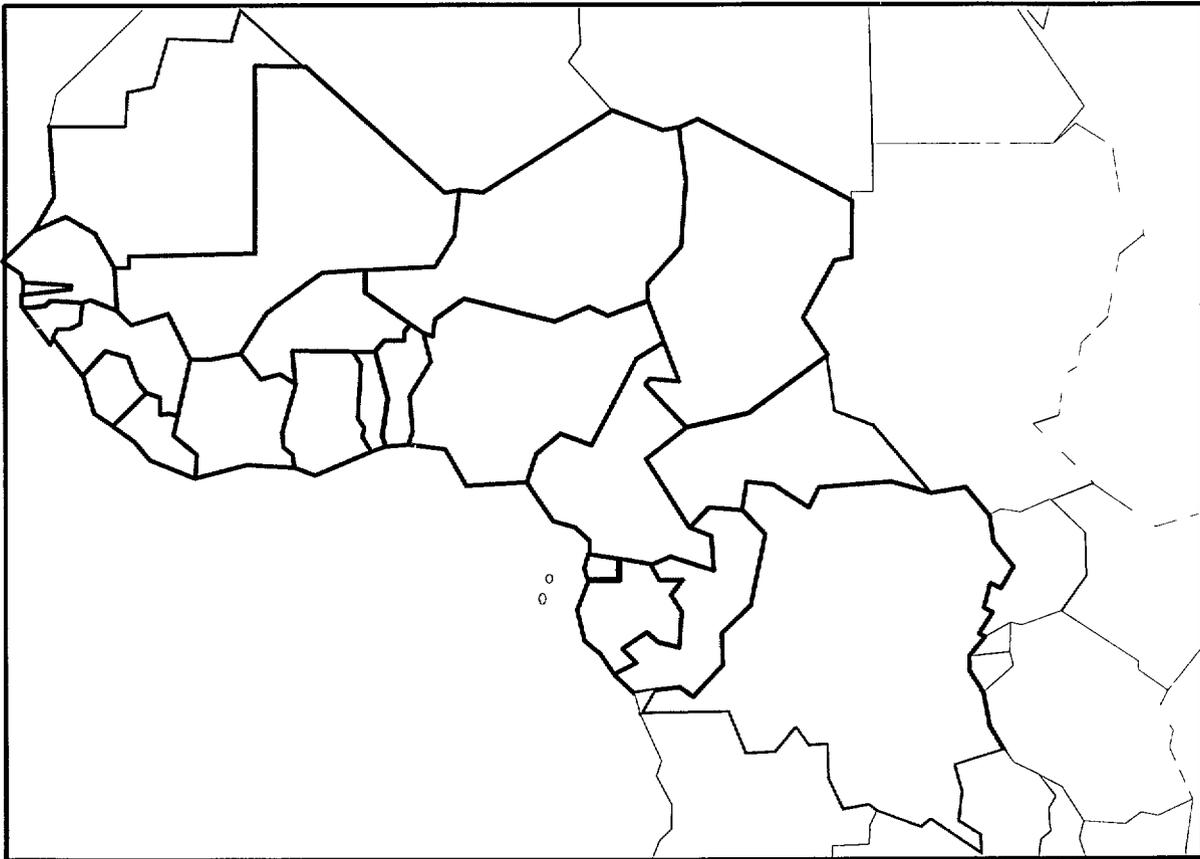


**A Report to USAID**

**West Africa Strategy  
Background Paper**

**Constraints to Economic & Social Development  
and  
Opportunities for Donor Intervention**



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# **Constraints to Economic & Social Development and Opportunities for Donor Intervention**

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## **Constraints to Economic & Social Development in West Africa and Opportunities for Donor Intervention**

This is the second in a series of three Background Papers prepared for the Office of West Africa Affairs in the Bureau for Africa at USAID for use in the design of a regional strategy for West Africa. The first Background Paper<sup>1</sup> provides a statistical overview of the region's performance regarding key political, economic and social development indicators and sets the foundation for further research and analysis of the constraints to development in West Africa and for the identification of opportunities for donor interventions to alleviate these constraints. This paper is intended to serve as a "first cut" analysis of these constraints and opportunities, with the hope that it can stimulate further focused debate and discussion within the Bureau regarding these and other issues critical to the future development of the region. A third Background document has also been prepared which summarizes donor regional strategies for the development of West Africa.

This paper begins with a brief review of the main findings of first Background Paper with regard to various development indicators.<sup>2</sup> It then highlights the key constraints to development in West Africa, particularly with regard to (1) excessive population growth, (2) high levels of urbanization, (3) poor quality basic health care, (4) poor quality basic education, (5) low levels of agricultural productivity and high degrees of environmental degradation, (6) low levels of domestic savings and investment, (7) underdeveloped capital markets, and (8) embryonic democratic political development.

### **A. Overview of Political, Economic and Social Development in West Africa**

West Africa stands alone relative to other low income regions in the world as having the *poorest level of social development*. According to the UNDP "Human Development Index"<sup>3</sup>, West African countries performed on average the *worst* in the developing world<sup>4</sup> (see Chart 1). In particular, the low income countries in West Africa have performed the *worst*, or *amongst the worst*, of all regional groupings with regard to key *population, education and health* indicators. As regards population, West Africa has the *highest* Fertility Rate<sup>5</sup>, the *lowest*

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<sup>1</sup> See "Political, Economic and Social Development Indicators in West Africa", West Africa Strategy Background Paper, prepared by Brian W. Ames, The Mitchell Group, October 31, 1995.

<sup>2</sup> Throughout the remainder of this paper, reference will be made to various statistics which were derived from the data presented in the first Background Paper noted in the previous footnote. From this point forward, the citation "Indicators" will be used to refer to that Background Paper.

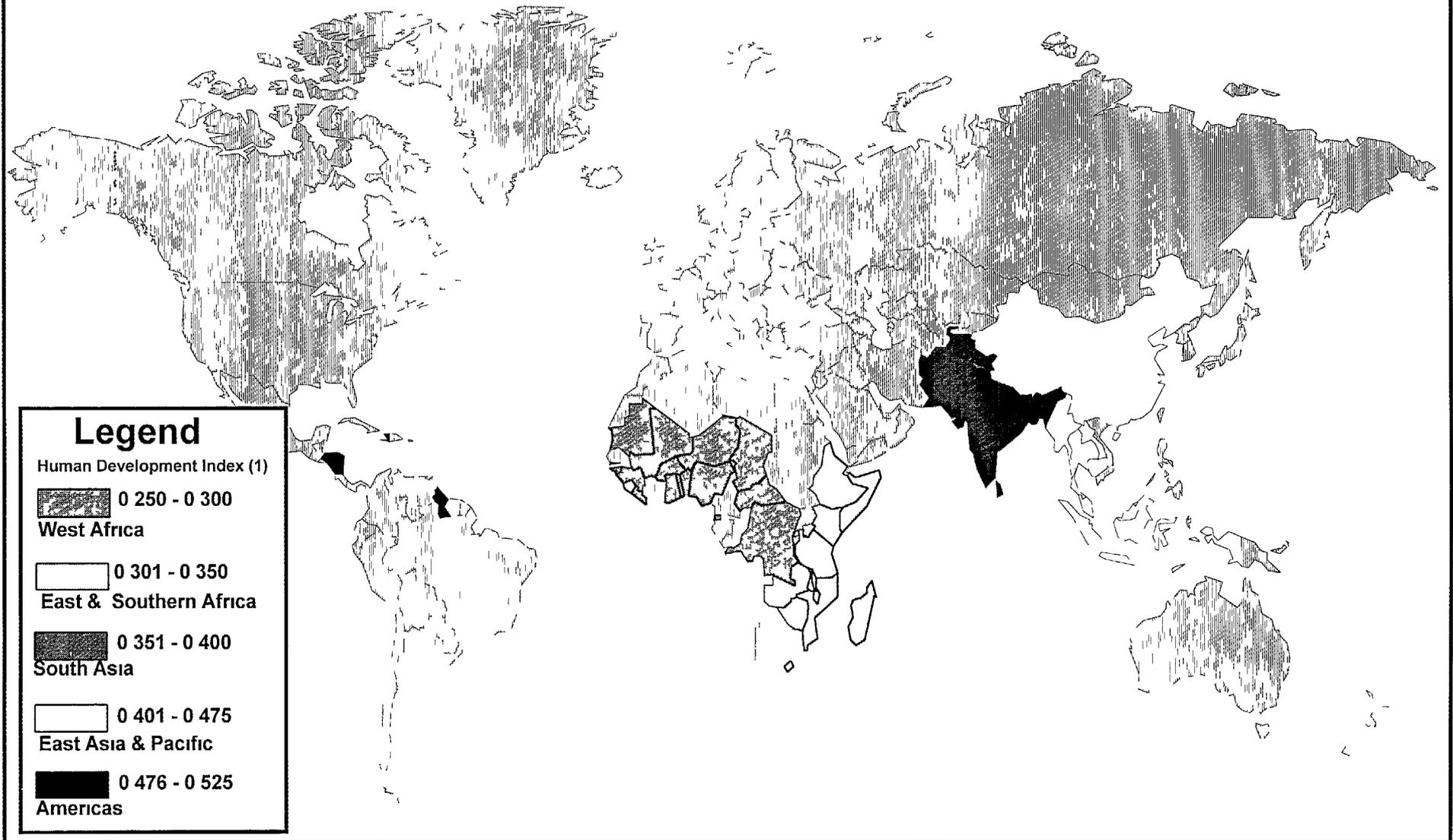
<sup>3</sup> This index is a composite measure of human development containing indicators representing three equally weighted dimensions—longevity (life expectancy at birth), knowledge (adult literacy and mean years of schooling), and income (purchasing power parity dollars per capita).

<sup>4</sup> See "Indicators", Table 1.

<sup>5</sup> The average Total Fertility Rate for the region was 6.4 in 1994. See "Indicators", Table 5.

Chart 1

# Low Income Countries Level of Human Development



SOURCE UNDP, "Human Development Report 1994"

(1) High Human Development Countries have a rating in excess of 0 801 Medium Human Development Countries have a rating in excess of 0 511 and Low Human Development Countries have a rating between 0 191 and 0 489

Married Women Using Contraception Rate<sup>6</sup>, and, in turn, the *highest* Population Growth Rate<sup>7</sup> in the world. Based on present trends, the region's population of approximately one-quarter of a billion people will *double* in only 24 years. West Africa's population is also *highly urbanized*<sup>8</sup> and the region has the *highest* projected urban population growth rate in the developing world.<sup>9</sup> By the year 2000, the urban population in West Africa is projected to comprise 37 percent of the region's total population.<sup>10</sup>

With regard to the region's present population, West Africans have the *lowest* level of Adult Literacy<sup>11</sup> and Primary School Enrollment<sup>12</sup> in the developing world, as well as ranks amongst the *lowest* regarding Primary Completion Rates<sup>13</sup> and amongst the *highest* regarding Pupil/Teacher Ratios.<sup>14</sup> Moreover, West Africans have the *lowest* Access to Medical Care<sup>15</sup>, the *lowest* Life Expectancy<sup>16</sup> and the *highest* Maternal, Infant and Under-5 Mortality Rates<sup>17</sup> relative to all other low income countries.

The level of political and economic development in the region is a bit more *mixed*. While the region's degree of political liberalization is *at par* with that in most other regions of the

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<sup>6</sup> The average Married Women Using Contraception Rate for the region over the period 1988-93 was 9.5 percent. See "Indicators", Table 5.

<sup>7</sup> The average Population Growth Rate for the region over the period 1992-2000 was 2.8 percent. See "Indicators", Table 5.

<sup>8</sup> In 1992, on average, 32.6 percent of the population of low income countries in West Africa resided in urban areas. See "Indicators", Table 6.

<sup>9</sup> East and Southern African low income countries as a group also have an equally high urban population growth rate.

<sup>10</sup> See, World Bank, "Better Health in Africa: Experience and Lessons Learned", 1994, Annex Table A-2.

<sup>11</sup> The Adult Literacy Rate is 28 percent (1990) for females and 39 percent (1990) for males and females combined. See, "Political, Economic and Social Development Indicators in West Africa", op cit, Table 7.

<sup>12</sup> The Gross Primary Enrollment rate is 44 percent (1991) for females and 57 percent (1991) for males and females combined. See, "Indicators", op cit, Table 7.

<sup>13</sup> The average Primary Completion Rate for low income countries in West Africa in 1991 was 61 percent. See "Indicators", Table 7.

<sup>14</sup> The average Pupil/Teacher Ratio for West African low income countries in 1991 was 49 to 1. See "Indicators", Table 7.

<sup>15</sup> On average, 48 percent of the population of low income countries in West Africa had Access to Medical Care. See "Indicators", Table 8.

<sup>16</sup> Life expectancy for low income countries in the region averaged 49.0 years in 1992. See "Indicators", Table 8.

<sup>17</sup> These were 803 per 100,000 births (1988), 116 per 1,000 births (1992) and 192 per 1,000 births (1992), respectively, for low income West African countries.

Chart 2

# Low Income Countries Per Capita GNP (1992)



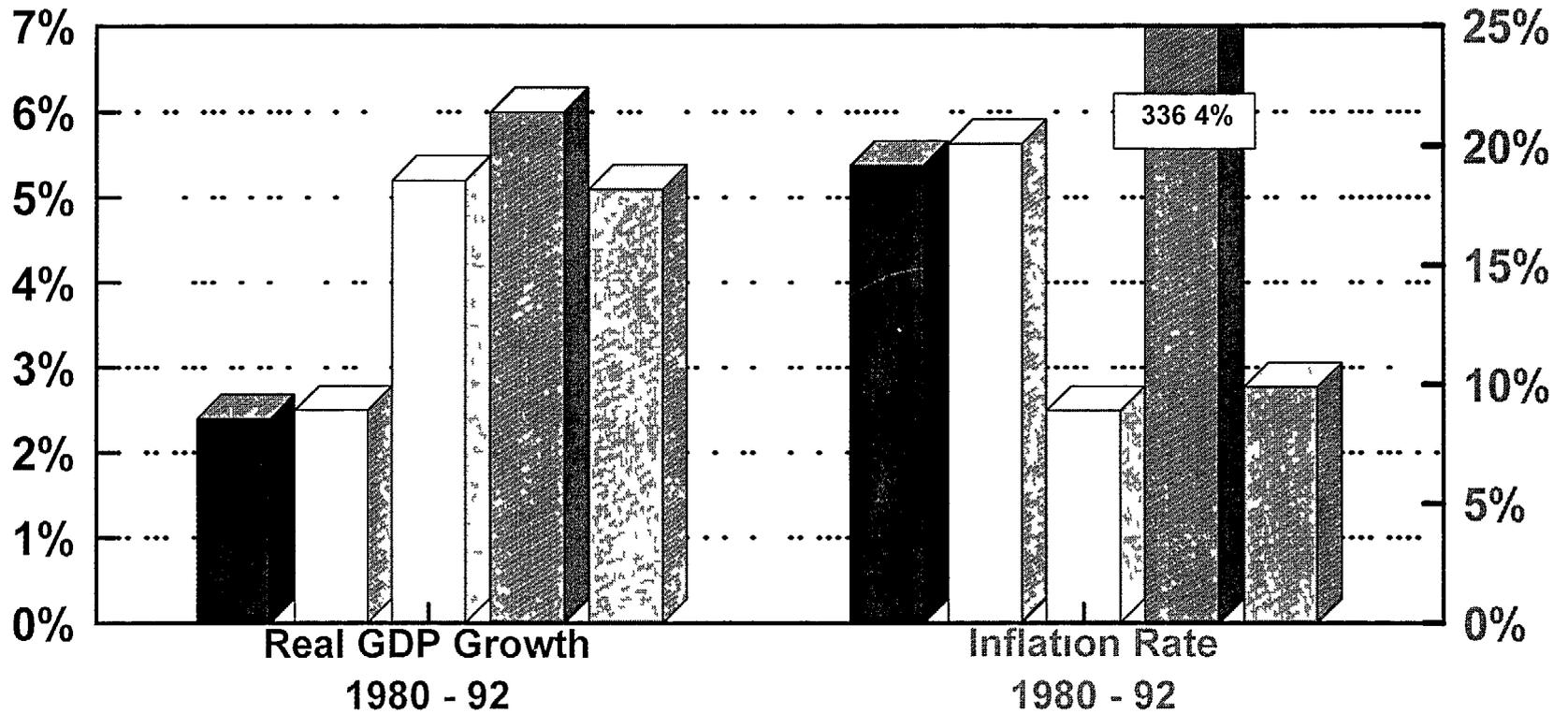
SOURCE World Bank, "World Development Report 1994"

NOTE Range for Low Income Countries is \$0 \$675 per capita

7

Chart 3

# Low Income Countries Growth and Inflation



SOURCE World Bank, "World Development Report 1994"

developing world<sup>18</sup>, democracy in West Africa is *nascent* and much more remains to be done as countries in the region continue down the fragile path of political liberalization. On the economic front, although West Africa's average per capita income of \$351 places it above East & Southern Africa and South Asia, it lags well behind low income countries throughout the rest of the world (see Chart 2). Since economic growth in the region averaged only 2.4 percent per annum over the period 1980-92, it did not keep pace with the rate of population growth and, hence, per capita incomes declined (see Chart 3). Given that Gross Domestic Investment in West Africa is the *lowest* in the developing world, future economic and per capita income growth in the region will be problematic. This is especially true given the region's *low* level of Gross Domestic Savings and, in turn, its *high* dependence on Foreign Savings.

