

Economic Development in the African Context: Opportunities and Constraints*

JOHN F ELSE, ZEBBEDIAH M GAMANYA,
AND KWANELE O JIRIRA⁺

ABSTRACT

Economic issues are critical to social development in the African context. The authors examine four areas: economics as a central social development issue, employment creation with particular reference to income generating projects, appropriate technology, and regional economic inter-dependence.

Current patterns in the creation of income generating projects are analysed in detail so as to illustrate the central thesis that economic development is an essential part of social development but is more likely to be effective if practiced from a clearly social development orientation rather than from an exclusively economic development framework. The building of human capacities and self-reliance at both community and national level are also emphasised.

The authors conclude that, although development is not mere economic growth, nevertheless the knowledge and skills needed to facilitate economic development should be acquired by everyone involved in social development.

Introduction

Economic issues have been a central concern of African countries (Rostow, 1963; Hoskins, 1982). There has been awareness that political colonialism has been replaced, since independence, by economic colonialism, which has proven much more difficult to combat. One response has been the call for a new international economic order (NIEO), but that appeal seems to have fallen on deaf ears. More recently attention has focused on the debt crisis that is

* This is a revised version of a paper entitled "Issues of Social Development in the African Context: Opportunities and Constraints" which was presented at the Africa Regional Conference of the International Council on Social Welfare (ICSW) in Lusaka, Zambia, August, 1985.

⁺ Special Projects Officer, Director, and Co-ordination Officer, respectively, all of VOICE (Voluntary Organisations in Community Enterprise), 16 Samora Machel Avenue, Harare, Zimbabwe.

engulfing African countries. Many heads of states in developing countries are seeking debt write-offs, the rescheduling of debt repayment, and the lowering of interest rates. The response is likely to be minimal. The only response to the crisis that is under the control of African nations seems to be increased internal economic development based on the particular political ideology of each nation. This means increased self-reliance (for example, OAU's Africa Plan encourages increased food production and food security in all African countries), and increased internal creation of capital (for example, the development of domestically owned industries).

This crisis has forced the re-examination of development concepts. In the 1960s, the term 'development' was equated with one form of economic development, which concentrated on industrial development and measured success only in terms of growth in the Gross National Product or GNP (Brookfield, 1975; Ickis, 1983). Problems with this narrow concept of development became apparent quickly. In spite of growth in the GNP, there was increasing disparity between rich and poor, and the lack of improvement in the standards of living of the masses in spite of growth in the GNP. Subsequently, the term 'social development' emerged as a concept that emphasises the 'human' dimension of development. Korten (1983:201) notes that the term social development has often been used simply as a way to express "concern for the human outcomes of development action," whereas it should be reserved for a more powerful idea, "that people are the central purpose of development and that human will and capacity are its most critical resource." Thus emerged the dichotomy between those whose focus is economic development and those concerned about human development.

But we have begun to realise that, in many ways, this is a false dichotomy. The choice is not between 'economic' and 'social' development. Economic development is central to qualitative changes in poor people's lives. If there is no economic development, there are unlikely to be improvements in nutrition, health, education, population control, housing, etc. However, economic development will only improve the lives of the masses if the ideologies that inform and shape the design of economic development affirm the values of equality, justice, and security for all. Such values must also shape the criteria by which the outcomes of development are measured. The choice, then, is not between 'economic' and 'social' development, but among the various ideologies that guide the planning and evaluation of development strategies.

Given this context, we will analyse three issues which we believe are closely interrelated in any discussion of social development, but which are often discussed separately, namely: (1) creation of employment; (2) appropriate technology; (3) regional economic co-operation. All three topics are closely linked with the idea of economic independence or self-reliance. We would like

to address some of the dilemmas related to each of these issues and some of the contradictions inherent in the interaction among them.

Almost everyone within African countries, as well as foreign donor governments and agencies, would affirm self-reliance as the central goal of social development. Currently there is much attention paid to the need for food self-reliance in Africa and much criticism of the lack of progress toward (even the regression from) this goal among many of the countries of Africa. But the goal of self-reliance is much broader than simply food. The cry is that there is too much reliance on imported goods generally. The three topics we have listed are all concerns related to self-reliance, as well as to the general well-being of developing countries.

Creation of employment: income generating projects

There is widespread recognition that a central issue in developing countries (and, one might add, in developed countries as well) is the creation of employment. A regional seminar of the International Planned Parenthood held in Bombay in 1980 described employment as "the most urgent need of many young people" (IPP:1980). The need has been especially apparent in African countries as more and more youth complete primary and secondary education and have heightened expectation for their futures, but insufficient opportunities. There were 80,000 school leavers in Zimbabwe in 1984, but only 7,000 secured jobs in the formal sector (The Sunday Mail: 1986). According to the Zimbabwe National Chamber of Commerce, the country needs to create 219 jobs a day to solve unemployment (The Herald: 1986a). In Zimbabwe and other countries, these youth are seen as the 'time bomb' that is going to explode if means are not found to increase employment opportunities. President Banana said recently that Zimbabwe faces "a critical problem of growing unemployment" and that the Government considers it as "one of the most socially destabilising problems during the next five years" (The Herald: 1986b).

