The World Bank

Toward Sustained Development in Sub-Saharan Africa

A Joint Program of Action

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Foreword

Sub-Saharan Africa today faces acute economic difficulties. The long-term outlook appears bleak, but this need not be the case. With sufficient will and determination the nations of sub-Saharan Africa and the international community can act to set the base for a new era: a time of development progress when the quality of life of tens of millions of Africans can be significantly improved.

This report is one of hope and pragmatism. This Action Program leaves no doubt that much of the efforts to secure improvements will have to be shouldered by the peoples of sub-Saharan Africa, with the governments of these nations having to make difficult, yet vitally necessary policy changes.

But progress will be achieved only if the international community provides strong and consistent support to the reform efforts of the sub-Saharan nations. There needs to be better coordination among the international institutions involved in Africa's development and by the aid agencies of the donor nations. There needs to be increased international support for sub-Saharan development by the provision of both expertise and concessional funds.

The World Bank will seek to work still more closely and forcefully with all parties to make this program of action a reality. The Bank is prepared to take a wide array of specific actions, ranging from increases in the resources it deploys to improve international aid coordination, to expanding its offices in Africa, to strengthening its support for agricultural research. In addition, the Bank will make every effort to facilitate the implementation of this program of action by governments and multilateral organizations.

Further, having increased Africa's share in the resources of the International Development Association in recent years, we shall continue to give Africa the highest priority in the allocation of scarce IDA funds. We shall seek, as far as is possible, to expand lending to sub-Saharan Africa by both the International Bank for Reconstruction and Development and the International Finance Corporation.

In preparing this report we have consulted widely, and we are convinced that the actions outlined here can yield significant results. It is an agenda for action and urgent action is now required. We are keen to join with the United Nations and its agencies, with the European Communities, with the African Development Bank, with the Economic Commission for Africa, and with other international and national organizations to assist the countries in sub-Saharan Africa in their development efforts. The tide can be turned on sub-Sahara's fortunes, sustained development can be secured, and a brighter future can be realized.

A. W. CLAUSEN
President, The World Bank

August 1984

Definitions

The thirty-nine sub-Saharan African developing countries are arranged in ascending order of per capita gross national product as follows:

Low-income economies are those with 1982 per capita gross national product (GNP) of less than $410:

- *Semiarid economies* are Chad, Mali, Burkina Faso, Somalia, Niger, and The Gambia
- *Other economies* are Ethiopia, Guinea-Bissau, Zaire, Malawi, Uganda, Rwanda, Burundi, Tanzania, Benin, Central African Republic, Guinea, Madagascar, Togo, Ghana, Kenya, Sierra Leone, and Mozambique.

Middle-income economies are those with 1982 per capita GNP of $410 or more:

- *Oil importers* are Sudan, Mauritania, Liberia, Senegal, Lesotho, Zambia, Zimbabwe, Botswana, Swaziland, Ivory Coast, and Mauritius
- *Oil exporters* are Nigeria, Cameroon, Congo, Gabon, and Angola.

Billion is 1,000 million.

Tons are metric tons (t), equal to 1,000 kilograms (kg), or 2,204.6 pounds.

Growth rates are in real terms unless otherwise stated.

Dollars are U.S. dollars unless otherwise stated.

Unless otherwise specified, all tables and figures are based on World Bank data.

Acronyms and Initials

ADB	African Development Bank
CGIAR	Consultative Group on International Agricultural Research
Caisstab	Agricultural Price Stabilization Fund
ECA	Economic Commission for Africa
EC	European Communities
FAO	Food and Agriculture Organization
GDP	Gross domestic product
GNP	Gross national product
IBRD	International Bank for Reconstruction and Development
ICIPE	International Centre of Insect Physiology and Ecology
ICRAF	International Center for Agroforestry
IMF	International Monetary Fund
IDA	International Development Association
MSA	Most seriously affected
OAU	Organization of African Unity
ODA	Official Development Assistance
OPAM	Office des Produits Agricoles du Mali
Paris Club	Refers to ad hoc meetings of representatives of the governments of Western donors
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WFP	World Food Program

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Introduction and Summary

This report, like the two that have preceded it,[1] has its origin in the widespread and growing concern about economic conditions in Africa. While this latest report reiterates the main theme of its predecessors—the need for domestic policy reforms to accelerate growth—it has several distinctive features.

