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SURVEY OF ECONOMIC AND SOCIAL CONDITIONS
IN AFRICA
1983 - 1984

Summary

REPORT TO THE ECONOMIC AND SOCIAL
COUNCIL AND TO THE GENERAL ASSEMBLY

(1985 SESSIONS)

I. INTRODUCTION

The survey of economic and social conditions in Africa, 1983-1984 broadly follows the pattern of its recent predecessors: it includes seven chapters, covering the end of the year message of the Executive Secretary of the ECA, the international economic situation, overall trends, the performance of main sectors, fiscal, monetary and price developments, the external sector, and a special study. The special study deals this year with the issue of devaluation which has assumed great importance in relation with the on going adjustment process in African economies. A statistical annex provides information on various economic and social indicators for the latest year available and for each of the 50 member States of the Economic Commission for Africa.

II. THE INTERNATIONAL ECONOMIC SITUATION

2. The recovery of the world economy after the 1980-1983 recession has been stronger than expected. The most remarkable development has been the exceptionally high growth of the American economy during 1984, when GNP rose by nearly 7 per cent in volume. This, associated with an equally exceptional high budget deficit, high interest rates and declining inflation has stimulated a very high level of imports which have strongly stimulated growth in other industrialized countries. According to the OECD secretariat, growth of the whole OECD group of countries reached 4.5 per cent in 1984 compared to only 2.4 per cent in 1983. However when the U.S. have enjoyed decreasing unemployment in addition to high growth, the European OECD members have on the contrary seen no end in the growing level of unemployment. Developing countries have over all shared in the recovery, but this has been very uneven and Africa in particular has not been able to benefit from an improved world trade which has grown by 8.5 per cent in 1984. The worse than average performance of the African region is due among other factors to the catastrophic drought which has hit large areas of the continent during 1983-1984.

3. The improved performance of the world economy has been associated with significantly improved trade flows. But the resource flows towards developing have continued to deteriorate despite the improvement brought to the financial situation of a number of large debtor countries. While the debt service requirements have been eased by massive rescheduling, this has brought in its wake a shrinking in the flows of new resources. The African region is particularly hit, with a projected halving of net capital flows to the countries of the Sub-Saharan African in 1985-1987.

4. Prospects for 1985 appear to be less favourable than the record of 1984: a slowing down of growth is widely expected in the U.S. and other OECD economies, their combined GNP growing by 2.8 per cent against 4.5 per cent in 1984. World trade is projected to grow by 5.5 per cent, a sharp deceleration on 1984. However, the performance of developing countries is set to improve on 1984, but with sharp disparities, the best results likely to be obtained in Asia where not only economic growth is proceeding at a rate twice the developing countries average, but in much healthier financial conditions (low debt) and with better balances of payments.

III. OVERALL TRENDS IN THE AFRICAN REGION

5. Drought has struck a large number of African countries from the Sahel to Southern Africa, creating famine in Ethiopia, Mozambique, some parts of Chad and delaying hopes of Africa joining in the world economic recovery. Regional output which grew imperceptibly in 1983 declined in a similar way in 1984 so that it practically stagnated, output per head dropping again and being estimated to be 10 per cent less in 1984 than in 1980. Apart from Central Africa where GDP increased by 2.8 per cent in 1983 and 4.3 per cent in 1984, there was a recession across the continent, the worst hit area being West Africa, where output has been declining since 1980 and fell by 3.5 per cent in 1983 and again by 1.2 per cent in 1984.
6. Oil exporting countries, recorded a decline of output though non OPEC oil exporting countries like Congo, Angola, Egypt and Cameroun had a generally good performance, their oil production continuing to grow, not being limited by OPEC quotas. Non oil exporting countries stagnated, their output barely growing, Sub-Saharan Africa being particularly hurt with a decline of GDP of 1.3 per cent in 1983 and near stagnation in 1984. Sahelian countries recorded a fall of 3.1 per cent in their combined GDP in 1984 because of the impact of the drought which was particularly severe in the area. The performance of least developed countries was paradoxically better than average, but this is due to the large weight in the group, of countries like Uganda, the Sudan, and Botswana (this country was affected by drought but its mineral wealth insured a continuous very high rate of economic growth).
7. Nigeria was among the OPEC member countries the most seriously hit by the oil glut; 90.1 per cent of its exports revenue coming from oil exports. Its exports revenues were halved on the 1980-1983 period exposing it to severe balance of payments difficulties as well as to a sharp decline of overall GDP, which fell by 4.2 per cent in 1983 and 1.1 per cent in 1984. The government has instituted a drastic austerity programme which includes a dramatic slashing of the import bill, and over the board reductions in the budget, particularly in the large investment programme. Prospects remain however difficult because of the continuing downward pressure on oil prices.
8. In contrast to Nigeria, Algeria has maintained its growth momentum by diversifying its hydro carbon sector, particularly through the expansion of gas production and exports, and by streamlining its industrial sector. Reforms have been introduced in the plan strategy to make economic management more flexible while more attention is being given to consumer needs. However, problems have appeared in the gas industry, exports not growing as fast as projected because here again of pressures on prices and a relative glut on the market. Egypt which is the second economy in the continent, is enjoying a rapid growth rate since a number of years. But the pressures of a rapidly increasing food consumption which is outstripping local production, of the budget deficit fueled by subsidies and particularly food subsidies, of low productivity in the industrial sector, are creating a difficult situation which cannot be corrected in the short term. There are formidable social obstacles to any adjustment programme particularly as far as food subsidies are concerned.

