek Fund assistance in developing coherent economic programs. Whereas in 1976, the outstanding level of use of Fund credits by Africa was about $1 billion dollars, this amount increased to about $1.5 billion in 1978, and increased to about $3 billion in 1980, then to about $7 billion in 1983 and to $8 billion in 1985. That progression I think indicates graphically the level of involvement of the Fund in African countries during that difficult period.

As of the end of March 1987, the IMF had 28 standby and extended arrangments with all countries, of which 19 were with African countries.The total amount of all arrangements was about 5.3 billion SDR's and the amount of the arrangements with Africa was about 2 billion SDR'S.

Financial Facilities of the IMF

It should be noted that the Fund had been operating in Africa before 1979, though on a more modest scale than its more recent involvement. Prior to 1979-80, African operations with the IMF involved several facilities. One was the Compensatory Financing Facility, the facility that assists countries that have temporary shortfalls in their export earnings. This facility was established in 1963 and expanded in 1979 and 1981. African countries purchased under this facility I billion SDR-s in 1974-79 and 1.6 billion in 1980-1984,

1. **Recycling Petrodollars Under the IMF's Oil Facilities.** I think some of you also know that in the mid-1970's, one in the first oil price increase, the IMF established two oil facilities: one in 1974 and the other in 1975. African countries borrowed resources under these facilities in the amount of 0.5 billion SDR's in 1974-1976.

2. **The Gold Sales Trust Fund Account.** As an additional step in global adjustment, the Fund sold Pal Of its gold holdings and used the profits frlow income countries. Under this facility, called the Trust Fund, African countries purchased I billion SDR's between 1977 and 1981.

3. **The IMF subsidy Accounts.** In the latter part of the 1970's, the IMF established the Subsidy Accounts, to enable low income countries to pay interest on purchases from the Fund where the interest rate was market related; these Accounts were also used substantially by African countries.

4. **Standby and Extended Arrangement of the IMF in Africa.** Whereas there was prior involvement of the IMF in Africa, the level of involvement since 1979-80 can be better described it we look at the Standby and Extended Arrangements. These are arrangements which depend on agreed policy frameworks between member countries and the Fund, The Standby arrangements are set normally for one year. The Extended Arrangements are set normally for three years.

In 1980, the number of arrangements with Africa totalled 16, 11 standby and 5 extended arrangements, At the end of 1981, there were 13 standby arrangements, and 7 extended arrangements. In 1982, 13 standby arrangements, and 1 extended arrangement. In 1983, 16 standby and 2 extended. In 1984, 14 standby and 1 extended. As I mentioned earlier, as of the end of March of this year, there were 19 standby arrangements with. members from African countries.

Policies Under IMF Standby and Extended Arrangements in Africa

Under these arrangements, what have been the policies that have been discussed between member countries and the Fund? What has been the sort of adjustment considered desirable, given the circumstances?

As our two previous speakers (George Carner and George Clark) have already covered quite a number of areas, I can be brief in this section. Essentially, there were two main aims of these arrangements. One has been to increase the efficiency of investment, given the decline in economic growth rates. Given the decline in resource availabilities, it has been quite important to be certain that such investments be as productive as possible.

In this light, we have looked at several specific issues. The major areas have been:

1. **Producer Prices.** Producer prices, which in many countries had been held to levels that were not remunerative, and consequently were not providing enough incentives for producers, especially in agriculture, were examined and, where appropriate, increased;

2. **The Institutional Framework for Resource Allocation.** We have also examined the framework for resource allocation, one objective being the preparation of public sector investment programs with the assistance and the approval of the World Bank to provide a coherent framework for resource allocation;

3. **Restructuring Parastatal Institutions.** We have looked at the perforrnance of parastatals this being important because parastatals were becoming a burden on the budget and it was difficult to conceive of fiscal balance without addressing the issue of parastatals and because in many cases Parastatals were carrying out their objectives inefficiently;

4. **Fiscal Policy Management.** Improving the fiscal balance has been an important concern of the Fund, because it the fiscal balance deficit remained very large this would continue to have an adverse impact on the money supply which as you know has an adverse impact on the rate of inflation and that in itself creates distortions in resource allocation.

5. **Monetary Policy Reforms.** Concomitant with this has been a concern for greater control over credit expansion, first to be certain that the rate did not exceeed a level consistent with monetary stability, but also to be sure that credit was properly directed to the most efficient uses. One policy

objective of the Fund in this area has been to encourage interest rates to rise to levels that are to the extent possible higher than the rate of inflation;

6. Exchange Rate Adjustments. The final area of Fund concern has been exchange rate management, where given the lack of flexibility for a long period, many exchange rates had become greatly overvalued and were leading to the existence of substantial parallel markets.

What Has Been the Record of IMF Programs During the 1981-1986 Period?

Since we have been in this process, how have we fared? The real world is not like a laboratory. One does not have the possibility of all other things remaining equal in order to see the effect of one policy change,.To cite but two examples, we had the drought in the mid-1980's and we have had a continuation in the deterioration of the terms of trade for many African countries, both of which adversely affected adjustment and recovery efforts. However, there are some areas in which there has been progress, along with some areas in which concern remains substantial.

In terms of progress, the rate of inflation in the African countries as a group has tended to decline from an average of 22 percent in 1981 to an average of between 13 to 15 percent in 1985-86. Central government fiscal balances, which had deteriorated markeldly in the late 1970's, and again after 1983-84, also tended to decline. In addition, external current account deficits, which stood at $22 billion dollars in 1981, were reduced to about $6 billion dollars in 1986.

Some other developments have not been so promising. Progress in reducing external current account deficits, not only in africa but in many other developing countries, has been accomplished in many cases by the compression of imports. Average growth rates during 1981-86 were only in the neighborhood of 1 percent. Given the rate of population growth, real GDP per capita in fact declined by an average of 2.1 percent a year during the period 1981-86.

Second. the ratio of external debt to GDP, which as mentioned earlier had risen from about 25 percent in mid 1970's to 30 percent at end of the decade, has increased further to 50 percent in 1986. Moreover, the debt service ratio rose from about 15 percent in 1979-80 to about 30 percent in 1986. Also quite troublesome has been the fact that investment ratios have been on the decline. The ratio of gross capital formation to GDP, which was about 25 percent in 1980, declined to about 19 percent in 1985.

In 1986, we began to see a turnaround in some of the countries as a result of the return of fair weather conditions. With these good weather conditions expected to remain in 1987 and 1988, projections made by IMF staff suggest that economic growth rates could be of the order of between 2.5 and 3 percent in 1987 and 1988. However, even that will still be below the rate of population growth, which means that GDP per capita in Africa will experience one of the lowest gowlh rates among groups of developing countries.

The rate of inflation is expected to decline slightly to about 11 percent in the current year. However, the ratio of external debt is not expected to change and will remain at about 50 percent of GDP. We project debt service ratios to remain at about 30 percent of goods and services.

Current Policy Issues.

What are the issues we see for the next few years and what is the outlook for the African countries? On the basis of commodity examinations, it looks as though the terms of trade are not likely to improve significantly for many countries for the next few years. Debt to GDP ratios are also likely to remain at current levels. This outlook calls for policy initiatives on several fronts.

l. **African Govemments Must Continue the Reform Process**. First, on the domestic level, it is important for African governments themselves to continue the types of reforms introduced in last five years, in particular to make development programs more domestic resource based and to make investment more efficient.

2. **African Governments Must Carefully Manage Monetary and Fiscal Policy**. Second, African governments need to keep the financial situation under control. Better public management of budgets and credit is essential to success.

3. **Continued International Support is Essential to Africa's Recovery**. Third, and quite important from our point of view, is the need for the international community to provide the external resources without which these policies cannot achieve their maximum potential.

4. **Improving International Aid Coordination.** In closing, I would like to say a few words about international cooperation. We have a facility at the Fund and the World Bank called the Structural Adjustment Facility. Under this Facility, the Bank and the Fund together work out a policy

> framework paper which we discuss wth the authorities. We plan this year to move this stage forward to make the paper not simply a policy framework statement of the Bank and the Fund, but to the extent possible, as a collaborative effort with other multilateral and bilateral agencies. We hope this framework will help in coordinating aid and improving resource flows to Africa. Thank you.

G. David Loos, World Bank Representative to the United Nations, New York, NY

I should like first of all to commend the organizers for convening this important conference. it is important because Africa looms large in the geopolitical picture - it represents a tenth of the world's population, it is of a size that can accomodate a couple of other continents and part of the United States as well, and comprises fifty-one countries with varying cultures and differing economic and social philosophies. It is a continent of considerable strategic importance.

It is also important to note that Africa has come to the forefront of the international agenda, particularly in the aftermath of last years UN Special Session. It is necessary to keep these development issues at the forefront of this agenda. And so, with a conference such as this, there is a very important contribution to international understanding that is being made for it helps to remind us of the magnitude of an enormously difficult global challenge.

There now seems to be a growing element of understanding of the problems, the complexities, and character of the African crisis. Images of emaciated African children, of parched fields, and of destitute refugees no longer dominate the media. The threats of large scale starvation, epidemics, and death have receded. What is now recognized is that the problems of Africa are long-term in nature, and that the solutions have to be found within a long-term and structural framework.

The word 'crisis' is translated into Chinese by two words: 'danger and opportunity'. Let us think about the causes of Africa's predicament in terms of the 'danger and 'opportunity'. I don't want to re-state matters already covered by previous speakers. I should like to stress, however, that these current problems have risen from a long-term accumulation over the years of economic and social policy distortions, including overvalued exchange rates, low producer prices, inadequate allocation of public expenditures to the rural areas, and to vital sectors such as primary health and education, family planning, soil conservation and agricultural research. As already noted, these distortions have also resulted from mounting deficits in public enterprises and unsustainable external borrowing programs while postponing domestic reforms, a situation that has indeed reached crisis proponbns, and from which we are now seeing genuine efforts at reform.

Adverse external factors have also been pervasive and have seriously impeded growth in Africa. As already noted, they include the global economic recession of 1979-81, declines in primary commodity prices, adverse terms of trade shifts, growing debt and debt service problems, and the decline of external capital flows. Together, they have resulted in an external economic environment detrimental to the pursur of growth.

The Joint Program of Action of the UN Special Session on Africa

We all recall the United Nations Special Session on Africa held last year. That session produced a Joint Program of Action, calling for a major effort on the pan of African governments to stimulate agricultural productivity, improve public sector management, and address the issue of human resource development and other long-term constraints on sustainable growth.The program also called for a major effort on the part of the international community to provide the political, economic, and financial support that African governments need to implement their policy reforms and development programs. The Bank is collaborating with them, and with regional institutions, UN agencies, and donors to assist in accomplishing the objectives of the Program of Action for African Economic Recovery and Development, 1986-90 (APPER).

Some African countries have already taken positive steps regarding economic policy reforms. This has not been easy in light of the political risks that these reforms have posed, for the results of reforms are sometimes realized only within a longer term time-frame. For this reason, unilateral action by the African governments alone cannot be sufficient to deal with these pressing economic and social problems. What is required is a compact between Africa and the international community, a new set of international relationships under which the commitment and efforts of the African countries would be matched by the will of the donor community to increase the resources available to implement growth-oriented adjustment programs. These new relationships should be based on recognition of the depths of the continent's fundamental development crisis, the crisis of a continent with enormous potential. but beset by poverty.

Underlying Problems for Africa's Economic Recovery

1. Mobilizing Adequate International Assistance.

The Bank estimates that the Sub-Saharan African countries will need $12 to $13 billion dollars of ODA (overseas development assistance) annually. $11 billion would be for IDA-eligible countries and the balance for middle-income countries, Using somewhat optimistic assumptions of disbursements against existing ODA commitments it is estimated that about three-quaders of this requirement would be provided from this source and from debt-rescheduling. This leaves a gap of $2.5 billion a year for the low-income, IDA-eligible countries, for whom non-concessional real assistance can play only a minor role. It is this shortfall that could imperil the reform efforts now being undertaken by African governments.

2. Africa's Demographic Explosion.

These figures should be seen in the context of longer-term problems of Africa. Population is a primary concern. Sub-Saharan Africa's population, now at 470 million, is expected to exceed 700 million by the end of the century. Kenya, which has a population growth rate of 4.1 percent, confronts a doubling of its population every 18 years. This adds to an already onerous burden of education costs, health expenditures, employment, and so on. In Kenya, half of the population is under 17 years of age, which compounds the problem. The rapid growth rate of population is a development issue. It is slowing development and reducing the possibility of raising living standards.

3. Environmental Management and Desenification.

Another problem is the lack of environmental management, in panicular the encroaching desertiification of the continent from the Sahara. Sound environmental management, which is critical for sustained economic growth, has to be an integral pan of policy making at all levels of government. The population problem has an impact on this as well. There are important instances in which proper planning can reconcile the objectives of economic growth, poverty Alleviation, and environmental protection.

4. Managing Africa's External Debt.

Next we come to Africa's debt, which is a key problem. The magnitude of debt owed by the African governments is very much smaller than the debt owed by the Latin American countries. However, it is of equal significance because of the relative fragility of many African economies, and because debt service ratios are rising to levels which are stultifying and impeding the development process.

The problem of Africa's external debt is also of a different character than found elsewhere, In the case of Latin American countries, debt is owed mainly to commercial banks, while in the case of the African countries it is owed primarily to governments. The gravity of the situation should not be underestimated. The debt service ratios of Sub-Saharan African countries increased by half again between 1980 and 1985 and would have been much larger had it not been for the number of reschedulings that took place during that period. The situation does not look bright, even with the reschedulings on the usual terms commonly applied. For 10 to 15 countries with prolonged debt problems, even continued rescheduling with the liberal terms currently applied will leave their debt burden unmanageably higher throughout the rest of the century.