For this and other reasons, donor agencies and social development organisations have begun to focus their energies on 'income generating projects' (IGPs) or 'small scale enterprises' (SSEs). It seems that this is the current priority of every major donor agency. If an organisation writes a proposal containing these magic words, behold, the funds flow forth. The other two magic words for donor agencies these days are 'rural' and 'women'. And if a social development agency puts the three words together in the same proposal, it is like a bolt of lightning! It seems that everyone is willing to 'throw money' at income generating projects for rural women.

This is not to suggest that this is not an important focus. The interest in income generating projects for rural people, especially women, grows out of a number of years of development experience—experience watching failures of

various strategies that focused on urban populations and industrialisation. Hopefully we have learned from those mistakes and are now moving in directions that are more fruitful. But the term 'throwing money at' was used advisedly, because that is essentially what is happening. The danger is that even if income generating projects are the right strategy, the process by which it is undertaken may assure its failure.

Lack of technical skills and assistance

One of the major problems with income generating projects is that those of us in non-governmental organisations and in government who are involved in developing these projects in rural areas have virtually no background in business. We tend to be trained in community development—and that is important, as we will make clear later. However, we know little about how to determine whether there is a market, how to guarantee a market, how to determine the cost of inputs, and how to determine whether the production costs will be low enough to be competitive (in terms of the required selling price) with similar goods produced elsewhere. In other words, if a co-operative sells its goods for a competitive price, will it be losing money or producing insufficient income to provide wages to its members for their work? We know little about organisational structures and processes, financial management, planning for credit repayment and capital accumulation, technical skills, etc. needed to assure the success of such enterprises. In short, we do not know how to determine the economic and organisational feasibility and viability of proposed projects.

Furthermore, many donors do not seem to care about viability. They want to give small grants of 100 or 500 or 1 000 dollars (or its equivalent in other currencies) for the capital needs, on the assumption that that is sufficient. Some donors specifically prohibit any of the funds going for technical assistance, either for production processes or for organisational development. It seems to suffice that they can report that they have given a certain quantity of sewing machines, or grinding mills, or ovens, or seeds, or tools, or cement, or whatever. Often they are not required to report whether the village group or co-operative has produced income, nor whether it even exists, six months or two years later. Their success is measured simply in terms of money or goods provided to so-called 'income generating projects,' not in terms of the success of the projects in generating income.

Other donors will not provide assistance unless the IGP is already underway and has a 'track record' which is likely to insure success. This is one way to assess feasibility, but it assures the exclusion of groups of poor people who have no means for initiating a project in order to demonstrate their capacities.

We hasten to say that the description does not apply to all donors. Some are concerned about the process by which projects are developed, about the likelihood of success as determined by feasibility studies, about the income produced by the project for the people involved, and about giving poor people without access to resources a chance.

Do IGP's create income?

Another concern that has arisen regarding these income generating projects is whether they in fact serve to keep rural people and women poor or even increase their poverty. So-called income generating projects often do not generate substantial income at all. In fact, they sometimes divert the energies of the participants away from the productive work in which they were previously engaged. For instance, if a woman gets involved in a sewing co-operative, believing that it is going to produce cash income and in the process neglects her gardens, she may find herself with no cash income and with less food than she had previously. Further, it has been discovered in a number of these projects that the cost of production is actually exceeding income (and could more accurately be labeled 'income-losing projects'), so that the projects are costing women in cash as well as in diverted time and energy. It is critical, therefore, that the development of income generating projects *begin* with the work that people are presently doing and build on that rather than divert their energies in other directions, especially if there are risks in the alternative. It is critical that the projects actually produce income rather than drain already scarce resources.

Do IGP's create surplus?

Another issue is whether IGP's create surplus, that is, whether they produce funds over and above costs (including the costs of salaries) that can be used to pay off debts and to accumulate investment capital that can be used to allow the community to move into other viable income generating projects. This may not be a realistic expectation in the early stages of the development of projects, but projects should be planned with this clearly as a goal. Self-reliance of communities and nations require that capital is generated from within the country. We may have a tendency to see this as too distant a goal, but that may reflect more about how small we think rather than about the actual potential.

Do IGP's move people into the mainstream economy?

A further issue is whether the income generating projects take the participants into the mainstream of the economy or keep them in marginal sectors. What is the mainstream of the economy? It can be defined in various ways, and in the end the definition may include almost every economic enterprise, but important distinctions can nevertheless be made. There are at least three criteria that could be used to define the economic mainstream: (1) products

that are critical to the survival of the people; (2) products that are critical to people but are presently in short supply or imported; and (3) products that could earn foreign currency.