9. Whatever the difficulties in the way of economic reform, two countries seem to have tackled them successfully: these are Ghana and Uganda. Though there are fundamental differences between the two experiences, they have strong similarities in the long standing nature of their economic problems and in the type of solutions adopted. They have both resorted to currency adjustment (the Ghanaian cedi being devalued by 91 per cent in 1983 and the Uganda shilling floated first on the so called two window system replaced in 1984 by a free float), and both proceeded to relax price and other controls, while setting limits to public spending, particularly through the control of money creation. The results obtained by the adjustment programs have been remarkable, since Ghana's economy is reported to have grown by 4 per cent in 1984 after a decade of decline and that impressive growth has been achieved in Uganda. Much however remain to be done, and in particular in the case of Uganda, foreign aid has not been forthcoming in the amount pledged, though the country has lived up to its commitments.

10. The recession endured by the region has been translated among other adverse trends, by a sharp fall in consumption in volume and in percentage of output. The fall affected private and public consumption, public consumption reacting in addition to deliberate government policies to cut down on expenditure. The fall of consumption was not accompanied by an improvement in the rate of savings, which has continued to decline, nor in the rate of capital formation. Fixed capital formation fell in 1984 to 16.7 per cent below its 1980 level, the fall in OPEC member countries being a third and in non oil exporting countries by 35 per cent over 1980-1984.

11. The external balance improved markedly with the fall of domestic demand, and the trade deficit which had reached more than 10 billion dollars in 1983 contracted rapidly to only 0.2 billions in 1984. This was reflected in the overall balance by the appearance of a surplus in goods and services amounting to 5.5 per cent of GDP in 1984 (at 1980 prices). But at the same time as the external position improved, the balance of payments has come under pressure because of rising debt service charges.

12. Far from diminishing the pressures to adjust, the drought has increased them. Despite the differences in the problems facing each individual there are enough common ground for a consensus of sorts to emerge on a new policy prescription. Though since independence, African countries have been stressing industrialization and planning, a change now appears towards policies intended to shift the terms of trade in favour of producers and exporters, which include more or less the following measures:

- removal of price controls or the adjustment of prices to market levels. In particular, agricultural prices have generally been raised, though not always sufficiently;
- adjustment of the currency exchange rate;
- cutting back on expenditure through various ways like the limitation of imports, restrictions on the growth of the budget, etc;

- removal of subsidies;
- liberalization of the economy: removal of controls on agricultural trade, easing of restrictions on private initiative, etc.;
- reform of the public sector: privatization, shared ownership management contracts with private corporations, increasing autonomy for managers and so forth.

13. All these measures are meeting however with considerable obstacles, the most prominent concerning subsidies and devaluation. Though subsidies are admittedly a cause of misallocation of resources, are fueling budget deficits, and contribute to lower investment, their removal meets considerable opposition because of the sizeable population groups which have come to depend on them. In the same way, devaluation of the currency is seen as raising the cost of imports and depressing incomes, and some countries have preferred to impose direct reductions of imports, though this is equivalent to a devaluation with additional administrative costs and various distortions.

