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## Structural Changes and Strategic Priorities in African Economic Development

by Tang Yuhua

The phenomena of structural changes in economies and their impact on the patterns and strategies of economic development in African countries could become among the most important determinants of present and, to some extent, future development strategies and policies. The structural changes would present not only the practical contents of economic development but also reflect levels and characteristics of economic development. According to the changes and structure of each specific economy, African countries would define their strategic priorities and adjust their development goals and policies in order to realize effective economic structure. The aim of this article is to inquire into the implications of structural changes and economic reforms and adjustments, as well as into development priorities in African countries.

### Factors Contributing to Structural Changes

Since the causes of structural changes have not yet been satisfactorily clarified and are a complex and controversial issue in the academic arena, I shall attempt to analyze what is known about the subject.

The most significant factors in structural change can be grouped as follows:

- (1) the dynamics of national economy,
- (2) social change and socioeconomic factors,
- (3) management and planning for economic development.

These factors have previously been used as separate analytical categories; in fact, they are closely related to each other and interact in more than one way. Thus, the dynamics of national economy strongly affect the direction and speed of economic development such as investment in structural change; in its turn, investment in structural change may noticeably alter the nature and availability of the resources required for economic development. Nor is it difficult to trace numerous links between social change and the composition and allocation of national production and the dynamics of national economic systems. We now look at the factors enumerated above in detail.

### (1) The Dynamics of National Economy

The most evident trend is the change in the relative importance of different economic sectors, which occurs as a result of different sectorial rates of growth. By interpreting these rates, we can get an idea of present and future economic structures and development in African countries, one of the first indicators of structural change.

**Agriculture:** African agriculture remains the major source of employment, food and raw materials for industry and for foreign exchange, and has become the base of economic development. The majority of the population depends on agriculture for their livelihood. In the 1960s, the agricultural share of GDP in Sub-Saharan Africa was 43 per cent. Agriculture accounted for 33 per cent of GDP in the 1980s.<sup>1</sup> Agricultural production in the 1960s grew in volume by 2.3 per cent a year, or roughly at the same rate as the population. In the 1980s, however, production dropped by 1.3 per cent a year, while population grew at by about 2.7 per cent.

Agricultural production in African countries could be increased further by taking advantage of unused technological possibilities (improved crop management, the use of better seeds, extension of irrigations and double-cropping). Just as important is the reorganization of social and institutional structures. There is also the possibility of bringing more land under cultivation and reorganizing agricultural production in many African countries. All these measures will be even more effective if accompanied by intensive road construction and the creation of a public transport network and marketing facilities. The agricultural situation in African countries may improve further through research and extension, agrarian specialization and closer regional co-operation.

**Industry:** Since independence, many African countries have paid special attention to the development of industry<sup>2</sup> to help achieve 1) higher growth levels, 2) structural transformation of their national economies and 3) economic independence. In 1965 the share of this sector in GDP was about 19 per cent for Sub-Saharan Africa. It grew by 9 additional percentage points to reach 28 per cent in 1987. There has been hardly any change in the structure of industry since the 1960s. Manufacturing in Sub-Saharan Africa was 9 per cent of GDP in 1965 and 11 per cent in 1987.<sup>3</sup> It is evident that the pace of expansion of industry in Sub-Saharan Africa has been disappointingly slow. In the 1970s, growth of industrial production was at 4.3 per cent a year while the growth rate was at negative 1.2 per cent in the 1980s. The industrial structure in most African economies has weak linkages with the rest of the economy and is not properly matched with the endowment of resources. Many African countries have been adjusting their strategies



for industrial development and are now engaged in vigorous efforts to rehabilitate the existing industries.

**Services:** The service sector in African economies is extremely heterogeneous. On the one hand, it includes a distributional network (e.g. retail trade and personal services); on the other, it encompasses a wide range of infrastructural services and facilities which normally accompany (and are sometimes preconditions for) the development of the two basic sectors (agriculture and industry).

The annual rates of growth of services in Sub-Saharan African economies were 4.9 and 3.7 per cent respectively for 1965-73 and 1973-80. In the 1980s the growth rate of services had seriously declined and was about 1.2 per cent.

Since the main requirement in the growth of services is to keep pace with the development of other sectors, a comparison of the service sector's share in GDP in Sub-Saharan African economies may be of special interest. The service sector in GDP changed from 39 per cent in 1965 to 41.4 per cent in 1970. In 1970-80, its share decreased, becoming 36.9 percent. In 1987 it grew to 40 per cent. In the industrialized market economies as a whole, the figures were 55 per cent in 1965 and 61 per cent in 1987.<sup>4</sup> In comparing the data on industrialized and African economies we have, however, to keep in mind the above-mentioned division between personal services and production-oriented services in the latter economies.