- First, it places more emphasis on donor assistance strategy. While the reform of the policy and institutional framework within each African country is crucial, domestic reforms cannot be fully effective unless supported by appropriate levels and types of external assistance.
- Second, it stresses that better use of investment—both domestic and foreign—is the key issue. Making the most of investment requires not only appropriate pricing policies, but also adequate management capacity in the government, supplemented by technical assistance. In addition, it requires a more active role for nongovernmental institutions and for the private sector.
- Third, it analyzes the growing debt servicing burden of sub-Saharan countries in the context of their overall requirements for foreign exchange.
- Fourth, it draws attention to the long-term constraints on development—population growth, human resource development, technological change, and the erosion of natural resources (through deforestation and desertification, for example). Unless these long-term issues receive continuing and increased attention, whatever the short-term problems, development in Africa will continue to be frustrated, leading to what the Economic Commission for Africa (ECA) has called a political, social, and economic "nightmare" by the turn of the century.

1. The two earlier reports prepared by the World Bank staff are *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (1981) and *Sub-Saharan Africa: Progress Report on Development Prospects and Programs* (1983).

The Present Situation and Outlook

Africa's economic and social conditions began to deteriorate in the 1970s, and continue to do so. Gross domestic product (GDP) grew at an average of 3.6 percent a year between 1970 and 1980, but has fallen every year since then. With population rising at over 3 percent a year, income per capita in 1983 is estimated to be about 4 percent below its 1970 level. Agricultural output per capita has continued to decline, so food imports have increased: they now provide about a fifth of the region's cereal requirements. Much industrial capacity stands idle, the victim of falling domestic incomes, poor investment choices, a failure to develop export opportunities, and inadequate foreign exchange for materials and spare parts. After the impressive start the newly independent African nations made in building infrastructure, education, and health services, progress is faltering and may be reversed by a shortage of funds. Many institutions are deteriorating, both in physical capacity and in their technical and financial ability to perform efficiently. Although the picture varies from country to country, even those with good records in the 1970s now face serious difficulties. In short, the economic and social transformation of Africa, begun so eagerly and effectively in the early years of independence, could be halted or even reversed.

The effects of the drought have understandably claimed the most international attention. Immediate priority has to be given to saving human lives through emergency relief operations. These needs and the response of donors were examined in an internal World Bank report (1984) on the 1983 drought in sub-Saharan Africa, its short-term impact, and desertification and other long-term issues. The effects of the drought are, however, only the most extreme and distressing aspects of the more pervasive economic crisis in Africa. Pressing as these current problems are, it is important to emphasize that they are not short term. They are part of a long-term unfavorable trend, best illustrated by putting the current food crisis in a longer perspective. Annual per capita grain production in the twenty-four countries most seriously affected by drought has been falling on average by 2 percent a year since 1970. Per capita production is expected to be below the trend in 1984 by almost exactly the same amount as it was above the trend in 1981. If the fifteen-year production trend continues, per capita production in 1988 will be the same as in the drought-ravaged year of 1984, even if 1988 has normal weather. Something must be done to reverse this trend.

Against this disquieting background, is it possible to look with hope toward the future? The World Bank, in its reports *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (1981) and *Sub-Saharan Africa: Progress Report on Development Prospects and Programs* (1983), has answered with an emphatic "yes." This optimism can be justified by recent experience both in Africa and elsewhere. For instance, the despair that is now focused on Africa was matched by a comparable feeling about India in the early 1960s. In recent years, India, despite its terrible poverty, has emerged from despair to hope in the eyes of the world. This change has been achieved largely through sustained improvement in the government's policies and programs, with support from donors wherever their finance, technical assistance, or advice could be useful. There are many other cases around the world of the mutually reinforcing roles of good domestic programs and appropriate external assistance.