14. Prospects for 1985 in view of the present crisis conditions are uncertain. Though there are signs that weather conditions are improving, the food deficit will remain a major problem: 21 African countries are facing abnormally high food deficit in 1985, their total import requirement being of the order of 12 million tons, compared to imports of only 7.2 millions in 1984. Moreover the world economy is widely forecast to slow down in 1985, especially the United States whose exceptional growth provided such stimulus in 1984. This would mean a significant drop in the growth of world trade and lower revenues from exports. The African countries members of OPEC are bound to continue to suffer from a sluggish world market for oil with further falls in the price of oil. In addition the prospects for higher investment in African countries are poor with the present cuts being made in investment programmes by OPEC countries and the budget retrenchment policies followed widely.

15. In these circumstances the ECA secretariat forecast for 1985 a modest 3 per cent growth in output for the region, as a whole, growth varying by sub-region from 2.6 per cent in North Africa to 4 per cent in West Africa, the Sahel area growing by a strong 7.6 per cent reflecting the return of good rains after the catastrophic 1984/1985 crop. By economic groupings, growth among oil exporters will remain sluggish at only 2.5 per cent, OPEC members growing by only 1.7 per cent, while non oil exporting countries will grow by 3.8 per cent. Overall, the external balance will remain positive, the surplus on goods and services standing at 5.3 per cent of drop at 1980 prices.

16. This forecast is however dependent on a definite improvement of weather conditions in 1985, and in case of a renewal of the drought, growth would fall probably to only 1 per cent in 1985.

IV. MAIN PRODUCTION SECTORS

(a) Agriculture: The intensity of the drought affecting the region is reflected by the drop of gross agricultural output in Africa by 2.6 per cent in 1983, the downturn reaching 6.6 per cent in West Africa. For 1984, preliminary figures indicate a rise of 2.6 per cent in gross agricultural output with

however a fall in East and Southern Africa and stagnation in the Great Lakes area. However, those data do not take full account of the fact that the drought has affected a vast area from the Sahel to East and Southern Africa in which nearly 182 million people are living and a total 27 countries at one time or another during 1983-1984. In 1984 the worst affected areas were the Sahel with the 1984/1985 season showing a huge rain deficit and crops falls by as much as 40 per cent and East Africa where famine broke out in Ethiopia (the number of people threatened by famine in Ethiopia has risen according to latest information to 9 million people).

17. The outturn for industrial crops was mixed in the circumstances, but they were significantly less affected than food crops, good results being reached for cotton, sugar, tea and tobacco. Tobacco in particular performed well in spite of the drought, the Zimbabwe crop increasing by 14 per cent in 1984. For sugar, Mauritius was badly affected by drought and afterwards by the drop in United States buying, so that export revenues did not improve, in a situation where world sugar prices were below local costs of production. For cotton, there was a strong recovery of Sudan's production, back to its 1970 level, and zone franc production increased strongly as well, but Egypt's production continued to decline. Coffee production declined both in 1983 and 1984 but high world prices and the ability of producers to draw on large stocks boosted earnings despite the fall of production. Cocoa production has continued to rise, but significant reductions were incurred in Cameroon, Ghana, the Ivory Coast and Nigeria, the largest producers, because of the drought. There were bush fires in Ghana and Ivory Coast which destroyed thousands of hectares of cocoa. One thorny problem is the difficulty of reaching agreement between producers and consumers in the framework of the ICCO which establishes export and production quotas and intervention prices. Industrial roundwood production has been showing an upward trend reaching 41.3 million m³ in 1983 against 32.4 million in 1985, or at a rate of 3.1 per cent a year. A high rate of increase is also observed in the production of charcoal and fuel wood which both supply about 85 per cent of the energy needs of the region. But there is increasing concern about the risks involved in the rapid depletion of forest resources.