The evolution of this sector in African economies suggests there are several contradicting trends. In most African countries, services have, in terms of their share in GDP, already outstripped the industrial sector, which currently is not the primary consumer of production-oriented services. Agriculture, however, is also a potential consumer of services but seems not yet developed enough to generate a significant and sustained demand for them. This trend may, in the long-run, slow down the development of the service sector in African countries.

Services in the economies of African countries are themselves not yet developed to a high standard and therefore cannot effectively support the development of the agricultural and industrial sectors. In such cases, priority should be given to the accelerated development of services which would necessarily bring a general shift towards industrialization and an overall rise in labour productivity and earnings in most African countries. Nevertheless, even though the economic structure in Sub-Saharan African countries is not likely to be on a par with those of the industrialized market countries, any development in production-oriented services will make the economic structure in African countries more modern and adaptable to social progress and development.

## (2) Social change and economic factors

Development experience suggests that certain social changes are the precondition for development. The strategies for national economic development in African countries should take full account of the socioeconomic realities. They determine not only the cycle of economic production and reproduction but also the extent of further social change and socioeconomic systems.

At present, the social structure in African countries is undergoing severe strain due to the uncontrolled rapid growth of population, urbanization, erosion of social sanctions and values, and irritative modernism.<sup>5</sup> The change in social needs and aspirations in African countries is largely influenced by such phenomena as rapid growth of population and accelerated expansion of towns and cities, the discrepancy in the level and rate of development between a few economic centers and the rural periphery, and the subsequent change in both urban and rural consumption patterns.

The growth rate of population in Sub-Saharan Africa has been higher than those of other developing countries. The growth rate of the population was 2.6 per cent from 1965 to 1973. During the period between 1980 and 1987 the population increased at 3.1 per cent. The growth rate of population is projected to remain at 3.1 per cent from 1987 to 2000. The total population in Sub-Saharan Africa in 1980 was estimated at 430 million; by 1987 it had increased to 451 million. The available projections show that by the year 2000 the total population will increase by almost half to reach the 673 million mark.<sup>6</sup>

Rapid population growth has led to a significant increase in the proportion of total income that is consumed. This has in turn seriously constrained economic development and affected structural change. Large proportions of domestic savings, which could have been re-invested in production, have had to be spent on infrastructure for education, health and other welfare services.

The rapid growth and expansion of towns and cities has influenced the process of structural change in two ways: internally, it creates new relations and problems within the towns or cities, and externally, it changes the economic and social values of the population.

One of the urban problems is the accelerated growth of the urban population. The urban population in Sub-Saharan Africa increased from 14 per cent in 1965 to 22 per cent in 1980 and 27 per cent by 1987. The average annual rate of urbanization rose from 5.5 per cent during 1965-73 to 6.9 per cent in 1980-87. According to current projections, the rate of urbanization will be 4.6 per cent in the 1990s.<sup>7</sup> Thus it is projected



that by the year 2000, 41.3 per cent of the African population will be living in urban areas.

One of the explicit effects of the phenomenon urban growth on the structure of manpower in African countries is the mismatch between labour supply and demand in the different sectors in urban areas. Thus the urban informal sector is forced to absorb more of the labour force than it really needs. This occurs through an abundance of personal services, or the use of less productive tools to create additional employment. At the same time, an imbalance is created in the manpower supply and demand ratio in the rural areas.

Another effect is that urban workers in African countries have faced increasing impoverishment and job insecurity, suffering drastic cuts in real incomes and shrinking opportunities for steady employment. As a result, increasing numbers are pushed into low-paying insecure jobs, self-employment or unemployment. More and more workers are competing to earn a livelihood in the small-scale "informal sector" at a time when the urban market for their goods and services has been depressed by falling real wages and deteriorating economic conditions.

The change in the composition of population transforms the over-all structure of consumption. On the one hand, many industrial (or imported) goods are needed for meeting the demands of the population of the urban centers; on the other, the low-paid and unemployed people would not be able to get basic needs for existence.

Obviously, such high rates of population growth together with high rates of urbanization have imposed serious constraints on the efforts made to achieve rapid socioeconomic development and structural change in African countries.

### (3) Management and planning for economic development

Part of the failure of economic development and structural changes in African countries is due to the lack of institutional capability in co-ordinating the different aspects of the economy. This is mainly reflected in the absence of vital management and planning for economic development.