Alleviating the multilateral debt service problem would require massive flows of aid and/or innovative debt relief of some sort. Now the problem with debtor debt payments, and debt servicing has been compounded by the sharp decline in the terms of trade of the developing countries, entailing the transfer of resources of about $100 billion to developed countries, despite the fact that many of the developing countries have been making strenuous efforts to enhance the volume of their exports.

5. Primary Commodity Pricing and the International Trade Environment

Commodity Prices are clearly a key factor in this equation. In 1985, they were at the lowest level since before the Second World War. They declined again in 1986 and are expected to decline again this year. The causes of depressed commodity price are complex but they are due mainly to slow economic growth in the industrial countries, oversupply from past investments, and to the perverse effects of agricultural protection policies in some of the industrialized countries. In many low income countries, per capita income is expected to remain below the 1965 level until, perhaps, the end of the century. So the prospects for the next several years are cenainly not very bright.

Global export growth is expected to expand more slowly than before, with the risk of continued primary commodity price declines. These trends threaten to undermine recovery effons. Sustained recovery of per capita income will be possible only if there is a combination of rigorous adjustment programs within Africa, which must be supported by expanded donor assistance from the developed countries, and an improved international trading environment.

At present there are some 25 countries in Sub-Saharan Africa, representing three-founhs of Africa's population and GDP, that have already begun to implement major programs of structural reforms covering a wide array of measures designed to correct exchange rate distortions, increased agricultural incentives. continued monetary and fiscal restraint, reform of public enterprises, and reductions in the size of public investment programs.

The depth of these reforms and the persistence of the new policies are major achievements of the African governments. However, I we look at the cost of the reforms, the social costs and financial requirements to sustain the process are mounting. There are signs that resistance to reform is hardening, particularly because of stagnating or declining per capita consumption. Aid for Africa has been rather encouraging.

Concessional flows in 1985 were considerably more than in 1984, with gross disbursements of concessional loans and grants having risen by almost 17 percent, though a large portion can be attributed to emergency food aid.

As far as the Bank Group is concerned, Sub-Saharan Africa is becoming the largest beneficiary of the Bank's concessional facilities. As a result, the average terms of lending have been softened considerably. Total Bank concessional lending to Sub-Saharan Africa reached $1.7 billion dollars in FY1986 and will amount to 1.9 billion dollars by the end of this fiscal year. Gross annual disbursements of Bank concessional flows increased from an annual average of $616 million dollars in 1981-84 and $795 million in FY1984-85, to $1.1 billion in 1986. However, the overall response has been limited.

After years of tragic decay and unexploited potential, a number of African countries have discovered that the road to recovery is slow and hard. What is at stake is a test of institutions, of political will, of ingenuity and innovation. There is the potential for growth and development. There is also the potential for disaster.

The Stakes Involved in Africa's Economic Recovery Efforts

Will there be economic reform and regeneration, bringing real progress to Africa's populations or will the failure of political will, of aid coordination, of financial flows, relegate the African continent to continuing fragility, to the abyss of desperation, and to the chasm of despair? What is also at stake are ideas: promotion of the private sector, expanding the role of small farmers, of involving women more directly in the development process, and the importance of environmental concerns.

In conclusion, I should like to say that the crisis in Africa is of human origin. It can therefore yield to human solutions. All of us in the international community, and all of us here, are in some way or another involved in the process. It behooves us to face up to the challenge. to ensure that the compact on the critical situation in Africa is implemented and observed. Indeed, there are few undertakings which so richly deserve our unswerving commitment and unshakable support.

S.S. Omari, Vice-President for Research and Planning, African Development Bank, Abidjan, Côte d'Ivoire (Ivory Coast)

On behalf of the President of the African Development Bank, Mr, Babacar N'Diaye, I would like to thank you, Professor LeBel, for inviting him to participate in this meeting. Unfortunately, due to other commitments which coincide with the holding of the Bank's annual meeting in June. the President has been unable to attend. Nevertheless, he has asked me to convey to you and to the participants his personal interest in the subject of the meeting and in the continuing dialogue of Africa's economic recovery, He wishes us all success in our discussions.

The African Development Bank, a major development finance institution in Africa, is naturally Supponive of the continent's economic recovery efforts. It considers itself as part and parcel of the various effons being made by its member countries - especially in mobilizing additional external resources needed to undertake economic reforms for the recovery. Given its unique position in Africa, the Bank sees its role being not only catalytic, but also complementary to the efforts being made collectively in the region.

The main focus of my brief presentation is on the Bank’s role in the economic recovery process. With Some twenty-five countries already engaged in various programs of economic reform, some useful experience has already been gained on the Political and social implications ol these measures. I will simply mention part of these experiences - essentially as elements of the reforms-cum-adjustment process, I would like to concentrate on the past two years since African governments embarked on reforms, and which we refer to in the Bank as Africa's Priority Program for Economic Recovery. Our program was subsequently followed by the UN Program of Action for Africa's Economic Recovery and Development, or the Joint Program as it was called by Mr. (David) Loos. Both of these programs are very important in that they do provide a basis for sustained recovery. Indeed, a considerable number of African countries have accepted the principles of these programs for economic reform and we are now beginning to willingness their effects on the recovery process.

The International Economic Climate and The Recovery Record in Africa

In 1985, Heads of States and Governments adopted what is now known as Africa’s Priority Program for Economic Recovery, or APPER, which, among others, accepted the principle of undertaking economic reforms to aid, or lay the foundation for, the recovery. This program was endorsed a year later by the United Nations, which approved a UN Program of Action for Africa's Economic Recovery and Development (UNPAAERD). The Bank supports these programs and has used them to guide Its operations. In response to the resource requirements of the recovery programs, the Bank is currently negotiating with Its shareholders to increase substantially its capital resources as well as to replenish its soft-fund resources.

Against this background, however, the international environment has continued to be unfavorable to Africa's recovery efforts. With depressed commodity prices and weakened export demand, Africa's ability to earn foreign exchange has been reduced considerably. The debt problem and the decrease in real terms of the external resource flows has exacerbated regressive aspects of the recovery process. Yet, the economic reforms of the type and scope required to promote recovery can not be successfully achieved without substantial external and domestic resources, It is therefore essential that some positive responses should be made - especially at the international level - to facilitate the operation of export markets in favor of the developing countries. In addition, donor countries need to accept greater responsibility in providing additional resource flows, particularly of the concessionary type.

The Social Costs of Adiustment Programs in the Recovery Process

Economic reform packages prescribed for developing countries often seek to restrict both current international account and domestic fiscal deficits, to foster the adoption of more realistic exchange rates, and to realign incentive structures, as have been mentioned by other speakers this morning. Although in Africa one can say that the experience of pursuing economic reforms has been rather brief, it is also true that in some countries the social and political costs involved have led to a reduction of living standards in terms of per capita incomes and consumption levels.

In the short term, adjustment programs can be used to eliminate policy-induced distortions, especially in agricultural prices. Although these adjustment costs are transitional as aggregate demand is brought in line with aggregate supply, they can be moderated by well-designed adjustment programs to protect the most vulnerable groups in the economy. In the long run, adjustment programs can help establish a more favourable policy environment that promotes growth and generates productive employment.

Differentiating Reform Programs by Types of Countries

In the African context, one can observe the adjustment problem from the points of view of two main groups of countries. First, there are the highly indebted, middle-income countries. They tend to exhibit increases in unemployment linked to reductions in domestic expenditures yet have fairly well developed productive, stuctures that are responsive to changing external conditions. Adjustment programs for this group of countries are designed primarily to restore economic growth. The principal source of external financing is commercial capital applied to productive sectors to increase the efficiency of utilization capacity.

Low-income countries comprise the second group, and they constitute the majority of countries in Sub-Saharan Africa. These countries have been marked by continuing declines in per capita incomes over the past decade as well as by an acute scarcity of capital resources. Transitional costs of adjustment programs are inherently linked to the long-term poverty cycle. Hence, there is a need for a policy strategy that improves per capita incomes, capital efficiency, and overall productivity at the same time. Increased external resource flows play a critical role in the economic recovery prospects of these countries - especially to finance compensatory programs to protect the most vulnerable groups from the adverse effects of transitional costs.

The Role of.the African Development Bank in Africa's Recovecy Efforts

The African Development Bank has acquired some experience in the area of .ion-project lending. The present thrust of Bank policy toward sectoral and structural adjustment lending is mainly in support of Africa's Priority Program for Economic Recovery and the United Nations Program of Action for Africa's Economic Recovery and Development - particularly in assisting African member countries to implement policy reforms considered essential to the recovery process. These new lending tools have provided the Bank and its affiliated institutions with powerful means of engaging in dialogue on various economic development issues. In these activities, the Bank Group cooperates closely with the World Bank, and, to some extent, with the International Monetary Fund. In response to calls for increased capital flows, the Bank Group mobilizes capital from external sources through borrowings and donor subscriptions, while maintaining sound financial policies to carry out this important function. The adjustment programs provide the Bank Group with a quick-disbursement facility, often considered most suitable for adjustment program financing.

The Bank Group continues to finance projects in the traditional sectors of agriculture, industry, transport and communications, power and water, as well as health and education programs. Currently, there is an emphasis on incorporating environmental aspects within project and program operations. In all of these activities, The Bank Group continues to foster opportunities for co-financing with other organizations and institutions according to their relevant specialization and credit exposure. In the adjustment programs, efforts are made to coordinate the Bank Group's participation with specialized bilateral and multilateral donor agencies to ensure the development within those programs of cost-effective compensatory packages. The African Development Fund, the soft-window affiliate of the Bank, is best suited to provide long-term capital resources with buill-in compensatory components to low-income member countries in Africa.

The Bank supports countries which themselves initiate the design and formulation of economic policy reforms for recovery and adjustment. A country makes firm commitments by being able to apnicipate in its own adjustment programs - indeed, even to take the largest share of the adjustment. External assistance in this regard needs to be carefully coordinated to ensure maximum effectiveness, especially in minimizing the adverse short-term transitional costs already noted. It is for this reason, among others, that donors must work together with recipient countries in formulating successful adjustment programs. Indirectly, the process enhances the dialogue on sometimes very difficult policy reforms. In the background, and at the institutional level, the role of research can not be more emphasized.

The recent re-organization of the Bank's structure has considered these new dimensions of its operations, including research work. There is still much new ground to be covered, especially in the economics field. It is our hope at the Bank to broaden the scope of our operations and external cooperation with other institutions. The research work of the Center at Montclair should be of interest to the Bank, especially in view of its focus on Africa. Let me again express gratitude for inviting the Bank to this meeting and to the Center. It should be to our mutual benefit that we maintain this means of co-operation, which will lead us to exchanging information on Africa's economic recovery and development. I would like to conclude by thanking Professor LeBel for his constructive initiative.

Discussion

Phillip LeBel, CERAF. As you can see from our program agenda, we wanted to share some time for questions and answers among our panelists, and between the panelists and the audience. I would like first of all to allow the panelists to share some reactions with each other before we turn to interactions with the audience.

George Clark, Citibank. I would like to comment, if I may, on external flows. A lot of the comments have been aimed at the subject of the need for more flows coming in from abroad. Two things: One, I think it is very important to be realistic in today's world, as to whether we are likely to get a stepup in flows coming in. The United States is alrready faced with a very big budget deficit that we have to cub back on. Other countries have pervasive problems such that it we do not provide the leadership, they are not going to follow, and will not provide the leadership. I think it is fine to say that flows ought to rise, but I really do not see very much of that happening. I think it tends to mislead African countries a bit if we hold out those kinds of hopes.

The second thing I would hasten to add is that there really isn't, if you check over the last 40 years of economic development, much of a correlation between high aid flows and high economic development. The country in Africa, for example, that has received most aid, I think, on a per capita basis, from the public sectors around the world and from bilateral aid, is Tanzania. Tanzania is one of the worst examples of economic development on the continent. On both scores I would say that the panel has tended to over-emphasize the importance of outward flows in the future development of Africa.

G. David Loos, The World Bank. I made the point (about the need to expand aid to developing countries) because we are talking about two sides of the same coin. Unless there are sufficient resourcs to support the very difficult reforms that African countries are undertaking, there is a danger of failure. You have to cushion this transition in some way. To say there is likely to be no increase in real aid flows is not strictly correct.

The next replenishment of IDA funding is set for $3.4 billion dollars, which is more than the current level. All of the donor countries, including the United States, will need to increase their contributions, with due allowance for Gramm-Rudman and other constraints. The important thing to note is that funds will need to be forthcoming.

It should be noted that World Bank commitments represent a substantial increase over past levels, What is not included in this estimate, however, are private capital flows. The decline of $1.2 billion dollars in official aid and private investment flows was only offset by an increase of $2.7 billion dollars in public concessinal flows during the past year. The reason for some of these adjustments is obvious: private banks are not willing to make new loans because they view many of these African countries as uncreditworthy. However, there must be an expansion in total financial flows if the reforms now underway are to succeed.

George Carner, AID/Senegal. I think I would agree with George (Clark). I do not see much prospect from where I sit, that, outside of the IDA prospect, we will see much increase in official assistance. I think there is a critical mass of resources flowing. Rather than emphasize quantity, I would put the emphasis on the quality with which those resources are used, i.e., the types of flows that are made being the critical consideration.

The other point I would like to make is on the question of social costs. The question is: Who is bearing these costs? I think it is very important to look at the incidence of those costs because that is pan and parcel of the transformation, and also of the risks involved in the reform process.