The same combination of domestic reform and donor support can be successful in sub-Saharan Africa. The potential for rapid growth exists. Although some parts of the region are prone to drought and other natural hazards, most countries have a large agricultural potential. Some have oil or other mineral resources. The lack of educated and experienced people, which was a major barrier to development for most countries at independence, has been eased. More important, African leaders increasingly recognize the need to revise their development strategies. As the Bank's 1983 progress report noted, some countries are introducing policy and institutional reforms. However, progress remains inadequate, both in the number of countries affected and in the scale and speed with which the reforms are made. Similarly, aid donors have recognized the need to adjust their programs to support these reforms more effectively, but their response has also been inadequate. They have typically failed to coordinate their programs so as to provide the well-focused support that African governments require.

Neither the essential objectives of Africa's development nor the policy issues that must be addressed to achieve them are in dispute, even though views on timing and priorities may differ. African heads of states established the objectives in 1980 in the Lagos Plan of Action. These include human resource development, greater self-reliance (including food self-sufficiency, rapid growth of industry, and national development of mineral resources), greater economic integration, and rapid scientific and technological progress. Since 1980, many other institutions—including the ECA, the African Development Bank (ADB), the European Communities (EC), and the World Bank—have examined what needs to be done to achieve these objectives. For instance, the "Economic Report on Africa, 1984," produced jointly by the ADB and the ECA, together with the 1983 study, *ECA and Africa's Development 1983–2008*,[2] set out the major policy issues. Both reports recognize that Africa's problems are structural and therefore need to be tackled by a range of policy measures:

- Health and other programs to reduce the rate of population growth
- Changes in the structure of education and training to ensure greater relevance to the needs of African economies
- Budgetary and pricing policies (including correction for the overvaluation of exchange rates) that will switch the internal terms of trade in Africa toward agriculture

2. *ECA and Africa's Development 1983–2008: A Preliminary Perspective Study* (Addis Ababa: Economic Commission for Africa, April 1983).

- Improved financial control, including more realistic interest rates, to increase the efficiency with which investment projects are selected and implemented
- Greater emphasis on smallholders rather than large farms
- Stimulation of employment outside the public sector through incentives to the private sector, including foreign direct investment
- Stimulation of foreign exchange earning, from both traditional and nontraditional exports
- Stimulation of foreign exchange saving through efficient substitution of domestic for imported supplies to meet energy requirements, consumer demand for food and manufactures, and the needs of industry for materials and intermediate and capital goods
- More economic integration in Africa, particularly to meet food and energy requirements.

The emerging consensus on policy issues dwarfs any remaining areas of dissent. Delay in taking action, whether by African governments or donors, can no longer be justified on the grounds of major disagreements in diagnosis and prescription. Action in the main areas of agreement will be enough to ensure economic progress, and action now is a matter of urgency.

Summary: A Joint Program of Action for Sub-Saharan Africa

This report proposes a program of action that can be summarized under six main headings.

National Economic Management

Formulation of national rehabilitation and development programs by African governments.

The starting point for any program of rehabilitation and development is recognition by governments of the need for reform and the directions to take. While emergency assistance can, if necessary, be predominantly organized and financed by outside international and national agencies (for example, the World Food Program, nongovernmental organizations, and bilateral and other agencies), a special program of action for Africa to handle the deeper economic crisis can only be conceived as a series of national programs. There is no avoiding the central point that unless individual African governments formulate and implement programs that address the constraints on the more rapid growth of their economies in the short term, the medium term, and the longer term, programs of international assistance cannot do the job.

Moreover, the way in which programs are formulated has to change considerably. Planning must be strategic, recognizing that an inflexible plan is largely irrelevant for policymaking and of little use in developing the programs now needed as a basis for action. These programs must be flexible enough to adapt to the lessons of experience and to handle unexpected developments in the availability of finance. Flexibility does not, however, imply lack of firmness in determining priorities and in ensuring that they are observed by all agencies of the government and by the donors. Firm priorities are needed, particularly for public spending. Simultaneously, governments should be improving the price incentives and the framework of institutional support in marketing and transport that are required to evoke a production response. The thrust should be toward more efficient use of resources through (a) fuller use of existing capacity in all sectors—agriculture, power, education, health, and industry (except for projects that have been costly mistakes and should be "written off"), and (b) better use of new resources for public and private investment. Moreover, the respective roles of the central government, local governments, community and cooperative groups, and the private sector need to be examined, and in many cases the balance needs to be altered if a more efficient use of resources is to be achieved.