In the past decades, the management of national economies in African countries had suffered greatly from lack of relevant institutions and poor institution-building and development. As a result, there were such basic problems as poor accountability and policy discontinuity. In recent years, public administration structure has been increasingly burdened, and the share of government consumption in GDP has expanded. It was 10 per cent in 1965 and increased to 13 per cent and 16 per cent in 1980 and 1987, respectively. Additionally, the role of foreign experts and managers in national economic decision-making has increased. Unfavorable external factors have also constrained economic

management in African countries. With regard to the debt burden and international aid, the scope for independent policy-making and national economic management by African countries has gradually diminished. Policy-making for development today is not, to a certain extent, decided by African countries.

Because of the ever-growing concern and preoccupation with short-term crises, national economic management in many African countries is carried out almost to the exclusion of long-term economic planning. The essentials of economic planning consist of assuring an amount of productive investment which is sufficient to provide for a rise of national income. This income must be substantially in excess of the population growth so that per capita income increases, thereby allowing for further economic development. Consequently, the problem of economic planning is one of assuring that there will be sufficient productive investment into such sectors as will provide for the rapid growth of the productive power of the national economy. Economic planning in African countries has paid little attention to the productive investment structure which was supposed to increase the national income and change national economic structure. In African countries, resources (financial, material and human) are not always productively used in economic planning, and there are considerable leakages in the management of the economy.<sup>8</sup>

### The Predicament of Economic Development

The 1980s were "a decade of disappointed hopes" for Africa, as Adebayo Adedeji put it.<sup>9</sup> Most African countries experienced stagnation and setbacks. The annual growth rate of GDP in Sub-Saharan Africa has continuously declined since the mid-1970s. The growth rate in GDP averaged 2.8 per cent in 1975-80. During 1980-85, it decreased to -0.3 per cent. It was only 0.8 per cent in 1986-87. The share of investment in GDP was 21.4 per cent in 1975-80, decreased to 16.2 per cent in 1980-85, and further declined to 15 per cent in 1986-87. Percentage of gross domestic savings decreased from 19.6 per cent in 1975-80, to 11.8 per cent in 1986-87.<sup>10</sup> In the world economy, Africa was the only continent where per capita output declined consistently throughout the decade, falling from \$752 in 1980 to \$641 (in constant dollars) in 1987. In the same period, per capita national income decreased 2.6 per cent.<sup>11</sup>

Although most African countries have great potential for agricultural development, the lack of modern technology, of transportation, and of research funds as well as unreasonable policies have constrained development of agricultural productivity. Agricultural



economy in African countries is structurally weak. In the past 30 years, per capita food production has declined 1 per cent per year.

The economic production base in African countries has in fact narrowed in terms of size and range of goods produced as compared with other national economies. The combined share of agricultural and manufacturing sectors of GDP declined steadily from 52 per cent in the 1960s to 44 per cent in the 1980s.<sup>12</sup> The report of the United Nations Economic Commission for Africa on African economies in 1989 showed the rate of capital formation had diminished from 21 per cent in 1980 to 15.6 per cent in 1986.

The contraction of the production base and the decline of economies in African countries have impacted the living standards and well-being of hundreds of millions of Africans. Since the 1980s private consumption per capita has fallen by one-fifth. 50-75 per cent of urban and rural people are at or below poverty line.

Unemployment is at crisis proportion. In 1985, there were 22 million unemployed workers, representing 40 per cent of total wage workers. Underemployment was 95 million people throughout the work force in the same year.

The share of health and education in government expenditure decreased from 25.2 per cent in 1986 to 19 per cent in 1988. Increases in malnutrition, preventable diseases, high maternal mortality rate and illiteracy are common in many Sub-Saharan African countries. A third of the children in Malawi, for instance, die before they reach their third birthday, and of those who survive, 55 per cent are chronically malnourished, compared to 37 per cent in Kenya and 28 per cent in Zimbabwe.<sup>13</sup> Some 10,000 children die in Africa each day of causes linked to malnutrition and non-availability of rudimentary health care. Primary school enrollment in Sub-Saharan Africa had declined in the 1980s. It decreased from 79 per cent in 1980 to 73 per cent in 1986. Illiteracy is much higher among women and girls.

In assessing the causes of this social waning and economic recession, UNECA documents clearly indicated that there were problems of financial management, accountability, social differentiation and the rather narrow base of economic development and decision-making.<sup>14</sup> However, the root causes for the socioeconomic decline are the overall deterioration of international conditions and fragility of structural systems.