Together, the above indicators paint a picture of a region operating at the lowest level of social and economic development. The remaining sections of this paper attempt to identify the key constraints that may be causing such a dismal situation to occur.

## B. Constraints to Development in West Africa

### 1. Excessive Population Growth

In 1960, Africa's population growth rates were not high compared with those of Asia and Latin America<sup>19</sup>. Today, however, West Africa's population growth rates have increased while those for Asia and Latin America have declined. This rate has increased because mortality rates have *declined* while fertility rates have remained *exceptionally high*. As previously noted, because West Africa has the *lowest* level of contraception usage and the *highest* total fertility rate in the world, the region is facing the world's *highest* projected rate of population growth (see Charts 4, 5 & 6). Complicating this situation further is the fact that the age structure of the population in West Africa is *very young* (see Chart 7), with approximately 46 percent of the population under the age of 15<sup>20</sup>. Hence, a *second wave* of population growth is already poised to crash upon the region as the children of today become the parents of tomorrow. Shockingly, even if new family formations were reduced and maintained at two children per family,<sup>21</sup> the region's population would still *double* to over a half a billion people in only 60 years.

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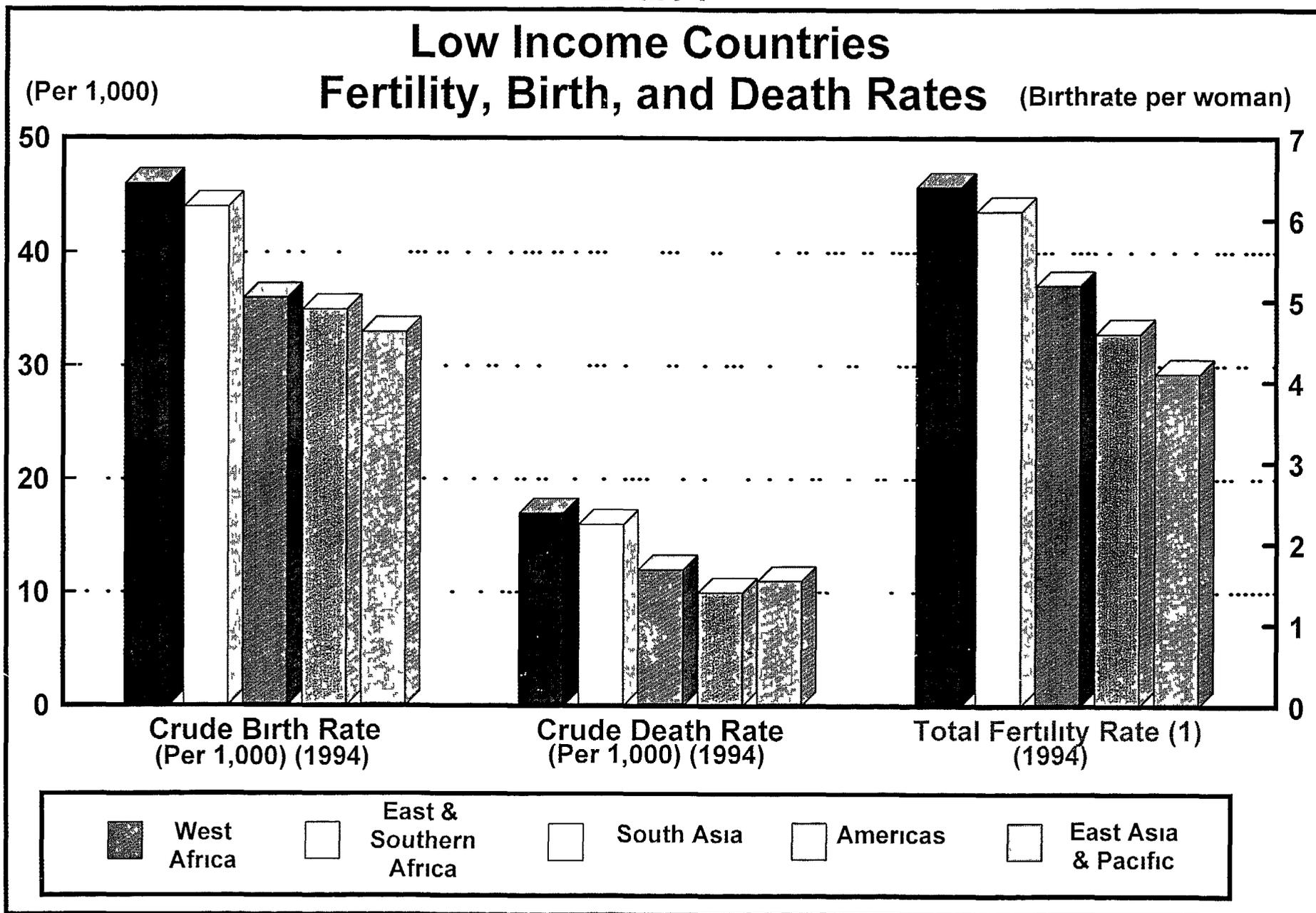
<sup>18</sup> The low income countries in the region collectively averaged a rating of "Partly Free" in Freedom House's "Survey of Political Rights and Civil Liberties, 1993-94", which was in line with that received by low income countries in East & Southern Africa, South Asia and the Americas. West Africa's rating was better than the average rating of "Not Free" earned by low income countries in East Asia & the Pacific. See "Indicators", Table 3.

<sup>19</sup> "Setting Priorities for Research, Analysis, and Information Dissemination on Population and Family Planning in Africa", Bureau for Africa, Office of Sustainable Development, USAID, June 1995, pg. 1.

<sup>20</sup> See "Indicators", Table 5.

<sup>21</sup> Something that is highly unlikely given current fertility rates.

Chart 4

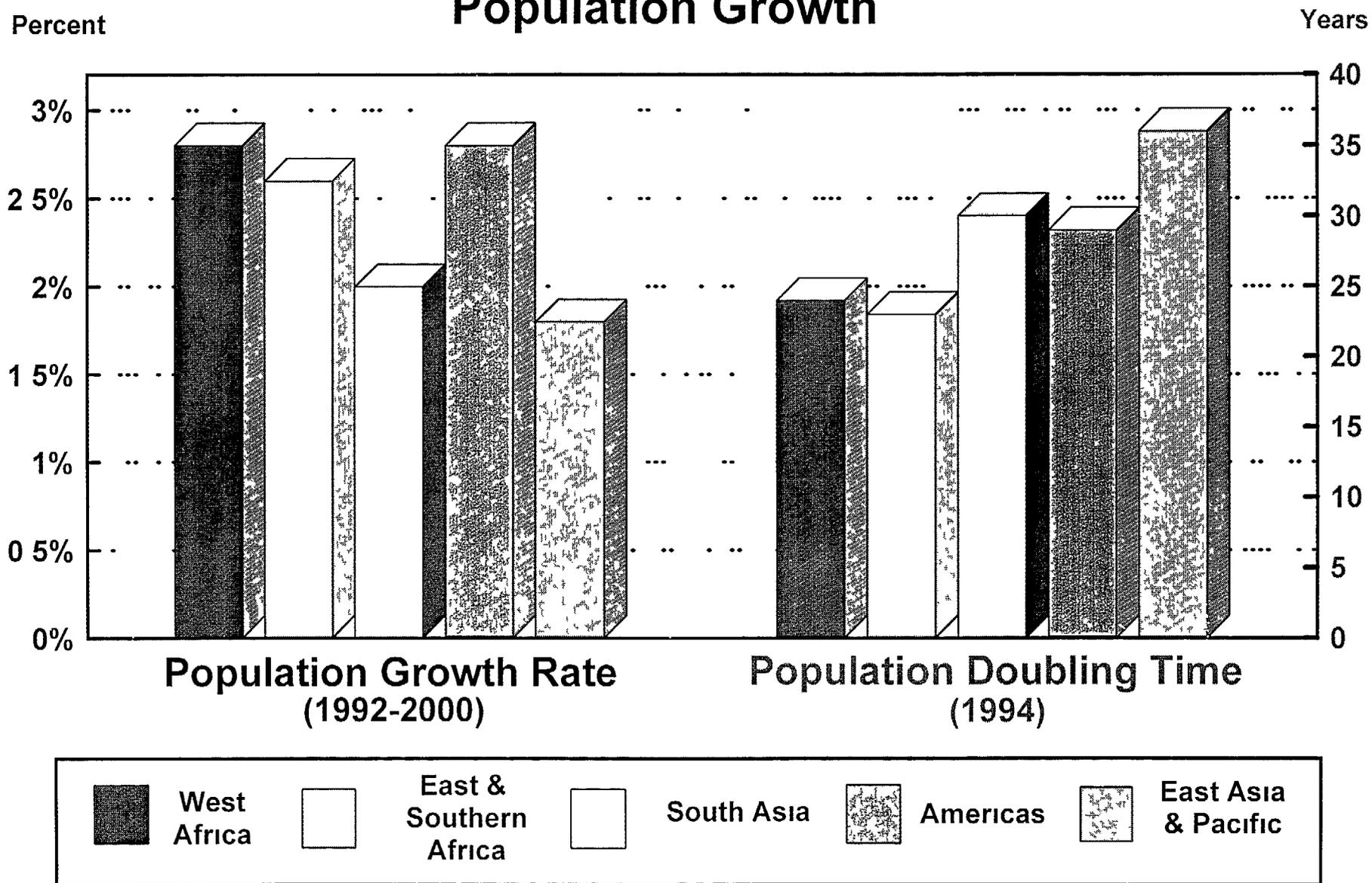


SOURCE UNDP, 'Human Development Report 1994', and Population Reference Bureau, Inc., "1994 World Population Sheet

(1) Average number of children born to a woman during her lifetime

Chart 5

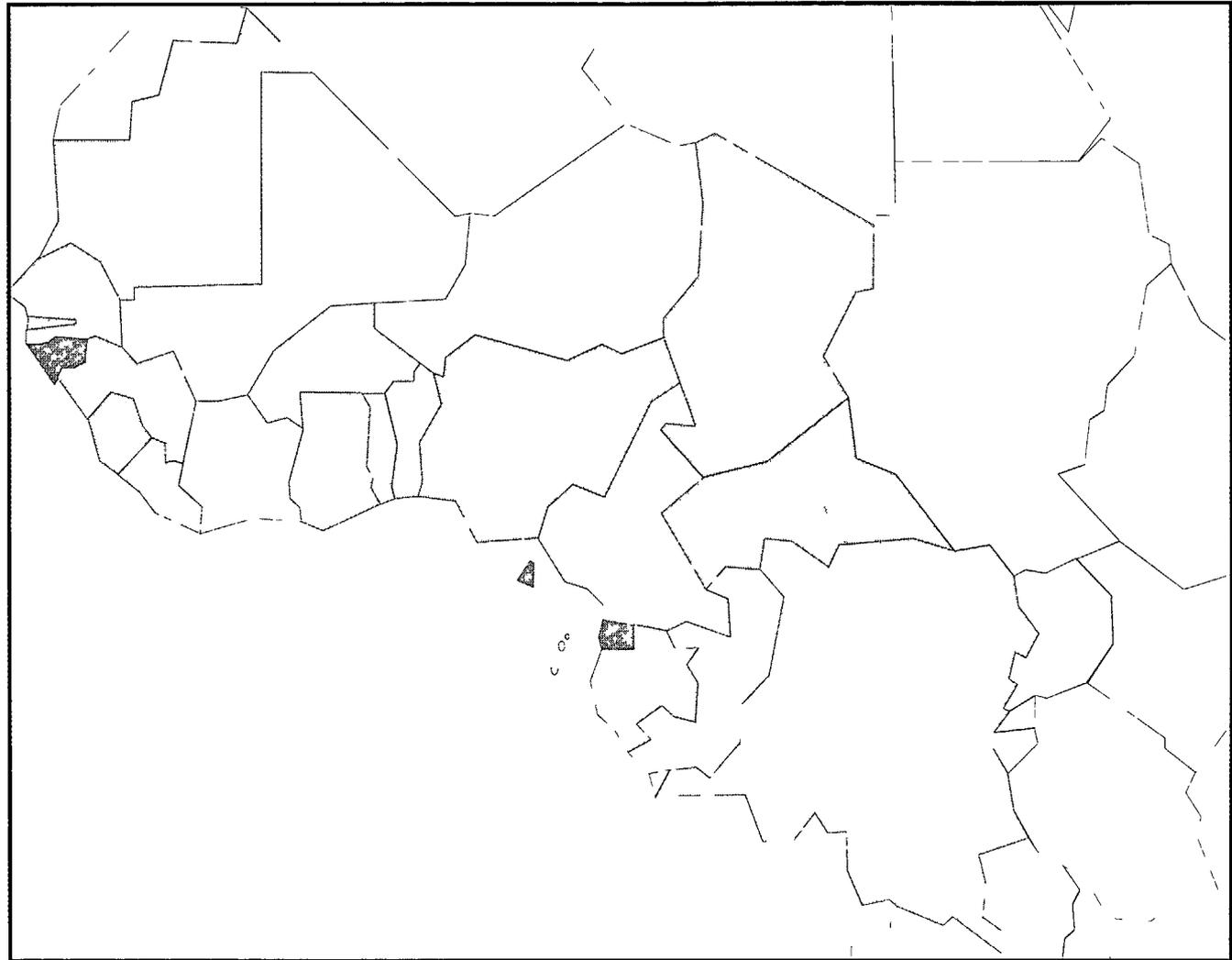
# Low Income Countries Population Growth



SOURCE World Bank, "World Development Report 1994", and Population Reference Bureau, Inc., "1994 World Population Data Sheet"