First of all, I think the losers are in the public sector. There is no question that a lot of public sector employees who had historically gained jobs (after all, government has been the foremost employer), are now losing those jobs. The major issue today is what will happen to the people who are being laid off from all of the parastatal organizations.

The second loser is the formal sector. A lot of big business interests that were very inefficient under earlier policies managed to retain their inefficiencies thanks to a lot of government priviledge, a lot of monopolistic positions, and a lot of exonerations. They are now going to suffer under the reforms and they are crying the loudest. For reasons that I have already mentioned, I also think that urban populations will suffer as we see this transfer of resources to more rural populations.

The winners in all of this, with booming agriculture in many areas, are the farmers. There is just a tremendous amount of resources going back into rural areas. A lot of disposable income is now going back to those communities. The second winner is the informal sector, which has been the sector to which people have retreated in this period of great austerity. When you ask where have people gone (after having lost their formal sector jobs), the answer is that they have gone back to their rural communities. And while the formal sector has been near bankruptcy at the same time, those few studies that have been done on the informal sector suggest that there is a tremendous dynamism, despite all the country's debt problems, and difficulties in managing this reform process. They are going to be the winners to the extent that they will enjoy greater freedom to operate, greater inducements to move within the formal sector, and this may be quite promising for the future.

I think many new groups will emerge from this process. It is hard to predict what they will look like. There are likely to emerge rural entrepreneurs to infuse new life into economic institutions. The question that came up just very recently in a dialogue we were having around a Ministry of Finance roundtable in Senegal is 'What is happening lo all of this income being injected into the rural areas? How is that being translated into investment, into consumption, and to greater receipts for the government?'.

Nobody had the answers at the time, and yet there is a lot of income out there now that wasn't out there two years ago, cenainty in the Sahel, where people were at the very margin of existence in terms of having depleted all of their assets, whether be food, whether it be animal capital, or whether it be seed and other agricultural inputs. A lot of de-capitalization went on. We are now seeing re-capitalization in the rural sector. What does that mean for this reform process? What does it mean in terms of the resource mobilization issue? How much is there in the indigenous economy that will provide unexpected returns to growth? I think this is a fundamental issue for the next two to four years.

Phillip LeBel,CERAF. Let me pick up that point and address this to Dr. Edo. When you were reciting the number of IMF reschedulings that had been taking place in recent years, does the Fund have some forecast at this point of the impact of the reforms on tapering the need for reschedulings during the next several years?

Michael Edo. International Monetary Fund. With the debt burden being so high, i.e., as a percentage of GDP, and with debt service ratios, i.e., service payments as a percentage of exports being as high as 30 to 35 percent in many cases, we do not see any reduction in this ratio in the next few years. The outlook does not look good. This is one area in which further capital inflows on appropriate terms will be very imponant. If, in fact, Mr. Clark's outlook is valid, then I think we do indeed face a difficult situation in the years ahead.

S.S. Omari, African Development Bank. There is no doubt that Africans will take responsibility for their own problems. By and large, this is very dear, but what is happening in the international environment is discouraging. For example, the downturn in international commodity prices has weakened the growth in foreign exchange earnings, and in turn reform efforts of African countries. This is why we say that it is a pity to hear some observers say that there may not be more foreign assistance available, despite the great sacrifices being made. We hope that donor agencies will take a more positive approach in regard to future commitments in support of these efforts, I should like to emphasize that the UN and World Bank programs do call for an injection of fresh capital to replace funds to buy essential impons.

G. David Loos, The World Bank. I agree wholeheartedly with the comment (made by George Camer) about the quality of usage of resources. We have cases like Japan and Korea, major users at one time of Bank resources, who made extraordinarily good use of the resources that were made available to them, but it is also important that resources be provided in a form that can be used quickly. As noted earlier, there is no point in having commitments on the books unless the funds can be disbursed expeditiously. Because of that we think it is critical to increase our lending in quick disbursing form for a number of projects.

We must also remember that only 10 to 15 percent of all financial flows come from multilateral institutions. The rest are from commercial banks and bilateral donors. Because of this mix, aid coordination is extremely important. Because of that, unless that 85 percent is forthhcoming, whatever we might do at the margin will not make a difference in cushioning the adverse effects of the transition now taking place. The reforms can not succeed unless these additional sources of bilateral public and private flows increase. As of this point, we haven't seen much prospect for a significant expansion of these financial flows.

Phillip LeBel,CERAF. I have not heard in the remarks thus far any suggestion of looking at irdernational agricultural policy reform. As we all know, both the EEC's Common Agricultural Policy and similar subsidies to agricultural production by the United States have created substantial buffer stocks of many comrtiodities. The United States has reduced some of its buffer stock holdings from time to time through AID programs such as P.L. 480.

One example that has been of some concern to me in recent years has been the case of peanuts, namely the role of peanuts in the world oilseed market. noticed that the share of peanuts from 1960 to 1984 in world export markets has been shrinking in value terms.

One explanation for this decline is to look at the elasticity of substitution. What happens when one finds subsidies by the EEC and the Common Market going into soybean production, which is a very close substitute for peanuts, is that when subsidies cause a decline in the price of soybeans relative to peanuts, this tends to weaken the competitive position of peanuts for such traditional African producers as Senegal. Since much ol what has been said this morning has been focused on revitalizing African agricultural productivity, can we speak meaningfully of managing Africa's economic recovery without addressing world agricultural policies at the same time?

G. David Loos, The World Bank. I mentioned international agriculture as one of the external factors affecting Africa's recovery prospects. I think this is a problem of tremendous proportions. If you take the subsidies in the EEC and the United States and that goes to a limited number of large-scale farmers, and then take into account that 80 to 85 percent of African populations are engaged in agriculture, and small-scale farming at that, then the billions spent on a small number of large-scale farmers could be used to support millions of people engaged in small-scale farming in developing areas. Some of the current negotiations within GATT, which will now include services, will undoubtedly ventilate some of these problems.

Take Ghana, for example, with As cocoa. If the price of cocoa dumps further, or it Zambia's copper export prices slump further, then what are these countries to do? Now even taking comparative advantage into account, can they diversity? When we take the success stories of the Republic of China and Korea, if these countries were starting off now, they would most certainly have a more difficult time. In the 1960's Korea's exports were on the order of 100 million dollars. Last year they were on the order of 30 billion dollars. Yet these countries based their development strategies on the export of manufactured goods, which by and large did not suffer the price vicissitudes we have witnessed in the case of the primary commodities that are basic to the revitalization of

African economies.

Ira Sohn, Department of Finance and Quantitative Methods, Montclair State University. I have two questions. The first one I would like to direct to Mr. Clark. You mentioned that you do not see a lot of renewed external financing going into these countries and I am wondering it there is an appetite in the commercial banking sector for making loans based on securing receivables and that is in a sense, based on export earnings.

George Clark, Citibank. A good solid banking question, Collateral, that is of interest to us bankers. Mr. Edo, you said that savings rates (in dropped from 25 to 19 percent, didn't you? I do not know how much of those savings are foreign generated and how much is domestic generated. The first thing we have to ask ourselves is: Are the savings being domestically generated? I can tell you right now that in very few African countries are the domestic savings being channeled into productive investments. There are all kinds of distortionsl.When we talk about thse foreign flows. Africans, always cast these discussions in terms of what is going on in international markets, but we first ought to be talking about what is going on with domestic savings in African countries themselves.

George (Carner) tells me that in Senegal they have a six percent savings rate, with inflation moving along at eleven percent. Those are the issues that Africans do not like lo talk about, but we ought to talk about them. As a result of these negative real interest rates, we in Citibank get those African savings over here when we really want them to stay in Senegal because that is where they can be more productive.

Now in terms of your collateral question, that is kind of a narrow banking issue. Can we secure ourselves in such a way that we can make additional commercial loans? That is what you are asking. It sounds great, but it typically doesn't work out. If you look into the recent Nigerian re-negotiations on their debt, their short-term commercial debt, what has happened is that the central banks are so desperate for foreign exchange that they grasp at anything.

When central bankers hear that some exporter is going to earn some dollars, they then say to the exporter that the local firm should sell those dollars to the central bank**.** The exporter replies that those dollars were already pledged to Citibank, for example. The central bank then turns around, and says, 'Forget the pledge to Citibank. You are a citizen of this country. You must pay back in'. As a result, we in Citibank do not consider pledges on receivables as reliable collateral. Banks that have accepted such pledges have gotten into a lot of trouble as a result. Conclusion: not much appetite, to use your words.

Ira Sohn, Montclair State University. The second part of my question extends this to the official creditors, Now I address my question to Mr. Loos and Mr. Edo. We have heard a lot about this need for additional financing. I believe Mr. Loos mentioned diversification of exports, and that seems to be a very critical problem in many African countries, but also in Latin American countries, namely, that not much progress has been made over the past 20 years. Is there any way for the institutions, e.g, the IMF and the World Bank, to in a sense make their addition of new loans conditional on diversifying away from their traditional lines of production?

For example, as reported in this week’s issue of *The Economist*, forty percent of Zaire's exports are still in copper, for Zambia the figure is eighty percent, for Nigeria, ninety-five percent of its export earnings are in oil. Now, one thing we learn in finance is that diversification will reduce risk, which in this case translates into reduced risk of foreign exchange earnings fluctuations. Is there any appetite for such conditional lending in official circles?

G. David Loos, The World Bank. That is a very good point. I agree wholeheartedly with it. The nub of this problem is productivity. Value added in Africa is about twenty to twenty-five percent, whereas in Korea it is of the order of eighty-five to ninety percent. What happens is that costs of inputs, which are often imported, increase. Now one of the things the World Bank is doing is to place greater emphasis on increasing the value added component of exports from developing countries by enhancing productivity. That is a difficult process involving education, training, and management skills, which are often weak in many of these countries. Such measures are what we look at when we consider structural adjustment lending.

It is important to create an economic climate which will enhance export volume. Yet, for many countries, the range of options is limited. They often do not have the kinds of resources to easily diversify as you suggest. Some countries do have such resource opportunities, while others do not.

What they have to look into are those areas of production where they can increase the productivity of their operations so they can compete effectively with other exporters. Since only about ten percent of Africa's production is traded within the region, there are all kinds of opportunities, such as the creation of PTA’s (preferential trading areas) and the like which have yet to be tapped to their full potential. But all of these must be set in the context of economic and social factors. We must thus craft responses that respond to the basic realities of the African situation.

George Carner, U.S.AID/Senegal. Let me just throw in a couple of additions to what has been said here. I think that comparative advantage is a dynamic concept, not a static one. I think that has not really been registered much in our discussion. Certainly in the Senegal peanut case, comparative advantage is very much an issue. It just may be a case of changes in substitutes. I am not sure that it is an international dumping question, or international agricultural policy question. It may just be the reality of changing consumer tastes for less saturated oils.

Second, I think that there are things that can be done within a more dynamic view of comparative advantage. One of them is to tap opponunites that are newly emerging. Having come to Africa with experience in Asia, one of the things that strikes me in my present position is the heavy dependence of African countries on essentially one market, usually the European market, and usually just a one line market into the former colonial country.

If you look at West African trading patterns, all of the trade is outward to Europe. There are many other markets out there, starting with markets right in the region. The potential of those markets has not been tapped, I think that, certainly in the food business, people should look to tap those potential markets, panicularly if distortions in such areas as transponation can be soned out. But to do so is not an agricultural policy question. It is a trade and tariff question.

When you look at Africa's current national borders, many of them enclose very small markets and prevent them from trading with their natural trading partners. Given common social, cultural, and linguistic flows, these borders have no fit with natural economic patterns. Instead, what we see all too often is the erection of tolls along the way, de facto tolls by customs agents, that are there just collecting revenue, often to the individual profit of agents, let alone providing any revenue to their associated governments. In Gambia, for example, which is right next door to Senegal, in fact it is right in Senegal, it takes five days literally to go from Dakar to the Casamance for something that should be an eight hour drive. Well the cost of transporting goods between those two regions skyrockets and there is no way to take advantage of that. If you can son those things out, it seems to me there is a lot of potential for regional economic integration.

The other thing in food production policy, and certainly in Senegal, is the potential of import substitution. Export-led growth is certainly very imponant to these countries, as George Clark has pointed out, but when so many African countries are so heavily dependent on food imports, economic growth can also be stimulated by looking at this alternative as well.

A third option is market niches. I think there are very specific markets, flowers for example, or long string-beans, which are now entering the United States. If quality control standards can be maintained, there is a lot that can be done there in terms of expon market growth.

Finally, when you look at the export-led strategy, it seems to me that one needs to look well beyond agriculture and primary products. Clearly, African countries are going to move over time into a much more industrial phase. think we have already seen this cycle around the world with the expansion of global trade. If Africans can manage the economic reform process, and in so doing, become more competitive in global markets, then there is a lot of potential for taking advantage of downward shifts on the international production scale.

As an example, if you trace the spatial diffusion of semi-conductor production from one pan of the world to the other, there may still be room for African countries to pick up on those kinds of non-traditional exports that are being abandoned by other countries on the upper scale of the production cycle. What is important is that this process of technological diffusion will depend strongly on market-driven forces rather than attempts to pre-determine outcomes.

David B. Levine, International Management Consultant, Washington, D.C. I would like to get a little below the macroeconomic framework. One of the standard components of whatever structural adjustment occurs has to do with things like getting rid of parasiatals, based on a sense that African governments have tried to overextend their ability to control and manage without the appropriate level of management skills, or that they do not possess real control over the economy. In the last few minutes we have been talking about the need for flexibility and change, e.g., that yesterday's peanuts may need to be replaced by tomorrow's stringbeans.