#### (1) Worsening international conditions

International conditions (international trade, debt, financial resources, etc.) are a prerequisite for the economic development and structural reforms in African countries. However, the deterioration of



international conditions has had a devastating impact on reforms and development in Africa. This is manifested by a drop in primary goods produced by Africa, the accelerated growth of debt, and the reduction in the flow of resources to African countries. Since the 1980s, although many African countries have carried out "structural adjustment," their foreign exchange incomes have been dependent on one or two primary goods (crops or minerals). Only a few commodities account for 80 per cent or more of a country's export earnings and government revenue. This seriously lopsided dependence on one or two commodities has left African economies exceptionally vulnerable to fluctuation in the international market prices for primary commodities. For most of the 1980s, African countries suffered greatly from deteriorating commodity prices.

In real terms, the non-oil primary goods for Africa are at their lowest levels since the Great Depression of the 1930s. In 1988, wholesale prices for Africa's main export goods (including oil) were only 54.2 per cent of their 1980 levels.<sup>15</sup> In 1986 and 1988, prices of primary exports for Africa declined 29 per cent and 12.8 per cent respectively in the international market. In the same period, export incomes for Africa could have realized an additional \$50 billion had it not been for declining commodity prices.<sup>16</sup> Moreover, due to deteriorating transportation links, insufficient inputs [into production] and other factors, volume of exports have fallen, to a large extent. This has led to a significant reduction in export incomes for African countries.

African countries have confronted their serious debt burden, a burden which rises rapidly beyond their capacity to repay due to scarcity of foreign exchange and high interest rates. Africa's total debt is increasing at a faster rate than anywhere else in the Third World. It is estimated that Africa's total debt climbed to over \$240 billion by 1989, more than three times Africa's annual export income. It is projected that Africa's debt will reach \$600 billion by the year 2000.<sup>17</sup> At present, external public debt is equal to 81 per cent of annual GDP of Sub-Saharan Africa. For repayment of their debts, many African countries have to reduce the essential imports, domestic investment, and expenditure for social needs; meanwhile, foreign capital investment in Africa has stagnated in real terms. At the beginning of the 1980s, the total net flow of capital to Sub-Saharan Africa stood at \$17.3 billion.<sup>18</sup> In 1987 the net flow was \$17.9 billion, increasing only by \$600 million, the greater part being official development aid. Private capital flows had been considerably reduced, and export credits had basically disappeared.

The general tendency in the international environment has become unfavorable African economic development. In the wake of the

slower rate of economic growth in the West, and the application of new scientific technologies, the demands for Africa's primary goods in the international market will continue to be sluggish, and trade terms for African countries are not likely to improve. African countries will be forced to confront the challenge of the austere international environment.

## (2) Fragile structural systems

Africa's vulnerability to negative external factors is rooted in the fragile structure of their economies. Most African countries are predominantly subsistence-based. The non-subsistence sector is concentrated in commercial and trading activities dominated by imports and exports. Both in the scope and magnitude of goods produced, the production base in African countries is narrow. The linkages of sectoral structure are brittle, so that industry, for example, draws a minimum of production content from the agricultural sector; manufacturing depends to a great extent on imports, even of raw materials.

In the process of expanding their production, the difficulties which African countries have faced include mainly the general shortage of capital, the low level of the scientific and technological base and application, the lack of trained professional personnel, fragile infrastructure, rigid institutions, a shortage of entrepreneurial capabilities, and the small size of the domestic market. At the same time, the informal sector in African countries has been largely neglected in its role in economic development. This sector is proportionally greater in African economies than in any other developing economies. Now, it accounts for about 20 per cent of GDP and more than 20 per cent of labour force in African countries.

Environmental disintegration has constricted the base of socioeconomic development in Africa. The causes of this disintegration are based in overuse and misuse of the soil, poor conservation policies, overgrazing, deforestation, drought, salination, and water pollution. These unfavorable factors have brought about not only social dislocation and heightened rural poverty but also an erosion of the national resources on which many economic activities are based and a reduction in productivity.

Evidence shows that development is very uneven in structure across African countries. There are sharp contrasts and gaps between urban and rural areas, industrial and agricultural sectors, among regions, within urban areas and among different social classes.

Industry in African countries is a strongly dualistic structure which is divided into a relatively large-scale, capital-intensive, and urban-based formal sector, and cottage industries which comprise the informal sector. Moreover, the informal sector has generally been neglected. Agriculture is biased towards traditional methods of farming,



and women become the major farmers. Backward technologies in agriculture have become an important issue in economic development.

The African continent is divided into 50 plus countries, of which 10 have populations of less than one million each; 13 have an area of less than 50 thousand square kilometers each; and 14 countries are landlocked. Of the 43 Least Developed Countries (LDCs) in the world, 28 of them are in Africa. The uneven distribution of resources among African countries has fragmented African economic development. While the product and factor markets are very small, scarcity of transportation and communication has damaged the development and expansion of the regional market in Africa. The fragmented structure has not only intensified Africa's dependence on external markets but has also brought significant resource leakages, such as losses in external reserves, capital flight, and the so-called brain-drain, resources which are desperately needed in African countries.