18. Agricultural imports did not increase much in 1983 despite the drought, reaching 24.3 million tons compared to 24.2 million tons in 1982, and their value fell by around 10 per cent because of good crops at the world level. In 1984 however, the effect of the drought must have been reflected in a higher level of imports. Notwithstanding the small increase of food imports in 1983, they are very high in absolute terms, net cereal imports representing on average of 26 per cent of per capita production of grains (cereals, root and tubers, plantains).

19. The drought has created serious dislocations of life in a number of countries, with significant numbers of people migrating in search of food either beyond national borders or inside their country. Emergency measures have had to be taken to cope with the situation, with severe problems of transportation, storage and distribution being encountered in relief operations.

20. On a longer term basis, the African countries have been jolted by the drought and the crisis it has brought into seeking solutions to their deep seated problems. Across the continent, agricultural policies are being adjusted to provide more stimulants to farmers through higher supply prices,

better inputs, technical support and the like. The amount of resources allocated to agriculture is being increased sometimes by a considerable proportion. However, much still remains to be done to bring about a definite increase in the productivity of agriculture.

21. Signs have appeared that the weather is improving all over the region in 1985. Particularly in Southern Africa bumper crops of maize are being harvested in Zimbabwe and in the West Africa sea board the situation is back to normal, while the short rains of 1984 have been favourable in Kenya. On balance, it is reasonable to assume some recovery of agricultural and particularly food production in 1985. But the food supply situation remains precarious in view of the deficit on the 1984/1985 season. According to the FAO, food aid will be needed in 1985 in very substantial amounts: 6 million tons compared to 5.3 million tons in 1984. Some 21 countries have been identified which are facing exceptional food supply problems in 1985, among them the most at risk are Ethiopia, Chad, Mozambique, Mali, Mauritania and the Niger.

(b) Manufacturing: Manufacturing output has fallen far short of the targets set by the Industrial Development Decade for Africa and particularly from the accelerated growth scenario providing for a growth rate of manufacturing of 12.8 per cent per annum. In fact, manufacturing output fell in developing Africa by 1 per cent in 1984, the average growth for the period 1980-1984 being of only 1.5 per cent. The only subregion with continuous positive growth is North Africa with an increase of 5.2 per cent in 1984 and an average growth of 4.5 per cent on the period 1980-1984. But there was a severe recession in West Africa, where manufacturing output declined by an unprecedented 4.0 per cent per annum during 1980-1984, the fall reaching 10.7 per cent in 1984, while in Central Africa, growth was arrested in 1983 despite an average of 7 per cent growth in 1980-1984.

22. The foreign exchange difficulties suffered by many countries are among the chief factors of the poor showing of manufacturing. Particularly in a country like Nigeria, import restrictions contributed to a large drop of capacity utilisation and a sharp fall of output. In other areas, long standing problems concerning the design of plants, management, price structure, etc. have combined with the lack of imported inputs to create a situation of severe decline in output: in the United Republic of Tanzania value added in manufacturing was in 1984 only a fifth of the 1980 level.

23. The sluggish growth or decline of manufacturing means that the process of industrialization has stalled: the share of manufacturing has actually fallen in some subregions, without showing clear gains since 1970. The only subregion where there has been a definite progress is North Africa where manufacturing has risen from 5.6 per cent of GDP in 1970 to 10.6 per cent in 1984. But in West Africa it was only 5.9 per cent in 1980 compared to 5.1 per cent in 1970, and in East and Southern 12.3 per cent in 1984 compared to 11.6 per cent. Among least developed countries, manufacturing has declined from 8.8 per cent of GDP in 1970 to only 7.4 per cent in 1984.

24. Manufacturing remains dominated by so called light industries, textiles, and food industries contributing nearly half of value added if not more. The size of production units remain small and large scale units are generally confined to the larger economies of the region. These economies take the larger share of industrial investment, particularly countries like Algeria, Nigeria and Egypt. Algeria has established a sizeable base in steel making, petrochemicals and basic machine tools in the course of four year plans financed by oil revenues. Nigeria likewise has had a programme for steel as well as in heavy petrochemicals. Egypt has had a steel making industry for years and is expanding further in highly sophisticated branches. But for the majority of countries, the pattern of the manufacturing sector is of small sized units with no mutual linkages, agro based and/or dependent on imported inputs.

