

***Presentation to the International Conference
On the Ethiopian Economy***

Organized by the Ethiopian Economic Association

**3 to 5 June 2004
UNCC, Addis Ababa, Ethiopia**

**African Regional Organisations and Economic
Development**

By

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- **The theme of our Panel is Re-thinking Economic Development. Thandika in his Address has ably and excellently done the Rethinking and in greater details and with historical depth.**
- **Makhtar Diouf has also competently addressed the issue of Regional Integration and economic development being directed or driven by the RECs - Regional Economic Communities. It seems that some progress – however small – has been achieved by the RECs, even though this progress is unevenly distributed.**
- **Apart from the OAU/AU, there are two important regional organisations which deal with economic development in the continent – The ECA which is a United Nations Organisation, and the ADB – which is an African Development Bank but controlled by the so called “Regionals” – mainly foreign government investors. During the last ten years, both these organisations have been highly influenced if not driven by the WB/IMF philosophy, theory and technical application of economic policy analyses. While the ADB, like the WB, can shamelessly claim that it is simply a Bank and therefore has**

nothing to do with economic strategies and policies of African countries, the ECA cannot make such a claim. Indeed during the last ten years, the ECA has claimed that it is a Center of Excellence and think tank on economic development for the continent as a whole and African countries individually.

- **My presentation here will not be on these two organisations but rather on the OAU/AU. Yet I cannot refrain from making one simple observation about these two organisations – have their work made any positive effect on the economic development of African countries – any impact at all? The ECA was created in 1958 and the ADB in 1964 (started functioning in 1966) and both organisations have had no serious financial crises while African Governments gave them full support during this whole period. Yet apart from the decade of the 1960s when most African economies were growing reasonably well, the trend of these same economies since the mid 70s has been downwards. By the year 2000 (a convenient cut off year) African economies had deteriorated significantly to below what they were in the 1960s. And most African people are now poorer than they were at Independence. What then has been the role of these two well funded institutions – ECA and ADB? Either their advice and prescriptions to African Governments were not listened to or that they were hooked into an irrelevant economic philosophy, theory and policies – the kind of economic orthodoxy which, despite all evidence of its negative impact on African economies, is still being pursued with considerable vigour, arm twisting (or black mail) where there is resistance and of course with intellectual**

arrogance normally associate with imperial domination. Or these two institutions are part of a global system dominated and driven by the developed countries and which have assigned to them the role of keeping Africa below the level of the break trough benchmark to serious industrial and agricultural development. In other words keeping Africa as low income market for those who dominate the global economy. But they have failed even in this simple task, because what kind of market is Africa since the vast majority of its population lives on 1 to 2 US Dollars a day?

- **I know turn to the OAU/AU the truly indigenous regional organisations – the OAU from 1963 to 2001 and the AU since 2002.**
- **There is an erroneous impression that the OAU/AU has been concerned only with de-colonization and with African political unity. That it has not been concerned with economic development until the 1990s. This impression is wrong.**
- **On the 10th Anniversary of the OAU in 1973, the Heads of States passed their first major resolution on Economic Development entitled “African Declaration on Cooperation, Development and Economic Independence” (May 1973). The declaration on Economic Independence at a time when most African economies were doing quite well is significant and is an indication of the radicalism of the Heads of States when they meet in a Summit at the OAU/AU level. This radicalism reached its peak at the Monrovia Symposium in 1979 which looked at the future of Africa with a very positive and radical perspective. And this of course led to the famous Lagos Plan of Action in 1980 and the**

Final Act of Lagos – The African Economic Community. By the year 1997, the OAU had produced 12 Resolutions on economic development – roughly one resolution every two years! There was thus serious and continuous interest on economic development by the Heads of States during their annual Summits. More important the resolutions passed were quite radical. Today’s orthodox economist would consider the thinking and principles enunciated by these resolutions, especially by the LPA, to be “communist oriented”. The LPA provided the framework and strategies for implementing economic programmes in African countries The strategies and principles were repeated in all subsequent resolutions. The principles which emerged from the LPA are as follows:

- 1. Self reliance should be the basis of development – at the national, sub-regional and regional levels;**
- 2. Equity in the distribution of wealth at the national level is a fundamental objective of development;**
- 3. Public sector is essential for development and it should be expanded;**
- 4. Outside capital is an unavoidable necessity and it should be directed to those areas where African capital is lacking or inadequate – such as mining, energy and large scale projects;**
- 5. Inter-African economic cooperation and integration is essential and should be effected as soon as possible.**

6. Change in the international economic order to favour Africa and Third World countries is essential and Africa should continue to fight for NIEO (New International Economic Order).