Reforms in the structural systems have become the basic guarantee by which development goals and positive results are achieved. Since 1980, many African countries have made efforts to promote structural adjustment and reforms. Reforms and adjustment of the unbalanced structure, however, are a long-term process and an arduous historical task in these countries.

#### Effects of Structural Adjustment in the 1980s

Throughout the 1980s, the dominant approach toward resolving the difficulties in African economic development was the Formal Structural Adjustment Programmes (SAPs) advocated by the IMF and World Bank. Some 30 African countries implemented the programs. The main policies and measures in the programs were as follows:

- (1) Improved financial management, decreased government expenditure and currency devaluation;
- (2) Increased gains in the public sector, expanded private sector, and reduced deficits;
- (3) Increased export diversification and liberalized export and foreign exchange policies;
- (4) Deregulated prices of goods, services, and factor input, and heightened market forces;
- (5) Intensified debt management for and implementation of balance of payments aid and sector adjustment loans.

The effects of the "Structural Adjustment Programs" on African socioeconomies in the 1980s were both positive and negative. These changes were manifested in the following ways: reduction in demand for goods, depressed public expenditure, and alleviation of balance of payments. However, these were the obvious short-term effects. For promoting agricultural development through market liberalization, the incentives for agricultural production did not produce marked economic results.

The Adjustment Programs proposed the privatization of public enterprises in order to reduce their losses. However, few enterprises were privatized in African countries. On the one hand, the governments were reluctant to pursue privatization policy, and on the other hand, private investors were not eager to buy public enterprises.

There are debates on some aspects of the Programs, especially with regard to their effects on long-term economic growth in African countries. The IMF and World Bank state that free market policies are more favorable to the allocation of resources for possibly achieving long-term growth than are government intervention and control. Nevertheless, some scholars in Africa and other countries argue that structural rigidity limits the role of market forces, and the vulnerability of African economies to changes in the international market would hamper the effects of market forces on socioeconomic development and increasing productivity.

The Structural Adjustment Programs were integrated with classical and neoclassical economic development theories and concentrated on free trade, free market, and effective allocation of resources.<sup>19</sup> However, these neglected the adjustments in socio-political structure and the impact of economic activities on society and politics. The Programs noted that output, employment, and prices (including wages, interest rate, and the exchange rate) were determined by the free play of market forces, and that market prices were the most effective instruments for the efficient allocation of resources. The Programs assumed that economic structure had time invariance and sufficient flexibility, so that changes in demand and supply responded promptly to market changes. Nevertheless, there were strong monetary instruments which could regulate the volume of output and the price level by controlling the supply of money. As a result, classical economic policies and measures would be adapted to healthy structures of the economy, and not adapted to the vulnerable and fragmental structures in African economies. Under the current situation, however, many African countries have developed towards free markets. African countries have a low capacity to adjust their fragile production structures and are not in a position to take full advantage of available market opportunities. Their main characteristics are as follows: (1) African



farmers suffer under unstable supplies of agricultural inputs and a limited capacity to respond to price incentives; (2) the domestic production has failed to respond to new changes in export and domestic markets; (3) domestic savings cannot react to high interest rates. As a result, the structural adjustment would bring some detrimental consequences in socioeconomic development, which could tend in many cases to retard rather than promote the process of structural change in African economies.

In order to analyze the effects of the structural adjustment of African development in the 1980s, the World Bank divided nations into four categories: (a) countries with strong Structural Adjustment Programs, (b) countries with weak structural adjustments, (c) non-adjustment countries, and (4) North Africa.<sup>20</sup> For the first group of countries the growth rate of GDP was about -1.5 per cent during the period 1980-87. The second and third groups of countries recorded an annual GDP growth rate of 1.2 per cent and 3.1 per cent respectively for the same period.<sup>21</sup> North African countries achieved GDP growth rate of 1.5 per cent also for the same period. At the same time, the growth rate of GDP for Africa as a whole for the said period averaged 0.4 per cent, which was largely influenced by the poor economic performance of countries with the structural adjustments. For the African countries with Structural Adjustment Programs, investment share of GDP declined from 20.6 per cent to 17.1 per cent, and the share of debt service payment in export incomes increased from 17.5 per cent to 23.4 per cent.<sup>22</sup>