Although more African countries recognize this need to revise their economic strategies, few appreciate the urgency and scale of action demanded by their deteriorating economies. In formulating their programs, external technical assistance can be obtained from several sources—bilateral, regional, or multilateral. But this assistance can be effective only if it works within an institutional structure designed to produce operationally relevant policies and programs. Moreover, these must clearly be supported by the country's political leaders.

Donor Programs and Aid Coordination

Consultative groups, United Nations Development Programme (UNDP) roundtables, and similar meetings should aim for more explicit and monitorable *commitments by recipient governments and donors to implement their respective responsibilities under an agreed program of action. The implementation should be monitored by the chairman of each consultative group.*

Donors must be willing to provide their assistance within the framework established by government programs and in accordance with government priorities. Much foreign aid is, of course, consistent with each country's development priorities. But in the African context of severe financial constraints and declining per capita incomes, "much" is not enough. In many African countries, the pattern of development spending has become increasingly determined by the aggregation of aid programs. This pattern has arisen directly through the financing by donors of a large proportion of capital expenditure and indirectly through the recurrent cost requirements of previous donor-financed projects. The authority of core ministries—finance and planning—is often inadequate to ensure that investments proposed by line ministries to donors are consistent with the country's long-term priorities, with the immediate resource situation, and with budgetary prospects. While governments need to establish more disciplined decisionmaking processes, donors have a responsibility for supporting them. Moreover, donors must recognize that, if they allow commercial or strategic considerations to outweigh considerations of priority, efficiency, and relevance in their assistance decisions, they weaken the ability and willingness of governments to implement reforms.

The precise way for donors to ensure that they are working within a well-articulated government program will vary from country to country. The many consultative groups, UNDP roundtables, and similar meetings are an obvious starting point. They provide the government with the opportunity to describe its problems and options. It can then present its macroeconomic, budgetary, and sector programs and the role it envisages for external assistance. However, experience suggests that even the best consultative groups and similar bodies need to be supplemented by more frequent and local meetings with a narrower and more operational focus. In some instances, sector and subsector working parties have been introduced successfully, and their use should be expanded. In all cases, success depends on the government's taking responsibility for such meetings, working closely with a lead donor, and using whatever external technical assistance it needs.

In addition, effective aid coordination requires that more explicit and monitorable agreements be reached than have been the case in the past. Recipient governments and donors should commit themselves to certain actions: detailed sector programs; changes in incentives and other key policies; changes in investment programs and in related provisions for recurrent expenditure, matched by firm pledges of amounts of assistance; and provision of specific forms of aid, such as nonproject assistance, food aid, and debt rescheduling. In this way, consultative groups will move toward the pledging concept that the Aid Consortia for South Asian countries adopted in the 1960s, when those countries faced similar economic crises. To be effective, the implementation of agreements should be monitored by the donor organization that is chairman of the consultative group.

External Support for Reform Programs

Provision of adequate, timely, and sustained external financial assistance to programs of major economic reform.

Improving the performance of the directly productive sectors, particularly agriculture, must be central to all programs to restore Africa's economic growth. Agriculture has the potential to reverse the increasing dependence on food imports, to produce the largest increase in export earnings in the short and medium term, to improve the standards of living for the bulk of the population, to provide many of the inputs for the industrial sector and much of the demand for its output, and to strengthen the domestic income and tax base to finance the education, health, and infrastructural programs that will ease the basic constraints on African development.