On the basis of these principles, the LPA gave primacy to the development of Agriculture (first for food and then for export), Industrialisation (to satisfy basic needs), Mining Industries (to recover total and permanent sovereignty over national resources, establish mineral based industries), Human Resources, and Science and Technology.

These principles and the Plan of Action – the detailed Programme – were discussed extensively by Governments, as well as by African intellectuals. The latter were generally critical of the details in the Plan but strongly supported the basic principles behind the LPA.¹

Since 1973, the Heads of States have been continuously interested and concerned about economic development and they expressed this concern through the OAU resolutions which they passed almost every two years.

But the African Heads of States were “partnered” by the UN, WB/IMF and others in their concern for Africa’s economic development. Thus:-

¹ Bujra, Abdalla (Editor) “Africa Development”, A Quarterly Journal of CODESRIA, Vol.VII, No.1/2, 1982. A special number on The LPA. See Bujra’s Editorial, p. I to VI.

The UN and the WB/IMF had many programmes specifically designed, from their point of view, to bring about economic development in African countries. Some of the major programmes are:-

SAP: started around 1980 and which still continues to the present

UN-PAAERD - 1986 – 1990

AAF-SAP - 1989 –2000

UN-NADEF - 1992

Special Initiative of UN System on Africa – 1996

As if these were not enough, there were bilateral arrangements –

EU-Africa (ACP, EU-South Africa, EU-Maghreb)

TICAD I,II,& III – 1993 to 2003

AGOA - 1998 –2003

China Africa Forum – 2000 – 2003

Yet despite the concern and the efforts of all these actors – including the Heads of African States - Africa’s economic development has not improved. Most economies are stagnating, some are actually deteriorating while a few have shown some sign of very small growth (most of the figures of 6% to 7% annual growth rates of some countries are suspicious).

How do we explain this extensive interest, concern and efforts by African governments through the OAU and by foreigners alike – have not produced the positive results in economic development which all desire.

My simple explanation is that there are two major reasons for the lack of progress in economic development, despite all these efforts – including those of the ADB and the ECA!

First the OAU/AU: The OAU has been passing major resolutions on economic development from 1973 all the way to the present. And the AU now has NEPAD as its main programme which is expected to bring about economic growth – but so far it has not! Yet the OAU/AU have both failed to bring about not only economic development but also political unity which is supposed to be its primary objective! The AU is still young and so is NEPAD. But the evidence so far indicate that the approach being used is similar to that during the OAU and therefore the prognostication is negative!

- **I will argue here that the AU (and this will include the OAU since 1963) has a serious dis-connect with firstly the national governments and secondly and more distantly, with the people.**

The national governments operate very differently from the radical strategies and principles decided at the OAU Summits. At the national level there are two problems. Firstly the governments are following the orthodox economic model which has so far produced negative results. Since the SAP of 1980, this model has been forced on African governments – through both bribery and arm twisting. And this model is exactly the opposite of that developed and recommended by the LPA which the Heads of States had supported and signed to.

More importantly is the coincidence and cooperation between the African elites and foreign investors. They cooperate to develop and implement economic policies and run the government in a way which will maximize their mutual economic interest. Meles Zenawi, as Prime Minister of Ethiopia, he is an insider in terms of running a government and therefore his description of the contribution of internal factors to the African economic crises should be taken seriously. He says:

‘African states have been given names such as neopatrimonial, prebendial, vampire and various other exotic names. The underlying fact is that African states are systems of patronage and are closely associated with rent-seeking activities. Their external relationship is designed to generate funds that oil this network of patronage. Their trading system is designed to collect revenue to oil the system. Much of the productive activity is mired in a system of irrational licenses and protection that is designed to augment the possibilities of rent collection. Much of the private sector in the continent is an active and central element of this network of patronage and rent-seeking activity.’

