

~~SECRET~~

MEMORANDUM

To: Mr. Hamdani

Date: 23-I-85

From: R. H. Green

Re: SSA JDP

Re Your Queries

1. \$1,000 Jamal fine.
2. I did not promise Chidzero (or McNamara) a fee. Unlike Jamal their only input was 20 to 45 minutes talking to tape recorder. With no promise made I see no need for fee.
3. I am agreeable to final editing by UN editor. If substantial shortening would like to see final text to check I do not feel we accidentally changed thrust.
4. If JDP wants to keep cover format OK. Perhaps use both front and back covers for titles/authors to make less cluttery? Up to them.
5. Quite agreeable to editor trying to shorten Zimbabwe.
6. Very opposed to deletion Allison and Green:
 - a. point of K and G and A and G is to show that both structural parameters and political economic goals constrain what can be done and should inform decisions and priorities;
 - b. K and G does this on structural and A and G on political economic side;
 - c. in terms of what was available took Zimbabwe as case study structural and Namibia as case study political economic (i.e. if had had authors/data could as well have been say Ghana structure and Kenya political economic);
 - d. added A and G at time it appeared unlikely we would get Helleiner or Jolly or Chidzero or Please and had no expectation of Williams. In good faith commitment to be sure we had enough pieces. Good faith effort put in by authors to produce the piece in time;
 - e. somewhat difficult at this stage to cut only woman contributor and only piece which specifically touches on this aspect of malaise/development.
 - f. willing to see cut (shortened) version done by your editor so long as it doesn't delete section on women.
7. Appended "table" puts pieces in order and gives titles of authors.

8. Brief Introductions to each group of pieces also appended (location set out in "table").
9. Williams article and 2 resolutions being processed. To follow very soon. At that point I've sent you everything.
10. Note corrections to Kadhani and Green.
11. I'm away to 26-II-85 but can be contacted through Mrs. Hill. If you wanted to send shortened texts for approval best time/place would be c/o R. Nellist/Ministry of Water, Energy and Power/Sokoine Drive/Dar es Salaam where I will be 15 to 21 February. Mail to there from USA 7 to 9 days. Better send copy to me at IDS so do not lose more time if misses me in Dar.

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by Caroline Allison and R. H. Green, respectively Research Officer and Fellow, Institute of Development Studies at the University of Sussex.

VIII. Notes And Events

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(Herewith)

14. "Toward Sustained Development In Sub-Saharan Africa - A Joint Program Of Action"

Summarised and highlighted by Stanley Please,
leader of preparatory team and primary author
World Bank report Toward Sustained Development
In Sub-Saharan Africa - A Joint Programme of Action.

15. "Action On Sub-Saharan Africa: Statement of the
Committee for Development Planning"

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by United Nations General Assembly.

a. Introduction to Part II: "Malaise To Recovery: An Overview"

The opening article by Reg Green seeks to sketch the nature of the economic malaise confronting SSA, the necessity of action, agreed and disagreed priorities, components and instruments in such action and the stages from malaise through stabilisation and recovery to renewed development. Subsequent articles expand upon some of the major themes raised in the overview. While there is broad consistency among the different contributions, there are differences in emphasis, interpretation and prioritisation. This is seen by the editor as fruitful since the recent crises have underlined how much is not known, how dangerous simple answers can be and the need both for contextually grounded analysis and policy and for a dialogue to resolve or synthesize divergent positions.

Professor Green characterises the present situation as a "failure of development" which has become general since 1979, although prior to then SSA performance varied widely and 1976-79 was for the region as a whole a period of relatively rapid growth. However, he also stresses that structural change - including radical alteration of priorities and instruments - is needed since even in cases in which pre-1979 strategies were arguably appropriate then, they are much less so today. Whatever the balance of internal and external causes, SSA's present economic malaise can only be overcome by nationally designed programmes setting attainable priorities supported by increased external support.

Among the key problems in Africa are loss of supply (as opposed to excessive increases in demand) largely flowing from falls in real export earnings, consequential compression of import capacity and forced underutilisation of, and inability to maintain, existing production capacity. Therefore one set of

priorities must relate to restoring import capacity (and consequentially capacity maintenance and utilisation and government revenue) by increasing exports and by improving the quality, relevance (to national priorities) and quantity of external net resource inflows.