Chart 6

# West Africa Population Growth Rates



## Legend

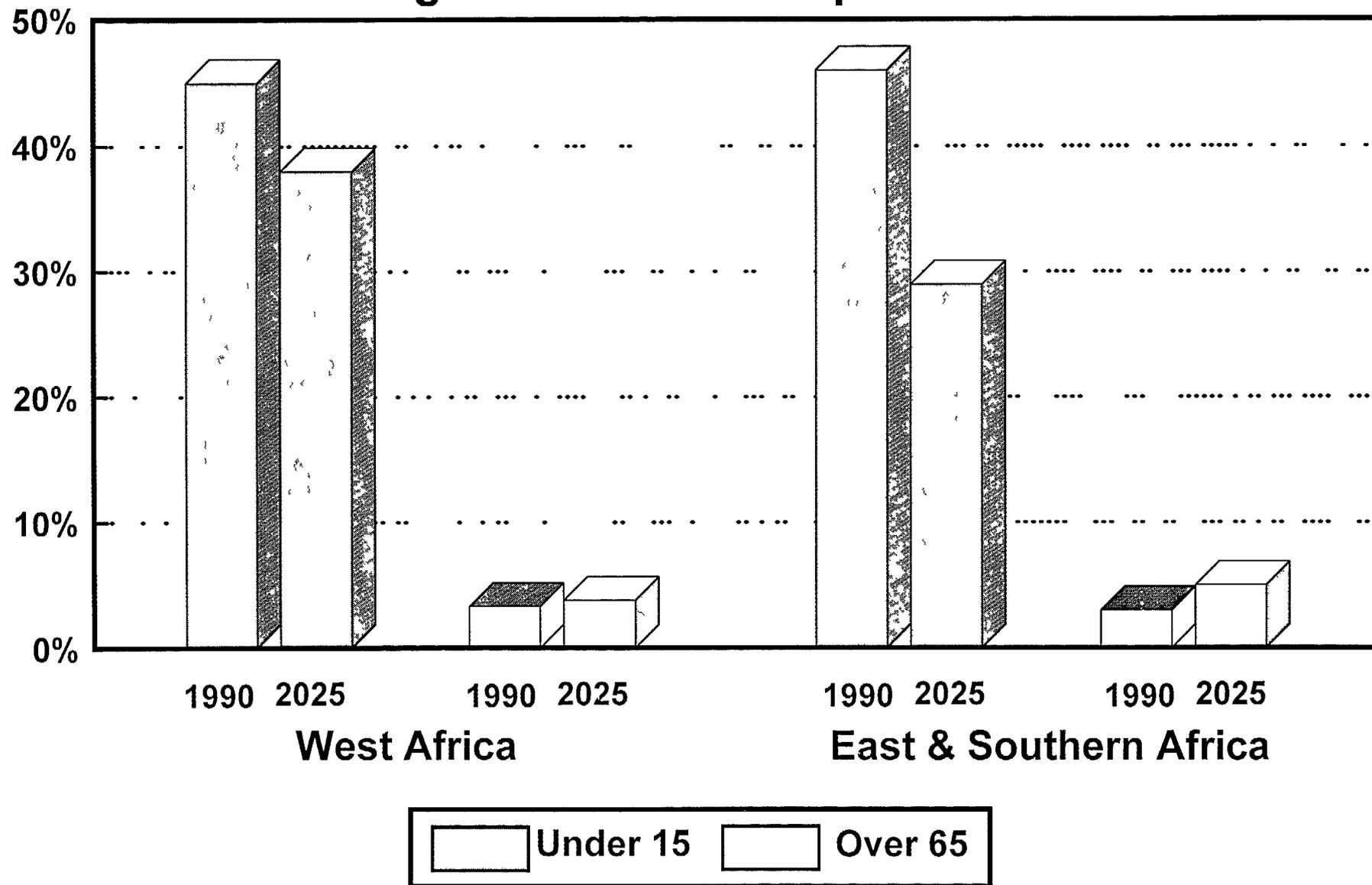
-  Less than 2.5%
-  2.5% - 2.8%
-  2.8% - 3.1%
-  3.2% and Over

SOURCE UNDP, Human Development Report 1994'

Chart 8

# West, East and Southern Africa Age Structure of Population

Percent



SOURCE World Bank, "Better Health in Africa", 1994

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The prospects of continued rapid population growth has serious implications for the region's economic and social development with regard to economic dependency ratios (i.e., a minority of producers supporting a majority of consumers), unmanageable burdens on already deteriorating public education and basic health services, severe strains on individual household budgets, and increased pressures on already strained arable land for cultivation and forests for fuel wood and construction, along with increased deforestation, land degradation and desertification. With greater amounts of household income and national product having to go into immediate consumption and basic survival, domestic savings will be reduced below its already low levels<sup>22</sup> thereby limiting productive investment, increasing dependency on foreign (donor) capital, and further constraining economic growth. This is particularly troublesome given the budgetary constraints facing all of West African countries today<sup>23</sup>. Hence, unless the rapid population growth in West Africa is *slowed*, the prospects for raising income, creating employment, improving education and health services and preserving the environment are *bleak*<sup>24</sup>.

While there may be signs that the "second stage of the demographic transition (i.e., where fertility rates begin to fall) might be starting to occur in a few West African countries,<sup>25</sup> the population "nut" remains to be "cracked". Development opportunities for donors and

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<sup>22</sup> Gross domestic savings for low income countries in West Africa averaged only 2.5 percent of GDP in 1992.

<sup>23</sup> An example of the "cost" of high population growth on Government budgets can be found in the case of Zimbabwe. Because of the country's successful family planning program, 1.3 million fewer student-years of primary education were required between 1965 and 1990 than would have been if the high fertility rate of the mid-1960s had continued. At an average cost of \$110 per year of primary school education, the savings to the government and the people of Zimbabwe were more than \$140 million. Likewise, at an average cost of \$16 to fully immunize a child, the savings to the immunization program alone according to The Futures Group was nearly \$23 million. See "Setting Priorities for Research, Analysis and Information Dissemination on Population and Family Planning in Africa", Bureau for Africa, U.S. Agency for International Development, Washington, D.C., June 1995, pp. 1-2.

<sup>24</sup> A reduction in the population growth rate of the region is therefore a necessary, but not sufficient condition for sustainable development in West Africa.

<sup>25</sup> Barney Cohen has found some statistical evidence using DHS data of a slight decline in fertility rates in Nigeria, Mali, Senegal and Togo. However, he cautions against reliance on these results given that in each of these countries the demand for children (as measured by mean ideal family size) remains high and few married women are currently using modern methods of contraception. See "Demographic Change in Sub-Saharan Africa", 1993, pp. 38-59.

governments in the region to help alleviate the constraint caused by excessive population growth include the following

- \* Continued support for population data analysis and demographic research,<sup>26</sup>
- \* Support for the development and implementation of national population policies, including continued and expanded use of the RAPID model to educate national decision makers and to promote policy dialogue regarding family planning,
- \* Increased efforts to reduce fertility rates through family planning activities, including through better access to and knowledge of contraception for women (as well as for men) and improved access for women to basic education,<sup>27</sup>
- \* Development of an "urban strategy" regarding the dissemination of information on family planning with the intention of generating a few "success stories" that can serve as models for use in other countries within the region,<sup>28</sup> and
- \* Strengthening reproductive health services by integrating Family Planning and STD/HIV/AIDS Programs

## 2. Growing Levels of Urbanization

Along with the excessively high rates of population growth noted above, the trends toward greater urban migration and urban population are equally problematic. Urban populations in West Africa (see Chart 8) grew at an average annual rate of 5.8 percent (1980-93)<sup>29</sup>, the *highest* rates of growth in the entire developing world. In turn, with the exception of low income countries in the Americas, West African low income countries had the *highest* percentage of total population residing in urban areas (32.6 percent in 1992) and current projections place urban population in the region at approximately 37 percent of the total

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<sup>26</sup> The quantity, quality and availability of data on demographic processes in Africa have improved as a direct result of the Demographic and Health Survey (DHS) Program, the World Fertility Survey (WFS) Program, the increase in the number of African demographers and research institutions, and improved procedures for dealing with incomplete or inaccurate data. Continued data gathering and demographic analyses are essential to understanding future developments and progress on the population front.

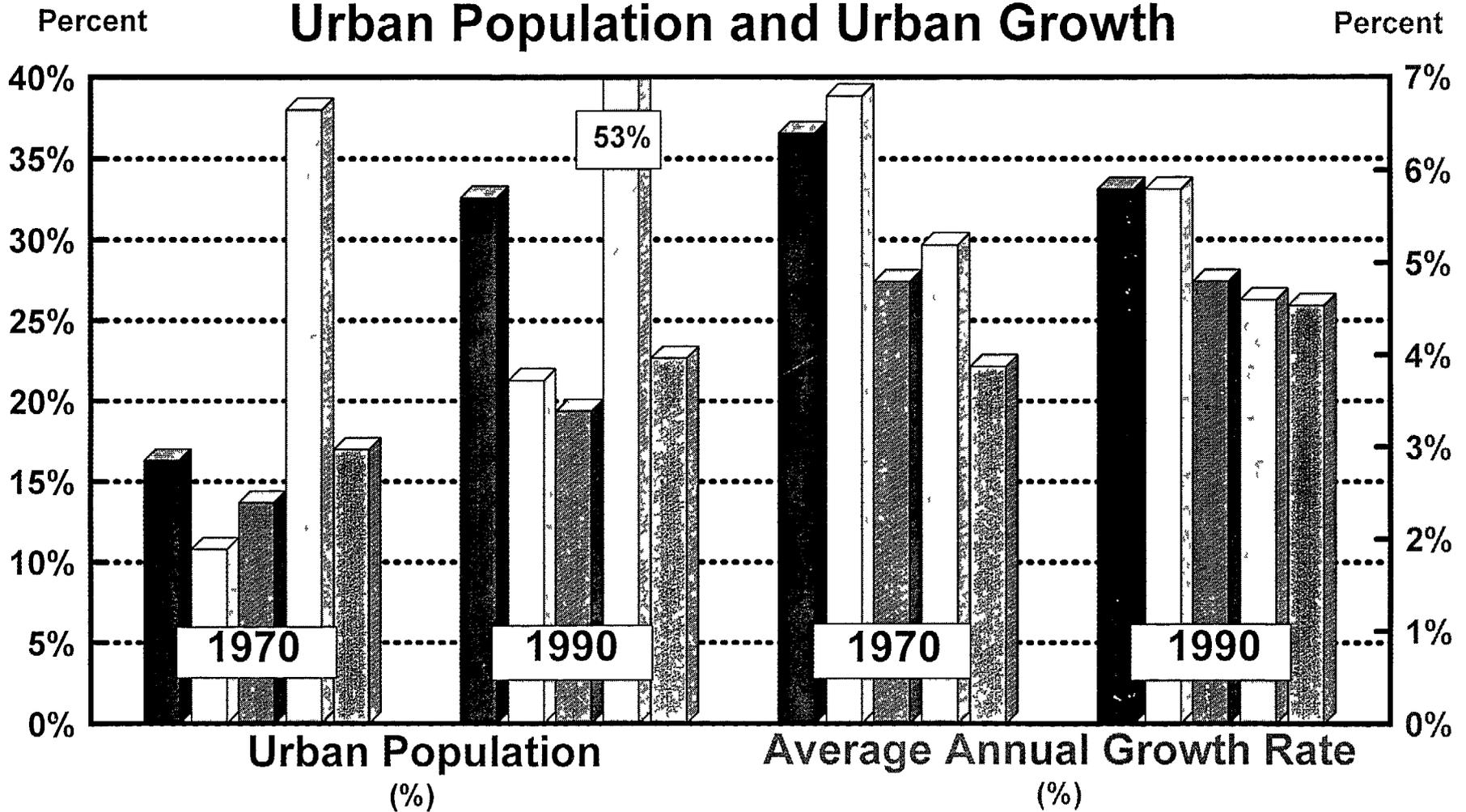
<sup>27</sup> It is generally observed that lower levels of fertility are associated with higher levels of education for women.

<sup>28</sup> Given limited financial resources on the part of donors and given the inherent economies to be gained by dealing with an already dense population in urban areas, a case can be made for developing a few "showcase" family planning programs that can then be replicated and expanded to other areas and countries within the region as resources permit.

<sup>29</sup> See "Indicators", Table 6

Chart 7

# Low Income Countries Urban Population and Urban Growth



SOURCE World Bank, "World Development Report 1994"

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population by the year 2000. This increased growth in urban population poses important development challenges for the countries in the region. With governments already facing severe budgetary constraints, this urban growth will further strain urban infrastructure. Schools, health facilities and roads will all have to accommodate the growing urban population. In addition, pressure on the labor market will increase as more bodies chase after the few formal and informal employment opportunities available.

Governments must therefore begin to plan now for growing wave of urban dwellers and increase investment in basic infrastructure as well as generate the economic growth and employment opportunities that will be required to sustain its sizeable and growing urban population. The "West Africa Long Term Perspective Study" (WALTPS)<sup>30</sup>, paints a bleak picture regarding urban population growth at the turn of the century and sounds the alarm for governments and donors to increase development assistance and public investment, particularly in coastal urban areas. The WALTPS is controversial in that its conclusions and implicit policy prescriptions are based in part on several highly questionable assumptions and unsubstantiated assertions.<sup>31</sup> Nonetheless, the key question arising from the WALTPS is whether food security, urbanization and economic growth in general are furthered best by focusing on an "urban-led" versus "agriculture/rural sector-led" development strategy. Some development experts question the sustainability of the fast growing urban areas while others suggest that the only way to sustain future urban populations will be through increased growth in the agriculture sector and its upstream and downstream related activities. Since the rural sector will continue to be the dominant sources of economic output, income and employment in the region, a balanced strategy which addresses the constraints facing both rural and urban sectors will be required, especially since the two sectors are integrally linked.

Given that urban populations in West Africa will grow substantially between now and the year 2020, governments and donors should begin to plan now for this inevitability. How best to plan for future urban population growth and what strategy should be pursued, however, remains open to further reflection and debate. Development opportunities for donors and governments in the region regarding the urbanization constraint would therefore include the following:

- \* More thorough and detailed review of the WALTPS and other studies regarding the implications of, and potential solutions to, increased urban population growth in the region
- \* Development of a regional consensus of opinion regarding how best to address the problems created by increased urbanization

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<sup>30</sup> The WALTPS was carried out jointly by the Cnergie Unit of the African Development Bank and the Secretariat of the Club du Sahel of the OECD, with the support of the Permanent Inter-State Committee for Drought Control in the Sahel (CILSS). See "Preparing for the Future: A Vision of West Africa in the Year 2020", a summary report of the West Africa Long Term Perspective Study, March 1995.

<sup>31</sup> See Annex A for a summary and critique of the WALTPS.

### 3. Low Literacy and Basic Education Skills

West Africans have the *lowest* level of Adult Literacy in the world, both for the population as a whole and for women in particular (see Chart 9 & 10). Two of the major reasons for these poor literacy rates are the low level of *access* to primary education<sup>32</sup> and the poor *quality* of the basic education<sup>33</sup> being provided (see Chart 11). During the colonial era, Western-type schools were opened up in the region, but access to primary education was quite limited, especially in the thinly populated areas of French West Africa.<sup>34</sup> The education systems inherited at the time of Independence were therefore inadequate to meet the needs of the new countries. Between 1960 and 1983, tremendous progress was made in increasing *access* to education, with enrollment rates and literacy rates *rising* substantially. The harsh economic realities of the 1980s, however, limited further progress. African government financing for basic education declined during the 1980s and into the 1990s and, in turn, the quality of education suffered.<sup>35 36</sup> Added to this were the pressures from the region's explosive population growth and youthful age structure which was greatly increasing the number of children seeking access to schools and increasing the number of potential illiterates. The structural adjustment efforts undertaken by West African countries in the late 1980s and early 1990s forced most of these countries to enter into a period of adjustment and reform for their education systems. In order to ensure a minimum standard of quality and to improve the management of their administrative systems, governments had to develop more rational program-based and transparent budgets so that enrollments and unit costs could be better controlled.