In most of Africa, the potential for increasing agricultural output exists. Most African farmers are producing well below the maximum imposed by existing knowledge of new seed varieties, fertilizer and insecticide use, and farming practices. Moreover, the responsiveness of farmers (particularly smallholders), given the right motivation, is not in doubt. Poor agricultural performance has resulted from the combined impact of inadequate incentives—output prices, input costs, and the supply of incentive goods and services (including education and health services)—and inefficient systems of marketing, transport, extension, and other support services. Programs to reverse the decline of agriculture will not work unless they address this whole range of constraints. There are no panaceas. Policy reform does not, in particular, simply mean "getting prices right." It includes the improvement of all the institutional support, such as marketing, transportation, and finance, needed to evoke a large supply response to improved prices.

Some African governments have recognized the need to revise their agricultural policies and programs. Compared with the 1970s, there is now, for instance, more appreciation that agricultural output will not be increased without greater incentives, especially higher prices. This development is seen in the greater willingness to adjust exchange rates, the root cause of low producer prices in most of Africa. Governments are also more willing to permit diversity in marketing and transport rather than to reserve these functions for parastatal monopolies. The importance of stimulating the role of the private sector in these service activities is increasingly being recognized. But these changes are still limited to a few countries, and even they have not gone far. In particular, attempts to switch the incentive system to favor those who earn foreign exchange (primarily producers of export crops) and those who save foreign exchange (primarily food producers) against those who spend foreign exchange—that is, attempts to devalue real effective exchange rates—have been widely negated by a failure to control inflation.

The inadequacy of policy reforms reflects both the practical constraints to generating a quick supply response (such as transport bottlenecks and shortages of inputs and incentive goods) and the inability or unwillingness of governments to make hard political decisions. Cheap food, low import prices, and overstaffed state marketing authorities all benefit some social groups, and these groups can be politically powerful. However urgently it is approached, policy reform can only be introduced step by step and will only gradually yield results in the form of increased output and an improved balance of payments. But if the opposition to reform is to be managed, governments need to show results quickly. This implies a focus on policies that can yield results quickly from existing capacity and will require an increased flow of imported goods and services, which initially have to be financed out of increased external assistance to the country.

The external assistance needed to support major policy reforms must be both adequate and sustained. It must also be immediately available in nonproject form to buy the wide range of agricultural inputs, industrial materials, spare parts, fuel, and vehicles that are required to evoke the supply response from the economy. Too little external support, provided too late and with too many administrative barriers to its disbursement, will fail to revive economic activity sufficiently quickly to make policy reform politically sustainable.

Infrastructure

Public expenditure programs should give greater emphasis to rehabilitation and maintenance of existing infrastructure in support of policy reform rather than to investment in new capacity. Investment in new projects should be very limited. This changed emphasis should also be reflected in donor programs, which have typically preferred the financing of new infrastructure projects.

Efficient transportation, energy, telecommunications, water, and sewerage services are essential components of reform programs. In most countries, however, the supply of these services is restricted by the failure to utilize existing capacity because inadequate funds have been allocated to operation and maintenance. In some instances, rehabilitation of existing capacity is now required. Any investment in new capacity should initially be confined primarily to "debottlenecking" projects. Of course, in the longer run, when the pace of economic growth has increased, very large new infrastructure projects will be required in Africa. Over the next few years, however, governments must give priority to rehabilitation and maintenance.

Financing big infrastructure projects has represented a large part of past donor programs. These programs must be reexamined. Even ongoing projects need to be reviewed with governments to ensure that their completion at this stage of extreme shortage of resources is still desirable. The funds that can be released by a restructuring of the current investment programs are urgently needed to maintain and rehabilitate infrastructure and to help meet the direct and indirect costs of policy reform.

Basic Constraints on Development

Formulation of low-cost, efficient, and well-targeted programs in education, health, population, agricultural research, and forestry. These programs should be determined and supported on a rising and continuous basis by donors. Specific attention should be paid to the underfunding, by both donors and governments, of critical components of recurrent spending.

The crisis management of recent years has resulted in widespread neglect of programs dealing with the long-term constraints on development. Schools are increasingly unable to teach effectively because of shortages of books and other materials; clinics are frequently without medicines; deforestation, overgrazing, and other environmental hazards are not being checked. Combining these adverse developments with the relentless growth of population creates the specter of disaster that the ECA and others fear.