Priorities and instruments are reviewed stressing that most are complementary at least in part rather than alternative or antithetical. In respect to issues on which substantial disagreement exists, Professor Green suggests that in several cases each of the opposing views has identified certain key points but all suffer from reductionism and from oversimplification leading to lack of attention to specific contextual possibilities, requirements and constraints.

b. Introduction To Part III: "Major Contextual Challenges And Barriers"

The identification of key factors in poor economic performance in SSA is crucial to setting priorities and articulating programmes for stabilisation and recovery. Papers by Dr. Alassane Ouattara of the Central Bank of West African States and by Professor Gerry Helleiner, both of whom have extensive African and comparative international experience, address themselves to identifying such factors.

Dr. Ouattara highlights the critical impact of poor agricultural performance on overall development as well as the impact of external debt, initially a consequence of external imbalance but, with rising real interest rates and declining net capital account inflows, now itself a significant cause of continued imbalance. He rejects purely external or internal causation explanations as simplistic, arguing that both have played a part, e.g. both priority to export crops and the infertility or inaccessibility of much of rural Africa have contributed to the underlying downward trend in per capita food production.

He points out that many SSA economies have adjusted in the sense of reducing current account deficits. However, they have been able to do so only by import cuts which have had negative effects on domestic production and investment, rather than by export increases and/or import substitution which would have built a foundation for recovery.

SSA economies need increased stability in the world economy, e.g. in respect to raw material prices and to real interest rates. They cannot pay their whole present external debt so that a "negotiated moratorium" including long term rescheduling and some debt cancellation is urgently required by most

states. Parallel to these external changes, SSA economies need to design and implement new coherent agricultural/industrial strategies in which the outputs and input requirements of agriculture are central to manufacturing activity. In the short run, increased international liquidity provision to support imports to restore capital stock and its utilisation are crucial to allowing imbalance reduction to become stabilisation from which renewed development is possible.

Professor Helleiner stresses the need for increased liquidity for SSA economies. He argues that since 1979 liquidity made available has met only a tenth of external shock costs and even adding conditional import support funding only a fifth. Because domestic production in SSA economies is demonstrably dependent on imports, this lack of liquidity is the direct cause of much or most of the dramatic post 1979 decline in per capita production. While other barriers would have prevented continued rapid growth, Professor Helleiner argues that the forced import cuts and consequent inability to utilise existing productive capacity are the primary causes of absolute declines.

He also demonstrates that post 1979 provision of liquidity has been much less adequate in respect to levels of external shocks than over 1973-75 and that SSA and other low income economies have in general had poorer access to liquidity than middle income economies. Pressure for speedy adjustment primarily by cutting demand is argued to be inappropriate since it forces multiplied losses of present output and fails to deal with the initial cause of the crises in reduced import capacity. Indeed, Professor Helleiner points out that it can be counterproductive, either by denying the resources needed

to carry out structural change or creating a negative domestic reaction which delays national adoption of serious stabilisation and structural adjustment priorities, programmes and policies.

c. Introduction to IV: "Food Basic Needs And Vulnerable Groups"

SSA's most glaring failures lie in the areas of inadequate food production, employment or productive self employment generation, provision of basic public services. The costs of these failures - and of traditional adjustment policies designed to restore balance - fall most heavily on the poor people and vulnerable groups who are least able to bear them.

Maurice Williams of the World Food Council stresses that underlying the food availability disasters in many SSA countries is a basic failure of development policies in agriculture and especially in food production. To reverse the long term unsatisfactory trends will require basic restructuring of national policy including a focused approach to food.

Ambassador Williams makes the case for integrated national food strategies as a way to organise such an integrated approach and reviews some initial SSA country experiences with it. He stresses the importance of economic incentives both in respect to overall agricultural output and to producer choices among crops.

Areas in which further articulation and development of strategies are seen to be needed are their social dimensions, the tradeoffs between producer and poor consumer food prices and particular physical constraints such as input supplies. The need for more, different and more coordinated donor technical and financial support to make integrated national food strategies effective is underlined.

Richard Jolly of UNICEF builds from that organisation's global survey of the impact of recession on children to explore the impact of recession on

vulnerable groups in SSA more broadly. He stresses the deterioration in availability of food, income and basic services which has been particularly severe for the members of these groups.