It seems to me that the macroeconomic discussion about where to go is quite divorced from being able to make the results of that discussion have an impact in the field on the farmers, or on smallholders. We do see that it is relatively easy to have an impact on large projects that don't seem to be sustainable and which does not provide the payoff that we want. Rather than talk about what you have done in the past, what do you see yourselves doing differently to make sure that the framework that is set by policymakers will be somehow translated into something that will generate economic and social change at the bottom level of the economy? Do you feel any responsibility for trying to reach that level, and, if so, how? Where are the mechanisms to bring this about?

G. David Loos, The World Bank. What we are trying to do at the Bank is to use instruments such as the Training and Visit schemes. It is really a very simple scheme. It is just marshaling existing resources more effectively, passing on to the small farmer the message of how changes in agricultural practices can make a tremendous difference in yields and production.

In the last couple of years, the program in Kenya has involved extension workers interacting more intensively with each pan of the production process, to facilitate the spread of information useful lo farmers. This process has produced in some cases a doubling of yields. What was started in high potential areas bid has now been extended to the lower potential areas. This approach is the sort of thing that has to be done to ensure that the benefits of development are enjoyed by the vast majority of the population. The problem we face is how does one get this perspective translated to the officials in developing countries who are responsible for implementing policy.

Another consideration is to look at the impact of structural adjustment loans on the poor. There are some very good papers that have been produced by Bank staff in Washington on precisely this point, i.e., how can we target these groups and how can we design programs which can have a greater impact on the poorer segments of the population. There are lots of things that one can do, but it has to be done, and your point is well taken. Unless the benefits of reform programs do trickle down in some fundamental sense to the grass roots, then reform itself is jeopardized. It is not just a question of income. It is a question of what can you use incomes to buy. Lots of countries in Africa have this kind of a situation. You have got to enhance the supply situation and try to increase income at the same time.

George Carner, U.S. AID/Senegal. I think the question is a very profound one. I do not think I can do justice to it with the answer I am going to try to give because it may seem superficial.

First, I think there is a shift in thinking, cenainly from an AID perspective, as I see it. I think if you compare structural adjustment programs and with what it is doing to our thinking and our procedures, we are moving away from a very deterministic targeted approach that we found in the basic human needs philosophy in the late 1970's to a more permissive kind of development philosophy. This new philosophy really accepts that donors have a very hard time reaching down to the grass roots, panicularly I you are trying to help them do something that is your own solution, because usually people have different solutions than the people with the macro model perspective can come up with.

In a sense, we have backed off a bit and said within AID, 'We didn't really do too well, especially in Africa, with directly targeted basic human needs kinds of activities. What we need to do is to work more on the structures of opportunities open to people'. Rather than pointing projects in the mono-cropping sense of trying to determine the cropping pattern that they should adopt and then give them all the free inputs and all of the technical assistance, and everything else to convince them that that is what they should do, the emphasis now is a much more laissez faire one, and therefore much more of a gamble.

Basically, we are saying: 'O,K,, open up opportunities and then let those particular farmers choose what is in their own best interest. They are far smaner about choosing what is in their best interest than a donor. We then look at those ancillary systems that they are going lo need to be successful. If the credit system isn't working, then we need to figure out what in the credit system is making it inaccesible to the farmers who really need it, and then find ways of opening up the credit system so that farmers can have competitive access to formal as well as informal sources.

I realize that this constitutes a philosophy that is easier said than done. One way out, and I think this has been a consistent policy of AID, is to move more and more of the challenge of your question into the realm of the private voluntary organizations. This involves trying to assist them to mobilize their efforts, recognizing that they may be in a better position at the grass roots, provided that this change that I perceive in voluntary agencies of going from missionary to development catalysts continues in this same direction. At the same lime, turning to private voluntary organizations is going to take a lot of very different assistance on their part, just as it will for donors, and we are still working that out.

S.S. Omari, African Development Bank. Just to add a point or two. We find from our experience in integrated rural development projects that quite often we rely on the panicipation of the communities themselves in the formulation and design of projects. This ensures greater use, or employment, of local resources. Moreover, structural adjustment programs provide yet another means of reaching farmers - through, say, promotion of agricultural price incentives.

Other conventional aid mechanisms can sometimes prove to be cumbersome. At any rate, it is the intention of the Bank to continue targeting its resources to reach small groups in rural communities.

Ronald Christensen, General Motors Corporation. I wanted to ask you about the Zambian payments discussion. Are there any lessons or implications of how the multilateral institutions should behave?

G. David Loos, The World Bank. What we do know is that we probably overestimated the capacity of the country to implement the package of reforms. Obviously, we did not consider carefully enough the exchange auction system, and also the enormity of the political implications. I think the lesson that one can learn from this is to have an even more in-depth dialogue among all concerned parties.

We have a representative in Zambia. We also have periodic country missions. To make sure that a government can effect the (reform) policy in practical terms, for those of us who are in a sense, advising the government on what to do, it is important that we cover all bases before we come up with a scheme that they can practically and reasonably embrace. This dialogue process, for all of its faults, is the only rational basis on which we can proceed,

Michael Edo, International Monetary Fund. I can only say that the Zambian problem is a very difficult one. The price of copper in 1980-81, when we went into the first EFF (Extended Fund Facility), was about $1.20 a pound. It went to $.58 a pound last year and now is about $.61 to $.62 a pound. In this shift alone you have a major problem.

The second issue is that as beneficial and risk reducing as it may be, diversification into other areas takes time. Third is that the debt ratios for Zambia are very high. Against this background, we in the Fund have been trying lo see what the Bank, bilateral donors, commercial donors, and the Zambians themselves can do. As you can see from the press, the dialogue continues, but Zambia is obviously a very difficult case.

Emmanuel Egbe Chinyere, Baruch College, City University of New York
We seem to be dwelling somewhat on the constraints of the international system. For example, the EEC has a sliding tariff which captures any reductions in prices that might benefit the exporters of primary commodities. Then the international community talks about diversification. What does, say the African Development Bank, and those who represent Africa, say the IMF and the World Bank, think about galvanizing the economics of the African countries from within so that they can generate their own internal markets and deal with the world at the margin?

Second, to what extent would the international system be serious enough to encourage resource-based industrialization in African countries so that countries like Zambia or Nigeria would not depend entirely on the vicissitudes of the international raw materials market wherein these countries simply swing up and down without doing themselves very much good unless the industrialized countries are willing to buy semi or fully processed products from the developing countries. There seems to be an insistence on buying only the raw materials and then talking about comparative advantage.

George Clark, Citibank. I think that George Carner mentioned that there are some possibilities within Africa for relyirig on the domestic market. Nigeria is a great example. Right now, Nigeria has all of a sudden discovered agricultural production for domestic consumption. Thirty years ago they were self-sufficient and now they have got themselves on the night track and they will become self-sufficient again. There is some margin. I was reluctant to get into that because we have developed with the World Bank and with the (International) Monetary Fund in recent years the concept of outward-looking policies rather than inward-looking polices. I personally believe that the long-term unlimited direction for economic growth in the developing world does relate lo outward-looking policies, so I take every occasion that I can to talk about it.

There are a lot of constraints in the markets in Europe and in the United States. If you are going to be an exponer, you are going to have to live with the ups and downs of the export market. Despite such risks, it is important for African countries to resist turning inward as a response to risk because really successful programs throughout the world have been prepared to take risks into account. Futures contracts are but one example. Now, as long as your policies are inward-looking, ultimately you are going to reach some limits in terms of your economic potential. The only way to really achieve sustained economic growth in the world is to be able to compete in the international market, where you have the total global market.

That brings me to some of these ups and downs in global economic fluctuations, and it brings me to the problems of protectionism. Despite these fluctuations, while Africans are thinking in terms of impoo-substitution policies, Asians are thinking about export policies. While we talk about protectionism and customs duties in the United States, Asians are gaining billions of dollars of surpluses and tremendous increases in their GNP's because they have been following these expon-led policies and is is paying off for them. Regrettably, I think Africa has still not learned that lesson.

N.W. Balabkins, Department of Economics, Lehigh University. I see many contradictions as to what has been said this morning. Mr. Clark just said that we need externally-focused development so that Africans can compete abroad. Let us look at the

United States for the last seven to eight years. One obvious result of our adopting such policies is that we have generated a budget deficit of 150 billion dollars every year. Now is that ability to compete?

Mr. Clark, you asked in your initial presentation, 'Is your balance of payments property managed?'. I look at the United States and I just wonder. The next question you asked was, 'How about your domestic deficit?' Now we hear that Zambia has chosen to suspend its payments. In the 1850's, when the United States was building our canals in Indiana and Illinois, we couldn't pay and we just up and forgot about our debt. And British gunboats couldn't compete in in Indiana.

I wanted also to pick up on Mr. Omari's statement that there ought to be some scope for African policy. Whatever you gentlemen say, you forever use 'We', i.e., the governments, the banks, the International Monetary Fund. I forever ask, had I been in Nigeria, what would this so called liberalization do to me? I have been to Africa only six times, spent a decade there almost.

Now suppose that I am a bright young Nigerian man and I have an industrial itch. I would like to set up, say, a pharmaceutical plant. Now the first thing I would discover is that to produce pharmaceuticals I need all kinds of instruments. To do. so, I seek out the necessary foreign exchange to acquire essential imports, which may not be available for reasons you have already cited. Next, I discover that electricity in Nigeria is not exactly reliable. There are blackouts and there are brownouts. Now brownouts destroy your instrumentation, sending me back to square one. Beyond this, there are numerous other hurdles that I face if I am to become successful. Now, I am not sure that the economic reform, or liberalization, which you have proposed, will produce the kind of support system for the bright young man to operate in a relatively market-driven environment, relying less on government than in the past to succeed.

S.S. Omari, African Development Bank. I am pleased to note your observations. Concerning the domestic market potential for growth, African prospects can be described as being bright. However, this must be considered not to the exclusion of external market opportunities. Apart from the historical links with European countries, one would expect that African manufacturing will gradually be able to compete in these and other markets, provided positive changes are made regarding protectionism. Some indication of such flexibility are in place in the context of both Lome I and II.

The role of technological advances in industrial development is crucial.Trade liberalization policies should be exploited to attract technology and its application to a wide range of manufactures. I think we are already beginning to see in Africa groupings of sub-regional communities. At the same time. these groupings realize that their success, particularly in terms of stimulating technological change, will depend critically on their continuing ability to interact with and compete in global markets. I do not know I this answers your question, but we in the African Development Bank encourage such flexible thinking as part of our overall policy discussions.

We have recently created in the ADB a section which deals with the question of privatization. We believe that the private sector will be increasingly recognized by many of these countries. In our view, the private sector will be a key to fostering the increased competitiveness of our products in world markets. Market signals have proven to provide crucial signals for promoting managerial and technical efficiency. While we are talking about these developments, it is too early in my opinion for us to judge what form these developments are likely to take, despite references to historical events.

It should also be noted that efforts to promote genuinely market-driven development in Africa is a relatively new phenomenon in the era since independence. As we know, there are adjustment programs in the medium to long-term that we view as helping to cushion some of the shocks in this transition. We in the ADB do intend to encourage inter-African trade, and to help African countries to pursue strategies of export diversification.

Stephen Kaifa, Department of Economics, Montclair Slate College. Mr. Omari, there have been similar attempts to promote economic integration in Africa of the kind you have described, particularly in West Africa. The West African Monetary Union is perhaps one of the best examples. What efforts do you see being made to go beyond monetary union structures to foster customs unions as a device to promote regional economic integration?

S.S. Omari, African Development Bank. The West African Monetary Union is certainly a good beginning in this direction. At this point, one of the more positive steps toward that end is ECOWAS, the Economic Community of West African States, which has received important support and leadership from Nigeria. Trade liberalization policies now being introduced within ECOWAS provide an important means of realizing sub-regional economic integration.

The role of monetary unions in these cases is obvious. Similar developments are taking place in East and Southern African countries where, through the Trade Preferential Area (PTA) Treaty, the establishment of customs unions within monetary union structures will bring about a greater degree of regional economic integration. Yet the success of such initiatives is likely to depend on the revitalization of local economic institutions through the initiatives we have described.

Keynote Address

Jennifer Seymour Whitaker, Council on Foreign Relations, New York. Thank you very much. I see this talk as a roundup after a very impressive panel this morning. I think this morning's talks turned many keys and opened many doors. What I would like to do now is to sum up, to take a little longer look at the issues, and to draw together some of the things that were said this morning.

It seems to me, and this came through very clearly in most of the presentations this morning, that present efforts at managing Africa's economic crisis and recovery started in its current phase toward the end of the 1970's. This development came at a time when it became clear that Africa's crisis was becoming acute. Various people, inluding African directors at the World Bank, took the initiative to call for a study on Africa's economic crisis. What emerged from that effort was the so-called, sometimes notoriously so-called, Berg Report, *Accelerated Development in Sub-Saharan Africa*, which came out in 1981. For the first time, it put forward on the international agenda this broad range of issues that we have been discussing this morning, and which we see in many of the structural adjustment programs now being implemented in Africa.

The Berg Report fostered a good deal of the policy consensus we see today. One other side of that coin that hasnl been mentioned today is the report put together under the auspices of African heads of state, *The Lagos Report*, which put forward an African plan for the future economic development of the continent. Yet this consensus, and to some extent the alternative strand of The Lagos Report, contains oenain common elements, namely, various reforms focusing on agriculture, the streamlining of government bureaucracy, and the cutting back of government regulations in Africa to increase productivity.