The macroeconomic data generally showed that the Structural Adjustment Programs were not successful in achieving economic structural transformation and attacking the African economic crisis in the 1980s. Moreover, the decline of economic growth produced unfavorable social consequences, including decreases in per capita income and real wages, underemployment and unemployment, and deterioration of social services. Following the Structural Adjustment Programs in the 1980s, many African countries decreased public social expenditure, such as for education and health care, in order to save funds for payment of debt and reduction of financial deficits. From the viewpoint of long-term development, reduction of public expenditure would lead to a vicious circle in the development process which could hamper the base of structural transformation in African countries. Many city workers have faced increasing poverty and unemployment. Their earnings since the 1980s have declined from 30 to 40 per cent.<sup>23</sup> Salary incomes are not enough to meet basic needs. Per capita income decreased 25 per cent from the mid-70s to the end of the 80s.<sup>24</sup> In Senegal, the situation worsened with 35 per cent of the people below the poverty line, and expenditure for health care declined 20 per cent in the

1980s. Infant mortality in Madagascar doubled in the same decade. In Malawi, one third of the children died before age 3; 55 per cent of those who survived were malnourished. In Kenya, 37 per cent of children were malnourished.<sup>25</sup> In African countries, policies of adjustment had serious impact on women, children, and elderly people. As a result, the World Bank has acknowledged that "policies of structural adjustments have made gainers and losers."<sup>26</sup>

The Structural Adjustment Programs carried out by African countries in the 1980s did not embody the essential goals of African development and did not achieve food-sufficiency, reduction of poverty, sustainable growth, or the enhancement of capacity for self-reliance. UNECA stated that in accordance with "the base of theory and experience, orthodox structural adjustment programs would not fully put forward the real causes of economic, financial and social problems in African countries."<sup>27</sup>

Therefore, African development is in need of a new development program in the 1990s. The new development program has to take account of the structures of production and consumption and of the human resources who constitute the main part of development, and they must bring about a more thorough transformation of economic structures and social development in African countries.

#### Development Alternatives and Strategic Priorities in the 1990s

The difficulties and pressures associated with structural adjustment, and the absence thus far of any clear trend toward economic recovery, are spurring scholars and policy-makers to be more thoughtful concerning Africa's development strategies. An increasing number of African and international analysts have recognized that the problems do not just stem from current economic stagnation, but are rooted in the imbalance and vulnerability of socioeconomic structures in African countries. According to Adedeji, UNECA's Executive Secretary, Africa's basic difficulty lies in the "neocolonial mono-structural production system."<sup>28</sup> It has made African economies highly dependent on export earnings from one or two primary commodities. It is universally acknowledged that only through reforms can Africa develop. African countries are in urgent need of new development programs and strategic policies which are a continuity of the reforms already made in the 1980s "in order to avoid slowing the momentum for reform in Africa and impairing the support, financial and moral, for such reforms from developed countries."<sup>29</sup>

African finance and planning ministers, meeting in Addis Ababa in April, 1989, adopted an ECA-proposed "African Alternative Framework to Structural Adjustment Programs for Socio-Economic



Recovery and Transformation." The World Bank produced the program "Sub-Saharan Africa: From Crisis to Sustainable Growth—A Long-Term Perspective Study" in October, 1989. The two documents are newer, innovative initiatives that stress equity, reliance on local resources, environmental protection, grassroots participation, and human-centered development. "Sustainable development" is the common term for these approaches. Moreover, the "African Alternative Framework" seeks transformation of African structures and satisfying people's basic needs, and it stresses, in strategic terms, that the success of socioeconomic reforms will depend upon the "indigenization of development" and that African countries must themselves play the central role in the design and formulation of adjustment and reforms. The two programs complement each other. While "African Alternative Framework" has sketched out the strategic framework, the program of "Sub-Saharan Africa: From Crisis to Sustainable Growth" has proposed some concrete policies and measures for African development. Reforms of economic structure and realization of balanced sustainable growth are the development strategies of African economies in the 1990s.

On the one hand, following the principles of balance and coordinative development in socioeconomy, the existing productive capacities in African countries will be rationally reorganized and utilized; distribution of investment will be reoriented and the reasonable structure of investment rebuilt. The rational reorganization and utilization of the existing productive capacities will constitute the basic content of reform and adjustment of national economies in African countries. They will change the imbalance of national economies and ensure the economies' circulation with equilibrium.

On the other hand, the articulation between economic reforms and social development should be taken into consideration. Economic reforms and adjustment in Africa are a necessary prerequisite for social development. However, socially stable development is the guarantee for reforms and adjustment of economic structures. The proper increase of investment in social development is conducive to the enhancement of productivity and to the improvement of the people's standard of living. As a result, economic reforms and social development are inseparable. Healthy development should be gauged by socio-economic prosperity.