Arguing for a broader approach to stabilisation and adjustment, Dr. Jolly stresses the need to relate growth, productive efficiency, distribution and human needs issues rather than to treat them as separate and, often, as mutually exclusive. He argues for including minimum levels of access to food; provision of basic services (health, education, pure water); restructuring public expenditure toward cost efficient basic service provision; greater use of community action and more attention to income distribution as essential to holistic adjustment strategies consistent with perceiving human beings as important and with sustaining and developing human capacities essential to restoring development in SSA.

Phil Daniel, Michael Lipton and Reg Green explore the interaction among increasing the welfare of the rural poor, enhanced food and other agricultural production, greater opportunities for productive self employment and more cost efficiency in rural programmes. They argue that programmes focused on increasing the production possibilities open to the rural poor (including more food for their own consumption) are critical in respect to achieving each of these goals.

Some poor rural areas - especially ones with submarginal rainfall - will have relatively low output returns on resources deployed. In general, however, the case for small scale, labour intensive, limited capital and important requirement, peasant agriculture is that it is a resource efficient means to increasing agriculture output.

Specific identification and articulation of who are rural poor, specific incentive and physical/technical barriers to enhanced production, the role of women in the production and production related processes are presented as necessary to operational programmes. Some of the obstacles to organising, implementing and appraising the type of programmes advocated are reviewed with attention to overcoming or at least reducing them.

d. Introduction To V: "Regional Economic Co-operation For Growth and Transformation"

The case for economic co-operation, coordination and/or integration as a means to economic growth and to transforming economic structures has been widely made and accepted in respect to SSA for over four decades. Both analysts and political decision takers have accepted that both short and long term economies of scale and of using comparative advantage do require regional and/or continental, rather than narrowly national, approaches.

However, the record of actual economic co-operation groupings has been very mixed. Many have had little impact, several have blossomed but then collapsed, a few remain moderately stable and useful but very low key. This record has provoked revised analysis, new approaches and launching of new groupings, not an abandoning of the approach.

Governor Philip Ndegwa of the Bank of Kenya has a long standing analytical and operational involvement in regional economic integration. In his paper he argues that the economic and political cases for co-operation are compelling but that a review is needed of approaches used. These he suggests have too often been imported from industrial economy co-operation theory and practice and not properly adapted to the SSA contexts. In addition inadequate attention has been given to production issues and acceptable sharing of gains compared with trade promotion and overall regional growth. He concludes that stress on industrial production (leading to trade), practicable identified projects and operational political commitments are central to greater operational success in economic regional initiatives.

Vice President Peter Mmusi is Chairman of the Southern African Development

Coordination Conferences Council of Ministers. SADCC - formally established in 1980 by the nine Southern African states - is unusual in structure, approach and the speed with which it has moved from planning to concrete proposals to operational programmes and projects.

Vice President Mmusi sets out the strategy of SADCC - based on four central developmental priorities leading to sectoral programmes based on them - in his paper. He also stresses the importance SADCC places on concrete projects, programmes and results and on direct governmental involvement at all levels to create and sustain an operational political and technical constituency and dynamic. The paper also notes SADCC's commitment to co-operation (both technical and financial) with states outside the region and presents a brief resume of programme results and problems over 1980-84.

e. Introduction To VI: Comment and Opinion on Key Issues

Three major issues: restoration of balance, reversal of the trend to famine and expanding African exports, are commented on in this section by Tanzanian Minister of State for Cabinet Affairs, Amir Jamal; former World Bank President, Robert McNamara and Zimbabwe Minister of Finance, Economic Affairs and Development Planning, Bernard Chidzero.

Minister Jamal underlines the urgency of restoring both external and internal balance. He stresses the importance of the price mechanism - including exchange rates - and of reducing resource use - including public spending cuts in stabilisation. However, he also points to their limitations - basic services (health, education, water) are often as crucial incentives as prices; physical (e.g. transport) and import limitations mean that price changes alone will not be enough. He stresses that capacity underutilisation and fall in real resource availability (as opposed to normal overheating and increased resource use) elements are dominant in most SSA economies today. Supply enhancement is therefore, in his view, at least as critical as cuts in demand and resources to permit rehabilitation and operation of existing capacity often more so than funding for additional capacity.