At present, the education sector in West Africa is skewed to favor *tertiary* education (versus basic education), *urban* areas (versus rural areas) and *boys* (versus girls). There is little question that from the point of view of the society as a whole, government education expenditure would be better spent on *basic education*. Providing basic literacy and numeracy would have a substantial impact on the quality, competence, and productivity of the labor

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<sup>32</sup> Gross primary enrollment rates for both men and women are the worst in world. See "Indicators", Table 7

<sup>33</sup> Pupil/teacher ratios are also the lowest in the world and while primary completion rates are in line with other low income countries, they are still disturbingly low. See "Indicators", Table 7

<sup>34</sup> "Education in Sub-Saharan Africa: Policies for Adjustment, Revitalization, and Expansion", The World Bank, 1988, pg 1

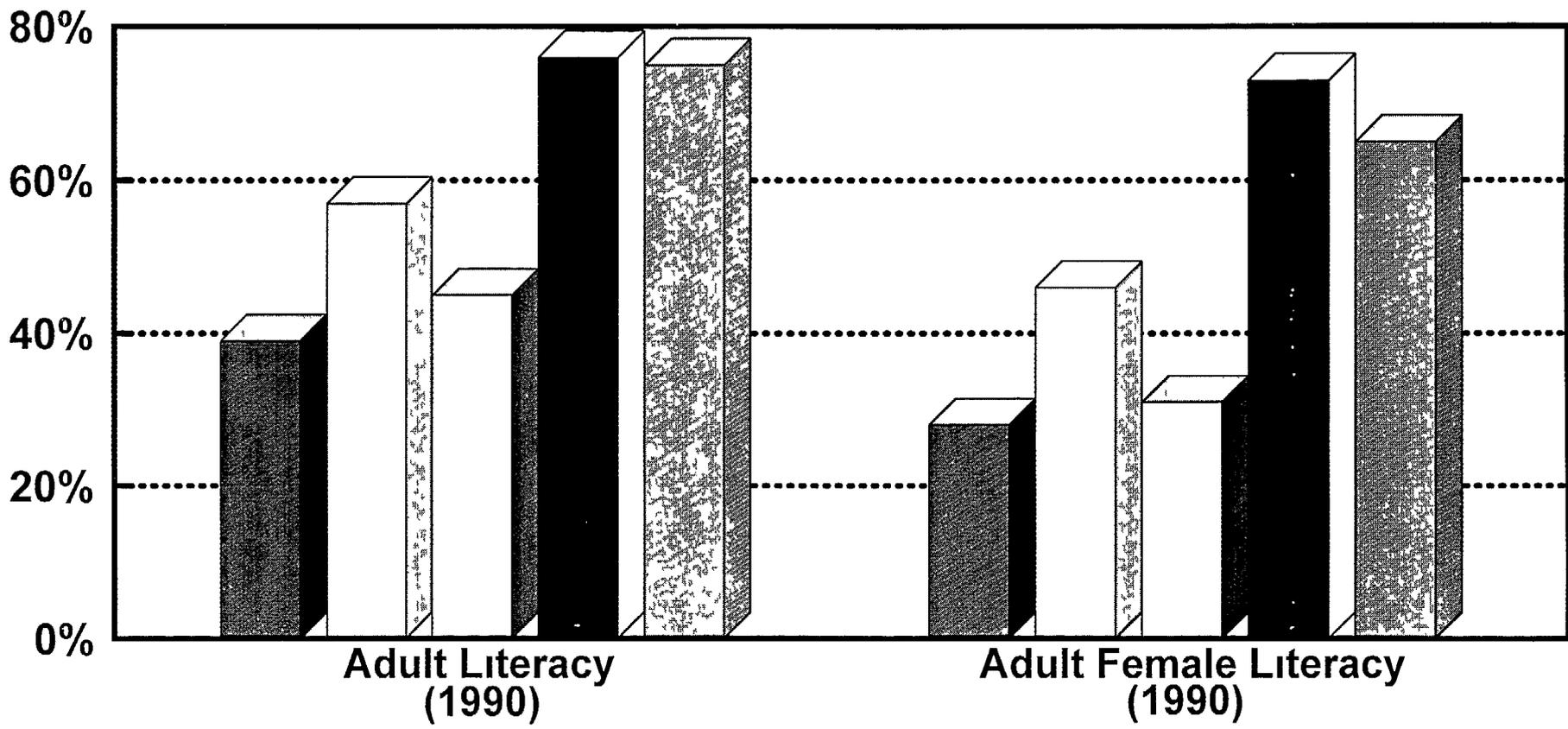
<sup>35</sup> In some countries, primary enrollment rates lagged behind population growth, further swelling the number of illiterates. For example, the average primary education gross enrollment rate for the continent as a whole dropped from 79 to 71 percent during the 1980s while total unit expenditure on average for the poorest African countries declined from US\$40 per pupil to \$25. See "Basic Education in Africa: USAID's Approach to Sustainable Reform in the 1990s", September 1995, pg 9

<sup>36</sup> The World Bank noted that during this period most African education systems were characterized by evaporating non-salary expenditures, eroding quality of instruction, stagnating or declining enrollments and growing inefficiency in resource and personnel management. See "Education in Sub-Saharan Africa", op cit

Chart 9

# Low Income Countries Adult Literacy

Percent

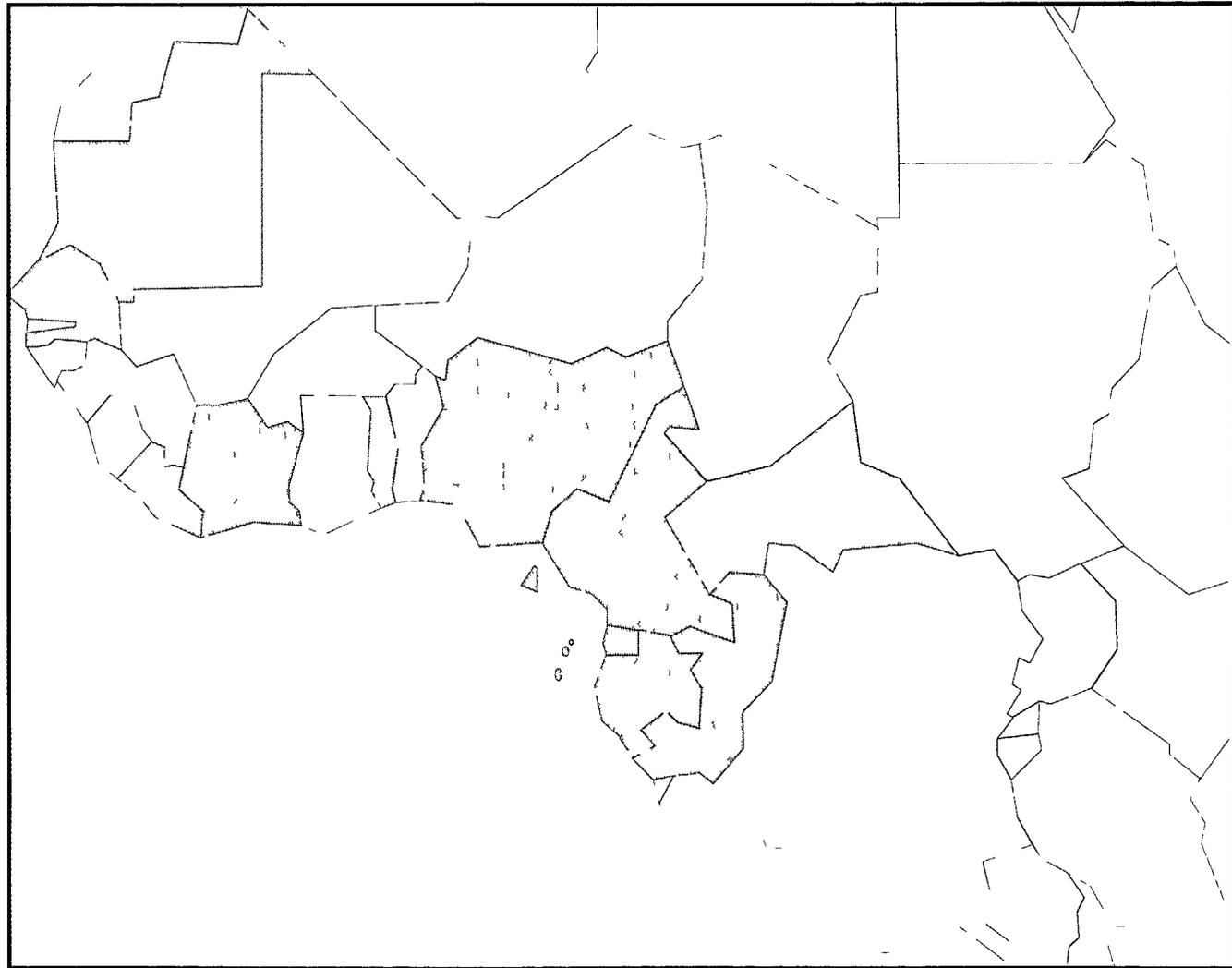


■ West Africa    □ East & Southern Africa    □ South Asia  
■ Americas    □ East Asia & Pacific

SOURCE World Bank, "World Development Report 1994", and UNDP "Human Development Report 1994"

Chart 10

# West Africa Adult Literacy

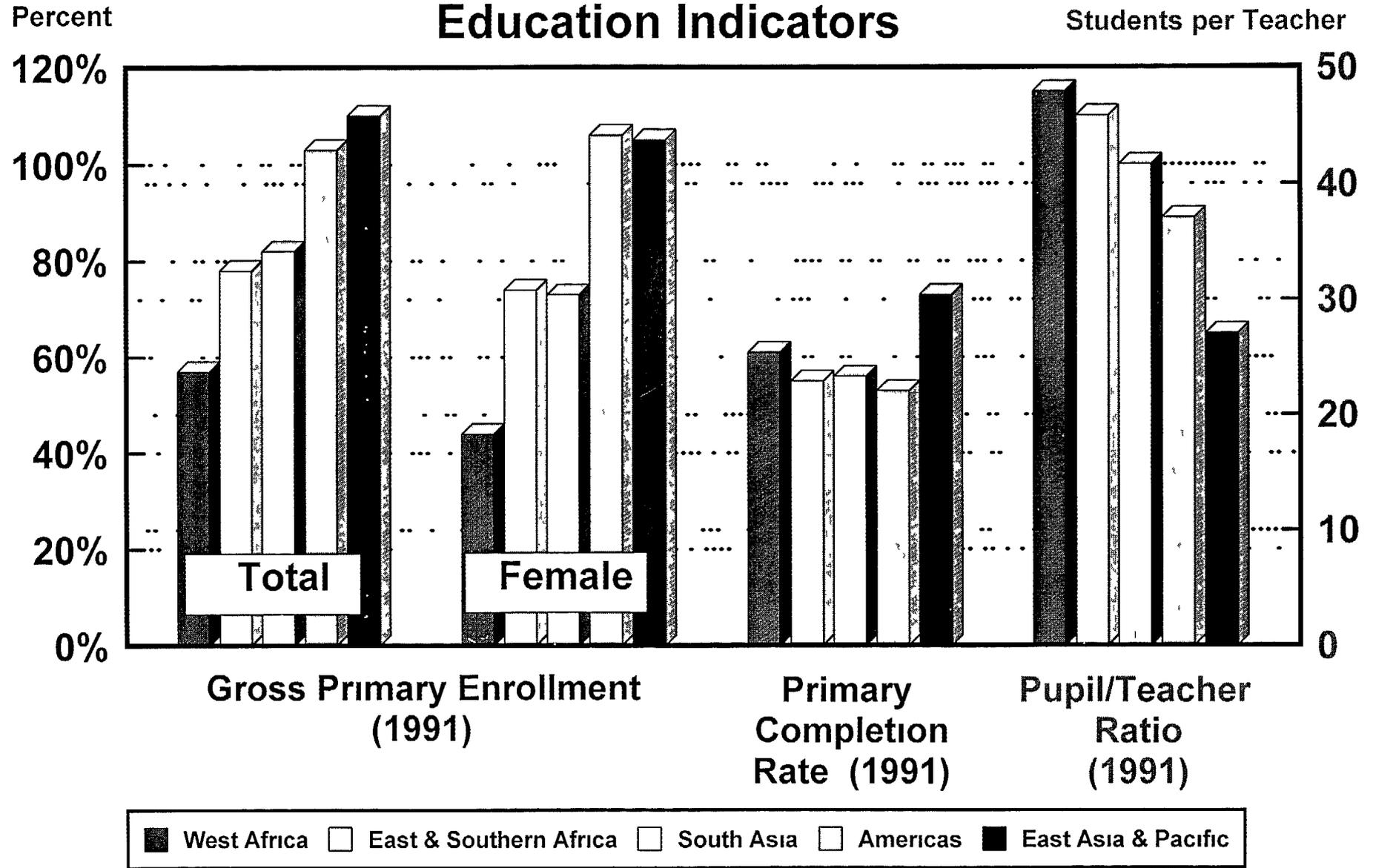


## Legend

-  Under 30%
-  30% - 40%
-  40% - 50%
-  Over 50%

Chart 11

# Low Income Countries Education Indicators



SOURCE World Bank, World Development Report 1994, and UNDP, "Human Development Report 1994"

force<sup>37</sup> Moreover, the impact of educating the wider general population in basic literacy and skills versus a smaller, elite population in secondary and tertiary education would generate a significantly higher social rate of return Since the majority of the population will continue to live in rural areas, the urban bias in government education expenditure will create further gaps between rural and urban populations Because of the important role that women play in the economic and social development of a country, excluding them from benefits to be had from basic education is a costly decision Finally, increased investment in the quality and quantity of education can also be expected to reduce fertility<sup>38</sup> and to increase health<sup>39</sup>

The general consensus of development education specialists is that (a) there is *not* enough money flowing into the education sector as a whole, (b) a *greater share* of what expenditure does exist should be directed into *basic education*, (c) a *greater share* of basic education expenditure needs to be directed into *recurrent costs*<sup>40</sup>, and (d) a *greater share* of capital expenditure needs to be reallocated toward *rural areas* Hence, *fundamental reform* of the entire education sector is required involving education policy, resource allocation and institutional organization and operations To this end, a policy environment conducive to sustainable, equitable, quality education must be created for any real improvement to occur

Key development opportunities for donors and governments within the region to help alleviate the constraint caused by low literacy and basic education levels would therefore include

- \* Technical and financial support to regional governments reforming their education sectors, particularly with regard to the reorientation of resources in support of basic education, of essential recurrent expenditure, of rural areas and of women

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<sup>37</sup> Assessments of the labor market returns to past investments in education have consistently found rates of return above 10 percent and sometimes above 20 percent See "Education in Sub-Saharan Africa", op cit pg 7

<sup>38</sup> According to the World Bank, there is a strong negative relationship between how much education a woman receives and the number of children she bears during her lifetime See "Education in Sub-Saharan Africa", op cit , pg 7

<sup>39</sup> The World Bank also states that men and women with more education tend to live healthier and longer lives and that numerous studies have shown that parents' education affects children's survival and enhances their physical and cognitive development See "Education in Sub-Saharan Africa", op cit