All of this consensus-building came to a climax with the Special Session on African Development at the United Nations last year. At this session, African delegations largely endorsed the Berg Report, or very many of the reform ideas that had been put forward within it. They also included a number of other aspects of the African development desiderata and needs, which were not included in the Berg report. In a sense, the Special Session represented a sea change on the part of African policymakers and finance ministers in their perception as projected to the world of their own economic situation.

Perforce, or by choice, many African governments have been buying in to programs of structural adjustment. AID has actually done a paper on outlining what had happened by the end of 1986 on about fifteen separate categories of reforms. The record looks prodigious in each of these categories. Anywhere from five to twenty-five countries appear to be involved, which means that a lot of Africa is involved in reform programs. Some major examples have been Ghana, where (Flight Lieutenant) Jerry Rawlings surprised the world by reversing his own position, which was formerly a populist urban-oriented policy and enacted many of the reforms, particularly with regard to stimulating and supporting Ghanaian agriculture and removing some of the government regulations which had stifled agriculture in the past.

Another example is Zambia, whose reform program was the darling to some extent of the international community for several years until recent events in that country in which, at least for the time being, the head of state, President Kenneth Kaunda and his financial advisors have jettisoned the plan entirely. Nigeria just signed an IMF structural adjustment program and Senegal has been engaged in one for over a year. Even Tanzania, which has not been mentioned in very positive terms here today, has instituted many of the kinds of economic reforms which the IMF, the United States, and various other folks in the international community have been advocating since the end of the 1970's.

This conference occurs at an interesting time, because 1986 was a very good year for structural adjustment, and for economic reform in Africa. It is also a time in which, as George (Carner) pointed out, we are just beginning to be in the phase of implementation. Many of these reforms have been advocated, and to some extent legislated. We are just now beginning to see how they will actually play out and some of the difficulties that are likely to be encountered. Zambia is a very good case in point in underlining many of these difficulties.

During 1986 not only could we identify a catalog of countries and reforms. We also saw some real results in terms of spurts in agricultural productivity. Some of this productivity had to do with factors other than policy, namely, very poor rainfall. Yet, agricultural growth in the last year was nonetheless notable because for the first time since 1970, it kept pace with, or perhaps outdistanced, population growth. This was, I think to some extent, a clear result of the policies we have been discussing.

The Delicate Balance of African and Donor Institutions

Now there are key questions as we reach the halfway point through 1987. I think it is interesting that today's panel, which represents quite a diversity of regions and institutions, and an excellent panel at that, is entirely a donor panel. This is both part of the problem and pan of the solution. Here we are learning about Africa once again from several Africans, but who are part of donor institutions. The question that I am raising indirectly by this is how far are Africans really committed to the reform programs? How far do they see the programs that they have been buying on to as an African choice, or how far do they see them as a kind of western fiat?

The second question, which was discussed fairly fully this morning, is how far the donors are committed to supponing what they have been so vociferously advocating for Africans. Ghana is a good example. Jerry Rawlings has been willing to place a classic type of structural adjustment program a la the IMF as well as a lot of suppon for agriculture. He really reversed the rural-urban bias in Ghana to some extent. Yet, he is getting very little support from bilateral donors such as the United States, which really ought to be in his comer and very supportive and which should be coming on with heavy aid flows. Though Ghana is being supported very well by the World Bank, the bilateral donors have thus far hung back In a sense, this is a contradiction. Major western donors are not putting their money where their mouth is on the reform programs, at least as far as Ghana is concerned.

The relationship between African and donor commitments in dealing with this crisis is key to what happens next and for a long time to come. I would say there has to be an extremely delicate balance. The most important element in Africa's coping with its own crises is the realization on the part of African leaders that this is their problem, that this is their responsibility, despite westemers who think they know all the answers and may even have a lot of good ideas. After all has been said and done, it is Africans who are going to have to live with the consequences of the decisions that are made.

David Loos made the very good point this morning about the Chinese ideogram for 'crisis', which includes both 'danger and 'opportunity’. I think the opportunity here is definitely in conveying, and in Africans learning, that there isn't going to be a rescue operation that is going to deal effectively with their problems, that they must mobilize their own resources, that basically the monies that are going to be invested in African economies, in African capital development, certainly the maintenance of African projects, have to come from within the country for the future. In this sense, the present crisis has made it clear that no one else will intervene effectively.

The Changing Policy Environment in African Countries

We have all heard statements such as, ‘We in the west intervene in terms of advising

Africans what to do and how we know better than they on matters of economic policy', but not really in terms of Africans taking the responsibility for those actions. This realization was not entirely clear to anybody at the time of de-colonization and political independence in 1960. For one thing, the development ideas of the 1950's were just beginning to brew at the time of independence. In the early 1960's there was a broad consensus in the west and in newly independent African countries that most of the capital for the development of the less developed countries would have to come from the outside. Everybody seemed pleased with this idea at the time, and there was an expanding flow of resources. Unfortunately, this pattern is not likely to be true for the future. What, then, are the critical constraints that Africans face?

1. The Fishbowl Problem

Having come from the colonial period into political independence, Africans are now faced with a unique historical situation. For one thing, African leaders have to form nations in a way that the Europeans never had to face. They have to put together political systems, political institutions, and economic institutions, with the world looking over their shoulder and with a feeling on their own pan that the information and the ideas are coming from somewhere else and also with several obstacles which the Europeans did not have.

2. Demographic Growth is Unprecedented

One obstacle is enormous population growth. At the time of the European industrial revolution and formation of nation-states, which for a period of about five centuries Europeans were relatively free to fight it out without anybody really looking on, or telling them what to do, population growth was around one percent in their agrarian economies. What we see in Africa is a demographic explosion that cries for political and social leadership.

3. The Natural Environment is Fragile

Another obstacle is the pressure of population growth on a sometimes harsh natural environment. In Africa, because of huge rates of population growth, pressures on the environment are particularly extreme.

4. The World Economy is Fraught with Uncertainty

A third issue is external economic dependency. There were very good questions raised this morning in terms of the international marketplace, notably the issue of the role of comparative advantage in African development strategies. Some countries have some expons that are strong at some periods of time and not so good at others, but basically almost every country is in the same boat in terms of its relationship to the international marketplace. This means that most of them have little or no leverage, no control, and a highly fluctuating situation in terms of ability to earn income in the international marketplace. It leaves Africans in a very tough position.

African Leadership is Crucial to Economic Success

At this point, having realized the different constraints, there is only one thing Africans can do. They must seize control of their own fate. African leadership is going to be all important to this process. When we look at African countries that have done well economically with externally directed economic policies, we also see examples of strong political leadership. The Ivory Coast, Cameroun, and Kenya; Malawi, all externally focused agriculturally driven economies. are also noted for very strong political leadership. Political leadership is a variable that is very hard lo quantity. Economists do not have too good a handle on what it means or how it works within a nation-state or within a society, but it is clearly going to be more important in Africa's future than many other kinds of economic indicators.

Western Aid and Expertise Will Still Be Needed

On the other hand, Africans can not really make the transition to sustainable economic growth without aid from the west. Here is where the delicate balance comes in. At the present time, Africa's debt situation, which was outlined so very well this morning by Dr. Edo in stark terms, makes it very difficult for African countries to carry on the kind of investments that they need to even keep things going at the present limp-along level. The problems that Africans face in agriculture, land use, the environment, and in population growth, do demand the help of western expertise in developing technologies, for Africa. While this marriage has pluses and minuses, it is really going to have to continue for the future as African nations cope with the crisis.

Finally, I would like to comment on an underlying assumption in many of our discussions, namely, that western institutions are necessary to solve Africa's problems. Having raised the question, I believe that the correctives which have been proposed by the west are absolutely necessary to make African economies run more effectively. These correctives encompass the elimination of some kinds of regulation and inefficient bureaucratic structures, which have led to much economic waste and diversion of resources. Equally important, they include correction for overvalued exchange rates and the ending of monopolistic licencing systems, To do so means to stand against corruption, which really is the bottom line for Africans if they are to be able to manage their own economies and to manage on their own resources within their own economies.

Having spoken in behalf of economic reform, I would like to stress that the choice of these reforms, and the choice of new economic institutions, has to be an African choice, Reforms will not work if we, the west, or someone else, is making that choice. Up to this point. political rationality in Africa has often been at odds with economic rationality.

Corruption has meant political rationality dictating systems of patronage in which these economic distortions we have seen could flourish for a privileged minority of beneficiaries. Now the goose that is laying the golden egg, i.e. economic growth, is just about moribund. The ability of governments, however well intentioned, to raise revenues from various ways such as export taxation, is really threatened by the economic policies which have up until now essentially served African elites.

There may be some hope in the fact that economic and political rationality are beginning to intersect more closely than they ever have before. This means that choices Africans face will be different. As Africa goes over the next fifty or one hundred years, leadership is all important to success. Given the set of circumstances that African countries face today, it has to be heroic. Thank you very much.

Discussion

Phillip LeBel,CERAF. Jennifer, I like it when you say 'assuming' about institutions. It makes you sound like an economist. What I would like to do now is to continue our discussion. Please feel free to address your questions to Dr. Whitaker as well as to any of the other panelists who are here.

Leo Surla, President, MetaMetrics, Inc., Washington, D.C. I think it is encouraging for you to note that Africans are themselves choosing to engage in economic policy reform. Is there any indication now that those countries embracing reforms are getting any results?

Jennifer Whitaker, Council on Foreign Relations. I would say that in agriculture, the results have been discernible. A lot of policy reforms have been aimed at re-invigorating the agricultural sector. In other areas, the record is not quite so dear. For example, in Zambia, the currency auctions were beginning to generate more productive investments for export than under the old system. The currency auction was also helping to promote greater efficiency in the selection of investment projects. However, it only took place for a period of a year and a half. Such a short period of experience is a real problem in the whole process of reform because sustainability is so difficult. For Africans to gain confidence in these institutional alternatives, in terms of the payoff and not just the costs, one has to have enough experience, and that requires time, which can be costly.

Stephen Kalfa, Department of Economics, Montclair State University. I wanted to ask a question regarding corruption. How can donor instituions address the problem of corruption when many African countries have received huge sums of money over the years? The donors must surely know that many local leaders are corrupt, that most of the money remains with a small minority of live or ten percent of the population who control the country. How would you deal with this question?

George Carner, U.S. AID/Senegal. This is a question that comes up whenever there are discussions about aid There are two answers. One is the accountant's answer. Donors are noted for their elaborate accounting systems. As long as you are paying real bills for goods and services from an accounting standpoint, you can pretty much guarantee that your funds are going to their intended purpose. You look at current contracts. You look at the going rates per category. You do careful reviewing, and you try to issue contracts to the lowest bidder. There is always a margin of fat in any contract, and so there is some slippage.

The other answer is the policymakers. I would say that the problem of corruption from a donors standpoint is not the squandering of the donors resources. I think the problem is more one of efficiency. Money is fungible. Resources get allocated. While we can assure that the tracking of our specfic dollars to a specific project, there are lots of other things happening in the environment. If corruption is at the heart of all the ancillary systems at the project level, any number of results are possible. One is that it is obviously distorting the project enormously. Then the efficiency question can be crucial.

In some other countries, corruption can be viewed as the price of transacting business. If that price is reasonable, even though h may be corruption by our standards, then it may prove functional. I think that corruption, and cenainly I am not here to defend it, should be viewed more through the lens of efficiencies gained and efficiencies lost than through some other perspective such as donors being had, for which there are many controls.

William Vickrey, Department of Economics, Columbia University. I wonder to what extent the troubles of developing countries in Africa are the result of the failure of the developed countries to properly keep their own house in order. We just talked about corruption. If you look at the degree to which monies spent on farm programs in the United States are siphoned off to corporate farms and to wealthy farm owners, I think you could say that this might put some of the developing countries to shame. While not technically corruption, it is diversion of income to the wealthy contrary to its intended purposes of providing succor to the underprivileged.

We also could be described as money lenders upping the vigorish, when in order to combat the inflation, our banking institutions raise interest rates. We stop inflation with the consequence that contracts that were entered into on the expectation that inflation would continue become more onerous for the borrowing country. Fear of inflation induces us to take measures to combat inflation, which increase unemployment at home and spread unemployment abroad. Some of our policies are thus the beggar thy neighbor variety about which we preach so much in our textbooks.

We talk about free trade, but i you,bok at the situation with regard to sugar prices, you see quite different results. For example, the domestic price of sugar in the United States is on the order of three times what it is on the world market. We do need to look not just at what the developing countries are doing, but also at what we do in our own interests, and how our own policies aff ect the rest of the world. It is often said, and with considerable validity, that when the United States sneezes, the rest of the world catches a cold, if not pneumonia. In a sense, we do not do this deliberately, but the inept way in which we try to deal with our own problems creates severe adversity for the rest of the world.

Basically, what we need is some form of direct control over inflation. Several models have been proposed, but which did not get anywhere so that we can really have full employment without fear of setting off inflation. For the moment we seem to be stuck with the idea that the so called, and very badly mis-named, 'natural' rate of unemployment, which is sufficient to keep the patient from heating up, is around seven percent. That, to me, is unacceptable as a standard. At any rate, though we have been talking about the economic recovery of Africa, it should be noted that is is very much our problem, too.

Samuel D.K. James, Department of Economics, Delaware State College I recall about ten years ago, while studying graduate work' in economics, that these development models were not just models, but were also political expressions.Whenever specialists in developed countries have developed models for developing countries, it seems to me that there is one ultimate objective, namely, to stay capitalist.

My other comment has to do with the ruling classes in African states. You could probably make the argument that many of those ruling classes are steeped in capitalist ideology. It seems to me that when a ruling class veers away from the ideological content which the so-called developed nations would want, then we have a lot of political chicanery that takes place. It seems lo me that we are looking at two fundamentally different options: to develop according to a capitalist ideological mode, or to look at some other options. A good example is France, which accepted a socialist regime and a socialist president. African nations in the French community seem unable to do the same.