Robert McNamara stresses the need to look beyond and behind the current starvation crises which have focused public attention on SSA. He points to the deteriorating food supply growth and accelerating population increase trends which underly them. Unless these are faced - by SSA governments and by external governments and agencies - he sees a future in which crises recur regularly and become worse with each repetition. He warns that, unless the governments of SSA have the will and the resources to address the economic and social requirement of the mass of their people, instability will increase in

SSA with that disorder having a ripple effect on the peace and security of many nations outside of Africa.

Minister Chidzero explores the possibilities for restoring external balance to SSA economies by raising exports. He points to several types of barriers which impede market access for many SSA exports as well as to the negative impact of the post 1979 industrial economy recession. In respect of two major strategic lines of advance - regional trade and shifting production and export structures to processed and manufactured rather than unprocessed raw material products based on SSA economy natural resources - he argues that sustained effort over several years will be needed to achieve full results. He also points to the problem of debt service engrossing increased export earnings, thus preventing their use to restore import and production levels, and to the need to enhance African commercial informational, institutional and personnel capabilities and experience to identify and capitalise on potential export opportunities.

f. Introduction to VII: "Parametric and Political Economic Constraints: Two Case Studies"

Economic analysis and prescription - especially but not only in SSA - has failed to take account of structural constraints and therefore sought (and predictably failed) to achieve the impossible. Two major types of constraint set limits: technical and economic parameters such as the minimum necessary ratio of imports to domestic production and political economic priorities which cannot be ignored without loss of support by national decision takers and those groups, institutions and sub-classes whom they represent or to whom they feel responsible. The nature of such limits are explored through two case studies - one on Zimbabwe concentrating on technical and economic parameters and the other on Namibia at independence concentrating on political economic necessities and priorities' interaction with resource constraints.

Xavier Kadhani and Reg Green explore the parameters - both internal and external - which constrain the Zimbabwe economy at macro and sectoral level. Within this framework - which begins with the evolution of these parameters since 1973 and project the probable limitations imposed by them through 1990 - the paper explores past policies, the impact of external shocks and the range of practicable measures to restore output in the short and relax parametric constraints in the medium term.

Caroline Allison and Reg Green address political economic priorities and constraints and their interaction with real resource constraints using Namibia at independence as an example. The paper articulates strategic and programmatic priorities from SWAPO goals and explores their interaction with real resources available and parametric constraints needing to be relaxed as a process contributing to identifying possible outlines for national economic

strategy and policy. Within this framework women's participation in waged employment is explored in somewhat greater detail as an example of how political and social goals can be related to existing contexts and possibilities in an iterative process toward a parametrically feasible and political economically viable set of priorities and policies.

g. Introduction To VIII: "Notes and Events"

SSA has become a focus of attention in the United Nations system. The Secretary General launched a special initiative in December 1983 and has sought to coordinate the work of UN institutions and of states in overcoming the present crises and recreating a basis for development.

In the fall of 1984 the World Bank presented its third SSA Review to the Development Committee of the IMF/World Bank. Stanley Please, who led the Bank team who prepared the report, highlights and summarises it. Areas of stress include the rapid post 1979 fall in per capita output, the two decade old fall in food production per capita, the increased efforts at transformation and stabilisation by many SSA governments and the falling levels of net real resource flows to Africa which threaten to nullify those efforts.

The Committee for Development Planning issued a special statement on SSA after its November 1984, Geneva meeting. This statement stresses both the immediate need for saving human lives and the underlying necessity of rebuilding the economic base. It underlines the need for longer term policy and programme approaches both by SSA governments and those cooperating with them and in particular that of restoring net financial inflows levels.

The UNDP - whose Administrator, Bradford Morse was named overall UN Coordinator for SSA early in 1985 - has sought to combine analysis of problems with quick action to reduce them. The summary of its work presented here was first published in Development In Action in 1984.

As its 39th Session the United Nations general Assembly adopted a resolution on the "Critical Economic Situation In Africa". It stresses the existence of

development crises most nakedly exemplified by starvation but also wider and less amenable to short term responses. The areas in which agreed lines of action - including those endorsed by the OAU in its 1980 Lagos Plan of Action exist - are pointed out and the urgent case for more international co-operation in support of SSA states (not least in respect to their external debt burdens) set out.