<sup>40</sup> According to Karen Tietjen, Education Economist in the Office of Sustainable Development in the Bureau for Africa at USAID, salaries are the dominant recipient (over 90 percent) of basic education funds and, hence, a greater percentage of these funds should be directed into non-salary recurrent expenditure (i e , essential inputs such as books and supplies) At the same time, there is also a need to increase the number of teachers and increase the level of training and quality of teaching personnel Hence, recurrent expenditure must to be rationalized if quality is to go up

- \* Technical support in assisting government in improving the management of the education sector and in making the system more accountable to beneficiaries <sup>41</sup>
- \* Support consultative fora of Africans and donors to review progress in basic education and to ensure coordinated support for regional training programs, operational research and exchanges
- \* Support and encouragement for greater nongovernmental supply of educational services where appropriate
- \* Support for the strengthening of the examination systems
- \* Support for greater investment in the operation and maintenance of physical plant and equipment

#### 4. Poor Access to and Quality of Basic Health Care

The people of West Africa have the *least* access to medical care in the world (see Chart 12) In turn, they suffer from the *lowest* level of life expectancy, the *highest* maternal, infant and under age 5 mortality rates, and the *second highest* prevalence of malnutrition rate for children under age 5 (see Chart 13) <sup>42</sup> The effect of such levels of poor health on the economic development of the countries within the region are many-fold High levels of illness and disability greatly *decrease* overall worker productivity <sup>43</sup> Similarly, high levels of maternal illness and mortality significant *reduce* the important contribution women make to economic activity An increase in life expectancy would yield a greater return on investments in education, while better control of disease would allow agriculture to expand into lands previously uninhabitable Finally, reduced illnesses would relieve pressure on households that are forced in times of crisis to draw upon precious savings that could be more productively deployed elsewhere in the economy These are only a few examples of the important contribution that good health makes to the region's economic development

The low levels of *access* to and *quality* of basic health care in West Africa have in part been due to the legacy of post-Independence governments' health policies and priorities which

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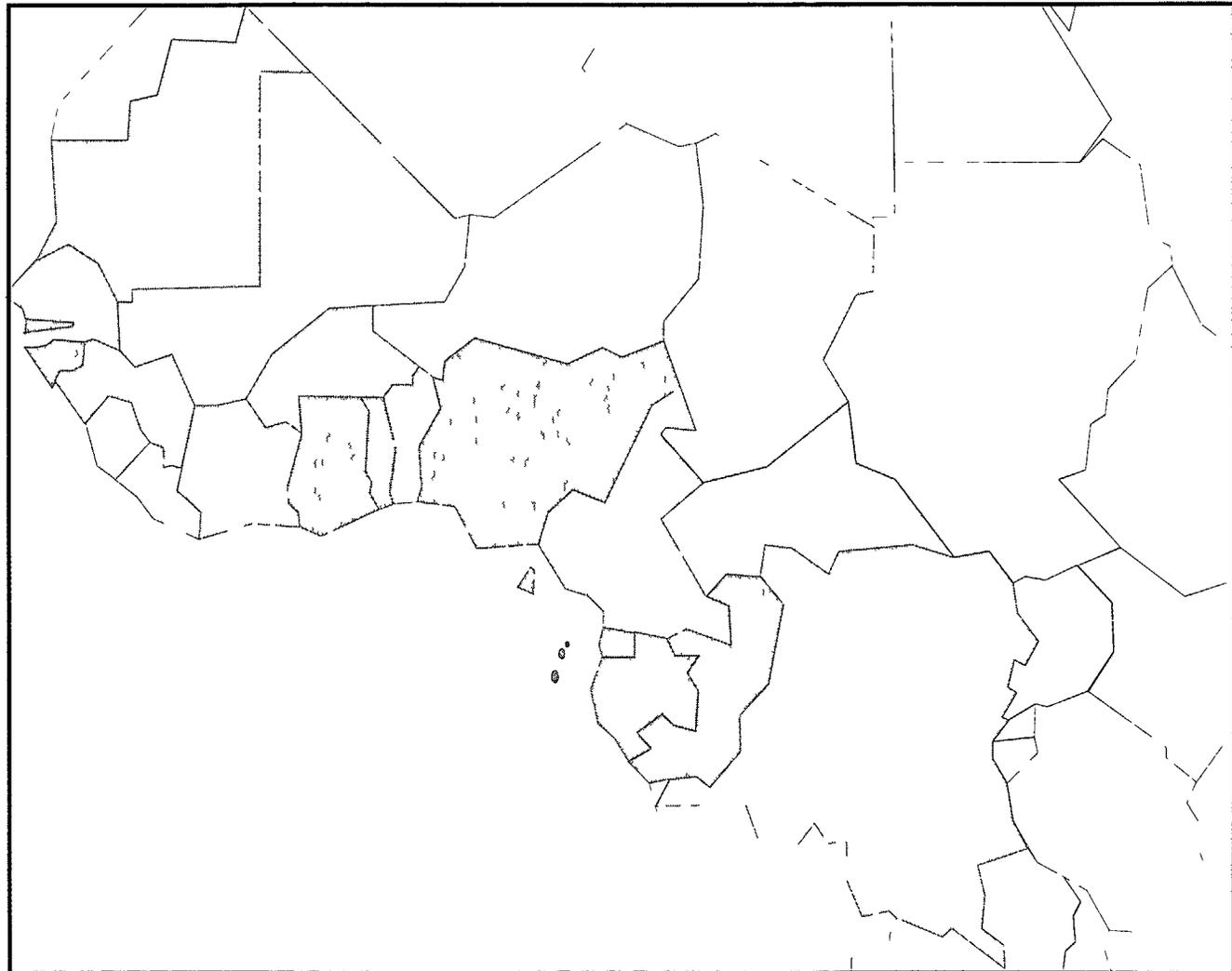
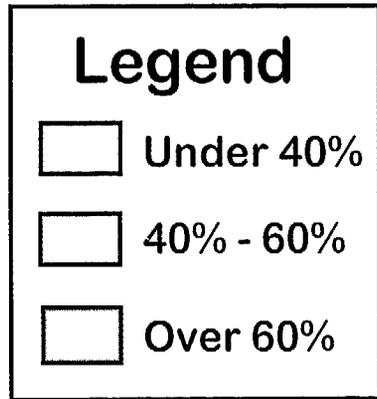
<sup>41</sup> Several education development experts argue in favor of the development of "Fundamental Quality Level Schools (FQLS) whereby the central government would define the minimum criteria regarding school quality, the location of the schools and the financing Local communities which that meet the standards would then receive government support This is in line with the trend toward greater decentralization and efficiency in the provision of public goods and services

<sup>42</sup> See "Indicators", Table 8

<sup>43</sup> The World Bank estimates that productivity in some countries could increase by up to 15 percent were illness and disability attacked more strenuously See, "Better Health in Africa", op cit , pg 1

Chart 12

# West Africa Access to Medical Care



SOURCE UNDP, "Human Development Report 1994"

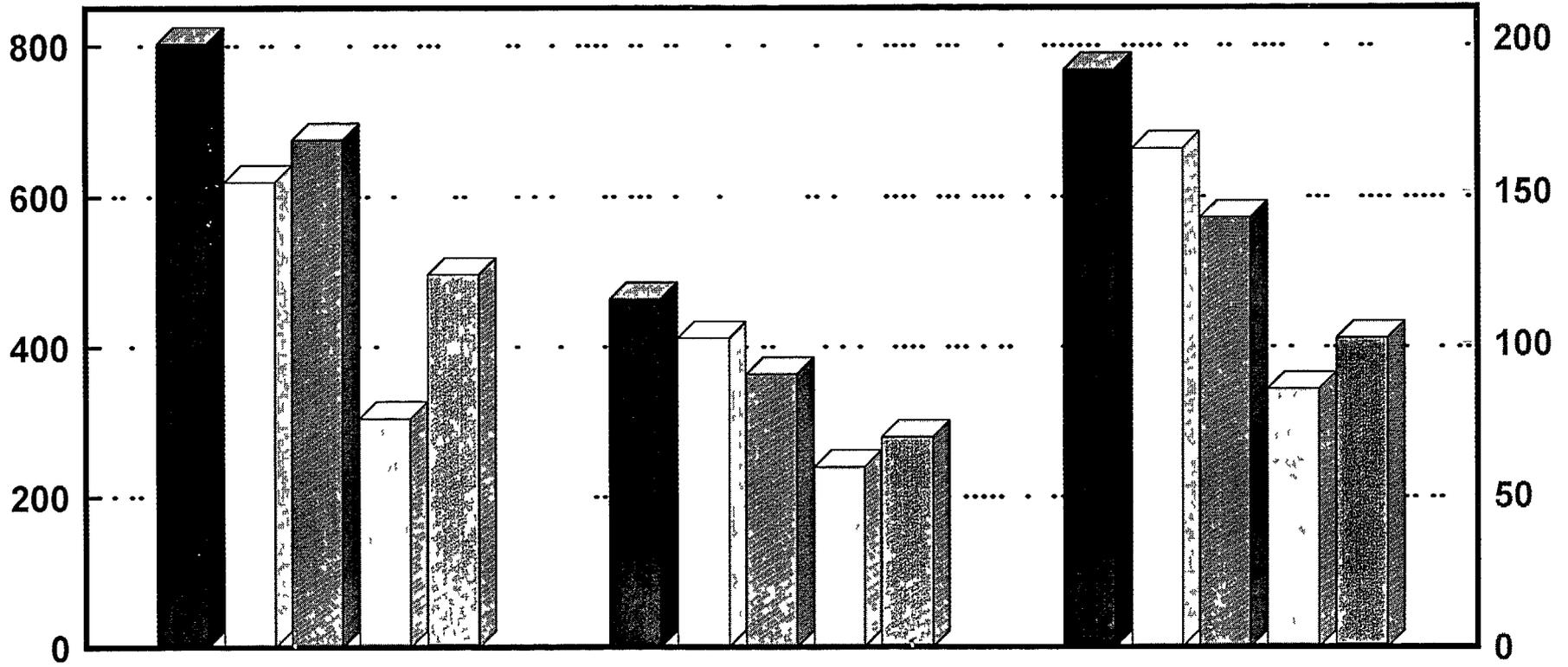
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Chart 13

# Low Income Countries Mortality Rates

(per 100,000)

(per 1,000)



Maternal Mortality Rate  
(per 100,000)  
(1988)

Infant Mortality Rate  
(per 1,000)  
(1990)



SOURCE UNDP, "Human Development Report 1994"

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directed the majority of public health spending in favor of tertiary facilities (i.e., urban hospitals) at the expense of preventative and primary health facilities (i.e., district rural health centers)<sup>44</sup> Not only were public health resources *highly skewed* in favor of *urban* versus *rural* populations, but they were being deployed to treat conditions that could have been more cost-effectively managed (or even prevented) by *primary care facilities*<sup>45</sup> Hence, the concentration of public resources at the tertiary level defeated the objective of providing *equitable* and *cost-effective* health care throughout the country since benefits went disproportionately to *urban* households with *higher* incomes

Despite rhetoric to the contrary in recent years, West African governments have failed to make the institutional and financial changes necessary to bring about better primary and preventative health care (see Chart 14) At present, the key obstacles to better health care in the region include (a) *insufficient financial resources* (both public and private) being directed into the health sector,<sup>46 47</sup> (b) a continued *bias* in government *health budgetary resources* in favor of *tertiary care* at the expense of preventative and primary care, (c) an *overly hierarchial and centralized structure* of health program management, (d) an *inefficient and unproductive deployment* of essential inputs to health care (i.e., pharmaceuticals, health sector personnel and health sector infrastructure and equipment, and (e) a continued *bias against the private provision* of health care services and support services<sup>48</sup>

There is no dispute that West African governments have an important role to play in creating an enabling environment for health Governments have clear comparative advantages in carrying out tasks such as health planning, health education, the regulation of the health

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<sup>44</sup> According to the World Bank, major urban hospitals throughout Africa often received half or more of the public funds spent on health and commonly account for 50 to 80 percent of recurrent health sector expenditure by the government See "Better Health in Africa Experience and Lessons Learned" (1994), pg 46

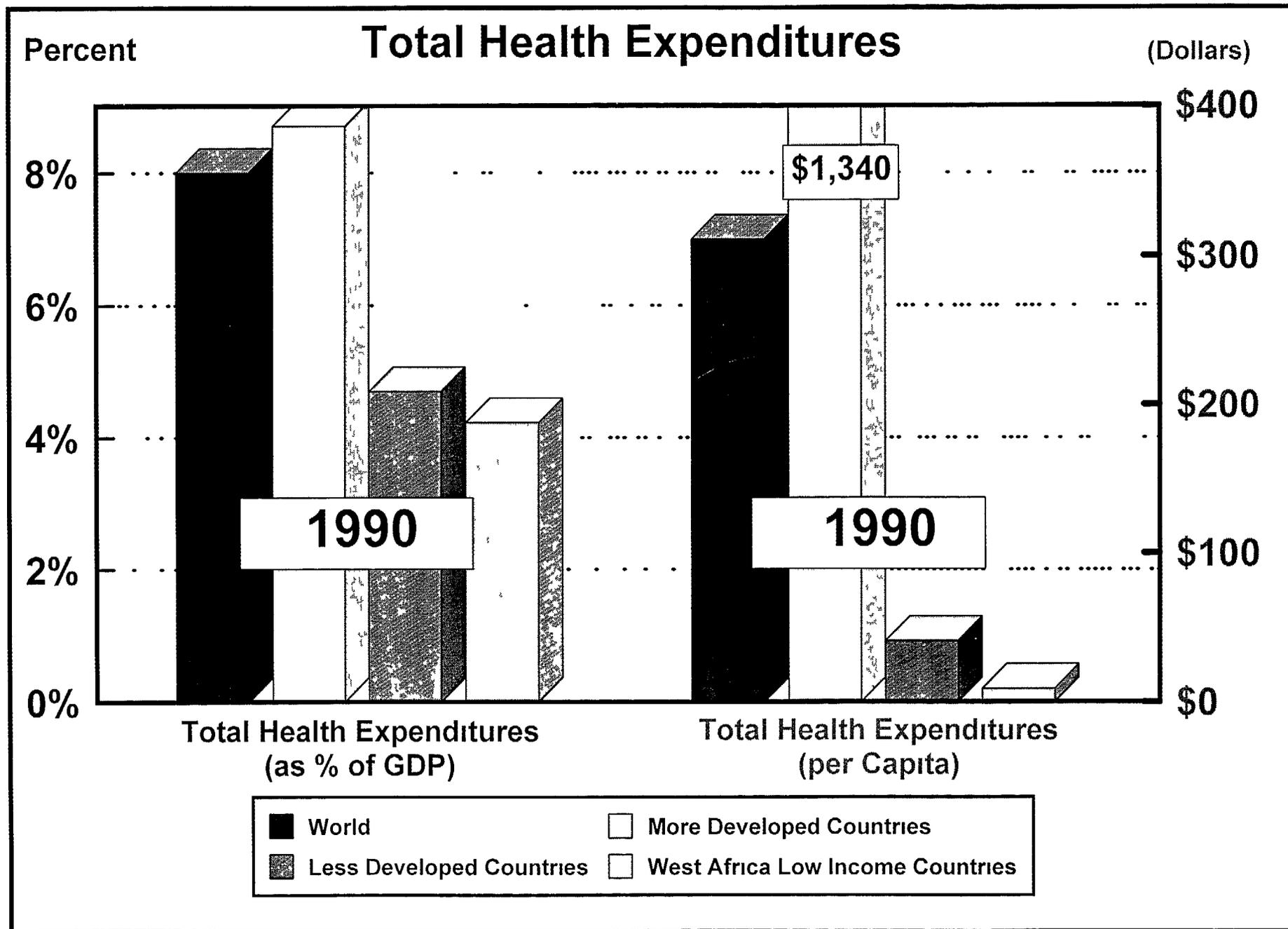
<sup>45</sup> The World Bank estimates that at least a third of all hospital expenditure in Africa could be avoided if more cost-effective strategies than remedial (i.e., tertiary) care were used See "Better Health in Africa", op cit , pg 47