My question is in terms of the class analysis. Where does class analysis fit in, because if a ruling class is going to reproduce the value of the former colonial system, then you are going to have the same kind of errant development as we have seen. Is class analysis important? When does the ideological part of this capitalistic model get discussed? Thank you.

George Carner, U.S.AID/Senegal. I don't know that it has an answer. It is a provocative question. What answer would you have us give? As a newcomer to Africa, I would proffer that this debate of capitalism versus socialism has taken an inordinate amount of time of Africans since independence. African socialism has been offered in the past as the promise of the new approach to development in a post-colonial era. What we are looking at today is a crisis where people are saying, 'Help! How do we get out of this?' It is not an ideological proposition. It is a financial proposition. The answer has, a lot of, I you will, capitalist jargon, but it is based on basic economic realities.

You mentioned France. One of the biggest problems today in France that the economic setting is inimical to a socialist government. There are certain basic laws of economics that ideology can not define away. Those basic laws, of demand and supply, of living *thin your means, means that you have just got to swallow the pill. Today's political spectrum in France is shifting to the right, even among the people who enjoy and favored Mifterand's socialism because the economic realities are not there.

Samuel D.K. James, Department of Economics, Delaware State College. O.K., you made your ideological point. Yet I contend that there are laws of banking and finance. They state that you going to invest in those areas to get the highest return for the lowest risk. it is major banks who are responsible for the plight of a lot of these developing countries. That is not jargon. That is reality. Then there are laws of finance. The flight of capital happens because the ruling classes take money out of developing countries and invest it in developed countries. That is a law of finance and investment. African countries are in the situation they are in because of the capitalist mode of development. That is where it is today.

George Carner, U.S.AID/Senegal. I think if you start with that diagnosis of the problem, you go back to reading Marx, but you do not get out of the crisis. Today's problems in the world are problems that require practical solutions to real problems, not theoretical propositions. What I would argue is for Africans to weigh their own options against their own problems and make the best choices they can. It that happens to draw from a socialist ideology, that is their choice. If it happens to draw from a capitalist ideology, that is also their choice. ft there is one criterion that h seems to me everybody can look at, and that is whether it works or not. If it works, go with it. The problem in Africa is that lots of things haven't worked.

Vad Matthews, Department of Economics, William Paterson College. I just want to know whether any account has been made to invite the Africans settled down either in the United Kingdom or in the United States lo invest, either in the form of capital, or in the form of loans, for the development of the African countries. If so, what has been the response to this kind of investment?

Jennifer Whitaker, Council on Foreign Relations. There are some expatriate Nigerians trying to attract capital back to the country, thus far without much success. Part of Nigeria's economic reform has involved the creation of a two-tiered currency system, which was aimed at trying to get expatriate money back from Europe, it has not happened yet. The reason why it has not happened is because the environment for investment in Nigeria is still up for grabs. Nobody can guarantee that they can make money by investing in Nigeria because the political climate has been so uncertain.

In some African countries there is much more African money being invested than in others. In Cameroon, for instance, the Cameroonians do invest in fairly productive investments in their own country. Part of that has to do with the stability of the currency. The currency and monetary system of Cameroon have been stable for over twenty or thirty years, since independence. I think this is true also in the Ivory Coast. A very stable economic and political environment, one with currency convertability, is important in attracting repatriated earnings back to the country.

Ifeanyi Achebe, Depanment of Economics, Lehigh University. What is the consistency of the donor countries in the developing countries in terms of policy? One is that when we look at the composition of aid, there appears to be a concentration of flows in shoring up corrupt regimes, which is inimical to the development process we are discussing. Someone might cast this in terms of political ideology and dismiss the problem at that point, but it is not something that can be dismissed. There is a divergence between rhetoric and reality.

To attract capital investment back to these countries is difficult. Despite the fact that such flows could be beneficial, the political leadership does not encourage such behavior.

You can have a good idea, but unless the local political leadership has been convinced of its merits in their own self-interest, it is likely to remain frozen. The political leadership in many countries such as Nigeria does not seem to be motivated to support people who have good economic ideas. How can the donor agencies of the developed countries deal with these internal problems in the developing countries? Is there any way for those who represent these multilateral agencies to help developing countries solve their internal political problems?

George Carner, U.S.AID/Senegal. One of the distinctions between multilateral and bilateral aid is that multilateral aid represents a membership of nations, and as such, presumably less suspect of ulterior motives. As a representative of U.S. assistance, I think the issue that comes up time and time again is whether is is disinterested. Aid is not disinterested. Aid is an instrument of foreign policy. You have to start with that understanding. Nations have interests. Nations pursue those interests in terms of the full spectrum of relationships. Assistance goes to friendly countries. If someone comes up to me on the street, and I like the person, I will give something. If not, I walk away. That is the reality of assistance.

Let's get beyond the basics. What is the nature of the self-interest? It is not a simple self-interest. It is not 'I am going to buy you something if you give me a vote in the UN'. It is a complex relationship between nations. It is based on domestic considerations there and on domestic considerations here. There is much running through our aid program. One is foreign policy. The other is a fundamental philosophical belief that economic and social development are at the core of political stability. You cannot have a stable regime in poveny. You cannot have a just society where poverty is rampant. You can not have a reliable and friendly nation, an ally, even in east-west terms, that is shaky at the foundations, where there are human rights violations, where there are social injustices, and where there is poverty. That trend is built right into the legislation of the AID mandate. You do not have to believe it. We can be cynical about it - We can believe in conspiracy theory.

Second, there is the American public. When they see starving children coming in across the television screen in their living rooms, they call up their Congressional Representatives and ask 'Why are people starving to death? Do something. What is America doing? I pay good taxes. What are you doing about it?' We have to answer those letters at AID, and we answer them. So it not simple.

The AID relationship has many dimensions to it, but I would not dismiss it on the grounds that just because it is not pure altruism it can not be useful. It can also be wasted. We have examples of that. But if you look at the last twenty-five years of AID involvement internationally, there are failures - all kinds of projects standing that have not gone anywhere - but there are also some very tangible results. You have smallpox eradication. You have malaria vaccines that are being developed. You have oral rehydration salts that are saving children around the world. You have green revolutions, despite some equity and distributional questions, that have come a long way. So there has been progress. We live, after all, in an imperfect world.

David Levine, International Management Consultant, Washington, D.C. There has been a kind of depressing tone to a lot of this discussion. At first, Jennifer, you said that the solution to Africa lies in coming up with a lot of heroic leadership. First I reacted negatively to that. The more I listen, the more persuaded I am that you are right. But there are some contradictions.

One is the real sense of control on the part of the donors on the one hand while at the same time contending that we donors are not going to tell you how to do things. You have to make the choices. Africa’s leaders have to choose what is right or wrong, whether to aim your development this way or that way, but if you don't do this to your currency, you don’t do this to that, or to the other, then you can't play ball with us. Now that’s fine. It is also fine to say 'Let's not be naive'. Aid is self-interested. We are all motivated by foreign policy concerns. Let's keep on the table how much of each dollar gets spent in the United States, and how little of that winds up in the third world.

On top of that the issue isn't 'Do we give assistance to our friends or to our enemies'. Hopefully, we give assistance to our friends. The issue is: Do we apply the standards that we are insisting on being applied by those third world nations who want to take advantage of our aid to our giving it? Do we match our rhetoric about being concerned, about equity, and about future growth to where the money goes? Or, once we decide somebody is a friend, do we then say that it is not that we are looking for the intersection of friendship and development, but we are looking for the intersection of rhetoric that confuses with friendship.

1 would like to hear from the African panelists about how you reconcile the imposition of control with the hands-off stance toward what happens after that. How do you represent the fact that the choices for which we are asking for heroic leadership today are not reasonable choices in many cases. I would be interested in any reflections you might have about how it feels, as an African, to be caught in the middle of those kinds of problems because I assume that you are in fact caught in the middle of them.

S.S. Omari, African Development Bank. These are indeed interesting Ideas. Let me start by relating a recent experience. Just about a week ago, a seminar on structural adjustment was held in Abidjan. Decision-makers from several West African countries attended the seminar, at which similar questions were raised. The participants, unlike this group, were themselves officials from borrowing countries. They made a quick reference that adjustment programs were fairly familiar, with some of the countries represented having had more than one experience in implementing adjustment programs.

As noted earlier this morning, several countries in the region are pursuing various adjustment programs with external assistance. The assistance has often been inadequate and terms have not been particularly favorable. Yet, the initiative to adopt policy reforms has been, by and large, an African one. In some cases, the formulation and design of the adjustment programs have had substantial local content, itself a very commendable aspect. In almost all cases, donors have been asked to respond by increasing flows of external assistance, a very necessary component of these financing packages.

It is clear that the greater pan of the adjustment burden is in the hands of Africans themselves. A typical adjustment program may require as much as ninety-five percent in local contributions. Needless to say, this involves tremendous sacrifices, which often lead to social and political strains,

It is also clear that the strong panicipation by African countries in the preparation of adjustment programs is a positive development. Donors can contribute in terms of technical advice. Apart from the financing element. In this way, commitments are mutually reinforcing. One could not ask for more in this form of arrangements.

On the question of international cooperation, it seems that little can be added in regard to requirements of adjustment programs. Bilateral and multilateral donor agencies have already established a strong basis for cooperation and ad coordination. There is no question as to the strong and real demand for this form of external support. Given the low levels of expon earnings of African countries in the last few years, the case for increased net external resource flows is even more urgent. One way to assist this process is to promote exports from developing countries, and to establish favorable market conditions to improve their terms of trade. This issue is currently at the forefront of international trade negotiations.

With some indulgence, I should like to sound my own sentiments as an African. I think that there is no doubt here that the reform issue is a complex one. Experience so far demonstrates a convergence of opinion on such elements as the scope, timing, and level of assistance required to successfully carry out adjustment programs. There is no more a question of the relevance of reforms in these programs. Sometimes, it is a matter of being able to agree on what is to be done and how. This would seem to require concerted efforts by both donors and recipient countries. Both sides of the act have to work with a common goal to achieve, namely, to develop a policy environment which is conducive to sustained economic growth and development.

The process of adjustment is not one-sided, i.e., only the responsibility of the recipient country. Sometimes donors may need to review their procedures and policies to fall more in line with reform requirements of recipient countries. This might entail re-organization of existing institutions to re-orient their operations to better respond to specific needs of policy reforms and structural adjustment of recipient countries. In recent months, one has observed these moves on the part of the World Bank and, of course, the African Development Bank.

Structural adjustment packages are a new form of non-project, or policy-based, lending operations. Such operations require slightly different procedures and rules to implement. The Bank is currently working together with the World Bank in these activities, mainly to gain better understanding of the complex elements involved. The IMF is also useful in this regard, mainly because of its long and well established record on stabilization programs, In each case, the process of learning provides the Bank with a unique opponunity to introduce improvements.

The purpose of this meeting is to enrich our understanding of the dimensions of Africa's economic recovery. That process, among others, takes policy reforms as a fundamental basis to create the environment for development and sustainable economic growth.

Commitment to reform often requires strong political leadership. Several countries in the region have already undertaken that courageous move. These are sovereign decisions, even though they are in the area of economic development. As such, the Bank has given support not only to the commitment itself, but also through the financing of adjustment programs, technical assistance, and institution building.Though there are no easy solutions, we continue to search for viable ones.

Phillip LeBel,CERAF. I think Mr. Omari's reply is a good way to bring our discussion to a close. Let me take this occasion to thank all of you for coming, and to thank our panelists for their participation today. I hope that this has been as helpful and instructive for you as it has been for us, and that we can continue this dialogue at a future time.

Conference Registry

lfeanyi Achebe, Department of Economics, Lehigh University, Bethlehem, Pennsylvania

Yahya K. Adamson, Ph.D., Economist, Corporate Planning Division, General Public Utilities, Parsippany, New Jersey, CERAF.

Opuku Agyeman, Ph.D., Professor, Depanment of Political Science, CERAF, Montclair State University, Upper Montclair, New Jersey

David S. Armstrong, Fitch Investors Service, Inc., New York, New York

S.A. Arvanitis, Economist, Lyndhurst, New Jersey

Pierre Aubry, Consultant, Montreal, Quebec, Canada

N.W. Balabkins, Ph.D., Professor, Depanment of Economics, Lehigh University, Bethlehem, Pennsylvania

Howard Ballwanz, Professor, Depanment of Environmental, Urban, and Geography Studies, Montclair State University, Upper Montclair, Now, Jersey

Linnea Barry, Program Officer, U.S. Information Agency, Washington, D.C.

Karen Bellamy, Newark, New Jersey

Corey Bathes, Newark, New Jersey

Edward Bewayo, Ph.D., Professor, Department of Management, School of Business, CERAF, Montclair State University, Upper Montclair, Now Jersey

François Boye, Ph.D., Professor, Faculty of Law and Economics, University of Dakar, Senegal, and Boston University, Boston, Massachusetts

Karen Boyle, Depanment of Economics, Montclair State University, Upper Montclair, New Jersey

Sean Brandle, Depanment of Economics, Montclair State University, Upper Montclair, New Jersey

Benjamin Brown, United Nations Capital Development Fund, New York, New York

Peter Cegno, Montclair State University, Upper Montclair, Now Jersey

Ronald Christenson, General Motors Corporation, New York, Now York

Daniel Cartaine, Montclair State University, Upper Montclair, New Jersey

Marjorie Cook, Newark, New Jersey

Bettina Corke, Decade Media, New York, New York

Laura Costanzo, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Pai Dabler, Montclair, New Jersey

Shirley Daniel, Depanmeni of Economics, Montclair State University, Upper Montclair, Now Jersey

Youssou Diagne, Air Afrique, New York, New York

Chris Di Fedele, Montclair State University, Upper Montclair, Now Jersey

Mary Diop, Managing Director, SENECI, S.A., Dakar, Senegal, CERAF.