25. African manufacturing industry is beset by numerous problems including inadequate financing, over capacity (despite the small size of plants); and low export ability. In the latter period, significant changes have appeared in industrial policy which is shifting markedly from the path followed since independence. While in the past, government control and planning were stressed, there is now a definite trend towards liberalization and the improvement of the climate for foreign capital. State industries themselves are being submitted to some substantial reforms designed to give more flexibility to management, and first of all make them profitable, while in the recent past, social considerations were given priority over economic ones.

(c) Energy: Africa has very sizeable reserves of energy from oil, coal, hydro power, or uranium. According to ECA estimates, the region is endowed with 35.4 per cent of world potential in hydro electricity, 25 per cent of uranium reserves, 0.5 per cent of oil resources, 7.9 per cent of natural gas and 2.3 per cent of coal. However the bulk of energy requirements is still being supplied by traditional fuelwood and charcoal, the consumption of which is growing at a rate exceeding that of afforestation.

26. Oil production increased for the first time in 1984 after several years of contraction, the increase being estimated by the ECA secretariat at 2.4 per cent for a total production of 217.7 million tons. But the bulk of the increase has come from non OPEC oil producers, whose production has risen by 5.7 per cent and among which Egypt has overtaken Algeria as the second African oil producer. OPEC production did rise, but by a negligible amount (1 per cent) and at the cost of by passing OPEC mandated quotas of production and through lower prices. The oil market was depressed throughout 1983-1984, and the lowering of the bench mark oil price by OPEC in March 1983 from 34 dollars a barrel to 29 did little to ease market pressures on prices. Despite an OPEC decision to cut production by 1.5 million b/d in October 1984, prices failed to recover and even with an exceptional 1984/1985 winter, they have remained weak. Low prices however have not been translated in lower prices for the final consumer because of the high exchange rate of the dollar and this has created additional incentives for substitution for oil, for savings on oil consumption and for oil exploration. In Africa oil exploration has continued during 1983-1984 with significant new deposits being identified.

27. Electricity production was estimated at around 90,983 MWh in 1982 or roughly 87 kwh per head. From the evidence, it appears that production is increasing more or less in line with GDP growth, though in 1983 production has been affected by drought in some areas, particularly in West Africa. Governments are making vigorous efforts to increase hydroelectric power in order to save expensive oil and major projects are being implemented or planned for example in the Sudan.

28. Uranium production is being affected by the poor demand outlook stemming from the large reduction of nuclear power programmes in industrialized countries chiefly the United States. Production is estimated to have remained in 1983 at its 1982 level of 11,200 tonnes, though prices have improved markedly.

29. Prospects for 1985 are discouraging as far as oil is concerned with the oil surplus set to continue. For non oil producing countries the only alternative is to go on substituting for oil through more effective conservation, better pricing, the expansion of oil exploration and the construction of power plants as well as better management and planning of energy.

(d) Mining: Mining continued to be affected in both 1983 and 1984 by lower demand in the industrialised countries, which are the main outlet for mineral products. A rough index of mining based on most important commodities show only a slight improvement in 1983, production increased by 2 per cent, and being still 8.3 per cent under the 1980 level. Prices were generally unfavourable in 1983 and 1984 despite improvement in 1983 for copper, gold and uranium. In 1984 the IMF metals index was down by 6.3 per cent in 1983 and throughout the year, prices were generally weak, a situation which inhibited the development and/or exploitation of existing mineral deposits not to speak of exploration.

30. Gold production recovered somewhat in 1983 to 32 tonnes from 30.6 tonnes in 1982, but prices movements were generally disappointing compared to the high levels of 1980 and 1979.

31. Copper prices recovered slightly but remained under the 1980 average of 1.01 dollars per pound. Regional production fell, producers lacking resources to modernize operations.

32. Iron ore production declined slightly in 1983 and prices fell by 20 per cent. Production is essentially export oriented and is being constrained by the world wide crisis of the steel industry. In addition African producers face strong competition from large producers as Australia and Brazil.

33. Cobalt production which is mainly originating from Zaire was barely greater in 1983 than in 1982. Zaire has cut production to less than half of its potential.