<sup>46</sup> Total health expenditures (public, private and aid) in West Africa average 4.6 percent of GDP which was roughly in line with the average for all less developed countries (4.7 percent of GDP), but below the levels for high health expenditure African countries (6.3 percent of GDP), More Developed Countries (8.7 percent) and the World (8.0 percent) See "Indicators", Table 9

<sup>47</sup> West African low income countries' public spending on health averaged 1.2 percent of GDP (1990) in contrast to 2.1 percent for developing countries as a whole This placed the region slightly above the average for "low health expenditure African countries" (1.11 percent of GDP), but well below the averages for "medium health expenditure" (1.52 percent of GDP) and "high health expenditure" (2.76 percent of GDP) African countries See "Indicators", Table 9

<sup>48</sup> Historically, the private sector in post-Independent African countries was discouraged because the new Governments believed that it was the responsibility of the State to provide health services and that such social services should not be relegated to the private sector Given the binding financial constraints facing West African countries today, governments must wake up to the cooperative and supportive role that the private sector can play in the provision of private health care (i.e., to those who can afford it) and of services to public health facilities (i.e., pathology labs, food services, maintenance services, etc.) where economically justified

Chart 14



SOURCE World Bank, "Better Health in Africa" 1994

profession and the promotion of greater collaboration between the public and non-government sectors. Governments also have a legitimate role to play in subsidizing services to the poor and in subsidizing "public goods" such as the prevention of communicable diseases through immunization. As regards the provision of public health services, however, governments should *finance* and *administer* such activities in the most *cost effective* manner possible, especially given existing budgetary constraints. The general consensus of professions in the health development field is that public monies would be more efficiently spent at the *district health center level* by local health officials directing these resources into the provision of an "*essential package*" of medical services that address the *basic health* needs of the general population.<sup>49</sup> The central government would *define* the "essential package" and would serve as the *financing entity*.<sup>50</sup> The managers and boards of the district health centers would in turn be empowered to make decisions on how best to deliver the "essential package" to the target population and would be held accountable (to both the central government and to the local population) for doing so.

Key development opportunities for governments and donors in the region to help reduce the constraints imposed by poor access to and quality of basic health would therefore include

- \* Technical and financial support to regional governments reforming their health sectors, particularly with regard to the reorientation of resources in support of basic health care, the improved management of essential inputs to health care, the development of "essential packages" and the decentralized provision of health services through district health centers
- \* Support to consultative fora of Africans and donors to review progress in basic health and ensure coordinated support for international training programs, operational research and exchanges

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<sup>49</sup> The contents of the "essential package" would include a "health care cost" component (i.e., personal health services), an "intersectoral interventions" component (i.e., construction and operation of safe water and sanitation facilities) and a "supporting services" component (i.e., information, communication and education services). The "health care cost" component would target the main diseases prevalent in a particular area. While the contents of such a package would vary from country to country, it would most likely include vaccinations, oral rehydration therapy, prevention of iron deficiency, treatment of common urinary and gynecological infections and the provision of essential drugs effective against Africa's chief afflictions, including malaria, tuberculosis, diarrhea, respiratory infections, measles, polio and sexually transmitted diseases.

<sup>50</sup> Ideally, the Government would transfer to the district level a "per capita" based amount of money that the district managers and boards would use as their health budgets. The indicative cost of the "health care" component of an "essential package" deployed through district health centers is estimated by the World Bank to be \$7.74 per capita per year in the case of low-income, low-wage African countries. Added to this would be the estimated cost of the "intersectoral interventions" component (\$3.98 per capita per year) and the cost of the "supporting services" component (\$1.50 per capita per year) maintained by the central authorities. Hence, the total "essential package" would cost roughly \$13 per capita per year for low-income African countries. See "Better Health in Africa", *op cit*, pp 6-7.

- \* Support for the development of “cost sharing” and “cost recovery” schemes including but not limited to user fees, private insurance, employer financed health care, as well as public health insurance

## 5. Agricultural Productivity and Environmental Degradation

The agriculture sector<sup>51</sup> in West Africa plays a paramount role regarding the economic development of the region. Despite current and future trends toward greater urbanization, the rural sector, in general, and the agricultural sector, in particular, will continue to dominate regional economies. On average, approximately *two-thirds* of the population in West African countries live in rural areas. Agriculture constitutes the *largest sector* of economic activity, averaging some 35 percent of the gross domestic product of these countries, and represents the *single largest employer*, employing some 65 percent of the national work forces.<sup>52</sup> If the “upstream” and “downstream” economic activities linked to the agriculture sector are taken into consideration, the importance of the more broadly defined “food sector” is in excess of 50 percent of GDP.<sup>53</sup> As regards consumption, agriculture products constitute some 70 to 80 percent of total consumption expenditure in rural areas and some 60 percent of that in urban areas. In sum, the agriculture sector has been, is and will inevitably continue to be the primary area of economic activity and income in the region. There are, however, a series of critical constraints facing the agriculture sector. These include natural resource endowment constraints, constraints to further Extensification and “labor-led intensification”, environmental constraints, and various structural constraints.

### a. Natural Resource Endowment Constraints

Agriculture production in West Africa has always been highly susceptible to the *climate*. Because of the intense solar radiation and high temperatures facing the northern and middle sub-regions, most of the precipitation evaporates before it can be used for agriculture and humidity sufficient for cultivation is available only two to four months of the year.<sup>54</sup> The situation is somewhat better in the southern and coastal sub-regions which benefit from greater amounts of rainfall and from proximity to the Senegal and Niger Rivers which carry water throughout the year. Even more important than the *amount* of rainfall is rainfall *variability*.

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<sup>51</sup> The agriculture sector is hereby defined to include the crop, livestock and silviculture sub-sectors of the economy

<sup>52</sup> Given the high levels of subsistence farming and, in turn, the difficulty of measuring the contribution of these activities to GDP and employment, the importance of the agriculture sector is likely to be even greater

<sup>53</sup> For example, according to MSU professor Dr. Thomas Reardon, one half of rural incomes in the Sahel are non-farm related. About four-fifths of that non-farm income is linked in the production chain upstream or downstream to agriculture

<sup>54</sup> “Survival in the Sahel: An Ecological and Developmental Challenge”, International Service for National Agriculture Research (ISNAR), 1995, p. 27

Annual variations of *up to 50%* can occur in the Sahel and years of above-average and below-average rainfall tend to come in clusters<sup>55</sup> Moreover, the northern and middle sub-regions have been prone to periods of *severe drought* and over the century there has been a continual increase in both the *duration* and the *extent* of these droughts<sup>56</sup> The *soils* throughout the region in West Africa have various unfavorable characteristics Given that most of the soils are classified as "old soils"<sup>57</sup>, they are inherently low in nutrients and highly soluble This low level of natural fertility and water retention capacity combined with a high susceptibility to wind and water erosion, results in soils that have a low natural yield potential Furthermore, the combination of *erratic rainfall*, *rapid evaporation* and *low storage capacity* of soils, serves to limit water availability in the northern and middle sub-regions While capital-intensive irrigation has been pursued in areas adjacent to the Senegal and Niger Rivers, this benefits only approximately 5 percent of annual crop production in the region Because of the high costs involved, such irrigation schemes have been limited to "export cash crops" All other agriculture is dependent solely on *rainfall* Substantial efforts have been undertaken over the past decade regarding the deployment of *water harvesting*<sup>58</sup> and *water conservation*<sup>59</sup> techniques These techniques allow farmers to better collect and maintain precious rainfall for cultivation While these practices have begun to be used throughout the region, much more remains to be done

#### **b. Constraints to Extensive and "Labor-led Intensive" Cultivation**

Pressured on by the excessive population growth rates in the region, agriculture in the northern and middle sub-regions has been extended into areas with *marginal soils* and to those used by *pastoralists* In the southern and coastal sub-regions of West Africa where there still remains an arable frontier, extensive cultivation continues to be pursued These areas, however, are few and disappearing rapidly Hence there is a serious and binding *constraint* to future *extensive* agricultural development While *intensive* cultivation is occurring in areas where the arable land frontier is diminishing (i e , the northern and middle sub-regions), *labor-led*

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<sup>55</sup> IBID , pg 28

<sup>56</sup> According to the American National Research Council, there were twelve to fifteen year droughts in the 1680s, the 1750s, the 1820s and the 1830s In this century, the Sahel region of West Africa has been plagued by extended droughts in 1910-14, around 1930 and in 1940-44, 1968-73 and 1980-84 See *Survival in the Sahel* , 1994

<sup>57</sup> The soils in West Africa are "old" and "weathered" in that their plant nutrients have been leached out, their buffering capacity reduced and their chemical nature has become very acidic

<sup>58</sup> "Water harvesting" involves efforts to collect water and move it to the crop being cultivated

<sup>59</sup> "Water conservation" techniques involve the holding of water on a hillside or the holding of water around a crop being cultivated

*intensification*<sup>60</sup> versus "*capital-led intensification*"<sup>61</sup> has been the dominant approach<sup>62</sup> Both extensive and labor-led intensive cultivation practices are *unsustainable* in that they further fatigue the already strained soils and the ensuing land *degradation* further stagnates land productivity<sup>63</sup> In contrast, "*capital-led intensification*" is more sustainable and productive in fragile, resource-poor areas as the fertility-enhancing input use help farmers avoid exhausting the soil during intensification and the capital improvements help avoid erosion and runoff

### c. Environmental Constraints

Trees play a critical role in West Africa by serving as a source of fuel, food, fertilizer, and medicines and by conserving the soil and serving as windbreaks The procurement of firewood (mainly for heating and cooking) is the primary cause of forest destruction in densely populated areas<sup>64</sup> Due to the rampant population growth and the ensuing sharp rise in the demand for energy, the demand for wood is increasing more rapidly than the supply can be replenished through reforestation Added to this is the expansion of cultivation and livestock herds into forested areas in search of new croplands and pastures The consequences of this deforestation is that wind and water erosion are promoted, soil deterioration is accelerated and desert-like conditions spread to areas where such conditions would not normally exist In turn, this dramatically reduces the potential for livestock husbandry and cultivation of food crops and other crops This human induced destruction intensifies the impact of drought and sets off a degradation process that has its own dynamics There have been some positive responses to this crisis in the form of the United Nations Convention to Combat Desertification<sup>65</sup> and better

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<sup>60</sup> "Labor-led" intensification involves farmers merely adding labor to the production processing a given amount of land (i.e., reducing the fallow period, cropping more densely and weeding/harvesting more intensively)

<sup>61</sup> "Capital-led" intensification involves farmers augmenting their labor with variable inputs (i.e., improved seed, fertilizer, organic matter, animal traction, etc.) and capital inputs (i.e., irrigation systems, equipment, etc.)

<sup>62</sup> For a detailed discussion of the limits to extensification and "labor-led intensification" and the need for greater "capital-led intensification", see "Raising Farm Productivity in Africa to Sustain Long-Term Food Security", by Thomas Reardon, et al., Michigan State University, Department of Agriculture Economics (Draft), November 1994, "Capital-Led Intensification in Sahel Agriculture Addressing Structural Constraints After Policy Reform", a paper presented by Thomas Reardon, et al., at the Colloque International sur Intensification Agricole au Sahel Mythe ou Realite?, August 10, 1995, and "Promoting Investment in Sustainable Intensification of African Agriculture", by Thomas Reardon, et al., Michigan State University, (Draft), October 1995

<sup>63</sup> "Capital-Led Intensification in Sahel Agriculture", op cit

<sup>64</sup> "Survival in the Sahel", 1994, pg 35

<sup>65</sup> Under the Convention, developing countries "shall prepare, make public and implement national action programs, utilizing and building to the extent possible on existing relevant successful plans and programs and sub-regional and regional action programs, as the central element of the strategy to combat desertification and mitigate the effects of drought" To this end, developed countries are to "provide substantial financial resources, mobilize new and additional funding and encourage the mobilization of funding from the private sector and other non-governmental sources" See United Nations, "United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa", (Draft), October 13, 1994

forest management practices in several countries within the region in recent years<sup>66</sup> However, deforestation and desertification remain a threat to the sustainability of the region's soils and further action are required to rectify the situation

#### d. Structural Constraints

The 1980s were a period of structural adjustment throughout the region as governments were left with little choice but to adjust to world market conditions and to living within their means The ensuing macroeconomic and sectoral reforms carried out under various Structural Adjustment Programs and Sectoral Adjustment Programs (both denoted as SAPs), provided a series of new opportunities and incentives to farmers, particularly with regard to export crops At the same time, however, these fiscal constraints and realities forced Governments to significantly cut back on agricultural credit programs, extension services and input (i e , fertilizer) subsidies The result has been that, outside of export cash crop production, farmers' use of fertilizer and access to appropriate technology packages and credit has been reduced substantially In turn, this has severely limited the degree of *capital-led intensification* being pursued by farmers The effects of the recent devaluation of the CFA Franc on the domestic price of fertilizer, other imported inputs, imported equipment and transportation have been equally dampening to *capital-led intensification* practices<sup>67</sup> Until the structural constraints regarding access to affordable fertilizer, equipment and support services are addressed, the response of farmers to the new incentives created by the SAPs and devaluation will remain limited

There is a need therefore to increase agriculture productivity while conserving the scarce natural resource base for future generations in the region (i e , the environment and agricultural productivity are integrally linked) Strategies to increase agricultural productivity will need to distinguish between "favorable agroclimatic zones" (where significant productivity increases can be expected) and "unfavorable or "fragile agroclimatic zones (where more modest expectations are in order) To this end, there is a great need for cooperation between governments, the private sector, non-government organizations and donors to pursue ecologically and socially acceptable remedies for sustainable development Although the list of possible interventions is substantial, priority areas would include the following

- \* Support for increased local capacity for agriculture policy research and analysis,
- \* Development of secure land tenure,

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<sup>66</sup> According the Michael McGahuey, Natural Resources and Sustainable Agriculture Advisor to USAID's Africa Bureau, improved forest management in Niger, Mali and Senegal has resulted in increased offtake *and* increased forest production

<sup>67</sup> "Capital-Led Intensification in Sahel Agriculture", op cit

- \* Support for the promotion of the economic use of the tools of sustainable, "capital-led intensification" (i.e., fertilizer, animal traction, organic inputs and soil conservation investments),<sup>68 69</sup>
- \* Development of complementary infrastructure that will make private investment more practicable and affordable, and
- \* Development of alternatives to wood as a source of energy

## 6. Low Savings and Investment & High Dependence on Foreign Capital

Increased investment, which is financed through both domestic savings and foreign savings, is a key requirement for future economic growth and development in the region<sup>70</sup> In its 1994 report on "Adjustment in Africa", the World Bank suggested that gross domestic investment rates of about 25 percent of GDP would be required to sustain GDP growth rates of about 6 percent per annum in African countries Gross domestic investment in West Africa averages 15.0 percent of GDP<sup>71</sup> or only sixty percent of that indicative target (see Chart 15) Hence, increasing domestic investment levels in the region is a prerequisite for reasonable levels of sustainable economic growth to occur Equally troublesome, gross domestic savings rates in West Africa are *extremely low* (averaging 2.5 percent of GDP), both in absolute terms and relative to that in other low income countries (see Chart 16)<sup>72</sup> In turn, the region is *highly dependent* upon on foreign savings (see Chart 17) to finance gross domestic investment (for example, Official Development Assistance was the equivalent of 16.1 percent of GDP)<sup>73</sup> This dependency of domestic investment on the inflow of concessional foreign assistance is becoming more and more problematic as donors, which are presently facing severe budgetary constraints at home and increasing demands on its resources from other parts of the world, are being forced to cut back on their development assistance to Africa Hence, West African