Although some new investment will be required, the immediate priority is to make better use of existing resources. African governments and donors continue to prefer new projects, especially new schools and hospitals, when the greatest urgency is to provide more resources to operate and maintain (and, increasingly, rehabilitate) existing projects. These needs have always been underestimated and underfunded because many critical supplies—books, medicines, and spare parts, for example—require foreign exchange that governments can ill afford. Donors should give special priority to financing them, within the context of well-formulated sectoral programs, which would include increasing self-financing by governments.

In the medium to long run, however, new investment in these basic developmental programs needs to increase markedly. Provided sectoral policies and programs have been agreed and are adhered to, donor support should be continuous and reliable. For instance, this support should not vary according to changes in government performance in addressing macropolicy issues, unless the deterioration in these policies is so great that it becomes impossible for sectoral programs to be effectively implemented. This support should be treated as a basic component of donor programs.

Typically a lead donor should be selected to work actively with governments in preparing sectoral programs and supporting policy changes. Such an arrangement will provide all donors with the framework for negotiating with governments their basic programs of external financial assistance. Chairmen of consortia, consultative groups, and roundtables should be responsible for ensuring that this process of designing and implementing programs by governments and donors is working effectively. Initial priorities are health and population, forestry, adaptive agricultural research, and education and training. Some sectoral problems may require a regional approach, such as programs to tackle desertification and to undertake basic agricultural research. It must be accepted that both national and regional programs will always be based on less than perfect knowledge. This is an unavoidable reality which should not delay their formulation and implementation. The urgency of Africa's needs demands action on the basis of the best available knowledge. Monitoring the implementation of the early stages of action and undertaking further studies should then be used to adapt the programs and formulate their subsequent stages.

Not only should both governments and donors provide dependable support for these basic programs, but they should also increase assistance to them over time. The need to develop Africa's human resources is enormous. Even if the performance of agriculture and industry is rapidly improved and thereby generates additional revenues, and even if unit costs of human resource development programs are markedly reduced, total costs of priority actions in these sectors will far exceed available domestic resources. Measures to slow population growth must be part of the basic program. Although reduction in fertility will not by itself ease Africa's economic crisis in this century, it is critical to any longer-term goal of raising real incomes. The education of women and the improvement of health facilities are key components of population programs.

It is frequently asserted that socioeconomic programs cannot quickly absorb more money. Of course, institutional weaknesses may prevent the efficient use of extra resources; these weaknesses need to be addressed through, for instance, wider use of decentralized agencies, nongovernmental organizations, and the private sector, as well as through improved staffing, training, and motivation of existing institutions. However, absorptive capacity frequently seems a constraint only because of the limited type of support that donors want to give. If aid is increased in support of sectoral programs, much more can usually be used to good effect.

External Finance

The prospective decline in net capital flows to sub-Saharan Africa from $11 billion to $5 billion is inconsistent with the program of action for tackling the crisis in Africa, with the need for reorientation of policies, and with the resumption of sustained development. At a minimum, net capital flows should be maintained at their 1980–82 level in real terms, if there is to be any prospect of adequately supporting those countries undertaking the necessary policy reforms and restructuring their development and investment programs. For bilateral donors, this implies a combination of rescheduling of amortization payments and an increase in gross disbursements. For multilateral donors, where rescheduling is not an option, gross disbursements will have to increase. About $2 billion additional bilateral and multilateral disbursements each year will be required over the existing commitment authority of donor agencies. In view of the inflexibilities in donor programs and the uncertainties regarding the number of countries implementing reform programs and their specific needs, the additional funding should be placed in a special assistance facility to be used only when required to support reform programs.

This report emphasizes that additional external assistance is not, by itself, the solution for Africa's problems: getting better value from both internal and external resources has to be the primary focus of attention. This strategy poses political challenges to both African governments and donors. Unless major changes in African programs and policies are introduced, no amount of external assistance can generate rising levels of per capita income. On the other hand, these changes in policies and programs are unlikely to be effectively sustained unless matched by parallel reforms in donor policies. The specter of disaster that confronts Africa and the international community demands that donors provide their assistance solely in ways that support the needs of African development. Donor preferences emerging from their own commercial interests or from a view that is no longer relevant to development priorities in Africa—for example, a preference for large infrastructure and industrial projects—must be modified.