Moreover, economic structural reforms and socially progressive change are only the processes and approaches towards development. They are aimed at satisfying the basic needs of the people. In order to achieve the goals of the structural reforms and the development of socioeconomies in African countries, I believe that the essential policies and measures in the 1990s should be included as follows.

### (1) Policy direction in structural reforms

Policy direction in structural reforms and development should strengthen and enhance the diversities of production in Africa, which is concentrated on agricultural and rural development. In rural development, land reform becomes an important task, which is strongly recommended to provide better access and entitlement to land for productive use, to enhance the role of women, and to help modernize the food production sector. Such reform can also help alleviate poverty with more equal distribution of incomes. In accordance with the real conditions in Africa, the governments should allocate at least 20-25 per cent of their total public investment for agricultural development. This will improve rural infrastructure and enhance agricultural productivity. It will also proportionally increase the share of foreign exchange used for imports of raw material and for the needs of agricultural development. Emphasis must be placed on the improvement of linkages between agriculture and industry. African countries must give high priority to attaining food self-sufficiency and correcting the current bias that favors export commodities over food production in order to keep a properly balanced development.

The productive power and infrastructure of African countries, currently in severe decay, should be rehabilitated. An important factor which would improve the productivity is strengthening the scientific and technological base. The "African Alternative Framework" noted that "finding alternatives to the export of raw materials by the development of new products and processes" could enhance the competitiveness of Africa's commodity exports, expanding the existing range of African exports with a greater focus on African markets and diversification.

Adjustment of consumption patterns fits in with productive structure. African people should consume more products made locally. African countries should properly encourage high tax rates on conspicuous consumption and ban unnecessary "luxury" imports. Suitable subsidies on the local products and reasonable price policies would promote the supply of essential commodities demanded by local people.

Credit policies should be conducive to food production and manufactured goods. Rural financial institutions should be built and strengthened and should provide loans at subsidized interest rates. At the same time, market interest rates need to be properly selected to discourage speculative activities and favor both productive investment and savings. African countries should adopt a system of multiple exchange rates to ensure essential imports, preventing capital flight and encouraging foreign capital investment in Africa. It is essential to ensure expenditures on education, health care, and other services. Human resources are an important element for sustainable economic



growth and social development in Africa and must continue to be developed steadily. The "African Alternative Framework" proposes that African countries spend 30 per cent of public expenditure on social development.

### (2) Coordinative development of public and private sectors

Africa's economic policies should attempt to coordinate development of public and private sectors; the main objectives are development of local entrepreneurial capability and realization of optimum social and economic returns on investment. Under the current level of development in Africa, the public sector has given priority to social and economic development, especially in areas such as the building of the physical infrastructure, development of human resources, environment protection, and the provision of essential services. African countries provide basic funds for developing the social sector and nationally strategic industries while private enterprises offer funds for other sectors. If African countries have over-extended themselves on non-social service and non-strategic sectors, selected privatization should be considered. In the process of adjustment and reforms in Africa, the situation encourages entrepreneurship and formulation and modification of investment codes and procedures so as to create effective and conducive conditions for developing the private economy and promoting small-scale industries.

### (3) Resource mobilization

The mobilization of new domestic resources and a more effective utilization of existing ones becomes the basic guarantee for economic reforms and development. First of all, African countries should take measures for preventing capital flight, improving financial and banking management, and encouraging investment in domestic economies. Second, expenditures need to be shifted from non-productive to productive sectors as well as vital social sectors, which would guide investment in the direction of national economic development. Third, to some extent, this could be done by reducing excessive military spending, which has grown faster in real terms in Africa than in developing countries as a whole.<sup>30</sup> African countries spend less on education than on the military and should expand expenditure for education.

To obtain scarce and badly-needed foreign exchange and to improve the balance of payments, African countries need to limit debt service ratios to levels consistent with economic growth and social

development. The establishment of strong debt management systems will be required in order to attract external capital flows to Africa.

#### (4) Regional cooperation

It is imperative for African countries to work towards regional cooperation and collective self-reliance. This is an important channel for realizing the development goals of Africa.

Regional cooperation is concentrated on big projects, which need more funds, and on projects of common benefit to African countries. Africa's infrastructure, such as transportation and exploitation of hydro-electric power and other energy sources, should be developed and coordinated on regional and sub-regional levels. Improved transportation and communication will facilitate intra-African social and economic exchange. The regional energy projects would enable resource-poor countries to obtain the energy needed for development. Regional research institutions would be established for the study of such areas as agriculture, drought, desertification, and tropical diseases. These research projects would be jointly sponsored by the African countries involved, which would minimize duplication of national efforts and would promote the dissemination of new knowledge and technologies in Africa.

