

**ECONOMIC AND SOCIAL RESEARCH FOUNDATION  
(ESRF)**

**REPORT OF A POLICY DIALOGUE ON AFRICA'S CHALLENGE IN  
ACHIEVING INTERNATIONAL COMPETITIVENESS AND APPROPRIATE  
STRATEGY FOR ECONOMIC DEVELOPMENT HELD AT THE ESRF  
CONFERENCE HALL ON AUGUST 18, 1998**

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**POLICY DIALOGUE ON AFRICA'S CHALLENGE IN ACHIEVING  
INTERNATIONAL COMPETITIVENESS AND APPROPRIATE STRATEGY  
FOR ECONOMIC DEVELOPMENT**

On August 18, 1998, the Economic and Social Research Foundation (ESRF) organized a policy dialogue workshop. The focus of the workshop was on a presentation on **"Africa's Challenge in Achieving International Competitiveness and Appropriate Strategy for Economic Development"** by Professor Jeffrey Sachs, Director of the Harvard Institute for International Development (HIID) and Professor of International Trade at the Harvard University.

In his presentation Prof. Sachs noted that it is relevant to examine as to why Africa's economic growth has been so weak for so long. This calls for a lot more analysis and thought as it is a complex matter. The complexity arises from the fact that the examination touches on politics, economics, history, geography etc. It is not only about policies. A better explanation is needed for the failure of the Structural Adjustment Policies (SAPs) despite having been in existence for the past two decades. Apparently, the reality goes beyond the Washington Explanation by the international monetary institutions. The International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) prescriptions have not been useful outcomes with regularity as they are not sufficiently business-oriented, inadequate in benchmarking for competitiveness, and lack business thinking. He cited the need for export tax holidays and duty draw-backs, two important moves for economic growth which are not supported by the IMF and the World Bank.

The fundamental issues to be addressed, Prof. Sachs observed, are within a wider historical and geographical perspective. The pre-colonial economic growth has been slow but for want of appropriate and reliable data this fact can only be established through educated guesses. Notably, there has been some tremendous growth of per capita income gap from a ratio of 3:1 in the 1820s to 20:1 in 1990. It is imperative and relevant to search for reasons that can explain such a persistent and wide growth of the gap.

Prof. Sachs further noted that Africa has been comparatively lagging behind in economic growth, and this suggests that there is something more pervasive going on. SAPs have not led to sustainable growth. The economy is still fragile and not fast enough to cope with the conditions for growth; sustainable economic growth would be strong enough to be knocked off by the *El-Nino* weather phenomenon or by commodity prices fluctuations. The basic problems, therefore, are yet to be properly grasped.

The explanation, Prof. Sachs observed, lies in the Geographical, Policy/Politics, and Conjectural/ Accidental factors.

On the geographical and long-term economic factors, it is important to look at the effects of transport costs; agricultural productivity across the regions; and public health within the context of the different ecologies of different diseases, Prof. Sachs observed. He noted that Adam Smith can still be held to be right on the concept of the relationship between landlocked countries and poverty. As far as Africa is concerned, 15 out of 49 countries are landlocked with most of the populace being away from the coast and navigable waters. There are also no navigable rivers running from the interior to the sea. The population pattern is that of most of the people living in the interior due to soil fertility and rain patterns. It can also be speculated upon that this pattern is also to a certain extent a result of people running away from the slave trade.

Prof. Sachs observed that in East Africa more people live in the highlands and the interlacustrine areas where it is more fertile and with more water, but with little access to modern economic development. Only 20% of the population lives on the coastline as compare to 70% in the United States of America, 85% in Europe and about 90% in East Asia. Africa also suffers from a narrow range of commodities.

On agricultural productivity, Prof. Sachs noted that the African region is disadvantaged, given the ratio between agricultural inputs and the output, which is lower. There are also real deficiencies in water availability, soil fertility, and photosynthetic support. Serious erosion of the soil and its nutrients is notoriously prevalent, Prof. Sachs observed.

The relationship of the ecological zones and the patterns of diseases suggest low levels of life expectancy rates relate to poor economic performance. Diseases such as malaria have an inimical effect on economic growth and African countries need to undertake major malaria control campaign. There is also need for more economic and ecological analysis as colonialism is not the determinant factor in explaining Africa's backwardness, Prof. Sachs observed.

On the policy front, Prof. Sachs noted that there is need for Africa to develop a more appropriate trade policy. Apparently, any country that manages an inconvertible currency is bound to run into trouble as this guarantees export of capital. Moreover, Africa has not had structural adjustments in its exports. The geographical component is more apt in explaining Africa's woes with policy decisions only compounding the problems.

Prof. Sachs further noted that Africa needs to transform itself from few trade commodities to a diversified export oriented economy with an increased access to technology advantages. There is also need to increase trade in services such as tourism. There is also need for a strategic alliance between the government and the business community and not reliance on negotiations with Washington. Politics erode useful efforts. Ways and means should also be pursued to carve a competitive niche and reduce transactions costs.

Enhancement of economic activities and creation of more jobs should be given priority and not revenue collection, Prof. Sachs noted.