34. African bauxite resources are considerable (25 per cent of world reserves) Bauxite production is however declining though future prospects appear promising with new projects in Guinea the main producer as well as in Zaire (200,000 tonnes smelter project).

35. Diamond production is on the increase from 23 million carats in 1982 to 25 millions in 1983. But the activity is plagued by widespread smuggling which is the factor behind the prices fall in 1983.

36. Phosphate production has risen strongly in 1983, and considerable investment is taking place among the four North African countries who are the main producers to increase fertilizer output. Similar steps are being taken in Senegal which plans a fertilizer unit with a capacity of 650,000 tonnes in 1984.

37. Prospects for minerals in 1985 are tied to economic conditions in the OECD area where a slow down is expected: only copper, aluminium and cobalt are well oriented, the outlook for other minerals being uncertain. In the longer term the situation looks however much brighter.

V. FISCAL, MONETARY AND PRICE DEVELOPMENTS

38. The years 1983 and 1984 have seen a substantial tightening of budget policies in the region. Judging from a sample of countries for which the information is available, expenditure fell markedly as a proportion of GDP, the fall of capital expenditure being especially large. These trends were the result of both falling revenue in a situation of economic recession or stagnation and of deliberate efforts to cut deficits. These efforts were marked by severe reductions in expenditure, including recruitment freezes, salary freezes, reductions in expatriate staffs, etc... A major problem were subsidies, the reduction of which created severe social tensions.

39. The fiscal stance followed in 1983 and 1984 is maintained in the budget estimates available for 1985 with a further decline of expenditure relative to GDP, while the overall deficit is brought down to 4.3 per cent of GDP compared to 6.8 per cent in 1984.

40. Data available for the first quarter of 1984 indicate few changes in the monetary indicators relative to 1983. Money supply growth remains at around 13 per cent, though there is some reduction of the growth in credits to the public sector which increased strongly in 1983. On the basis of data available for 29 countries, it appears that there was a large drop in net foreign liabilities indicating an improvement in the balance of payments position of the region. Inflation accelerated significantly in the first quarter of 1983, to 33.5 per cent on a quarter to quarter basis, after reaching 19.2 per cent in 1983 compared to 12.2 per cent in 1982; but median values calculated from the same data indicate that there may have been on the contrary a significant drop in the rate of inflation, something which is confirmed by a shift in the frequency distribution of countries, the number of countries with lower inflation rates increasing in 1984. Later in the year 1984, inflation rates fell markedly in countries like Ghana, and Zaire where extremely high levels of price rises were observed in 1983 and the beginning of 1984.

VI. THE EXTERNAL SECTOR

41. The value of developing Africa's exports increased in 1984, the first time since 1980. While export prices declined slightly, the volume of exports picked up by about 9 per cent. The value of the region's exports was US\$65.1 billion in 1984 and if the present trend continues it can reach in 1985 that of 1979.

42. The value of developing Africa's imports fell by 4.6 per cent to US\$66.6 billion in 1984 and the volume of imports also decreased by 2.5 per cent.

43. The terms of trade of developing Africa improved slightly in 1984 and were at 94.2 (1980 = 100). They deteriorated both in 1982 and 1983 by 4.7 and 7.9 per cent respectively. The period 1982-1983 experienced the largest and most serious deterioration since 1970. The previous fall, which was the only one in the period 1976-1981 was a slight drop in 1978.