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<sup>68</sup> In this regard, debate should be reopened on identifying cost-effective ways of increasing access to inputs by improving the delivery of inputs and assisting farmers in developing the means to pay for these inputs

<sup>69</sup> Efforts should also be made to develop and/or increase non-farm income generation which could greatly facilitate the acquisition and use of productivity enhancing inputs and conservation investments, while smoothing household income and reducing risk

<sup>70</sup> There is extensive literature substantiating that economic growth depends critically on investment and that resources for investment in developing countries are derived primarily from national savings Hence, an argument is often made that national savings is a key determinant of economic growth

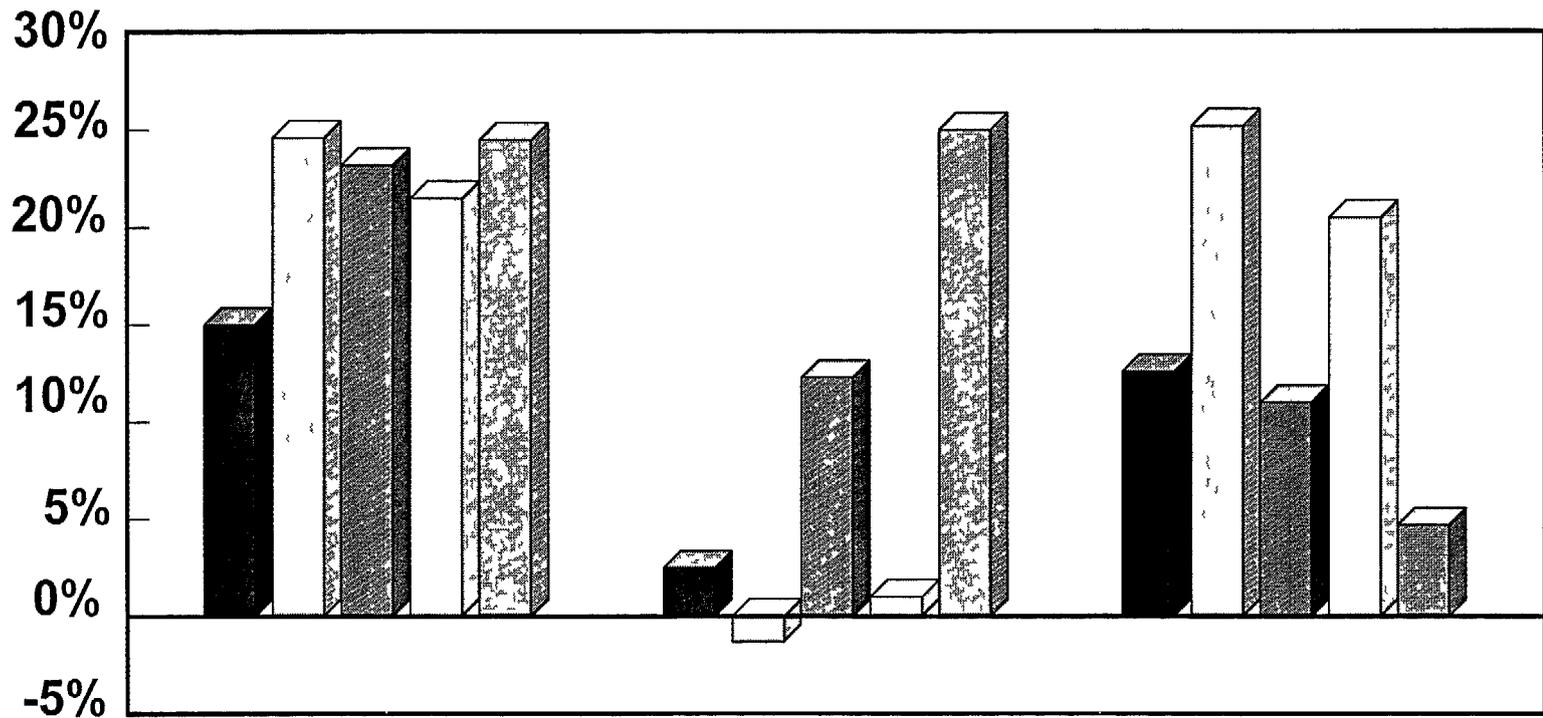
<sup>71</sup> See "Indicators", Table 4

<sup>72</sup> Since 1982, national saving rates throughout the developing world have declined sharply, with the sharpest declines being recorded in Africa and the Middle East During this period, developing countries in Africa not only recorded the *lowest saving rate*, but also the *sharpest decline* in the savings ratio See "The Role of National Saving in the World Economy Recent Trends and Prospects", IMF Occasional Paper No 67, March 1990, pg 4

<sup>73</sup> See "Indicators", Table 4

Chart 15

# Low Income Countries Investment And Savings



Gross Domestic  
Investment (1992)

Gross Domestic  
Savings (1992)

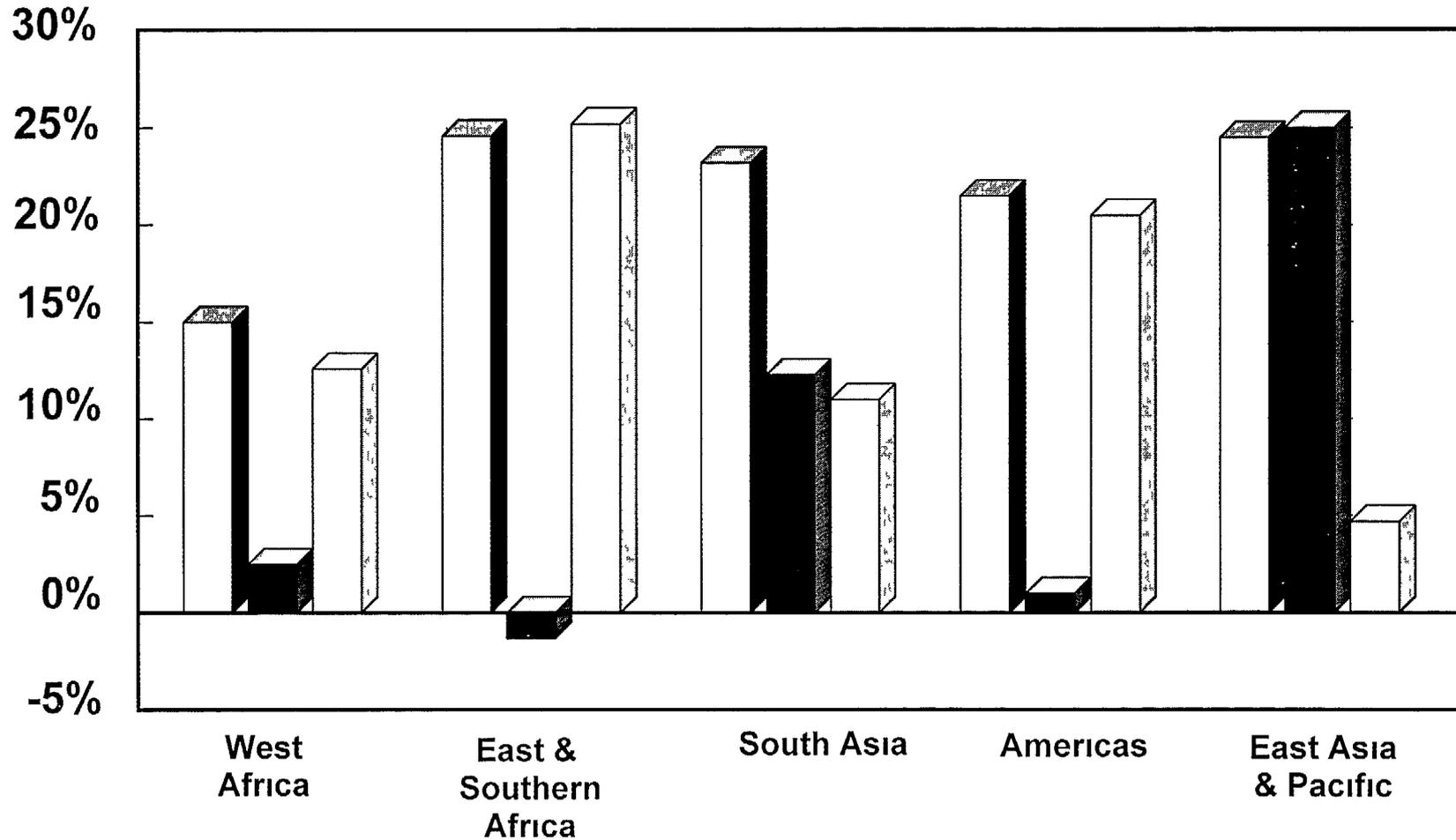
Foreign Savings  
(1992)



SOURCE World Bank, World Development Report 1994

Chart 16

## Low Income Countries Sources of Investment Finance



 Gross Domestic Investment (1992)

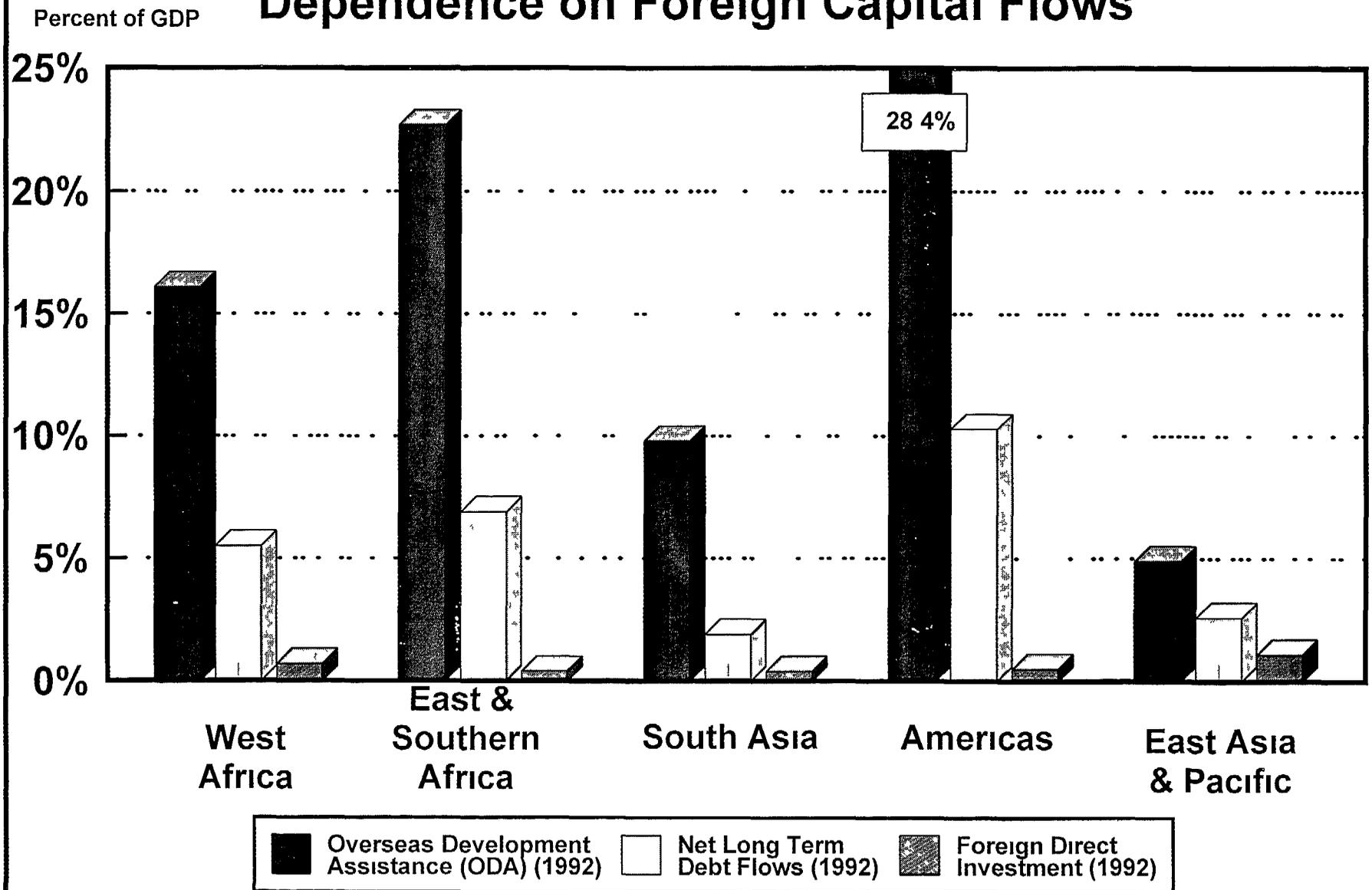
 Gross Domestic Savings (1992)

 Foreign Savings (1992)

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Chart 17

# Low Income Countries Dependence on Foreign Capital Flows



SOURCE World Bank, "World Development Report 1994"

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governments face the problem of how to increase domestic investment in the face of limited and/or declining foreign assistance levels. Domestic savings must therefore be increased substantially from their already low levels if domestic investment and economic growth are to increase.<sup>74</sup>

How can West African countries generate additional levels of domestic savings? This is not an easy task, especially since the domestic resource base is narrow and savings are inhibited by the low levels of per capita income, short life expectancy and uncertain macroeconomic environments. Nonetheless, policies can be pursued to raise both public and private savings within these economies. There are a series of conditions which affect the level of domestic savings in a developing economy.<sup>75</sup> First and foremost, the maintenance of a stable macroeconomic environment is critical to mobilizing domestic savings and, in turn, encouraging private investment and economic growth.<sup>76</sup> Key policies in this regard include appropriate monetary, fiscal and exchange rate policies. Some of these policies (i.e., raising interest rates) explicitly promote savings, while other policies (i.e., reduction of fiscal deficits, control of domestic credit expansion, exchange rate adjustments, financial liberalization and interest rate reform) have indirect effects. Another important condition is the existence of a well functioning financial system that can efficiently attract domestic savings and channel it into productive investment. Hence, liberalized financial markets combined with market determined interest rates can not only increase the overall level of savings but channel savings away from other destinations, such as foreign markets (i.e., capital flight) and informal domestic financial markets. The existence of supportive government investments (i.e., in infrastructure, and in human capital) is another important condition that can play a catalytic role in increasing domestic savings.

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<sup>74</sup> By doing so, West African countries would also be reducing their economies' vulnerability and dependence on high levels of foreign assistance.

<sup>75</sup> For a detailed analysis of savings and investment, see the IMF's "The Role of National Saving in the World Economy: Recent Trends and Prospects", March 1990 and "Sub-Saharan Africa: Growth, Savings, and Investment, 1986-93", January 1995.

<sup>76</sup> The high savings rates registered by the "Asian Tigers" suggest the importance of a stable macroeconomic environment.