Donors must be particularly willing to make available adequate financial assistance in a timely and suitable form to support those sub-Saharan African countries that are implementing major programs of policy reform. If these programs are to be effective, the import capacity of the countries must be quickly increased. African countries are overwhelmingly dependent on primary product exports for their foreign exchange earnings. An increase in imports is unlikely to be possible from improved export earnings from these commodities in the short run, although in the medium to longer run that has to be the objective. Moreover, these countries have to meet rising interest charges on their external debt, as well as large International Monetary Fund (IMF) charges and repurchases. There is no escaping the fact that, if these countries are to be effectively assisted in reversing the downward trend in per capita incomes, they will require large increases in net capital inflows. Yet their present prospect is for exactly the reverse (see table I.1).

For sub-Saharan countries, total amortization payments will rise from an average annual amount of $2.3 billion in 1980–82 to about $8 billion in 1985–87. In addition, IMF repurchase obligations (amounting to about $1 billion annually) will come due during the next few years. With gross capital flows from bilateral and multilateral sources stagnating at around $9 billion annually and the commercial flows declining,

Table I.1. *Sub-Saharan Africa: External Capital Flows, 1980–82 and 1985–87*
(current US$ billions)

	1980–82 (estimates) annual average	*1985–87 (projections—in the absence of special action) annual average*
Total		
Gross capital flows	13.1	13
Amortization	2.3	8
Net capital flows	10.8	5
Of which:		
Private		
Gross capital flows	4.2	4
Amortization	1.7	5
Net capital flows	2.5	−1
Bilateral and multilateral grants and loans		
Gross capital flows	8.9	9
Amortization	0.6	3
Net capital flows	8.3	6

Note: All figures exclude use of IMF resources and repurchases. Net use of IMF resources was, on average, $0.8 billion annually during 1980–82. Repurchases during 1985–87 are estimated to be about $1 billion annually.

present prospects are that without special action annual net capital flows to sub-Saharan Africa will decline from about $11 billion to about $5 billion over the period 1985–87.

These are, of course, alarming figures for sub-Saharan Africa as a whole. If the turnaround in African economic prospects is to be addressed as a genuinely international effort, prospects of this kind for those countries that are actively adopting domestic reform programs cannot be acceptable to the donor community. Some alleviation in the situation for these countries can come both from debt rescheduling and from reprogramming of existing aid flows. However, experience suggests that donors do not have the flexibility in their programs to generate the external support that these countries require. In any case, if this implied a reduction in the financing of basic programs in sub-Saharan Africa, it would not be desirable. There are already several countries in which domestic reform programs are threatened by inadequate external financial support. Their capacity to import needs to be markedly increased if these programs are to be effective and sustained.

Debt rescheduling is not an option for multilateral donors. If bilateral donors can be expected to roll over about half the amortization due to them, then additional annual gross capital flows from both bilateral and multilateral sources will need to be increased during the period 1985–87 by about $3.5 billion a year above their 1980–82 average annual level if the prospective fall in net capital flows to sub-Saharan Africa in real terms is to be averted. About $1.5 billion of this increase is already in prospect under present commitment authority of donor agencies.

The extent to which additional commitment authority will be required by donor agencies over the next three years will depend on what happens to private flows of capital and on the number of African countries that implement domestic reform programs. Private net flows have declined from a peak of $3.4 billion in 1980 to $1.8 billion in 1982. Even if private net flows are to level off at $2 billion a year over the next few years, this will imply that about half of the amortization payments will have to be rolled over—otherwise gross inflows will have to be increased above their 1980–82 level, which is unlikely. For the longer run, African countries must, as recommended in the 1984 ECA/ADB economic report on Africa, take action to stimulate private investment. Clear statements are required from governments of the areas in which private investment, particularly foreign private investment, is considered desirable; governments must also provide an appropriate legal framework for encouraging these investments. Expeditious approval procedures and consistency in policies relating to the private sector are essential.