44. The purchasing power of exports improved by more than 10 per cent in 1984. But despite this achievement, it remained more than 18 per cent below that of 1980. In 1985 it set to improve further.
45. According to latest statistics, the trade structure has not been changed. The share of crude oil and processed petroleum products was about three quarters of the total exports. Beverages, copper and other non-fuel primary commodities contribute another 18 per cent. The share of manufactures was about 7 per cent. At the same time the shares of manufactures, food and mineral fuels in the imports of developing Africa were about 69, 15 and 10 per cent respectively.
46. The fall of Africa's share in world trade continued in 1984. Unless the present commodity structure of trade is change, Africa's share will continue to decrease irrespective of the evolution of international trade.
47. The countries of the developed market economies were the most important partners in the trade of developing Africa. These countries accounted for 78.3 per of its trade in 1983. The share of the Third World declined to 14.9 per cent while the share of the centrally planned economies remained unchanged at 6.4 per cent.
48. Both the trade balance and the balance on current account improved significantly in 1984. The deficit on current account declined to US\$10 billion in 1984 and the improvement was due mainly to import cuts in the face of increasingly unavailable external financing.
49. The weighted average of African currencies fell against the dollar by 24 per cent in 1984.
50. Total net disbursements to developing Africa from all sources in dollar terms fell by US\$2.2 billion or 10.3 per cent in 1983. However, the share of developing Africa in the total net disbursements to all developing countries increased by 1 percentage point to 26.2 per cent. The increase in developing Africa's share of multilateral non-concessional flows was particularly significant in 1983.
51. In accordance with preliminary estimates, the total external debt of developing Africa at the end of 1984 amounted to approximately US\$158 billion. Thus it appears to have increased by close to 4 per cent, thereby continuing a more moderate growth trend of external indebtedness.
52. The rate of increase of the debt was lower than that of exports of goods and services in 1984. Consequently, the debt-exports ratio fell for the first time in the past few years. However, the debt-GDP ratio was 50 per cent, the highest of all developing areas.

VII. SPECIAL STUDY

53. The theme of the special study for the 1983-1984 survey is devaluation. The subject has been selected because of its immediate relevance to the adjustment process in African countries. It is hoped that the study will be of some use to policy makers grappling with the issue of devaluation and will help into putting the whole problem of devaluation in its proper perspective.
54. The study starts by reviewing the classical approach to devaluation, and make a discussion of the effects expected from such a measure. It points out that a major problem are the rigidities of African economies which make for longer response times to a devaluation than in other circumstances. However, despite this, in the long term, devluation will provide powerful incentives to domestic production, and without a realistic exchange rate, it will be quite difficult to insure the development of African agriculture, cheap imports displacing local products. To be successful, devaluation will have to be undertaken in the framework of a coherent policy package so that producers receive the full benefit of higher prices, and fiscal and monetary policy do no nullify the effect of devaluation.
55. The IMF approach to devaluation is discussed from the point of view of countries which criticize it from its alleged neglect of social concerns and of the structural problems affecting African economies which call for action on the supply side and not only on the demand side as the IMF approach is supposed to be doing. However, it is recognized that the IMF is mainly concerned with monetary stability and liquidity and that its devaluation policy is always taken in the framework of a policy package something that policy makers in African developing countries should not fail to approve.
56. African experiences of devaluation are discussed in some detail for 4 countries Ghana, Uganda, Sudan and Zaire, each of which belongs to a different subregion so that a wide coverage is hopefully provided of the different circumstances of the region. In all four cases, devaluation has been resorted to after serious economic deterioration resulting in output fall or decline, inflation, acute shortage of imported goods, a fall in the public confidence in the currency, widespread smuggling and black marketing and other negative phenomenons. Devaluation has been in most cases drastic, up to 91 per cent like in Ghana, and even when intermediate stages were observed, there has been generally a more or less free floating of the currency. In all cases, the devaluation has intervened in a recovery programme, including a reform of the price structure, with agricultural producer prices raised to stimulate production and exports, a relaxation of price controls, a curtailing of subsidies to food and other products particularly fuel, a control of budgetary expenditures with a limitation of deficit financing. If the devaluations have not been uniformly successfull, impressive results have nevertheless been achieved, most notably in Ghana and Uganda, while Zaire has arrested its economic decline and started back on the road of economic growth. The non implementation of key provisions of the recovery programmes has always prevented countries from fully benefitting from devaluation.

57. The study concludes that once the need for devaluation has been ascertained, swift and decisive action is required, measures like multiple exchange rates, import controls or exchange controls having to be avoided since they create unnecessary additional costs. Moreover, devaluation should not be seen in isolation: it should be applied as part of a programme with complementary measures tailored to maximize its benefits. Also monitoring and evaluation are essential in order to gauge the effect of the measure and take corrective action.
58. The study indicates that co-operation in the region could be of use in helping African countries overcome their financial problems, and calls for a sustained effort in the field of monetary and financial co-operation between African countries.
60. Concerning the IMF, it appears that there is a need for reform and better co-ordination between developing countries, the IMF and the World Bank so that development needs get priority.