Through the development of regional projects and coordination, Africa's collective productive capacity would be enhanced, and the economic benefits and results would be realized by economies on regional scale. Regional cooperation and coordination will promote development of national industries that complement those of the other members of the region rather than compete with them. Africa's development cooperation and coordination efforts should give high priority to food production, should coordinate manufactures and capital goods such as iron and steel, machine tools, fertilizers, agricultural transport, and construction equipment.

Regional development in Africa as a whole would be based on sub-regional co-operation and coordination, sensitive to both historical experience, culture, and changes in the world economy. Enhancement of collective self-reliance through co-operation and coordination is a process that will take a long time, even under the most favorable circumstances. However, "Africa sees self-reliance as both the goal and the means by which the region will eventually find its true identity, full dignity and historic strength."<sup>31</sup>



### (5) Utilization of international resources

While developing greater self-reliance, Africa will further need more international support and assistance. Utilization of advanced experience and technologies at the international level will promote the continent's economic growth and social development.

It is vital for African countries that Official Development Assistance will help create the conditions necessary for the successful implementation of structural reforms and adjustment in the 1990s. While African countries are going through new adjustment and transformation, it is further necessary that international development and aid institutions should expand their flexibility in loan policies and increase resource flows to Africa to support the successful implementation of economic reforms and development. In the 1990s, Official Development Assistance for Sub-Saharan Africa would be increased. The World Bank projects that Official Development Assistance for Sub-Saharan Africa will have reached \$12 billion in 1990 and \$19 billion in 2000.<sup>32</sup> It would be 8-9 per cent of GDP in Sub-Saharan Africa. For African countries, it is important how the development assistance is utilized in the 1990s.

### Conclusion

African development strategy in the 1990s should concentrate on reorganizing the existing productive capacities, adjusting investment structure and reaching economic structural transformation in order to satisfy the basic needs of African people. In the process of adjustment and reform, emphasis should be placed on integration and articulation of economic growth and social development, and the balance of production and consumption structures. Macroeconomic systems, policies, and measures should take into full account the dynamic relations between all kinds of factors in socio-economic development and should resolve the current dichotomy between structural adjustment and long-term development. Any development strategy for African countries cannot present itself as a universal model. It should be a broad and flexible framework that African countries can use in designing their own individual development programs and plans. It should outline general policy directions that seek to incorporate more immediate measures for the economic and social development in Africa.

Africa's structural adjustment and reforms are a grand systems-engineering for socioeconomic and political development. It is necessary to strengthen the studies of development theory and strategy for Africa in order to clarify the directions and relations in the process of sustainable economic growth and long-term development.

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Notes:

- 1 World Bank: Sub-Saharan Africa: From Crisis to Sustainable Growth, 1989.
- 2 It includes manufacturing and other industry.
- 3 World Bank: Sub-Saharan Africa, 1989.
- 4 World Bank: World Development Report, 1989.
- 5 ECA: African Alternative Framework, 1989.
- 6 World Bank: Sub-Saharan Africa, 1989.
- 7 World Bank: World Development Report, 1989.
- 8 ECA: African Alternative Framework, 1989, p. 8.
- 9 ECA Executive Secretary Adebayo Adedeji's speech at the April meeting of African finance and planning ministers in Addis Ababa, 1989.
- 10 Africa Research Bulletin, Economic Series, Dec. 31, 1989.
- 11 Africa News, Dec. 25, 1989.
- 12 World Bank: Sub-Saharan Africa, 1989.
- 13 South, Sept. 1989, p. 38.
- 14 ECA: African Alternative Framework, 1989.
- 15 ECA data.
- 16 Africa News, Dec. 25, 1989, p. 3.
- 17 ECA data.
- 18 Calculated at 1986 prices and exchange rate.
- 19 ECA: African Alternative Framework, 1989.
- 20 The World Bank and the UNDP: Africa's Adjustment and Growth in the 1980s (IBRD: Washington, D.C., 1989)
- 21 ECA: African Alternative Framework, 1989.
- 22 Ibid.
- 23 Modern Africa, July-August, 1988, p. 10.
- 24 World Bank: Finance Development, June, 1989, p. 6.
- 25 South, Sept., 1989, p. 49.
- 26 Africa Report, May-June, 1989, p. 49.
- 27 South, Sept., 1989, p. 18.
- 28 Africa Report, May-June, 1989, p. 50.
- 29 Carol Lancaster, Economic Reform in Africa, The Washington Quarterly, Winter, 1990.
- 30 South, August, 1989, p. 18.
- 31 ECA: African Alternative Framework, 1989, p. 14.
- 32 World Bank: Sub-Saharan Africa: From Crisis to Sustainable Growth, 1989, p. 179.