Emmanuel Egbe Chinyore, Ph.D., Baruch College, City University of New York, New York, New York

Shelise Engle, Newark, New Jersey

Wandelyn Enix, Ed.D., Professor, Depanment of Curriculum and Teaching, Montclair State University, Upper Montclair, Now Jersey

Claudette Essor, Professor, Depanment of Management, School of Business, Montclair State University, Upper Montclair, Now Jersey

John Faber, Department of Economics, Montclair State University, Upper Montclair, Now Jersey

Francis G. Fawundu, Baruch College, City University of New York, New York, New York

Ida Fazio, Secretary, Department of Economics, Montclair State University, CERAF, Upper Montclair, New Jersey

Jennifer Fearon, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Morgan Ferguson, Newark, New Jersey

Steven Fink, Montclair State University, Upper Montclair, New Jersey

Harold Flint, Ph.D., Professor, Department of Economics, Montclair State University, Upper Montclair, New Jersey

David Gandolfo, Program Officer, The Near East Foundation, New York, New York

Ira Gang, Ph.D, Depanment of Economics, Rutgers University, New Brunswick, New Jersey

Jose Garcia, Montclair State University, Upper Montclair, New Jersey

John Gerbasi, Montclair State University, Upper Montclair, New Jersey

Courtney Gnirrep, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Ronald B. Gold, Ph.D., Exxon Corporation, Florham Park, New Jersey

Derrick Gondwe, Ph.D., Professor, Depanment of Economics, Gettysburg College, Littlestown, Pennsylvania

Jacinto Harris, Montclair State University, Upper Montclair, New Jersey

Wanda Harris, Newark, New Jersey

John Hein, Ph.D., The Conference Board, New York, New York

Spencer Hildebrand, Montclair State University, Upper Montclair, New Jersey

Sophia Hinshalwood, Ph.D., Department of Urban, Environmental, and Geographic Studies, Montclair State University, Upper Montclair, New Jersey

Julia Holman, Newark, New Jersey

Deborah Holste, Depanment of Economics, Montclair State University, Upper Montclair, New Jersey

Solomon Honig, Ph,D., Professor, Depanment of Economics, Montclair State University, Upper Montclair, New Jersey.

Curtis Jackson, Ed.D., Director, Inter-Collegiate Academic Program, Montclair State University, Upper Montclair, New Jersey

Tassos Jacovides, Department of Economics, Montclair State University, Upper Montclair, Now Jersey

Samuel D.K.James, Ph.D., Professor, Depanment of Economics and Business Administration, Delaware State College, Dover, Delaware

Andrea Jones, Consultant, International Development Management Center, University of Maryland, School of Agriculture, College Park, Maryland

Stephen Kaifa, Professor, Depanment of Economics, Montclair State University, Upper Montclair, New Jersey

Gregoire de Kalbormatten, United Nations Capital Development Fund, New York, New York

Charles Kamins, Professors World Peace Academy, New York, New York

Ronald Kendal, Department of Economics, Montclair Slate College, Upper Montclair, Now Jersey

Msellem Khamis, Boston University, Boston, Massachusetts

Kiam Kiarash, Montclair State University, Upper Montclair, Now Jersey

Veronica Kiboss, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Sharon Kilcommons, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Jasperdean Kobes, Ph.D., Chase Manhattan Bank, New York, New York

W.Ofuatey-Kodjoe, Ph.D., Professor, Department of Political Science, Africana Studies, Queens College, CUNY, Flushing, New York, CERAF.

Dimitri Kokkinos, Depanment of Economics, Montclair State University, Upper Montclair, New Jersey

Peter Langbein, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Michael Lavin, Montclair State University, Upper Montclair, New Jersey

David Lawson, Baruch College, City University of New York, New York, New York

Barry Leveen, Esquire, Westwood, New Jersey

Serpil Leveen, Ph.D., Professor, Department of Economics, Montclair State University, Upper Montclair, New Jersey

David B. Levine, International Management Consultant, Washington, D.C.

Charles Librader, Air Afrique, New York, Now York

Peter Lintner, Air Afrique, New York, New York

Martin Lopez, Montclair State University, Upper Montclair, New Jersey

Madeleine Losch, Montclair State University, Upper Montclair, Now Jersey

Enrico Luciano, Montclair Slate College, Upper Montclair, Now Jersey

Lawrence Madnick, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Heidi Marti, Montclair State University, Upper Montclair, New Jersey

Vad Matthews, Ph.D., Professor, Department of Finance and Quantitative Analysis, William Paterson College, Paterson, New Jersey

Michael McGuire, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Carolyn Meola, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Paul V. Mifsud, Esquire, General Counsel, KLM Royal Dutch Aidiries, CERAF, New York, New York

John Miksits, Department of Economics, Montclair State University, Upper Montclair, Now Jersey

Randi Moti, Montclair State University, Upper Montclair, New Jersey

James Ndukwe, Department d Economics, Montclair State University, Upper Montclair, New Jersey

Gary Nickerson, Program Officer, The Twentieth Century Foundation, New York, New York

Richard Nyamwange, Prolessor, Department of Economics, Montclair State University, Upper Montclair, New Jersey

James O'Brien, Department of Economics, Montclair State University, Upper Montclair, New Jersey

A.S. Oriolowo, Management Consultant, Lagos, Nigeria

Chiedozie Osakwo, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Gabriel Owusi, Fletcher School of Law and Diplomacy, Tufts University, Medford, Massachusetts

Barbara Peabody, Montclair State University, Upper Montclair, New Jersey

Kamrouz Pirouz, Ph.D., Professor, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Laurel Pratt, Montclair State University, Upper Montclair, New Jersey

Glenville Rawlins, Ph.D., Professor, Department of Economics, Montclair State University, CERAF, Upper Montclair, New Jersey;

Margaret Reilly-Petrone, Ph.D., Professor, Depanment of Economics, Montclair State University, Upper Montclair, New Jersey

Farahmand Rezvani, Ph.D., Professor, Depanment of Economics, Montclair State University, Upper Montclair, New Jersey

Frank Riker, Montclair State University, Upper Montclair, New Jersey

Lisa Roland, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Gina Sainvil, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Saundra, Ph.D., Professor, Department of Psychology, Director, Afro-American Studies Program, Montclair Slate College, Upper Montclair, New Jersey

Frances E. Scher, Professor, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Theresa Schweiss, Montclair State University, Upper Montclair, New Jersey

Selig Sechzer, Ph.D., Professor, Department of Economics, Rutgers University, New Brunswick, New Jersey

Marc Slauter, Montclair State University, Upper Montclair, New Jersey

Stanley Smith, Montclair State University, Upper Montclair, New Jersey

Ira Sohn, Ph.D., Professor, Depanment of Finance and Quantitative Methods, Montclair State University, Upper Montclair, New Jersey

Gale Tenen Spak, Ph.D., Director, Center for Energy Policy and Research, New York Institute of Technology, Old Westbury, New York

Leo Surla, President, MetaMetrics, Incorporated, Washington, D.C.

Robert W. Taylor, Ph.D., Professor, Department of Urban, Environmental, and Geography Studies, Montclair Slate College, Upper Montclair, New Jersey

Patrick Thomas, Department of Anthropology, American University, Washington, D.C.

William Vickrey, Ph.D., Emeritus Professor, Department of Economics, Columbia Universfty, New York, New York

Gregory Waters, Ph.D., Associate Vice-President for Academic Affairs, Montclair State University, Upper Montclair, New Jersey

Elaine Gale Wrong, Ph.D., Professor, Department of Management, Montclair State University, Upper Montclair, New Jersey

Zaman Zamanian, Ph.D., Professor, Department of Economics, Montclair State University, Upper Montclair, New Jersey

Micheal Zermyna, Montclair State University, Upper Montclair, New Jersey

Appendix A

Table 1

Basic Economic Development Indicators

	Population 1988, millions	Population 2000, millions	Growth Rate, 1988-2000	GNP per capita $U.S.1987	GDP per capita $U.S. 1987
Africa	605.4	863.8	2.99%	$686	$1,187
Ethiopia	45.0	61.0	2.57%	$130	$454
Chad	5.4	7.3	2.54%	$150	$400
Zaire	34.0	49.0	3.09%	$150	$220
Malawi	7.9	12.0	3.55%	$160	$476
Mozambique	15.0	20.0	2.43%	$170	$500
Tanzania	25.0	40.0	3.99%	$180	$405
Burkina Faso	8.6	12.0	2.82%	$190	$500
Madagascar	11.0	17.0	3.69%	$210	$634
Mali	8.9	13.0	3.21%	$210	$543
Burundi	5.2	7.3	2.87%	$250	$450
Zambia	7.9	12.0	3.55%	$250	$717
Niger	6.7	9.8	3.22%	$260	$452
Uganda	17.0	26.0	3.60%	$260	$511
Somalia	7.1	9.8	2.72%	$290	$1,000
Togo	3.3	4.7	2.99%	$290	$670
Rwanda	6.8	10.0	3.27%	$300	$571
Sierra Leone	4.0	5.4	2.53%	$300	$480
Benin	4.5	6.6	3.24%	$310	$665
CAR	2.8	3.8	2.58%	$330	$591
Kenya	23.0	38.0	4.27%	$330	$794
Sudan	24.0	34.0	2.95%	$330	$750
Guinea	6.6	8.9	2.52%	$340	$500
Lesotho	1.7	2.4	2.92%	$370	$1,585
Nigeria	106.0	159.0	3.44%	$370	$668
Ghana	14.0	20.0	3.02%	$390	$481
Mauritania	1.9	2.7	2.97%	$440	$840
Liberia	2.4	3.5	3.19%	$450	$696
Angola	9.5	13.0	2.65%	$470	$1,000
Senegal	7.0	9.7	2.76%	$520	$1,068
Zimbabwe	9.2	13.0	2.92%	$580	$1,184
Morocco	24.0	31.0	2.16%	$610	$1,761
Egypt	51.0	67.0	2.30%	$680	$1,357
Côte d'Ivoire	12.0	19.0	3.90%	$740	$1,123
Congo	1.9	2.6	2.65%	$870	$756
Cameroun	11.0	15.0	2.62%	$970	$1,381
Namibia	1.8	2.6	3.11%	$1,000	$1,500
Botswana	1.2	1.8	3.44%	$1,050	$2,496
Tunisia	7.8	9.8	1.92%	$1,180	$2,741
South Africa	34.0	43.0	1.98%	$1,890	$4,981
Algeria	24.0	33.0	2.69%	$2,680	$2,633
Gabon	1.1	1.6	3.17%	$2,700	$2,068
Libya	4.2	6.5	3.71%	$5,460	$7,250

Source: UNDP, *Human Development Report 1990;* World Bank, *World Development Report 1990* .

Table 2

Africa Basic Health Indicators

	GDP per capita $U.S. 1987	Life Expectancy in years, 1987	Population to Physician Ratio '1000, 1984	Under 5 Year Mortality Rate '1000, 1985	Accessability to Water Rate 1985-87	Contraceptive Prevalence Rate, 1985
Africa	1187	52		177	44	7
Algeria	2633	63	2.3	107	68	7
Angola	1000	45	42.0	292	30	1
Benin	665	47	15.9	185	52	6
Botswana	2496	59	6.9	92	54	29
Burkina Faso	500	48	57.2	233	67	1
Burundi	450	50	21.1	188	26	9
Cameroun	1381	52	8.0	153	33	2
CAR	591	46	23.1	223	30	1
Chad	400	46	38.4	223	28	1
Congo	756	49	8.1	114	21	1
Côte d'Ivoire	1123	53	4.3	142	19	3
Egypt	1357	62	0.8	125	73	32
Ethiopia	454	42	77.4	259	16	2
Gabon	2068	52	2.8	169	92	1
Ghana	481	55	14.9	146	56	10
Guinea	500	43	57.4	248	19	1
Kenya	794	59	10.1	113	30	17
Lesotho	1585	57	18.6	136	36	5
Liberia	696	55	9.2	147	55	7
Libya	7250	62	0.7	119	97	1
Madagascar	634	54	10.0	184	32	1
Malawi	476	48	11.6	262	56	7
Mali	543	45	25.4	292	17	6
Morocco	1761	47	15.6	119	60	36
Mauritania	840	62	12.1	220	16	1
Mozambique	500	47	38.0	298	16	1
Namibia	1500	56	9.0	176	40	1
Niger	452	45	38.0	228	48	1
Nigeria	668	51	8.0	174	46	5
Rwanda	571	49	34.7	206	50	10
Senegal	1068	47	13.5	136	53	12
Sierra Leone	480	42	13.6	266	25	4
Somalia	1000	46	16.1	221	34	2
South Africa	4981	61	4.8	95	65	25
Sudan	750	51	10.1	181	21	5
Tanzania	405	54	7.6	176	56	1
Togo	670	54	8.7	153	55	1
Tunisia	2741	66	2.2	83	68	41
Uganda	511	52	21.9	169	20	1
Zaire	220	53	40.0	138	33	1
Zambia	717	54	7.1	127	59	1
Zimbabwe	1184	59	6.7	113	65	40

Source: UNDP, *Human Development Report 1990*; The World Bank, *World Development Report 1990*.