The need for increased bilateral and multilateral assistance will also depend on the number of countries that embark on major programs of reform and the aggregation of their specific needs. This, however, will itself depend on the likely availability of adequate external assistance. To meet this uncertainty, donors should have a contingent ability to respond to countries requiring major additional assistance to support their reform programs. A special assistance facility of this kind would give governments the confidence they require that external support will be forthcoming at an adequate and sustained level if they introduce major programs of reform. By placing the additional funds outside of the regular donor programs, the special facility would also provide flexibility, which is otherwise difficult to build into donor programs. The facility would represent additional funds to present and prospective levels of bilateral and multilateral assistance. The resources of the facility would be activated only when required to give additional support to a country's reform programs. The speed with which the funds would be drawn down would, therefore, depend on the number of countries implementing such reform programs and their specific needs.

The Political Challenge

In its perspective study, *ECA and Africa's Development 1983–2008*, the ECA uses the phrase "the willed future," which is both feasible and necessary if sub-Saharan Africa is to avoid a "nightmare" by the turn of the century. This language perfectly captures the challenge. Does the will exist, both in Africa and abroad, to turn despair into hope? The potential exists for doing so, and there is an emerging consensus on what needs to be done by governments, both in sub-Saharan Africa and outside. The political decisions to be made will not be easy, but they are now urgent.

1. The Deepening Crisis

No list of economic or financial statistics can convey the human misery spreading in sub-Saharan Africa. A special study by the United Nations Children's Fund (UNICEF), "The Impact of Recession on Children," has documented how children have been the victims of economic decline. In Zambia's poorer northern regions, height-for-age ratios have fallen in all age categories under fifteen years. Child mortality in sub-Saharan Africa was 50 percent higher than the average of developing countries in the 1950s; now it is almost double the average. Moreover, despite the surges in food imports and food aid, an estimated 20 percent of Africa's population still eats less than the minimum needed to sustain good health. The number of severely hungry and malnourished people is estimated to have increased from close to 80 million in 1972–74 to as many as 100 million in 1984.

The illustrative scenarios in the World Bank's *World Development Report 1984* suggest that, even with some fundamental improvements in domestic economic management, per capita incomes in sub-Saharan Africa will continue to fall during 1985–95. In the more pessimistic scenario, GDP is expected to grow at 2.8 percent a year and population at 3.5 percent, involving an annual fall in per capita GDP of 0.7 percent. On this basis, real African incomes in 1995 will be so low that between 65 and 80 percent of the people will be living below the poverty line, compared with roughly 60 percent today.

Political instability is also claiming more victims. Africa now has around 2.5 million refugees; twenty years ago there were 400,000. One in every 200 Africans is a refugee. The African continent, with less than a tenth of the world's population, has more than a quarter of the world's 10 million refugees. This number does not include economic refugees or people displaced within the borders of their own country. Many women and children are often forced through circumstance to move; some children move alone to cities and do their best to survive, untended. In every case, the poor are depending on the poor.

In many African countries people are having to do without any public services, as governments concentrate their resources and energies on sheer economic and political survival. Features of modern society to which many Africans have been exposed are withering: trucks no longer run because there are no spare parts and roads have become impassable; airplanes no longer land at night in some places because there is no electricity to light the runway. While philosophically committed to self-sustaining growth, self-reliance, and regional cooperation, Africa finds itself without the means to generate and share its resources. It is against this human and political background that the economic and financial analysis which follows in this report must be read.

Of course sub-Saharan Africa is not monolithic. It has great diversity, which must be kept in mind throughout this report in which regional generalizations are inescapable. For instance, low-income semiarid countries, (Burkina Faso, Chad, The Gambia, Mali, Mauritania, Niger, and Somalia) represent only 8 percent of the population of sub-Saharan Africa. Even including other countries with difficult natural environments—such as Burundi, Lesotho, Rwanda, and Senegal—the total population is about 39 million, only 13 percent of sub-Saharan Africa's population, and less than half that of Bangladesh alone. At the other extreme, oil exporters in Africa are middle-income countries. They have a per capita income several