Donors and governments in the region that are interested in alleviating the constraints to domestic savings and investment should therefore consider the following development opportunities

- \* Support efforts to increase the mobilization of domestic resources for investment, particularly with regard to
  - \* Increasing public savings (i.e., fiscal surplus)<sup>77</sup>
  - \* Interest rate liberalization and financial sector reforms<sup>78</sup>
  - \* Credit policy liberalization<sup>79</sup>
  - \* Flexible exchange rate policies
- \* Support governments in rationalizing their investment expenditures in key areas, such as infrastructure, health and education
- \* Support for financial sector reform and the creation of new and innovative capital markets and institutions

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<sup>77</sup> Fiscal restraint generally involves the curtailment of current expenditures, improved revenue performance and rationalization of the public investment program. These policies can serve to increase public savings directly by increasing revenue collection and/or reducing current spending. These policies are more generally pursued, however, for the purposes of bringing growth in aggregate demand in line with growth of productive capacity and thereby reducing the country's claim on external resources as well as reducing inflationary pressures.

<sup>78</sup> These reforms are intended to both increase the overall level of private savings and to reduce "capital flight". Interest rates which reflect market conditions serve to attract savings, or channel savings away from foreign markets, and toward domestic financial markets. A well functioning financial system ensures that domestic savings are efficiently directed into productive investment. Both are essential.

<sup>79</sup> In countries with market-determined domestic interest rates, restrictive credit policy would raise interest rates and stimulate private saving. In cases where credit to the private sector is restricted, the private savings rate would be increased as households would be forced to finance investment through other means, including reducing consumption.

## 7. Underdeveloped Capital Markets

The lack of access to credit for productive purposes has handcuffed private sector activity throughout the region. The overwhelming majority of formal credit in the economy is provided through the commercial banking sector. When credit is available, it is often *short-term* in nature, biased in favor of *trade credit* and/or *crop credit*<sup>80</sup>, and conditioned upon the availability of appropriate *collateral* or *counter-part deposits*<sup>81</sup>. Access to medium-term productive credit (i.e., credit for plant and equipment) from the commercial banking sector is therefore limited at best. While informal sources of credit abound throughout West Africa (i.e., tontines, rural savings associations, village associations), they generally provide resources that are used for consumption rather than investment purposes. There has been a variety of pilot projects and experiments regarding the creation of non-commercial bank formal financing of small and medium-scale enterprises. However, the majority of these activities have failed either due to unsustainable administrative costs<sup>82</sup> and/or high non-repayment rates<sup>83</sup>. There are a variety of structural reforms that are required therefore if private sector access to credit is to be increased, including but not limited to land tenure and title, the short-term nature of most commercial bank deposits, government arrears to commercial banks and to private sector vendors, and the lack of a fully functional regional financial market capable of intermediating funds between countries within and outside the region. There is also a need to develop alternative mechanisms that can "bridge" formal and informal capital markets and that can better direct capital into productive activities.

Development opportunities for donors and governments in the region desiring to relieve the constraints to productive credit availability and access therefore include

- \* Support for improved land tenure laws and better enforcement of title rights through the commercial courts

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<sup>80</sup> As discussed in the section on Agricultural Productivity and Environmental Degradation, most crop credit is limited to export "cash" crops and little credit is available for farmers involved in purely food crop production for the purchase of essential inputs such as fertilizer, seed and pesticide/fungicide. This is because the lender is generally involved in the "trade credit" size of the export crop and therefore has greater security in knowing that it will be paid for any credit extended for "inputs".

<sup>81</sup> This is not surprising given the experience of high levels of non-performing loans and defaults throughout the 1980s and early 1990s.

<sup>82</sup> Given the small size of the credits involved, the cost of administering and supervising the loans are simply too high. In most of the so called "success cases", the capital base was underwritten by a donor and, hence, the cost of capital to the lender was zero. In these cases, loan revenues may have been substantial enough to offset the administrative and supervisory costs involved. However, if these lenders did not receive subsidized capital, their credit schemes would be unprofitable.

<sup>83</sup> Loan default rates in the range of 70 to 90 percent have not been uncommon.



- \* Support for reforms and schemes aimed at attracting longer term deposits which could be directed into the medium-term productive credit
- \* Support for learning from the lessons gleaned from previous failures in non-commercial bank small and medium-scale lending schemes and for the development of more appropriate and sustainable mechanisms
- \* Support for the development of venture capital funds and other mechanisms for the purposes of generating "risk capital" and directing it into new, productive ventures
- \* Support for the creation of a functional regional financial market that can attract and intermediate funds between countries

## 8. Constraints of Embryonic Democratization

Political liberalization is a recent phenomenon in Africa. The process toward greater political liberalization began in Benin in 1989 in the aftermath of the collapse of communism in the Soviet Union and the end of the Cold War<sup>84</sup>. Since that time, nearly every Sub-Saharan country has experienced some degree of liberalization in associational life and in the media and many have made progress toward broader opening up of the political process. Between 1988 and the end of 1992, civil liberties improved in approximately two-thirds of the Sub-Saharan African countries<sup>85</sup> and roughly one-third of African States can now be classified as having gone through democratic transitions, although only a few have moved beyond the risk of reversal and instability<sup>86</sup>. However, after a rapid start in 1991, the process of democratization in Africa slowed down in 1992, raising serious questions about the future of democracy on the continent<sup>87</sup>. Eleven West African countries were classified by *Freedom House* as being "Not Free", eight as being "Partly Free" and another five as "Free" (see Chart 18)<sup>88</sup>. According to the U S Department of State's classification of African democracies, some ten West African

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<sup>84</sup> However, as summed up by Michael Clough, "although events in Eastern Europe obviously have had an impact on Africa, it is [a] mistake to assume that the collapse of communism in Eastern Europe is what has given rise to democratization in Africa." See "The Transition to Democracy: Proceedings of a Workshop", National Research Council, 1991, pg. 68.

<sup>85</sup> According to Freedom House, civil liberties improved at least a little in 37 of the 52 countries in the region during this period. See, Nicolas van de Walle, "Political Liberalization and Economic Policy Reform in Africa" in "Economic Reform in Africa's New Era of Political Liberalization", Proceedings of a Workshop for SPA Donors Hosted by the U S Agency for International Development, April 14-15, 1993, pg. 81.

<sup>86</sup> See "Economic Reform in Africa's New Era of Political Liberalization," op. cit., pg. 1.

<sup>87</sup> Michael Bratton, "Political Liberalization in Africa in the 1990s: Advances and Setbacks" in "Economic Reform in Africa's New Era of Political Liberalization", op. cit., pg. 37.

<sup>88</sup> As noted in footnote 3 to "Indicators" Table 3, the Gambia was classified as "Free" while in the aftermath of the recent coup its rating has surely been downgraded to "Not Free."

countries are considered to be democratic<sup>89</sup>, while another eight are considered to be "in transition" to democracy<sup>90</sup>. Six West African countries, however, remain in a non-democratic status<sup>91</sup>.

The constraint to economic and social development posed by ongoing democratic liberalization efforts in West Africa is a *two-edged sword*. On the one hand, authoritarian African regimes have proven to be very *poor* development partners. Hence, regimes which have democratized will hopefully become *better* long-term development partners by *reducing* internal corruption, by *improving* the performance of civil services, by establishing *greater* adherence to rules of law and by engendering a process through which local "ownership" of reforms increases<sup>92</sup>. On the other hand, as these authoritarian regimes collapse, the ensuing chaos during the transition to democracy makes it often more difficult to implement policy reform. The process of democratization can therefore make the adoption and sustainability of economic reforms problematic and can result in delays and/or setbacks. The hope is that by broadening participation in the reform process, "ownership" of the policy changes will increase and implementation will be strengthened and sustained.

At the same time, given the degree of cultural pluralism that abounds in West Africa, it remains an open question as to whether multiparty democracy can sustain the costs of ethnic, regional or factional strife unleashed by electoral competitiveness. Hence, "*conflict resolution*" is an important dimension of the dilemma facing African societies. The ongoing bloodshed in Liberia and internal conflicts in other countries within the region speak to this point. The time frame for the development of democracy is clearly "*long-term*" and given the unique circumstances facing each nation, countries must move through the transition period at their *own* pace. Where ethnic conflict poses severe threats to the development of democracy within a country, the critical issue becomes one of how best to strengthen the democratic institutions involved<sup>93</sup>.

While there is no single prescription or consensus of opinion on how to promote democratization while minimizing the external fallout to economic and social development during the interim, there are a variety of supportive actions that can be pursued. In this regard, it should be noted that *no single donor* can assume the role of leader in setting criteria and standards for governance. What is needed is a group of donors who will jointly take the

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<sup>89</sup> These are Benin, Cape Verde, Central African Republic, Congo, Ghana, Guinea Bissau, Mali, Niger, Sao Tome & Principe and Senegal

<sup>90</sup> These are Burkina Faso, Cameroon, Cote d'Ivoire, Chad, Gabon, Guinea, Sierra Leone and Togo

<sup>91</sup> These are Equatorial Guinea, the Gambia, Liberia, Mauritania, Nigeria and Zaire

<sup>92</sup> "Economic Reform in Africa's New Era of Political Liberalization", op cit, pg 1

<sup>93</sup> The points regarding "conflict resolution" were abstracted from Rene Lemarchand's "Four Models for Resolving Ethnic conflict" in "African Voices: A Newsletter on Democracy and Governance in Africa", USAID Bureau for Africa, Office of Sustainable Development, Vol 4, No 2, Summer 1995

lead It is also important to note that where states are relatively weak, *nongovernment organizations* and intermediary associations will have to play *increasingly important roles* as the vehicles for assisting the process of change Moreover, it is important to take a *multi-layer approach* regarding support for democratization since there are several critical players, institutions and elements involved, the principal ones of which include the constitution, decentralization, public administration, the judiciary, the legislature, the electoral process and civic rights

Development opportunities for donors and governments in support of minimizing the constraints imposed by countries going through the growing pangs of democratization could include

- \* Technical assistance in support of the development of the following seven principal disciplines regarding democratization (a) the constitution, (b) decentralization (i e , the multiple levels of government), (c) public administration, (d) the judiciary (i e , the rule of law), (e) the legislature, (f) the electoral process, and (g) civic rights (i e , free press, free speech, right of assembly, etc )
- \* Support for the development of empirical data and analysis regarding democratization
- \* Support for the development of African capacity building at the national, regional and local level
- \* Support for Inter-African cooperation and exchange of information and experience regarding democratization
- \* Support for the creation of effective methods for conflict resolution

### C. Concluding Note

Drawing upon the political, economic and social indicators presented in the first Background Paper, this paper has attempted to identify some of the critical constraints to development in West Africa and some of the development opportunities for donors and governments interested in alleviating these constraints This discussion has been by no means exhaustive and there are inevitably other constraints and opportunities that can be identified and worthy of support As discussed in introduction, the intention was to stimulate further reflection and debate within USAID regarding the formulation of regional development priorities and strategies for West Africa This information, combined with that provided in the third Background Paper on "Donor Regional Strategies in West Africa" should hopefully provide a firm foundation from which to begin thinking how USAID could formulate its approach to development assistance in West Africa at the regional level

**ANNEX**

**SUMMARY & CRITIQUE OF  
THE WEST AFRICA LONG-TERM PERSPECTIVE STUDY**

## The West African Long-Term Perspective Study (WALTPS)

A **The Study** An "original" and "novel" demographic approach to understanding the economic dynamics of past spatial patterns of population settlement in West Africa

### B Main Contentions

- 1 Populations of both rural and urban areas of West Africa will grow quickly over the next decades (from 220 million in 1990 to 430 million people by the year 2020), but *urban populations will grow faster than rural ones*, particularly along the coastal areas
- 2 Where there is more dense agricultural activity, there is *greater urban concentration*
- 3 Urban activities are *more productive* than rural activities

C **Conclusion** Conventional analysis of economic growth misses important interactions between *shifts in population* and *economic activity*. Contrary to conventional wisdom, *rural-urban migration* has resulted in *positive per capita economic growth* in West Africa. *Urbanization* therefore serves as a major "*motor*" of *economic development* and donors/governments should focus their assistance activities and public investment upon the *coastal urban areas* whose growth in incomes will *stimulate growth in rural areas*

### D Limitations of the Study

- 1 **The WALTPS analysis is based on several highly questionable assumptions and unsubstantiated assertions**. These include
  - A *Urban activities are more "productive" than rural activities and gains in productivity will automatically occur as migrants move to urban areas and engage in new activities*. This assertion is not defensible nor defended empirically
  - B *An exogenous increase in demand comes simply from a shift in population from rural to urban areas (i.e., demand-led increases in production)*. While this may be true, there is no guarantee of success--demand not backed up by purchasing power does not automatically lead to increased incomes. Most studies assume that the initial increase in demand that generates an increase in production is derived from an injection of "income" into the system
  - C *Economic growth in West Africa is constrained by lack of infrastructure in cities and therefore investment in urban areas is the key to growth*. This is not necessarily true. The bulk of the region's poor lives in rural areas where agricultural growth has been disappointing and health and education services are inadequate. Hence, greater investment in urban infrastructure may actually have significantly lower payoff in terms of economic growth and poverty reduction than increased provision of health and education services for rural households
  - D *Past urbanization trends in West Africa were not based on any productivity gains in agriculture*. This is simply not correct and the opposite may in fact be true--effective and potential agricultural productivity gains have fueled the urbanization process. In the face of excessive taxation and stagnating per capita food production, the

agricultural population has had to produce more cash crops per unit of labor, primary through the adoption of some degree of mechanization

## 2 Critique of WALTPS

- A In contrast to the USAID-sponsored exercise of promoting a genuine and progressive African reflection process for defining a sustainable strategy for West Africa, WALTPS *failed to incorporate Africans into the thinking process* until the very end and then, only in a hasty, cursory manner
- B While the study quantifies West African population growth and migration, it *fails to acknowledge or account for the "push" and "pull" factors* that were at the root of this migration "Push" factors included excessive taxation, diversion of rural development funds, currency overvaluation, distorted marketing policies and organizations, ineffective input and financial markets, etc , while "pull" factors included political power, administrative and financial facilities, employment opportunities and wage income, education and health facilities, road, market and communication infrastructure, etc WALTPS ignores these factors altogether
- C Given the important role played by policy in stimulating migration in the past, and in the light of the ongoing political (democratization and decentralization) and economic (market liberalization, structural adjustment and privatization) reforms throughout West Africa, the *sustainability of these fast growing urban areas* must be *called into question*.
- D Given that most of the generalizations of the study are highly questionable in the light of in-depth studies focusing on better understanding of sectoral/sub-sectoral performances, inter-sectoral linkages and urban-rural/agricultural linkages, it is *premature and dangerous to jump to hasty policy conclusions based on the WALTPS* until West African analysts are given adequate opportunity to thoroughly review the study from an African perspective

## 3 Contrary Point of View The key question arising from WALTPS is whether food security, urbanization and economic growth in general are furthered best by focusing on *"urban-led" versus "agriculture-led" development* Many (MSU, Cornell, et al ) believe that an urban-led development strategy in West Africa would be inimical to economic growth

- A There are few sources independent of *agriculture* that can *induce growth* Growth paths that do not start with an emphasis on agriculture are therefore problematic
- B *Agricultural investment is critical to overall growth* and without concentrating investment in the agricultural sector, nonagricultural activity in rural and urban areas will be choked off
- C By concentrating investment in urban areas, *food security and economic growth would be undermined* by the corresponding reduction in agricultural research and rural market, health and education infrastructure
- D An *agriculture-led strategy* can lead to a greater volume of export crops and foreign

exchange with which to import food, and capital goods to *increase urban and rural productivity*

- E Rather than pursuing a one-way strategy of investing first in urban areas to create an effective demand that would in turn generate incentives for increased agricultural productivity a la WALTPS, a better approach would be to pursue a *balanced strategy of promoting the emergence and development of a sustainable/self-reliant economy that feeds on competitive agricultural production while creating substantial employment and value added through efficient backward and forward linkages to the urban sector*