This characterization of the African States as “systems of patronage” from an insider, no less than a PM of Ethiopia one of the leading African countries, clearly indicates that at the national level, African countries are totally cut off or dis-connected from the radical rhetoric and resolutions made by the Heads of States at the OAU level.

The question which arises is why the Heads of States pass such radical resolution at the OAU as exemplified by the LPA, when they know well that they will not be able to implement even parts of such resolutions? This is a question which needs to be looked into carefully – but this will not be done in this paper – it is not our focus.

The AU has somewhat filled the gap between it and the national governments on the one hand and civil society on the other, by having a Pan-African Parliament (PAP) and an Economic and Social Council (ECOSOC). But the powers of these two “organs” as they are called are limited both within the AU Commission and over the national governments. It seems to me that both the PAP and ECOSOC are unlikely to make national governments implement radical resolutions of the AU. More importantly however, and this is my personal view, the AU, unlike the OAU, is unlikely to make radical resolutions of the LPA type. NEPAD which is a Programme of the AU illustrates this point. The basic economic framework of NEPAD is fully in accordance with and accepts the neo-liberal school of economic development advocated by the WB/IMF. It is thus in total opposition to the LPA. Similarly on the issue of debt – it is silent – unlike the OAU which has made a serious case for the total forgiveness of debt. Thus the signs are that the AU is likely to make resolutions which are within the acceptable parameters of the WB/IMF and the donor community at large. This is a signal which seems to have been given by several Heads of States at meetings of the G8. Indeed there is on-going and continuous negotiations at the level of the experts (from the G8 countries with their African counterpart) which are indicative of

African (NEPAD) acceptance of the basic principles and framework of the neo- liberal economic orthodoxy of the WB/IMF. AU's resolutions therefore are likely to be in line with donor's orthodoxy rather than radical and opposed with the donor's position as was the case with OAU resolutions.

Secondly, every time that African governments show some sign of seriousness to produce their own alternative strategies for economic development, external forces intervene to hijack the efforts in order to control the programme. This happened three times:-

- Firstly when the LPA came out in 1980. The World Bank and the IMF came up with their SAP Programs. Thandika has exposed the negative impact of SAP in his book – "Africa Our Continent Our Future" - 1998.**
- Secondly when Adedeji of the ECA (then acting more as an African institution than a UN institution) came out with AAF-SAP, the WB/IMF intervened to discredit Adedji's effort and fought against it very hard. They succeeded. The story of this struggle is well known. Since then the ECA has become a Center of Excellence – World Bank style.**
- Thirdly NEPAD, like the LPA, was initiated and is owned by Africans. But unlike the LPA, it does not follow the principles enunciated by the LPA. Rather the underlying philosophy of economic development follows the orthodox economic strategies and**

policies recommended by the WB/IMF. Furthermore, although the ownership of NEPAD is African, it is in the process of being captured by the donor community. Since NEPAD was adopted in 2001, there have already been 8 meetings between African Heads of States and the G8 as a group as well as individuals members to discuss the financing of the programme. Little money has come so far. At the level of experts, there are continuous meetings on NEPAD between African experts and aids or representatives of the G8 countries. The fate of NEPAD is still being shaped – most likely at these meetings.

Clearly the failure of economies to grow and develop stems directly from both external forces as well as internal ones.

The imposition of a model of economic development based on the neo-liberal school since the early 1980s twenty four years ago, clearly indicates that African economies are unlikely to grow or develop, especially given the present environment and the trends in the global economy.

What is to be done: clearly there is a need for serious reflection on alternative model of development taking into consideration both the internal forces which are an obstacle to economic development, and those external forces which are allies of the internal forces or impose themselves on African governments.

A debate on some of these issues took place during the second half of the seventies and in some forums such as CODESRIA has continued for sometime. But more such forums are needed and that the AU should take a an active role in this. To start with, the AU can start with helping in the formation of the African Economic Association as well as other similar organizations.