Table 3

Africa Basic Education Indicators

	GDP per capita $U.S. 1987	Adult Literacy Rate, 1985	Gross Primary Enroll. Ratio 1986-88	Gross Second. Enroll. Ratio 1986-88	Gross Tertiary Enroll. Ratio 1986-88	Education Share of GNP, 1986
Africa	$1,187	46	87	38	8	
Algeria	$2,633	50	105	61	15	6
Angola	$1,000	41	n.a.	n.a.	n.a.	3
Benin	$665	27	84	23	4	4
Botswana	$2,496	71	111	31	6	9
Burkina Faso	$500	14	41	8	1	3
Burundi	$450	35	68	6	1	3
Cameroun	$1,381	60	119	32	4	3
CAR	$591	41	82	17	1	5
Chad	$400	26	73	10	1	2
Congo	$756	63	75	35	12	5
Côte d'Ivoire	$1,123	42	85	30	4	5
Egypt	$1,357	45	100	79	26	5
Ethiopia	$454	66	46	18	2	4
Gabon	$2,068	62	55	30	8	5
Ghana	$481	54	78	49	2	4
Guinea	$500	29	41	13	2	3
Kenya	$794	60	98	27	2	5
Lesotho	$1,585	73	102	18	1	4
Liberia	$696	35	82	35	4	5
Libya	$7,250	66	95	80	15	10
Madagascar	$634	68	97	23	5	4
Malawi	$476	39	73	5	1	4
Mali	$543	17	29	9	1	3
Morocco	$1,761	34	85	43	13	6
Mauritania	$840	17	61	23	6	6
Mozambique	$500	39	76	7	0	4
Namibia	$1,500	55	n.a.	n.a.	n.a.	n.a.
Niger	$452	41	37	14	1	4
Nigeria	$668	43	60	22	4	1
Rwanda	$571	47	69	7	1	3
Senegal	$1,068	28	71	19	5	5
Sierra Leone	$480	30	68	23	3	3
Somalia	$1,000	12	22	10	5	6
South Africa	$4,981	65	86	50	15	5
Sudan	$750	23	59	23	3	4
Tanzania	$405	60	67	5	0	4
Togo	$670	41	124	36	5	6
Tunisia	$2,741	55	126	46	7	5
Uganda	$511	58	76	16	1	1
Zaire	$220	62	84	32	4	0
Zambia	$717	76	102	45	2	4
Zimbabwe	$1,184	74	130	49	5	8

Source: UNDP, *Human Development Report 1990*; The World Bank, *World Development Report 1990*.

Table 4

Africa Basic Environmental Indicators

	GDP per capita $U.S. 1987	Urbanization Rate, 1988 in ha., 1988	P.Cap. Forest and Woodland 1988	Deforestation Rate per year 1973 to 1988	Per Capita Food Production Index 1979-81=100 1989
Africa	$1,187	41	1.17	-0.46	93.13
Algeria	$2,633	51	0.20	1.08	92.64
Angola	$1,000	36	5.58	-0.17	80.28
Benin	$665	53	0.79	-1.32	122.44
Botswana	$2,496	33	0.80	0	68.57
Burkina Faso	$500	12	0.78	-0.83	113.61
Burundi	$450	11	0.01	1	88.2
Cameroun	$1,381	60	2.25	-0.43	95.3
CAR	$591	55	12.79	-0.03	89.67
Chad	$400	44	2.39	-0.6	98.22
Congo	$756	50	11.16	-0.1	96.28
Côte d'Ivoire	$1,123	55	0.49	-5.51	92.02
Egypt	$1,357	55	0.00	0	107.13
Ethiopia	$454	17	1.00	-0.11	88.74
Gabon	$2,068	54	18.18	0	78.62
Ghana	$481	38	0.59	-0.8	94.99
Guinea	$500	33	1.49	-0.88	110.92
Kenya	$794	32	0.16	-0.78	102.66
Lesotho	$1,585	28	1.18	0.34	71.66
Liberia	$696	52	0.88	0	91.7
Libya	$7,250	76	0.16	1.42	110.34
Madagascar	$634	32	1.33	-1.01	92.38
Malawi	$476	21	0.53	-1.28	85.77
Mali	$543	23	0.95	-0.45	99.38
Morocco	$1,761	56	2.74	0.04	125.33
Mauritania	$840	54	0.63	-0.06	87.15
Mozambique	$500	41	0.98	-0.67	82.47
Namibia	$1,500	66	10.23	0	92.18
Niger	$452	27	0.36	-2.09	83.82
Nigeria	$668	43	0.20	-1.84	94.79
Rwanda	$571	11	0.07	-0.56	71.66
Senegal	$1,068	44	0.85	-0.46	103.55
Sierra Leone	$480	40	0.52	-0.22	87.27
Somalia	$1,000	44	1.23	-0.55	97.26
South Africa	$4,981	65	0.13	0.56	93.34
Sudan	$750	26	1.94	-0.74	82.66
Tanzania	$405	46	1.69	-0.27	90.02
Togo	$670	33	0.39	-2.99	92.71
Tunisia	$2,741	59	0.07	0.93	88.93
Uganda	$511	14	0.33	-0.72	84.88
Zaire	$220	46	5.15	-0.11	91.71
Zambia	$717	65	3.68	-0.31	95.99
Zimbabwe	$1,184	35	2.17	0	94.29

Source: UNDP, *Human Development Report 1990*; The World Bank, *World Development Report 1990*; FAO, *Production Yearbook 1989*.

Table 5

Africa Basic Financial Indicators

	GDP per capita $U.S. 1987	Ratio of ODA to GNP, 1987	Exports Debt Service Ratio 1988	Int. Reserves Import Ratio in mos., 1988
Africa	$1,187	11.8	16.6	
Algeria	$2,633	0.3	77.0	4
Angola	$1,000	4.0	12.0	0.2
Benin	$665	8.1	5.4	0.2
Botswana	$2,496	10.1	4.0	17.7
Burkina Faso	$500	16.2	11.9	4.6
Burundi	$450	15.3	25.1	2.9
Cameroun	$1,381	1.7	11.9	0.7
CAR	$591	16.1	5.9	3.9
Chad	$400	20.3	2.7	1.7
Congo	$756	7.0	28.7	0.1
Côte d'Ivoire	$1,123	2.5	13.0	0.1
Egypt	$1,357	4.9	13.9	1.8
Ethiopia	$454	11.8	37.4	1.5
Gabon	$2,068	2.3	6.2	0.4
Ghana	$481	7.4	19.7	2.7
Guinea	$500	6.0	21.9	0.2
Kenya	$794	7.0	19.4	1.3
Lesotho	$1,585	29.4	5.2	1.2
Liberia	$696	6.9	15.0	0
Libya	$7,250	0.0	10.0	5.3
Madagascar	$634	15.8	39.0	3.7
Malawi	$476	22.8	17.2	3.7
Mali	$543	18.6	14.2	0.7
Morocco	$1,761	2.4	24.8	1.5
Mauritania	$840	19.0	21.6	1.4
Mozambique	$500	40.9	7.8	0.4
Namibia	$1,500	2.0	10.0	6.7
Niger	$452	16.1	21.1	4.7
Nigeria	$668	0.3	24.2	1.3
Rwanda	$571	11.6	9.6	3.2
Senegal	$1,068	13.6	18.4	0.2
Sierra Leone	$480	7.3	5.9	0.4
Somalia	$1,000	57.0	4.9	0.6
South Africa	$4,981	0.0	4.0	1.1
Sudan	$750	10.5	9.5	0.6
Tanzania	$405	25.2	17.1	0.6
Togo	$670	10.0	18.3	4.5
Tunisia	$2,741	2.9	24.2	2.5
Uganda	$511	7.2	14.0	0.8
Zaire	$220	10.7	6.9	1.4
Zambia	$717	21.1	14.2	1.2
Zimbabwe	$1,184	5.0	24.8	2.2

Source: UNDP, *Human Development Report 1990*;
The World Bank, *World Development Report 1990*.

Table 6

External Debt Status of African Countries

in $U.S. Billions

	Population in millions Mid-1986 $U.S.	Per Capita GNP 1986 $U.S.	Debt Total $U.S. Billions	Long Term Debt by Source: Public and Publicly Guaranteed Multilateral	Bilateral	Private	Debt to Export Ratio:	Country Classification: A.	B.	C.	D.
Market Borrowers											
Algeria	22.4	$2,590	$22.88	$0.98	$2.29	$15.97	217.7		*		
Congo	2.0	$990	$4.63	$0.40	$1.20	$2.08	443.6		*		
Côte d'Ivoire	10.7	$730	$13.56	$2.28	$2.44	$3.72	374.0		*	*	
Egypt	49.7	$760	$40.26	$5.07	$23.32	$6.13	343.1		*		
Gabon	1.0	$3,080	$2.07	$0.14	$0.50	$0.97	148.3		*		
Morocco	22.5	$590	$20.71	$3.69	$9.86	$4.92	381.8		*		
Nigeria	103.1	$640	$28.71	$2.98	$8.63	$14.09	369.0		*	*	
Tunisia	7.3	$1,140	$6.90	$1.55	$2.87	$1.77	182.1		*		
Official Borrowers											
Burkina Faso	8.10	$150.0	$0.9	$0.5	$0.3	$0.0	175	*			*
Bunindi	4.80	$240.0	$0.8	$0.5	$0.2	$0.0	686.50	*		*	*
Cape Verde	0.335	$460.0	$0.1	$0.1	$0.0	$0.0			*		*
Central Af. Rep.	2.70	$290.0	$0.6	$0.3	$0.2	$0.0	317.80	*		*	*
Chad	5.10	$125.0	$0.3	$0.1	$0.1	$0.0	187	*		*	*
Comoros	0.409	$320.0	$0.2	$0.1	$0.1	$0.0	676.20	*		*	*
Djibouti	0.361	$500.0	$0.2	$0.1	$0.1	$0.0			*		*
Equal. Guinea	0.381	$230.0	$0.2	$0.0	$0.1	$0.0	490.10	*		*	*
Gambia	0.773	$230.0	$0.3	$0.2	$0.1	$0.0	277.30	*		*	*
Ghana	13.20	$390.0	$3.1	$1.2	$0.7	$0.3	324.20	*		*	*
Guinea	6.30	$300.0	$1.8	$0.5	$1.0	$0.1		*		*	*
Guinea-Bissau	0.905	$170.0	$0.4	$0.2	$0.1	$0.1	1783	*		*	*
Liberia	2.30	$460.0	$1.6	$0.5	$0.5	$0.2	324.40		*	*	*
Madagascar	10.60	$230.0	$3.4	$0.9	$2.0	$0.3	813.10	*		*	*
Malaw	7.40	$160.0	$1.4	$0.8	$0.3	$0.0	448.50	*		*	*
Mal	7.60	$150.0	$2.0	$0.6	$1.1	$0.1	620.40	*		*	*
Mauritania	1	$420.0	$2.0	$0.5	$1.2	$0.1	430.20	*		*	*
Rwanda	6.20	$290.0	$0.6	$0.4	$0.1	$0.0	330.70	*			*
Sao Tome & Prin.	0.111	$340.0	$0.1	$0.0	$0.0	$0.0	949.70	*		*	*
Senegal	6.80	$420.0	$3.7	$1.0	$1.8	$0.3	286.40	*		*	*
Seychelles	0.066	$470.0	$0.1	$0.0	$0.0	$0.0	82		*		
Sierra Leone	3.80	$310.0	$0.7	$0.2	$0.2	$0.1	389.70	*		*	*
Somalia	5.50	$280.0	$2.5	$0.6	$1.5	$0.2	1988	*		*	*
Sudan	22.60	$320.0	$11.1	$1.4	$4.8	$1.7	1562	*		*	*
Swaziland	0.689	$690.0	$0.3	$0.2	$0.1	$0.0	57.80		*		
Tanzania	23	$250.0	$4.3	$1.4	$2.2	$0.4	966.40	*		*	*
Togo	3.10	$250.0	$1.2	$0.4	$0.5	$0.1	269.70	*		*	*
Uganda	15.20	$230.0	$1.4	$0.8	$0.3	$0.1	377.90	*		*	*
Zaire	31.70	$160.0	$8.6	$1.4	$5.1	$0.9	447.10	*		*	*
Zambia	6.90	$300.0	$6.4	$1.3	$2.5	$0.6	670.20	*		*	*
Others:											
Benin	4.20	$270.0	$1.1	$0.4	$0.2	$0.4	536.90	*		*	*
Botswana	1.10	$840.0	$0.5	$0.3	$0.1	$0.0	27.70		*		
Cameroun	10.50	$910.0	$4.0	$1.1	$1.2	$0.6	190		*		
Ethiopia	43.50	$120.0	$2.6	$0.9	$1.1	$0.4	319.20	*			*
Kenya	21.20	$300.0	$5.9	$2.0	$1.6	$0.8	342	*		*	*
Lesotho	1.60	$370.0	$0.2	$0.2	$0.0	$0.0	72	*			*
Mauritius	1	$1,200.0	$0.8	$0.3	$0.2	$0.1	64.20		*		
Mozambique	14.20	$210.0	$3.6	$6.7	$77.6	$15.8	1726	*		*	*
Niger	6.60	$260.0	$1.7	$0.5	$0.5	$0.2	523.50	*		*	*
Zimbabwe	8.70	$620.0	$2.5	$0.5	$0.7	$0.8	152.20		*		

Source: IMF and World Bank, *UN Africa Recovery Programme,* Briefing Paper, No 1. June 1989.
Classification: **A**. Low Income; **B**. Middle Income; **C**. Debt Distressed; **D**. IDA-Eligible