If we look at the projects in which NGOs are involved, most relate to basic needs of the local economy—uniforms, vegetables, chickens, soap, bread, furniture, construction, etc. These are generally products critical to the survival of people, and in that sense they are in the economic mainstream. On the other hand, crafts are less clearly in this category, especially since they seem to be in abundant supply and since, as Marilyn Carr (1984:9) observes, they depend on “small, fickle, élite markets in urban areas and overseas”.

Project identification and selection

Community groups tend to select what might be called ‘copy-cat projects’, that is, one of the dozen types of projects that are replicated repeatedly throughout the country. A community group hears of a project being done in another community and decides that it sounds like a good way to make money—even without any careful investigation to determine whether the other community is in fact making money! Also, field staff of NGOs may tend to suggest one of these common types of projects because they are familiar with these having been done by other field workers. This often results in an overabundance of certain types of projects, thus flooding the market with specific types of products and thus increasing the chances of failure. This approach to project selection neglects the kind of market analysis and analysis of various possible options which would increase the likelihood of selecting a product that would be profitable.

One approach to the selection of income generating projects that has been suggested as a way to assure appropriate selection and to guarantee a market is ‘regional economic planning’. That is, decisions might be made by District Development Councils—or comparable bodies—regarding the needs for certain products within a district, the number of co-operatives that would be created or permitted to produce each product and the stipulation that all public units (eg schools) will purchase from among those producers. This strategy could help to identify needed products, to guarantee a market for the goods produced within the district, and to eliminate excessive product duplication that would threaten the viability of co-operatives within the district.

Another option that NGOs have tended not to consider seriously is an analysis of the needs of a broader segment of the nation. Is it possible that NGOs through a special research exercise such as that undertaken by the National Christian Council of Kenya (Gachugi, 1985), could analyse the products that are presently imported but could be produced locally, and then could identify, from among those, the products which could be produced economically in areas that have appropriate resources? For example, a co-operative in

Zimbabwe recently announced plans to build a pencil factory. It sounds almost silly. Who would think of pencils. But pencils are imported, and this factory will make Zimbabwe self-sufficient in pencils. The factory is planned for the eastern region of the country where there is a good supply of wood.

This kind of planning and economic development could provide expertise to the community, in the form of economic development options, that might not be considered without the knowledge of an outside source. The presentation of such options has the potential to bring to communities enterprises that could generate funds from outside the local community rather than simply circulating the funds that currently exist in the community. These enterprises would also contribute to the national needs and to the national goal of increased self-sufficiency and decreased external dependency. In the case of products which are presently imported from South Africa such enterprises would provide the bonus of decreasing the economic contributions to that racist system and preparing for the inevitable economic boycott.

Finally, it is possible to analyse and consider products that could earn foreign exchange. This may be low priority, since it is critical to give priority to meeting the needs within the country. Yet at some level one of those needs is for foreign exchange, and consideration can be given to what production would serve that need, especially as international regional economic arrangements are developed. What goods can each country supply to other nations in the region, and also to the world market?

Summary

The income generating project strategy has many *opportunities*, opportunities to build community cohesion and competencies and self-confidence, to increase the productivity of developing countries, to increase income and reduce poverty in rural areas, to stem the tide of urban migration, to increase self-reliance, to accumulate investment capital within developing nations, and to move people into the economic mainstream. The *constraints* are many. One is the failure of many donors to give attention to or support for systematic planning of income generating projects. Another is the lack of knowledge and skills among community development organisations in the planning, organisation, financial management, and operation of co-operatives. Still another is the lack of study of the extensive literature on the subject, both theoretical/conceptual and evaluative (see for example: Anderson, 1982; Ashe, 1985; Brown, 1985; Carr, 1984; Child, 1977; Chuta and Sethuraman, 1984; Else, 1986; FAO, 1982; Goldmark et al., 1982; Goldmark and Rosengard, 1985; Harper, 1984a, 1984b; Hunt, 1985; Kilby and D'zmura, 1985; Loutfi, 1984; Neck, 1977; Norcliffe, et al., 1980; Page and Steel, 1984; Tendler, 1982 and 1983). Further, there is our lack of experience in economic research, which hinders our ability to select potentially viable and nationally

significant undertakings. And finally there is the limited vision of local communities and of NGOs, which raises the question: "Are NGOs thinking too small?"

Appropriate technology: is small beautiful?

That question leads us to our second issue, that of appropriate technology. There are many arguments to support the use of appropriate technology. It is labour intensive, thus creates more jobs. It is less costly, and often able to be made with local goods, thus there is less dependence on foreign capital and less need for foreign exchange. The service and maintenance is less expensive and more manageable by local people. The use of the technology is more easily learned and used by people and thus can be spread widely. For these reasons, it is often easier for the community to control such technology, thereby motivating community participation and the development of community capacity. Thus appropriate technology fosters self-reliance.

It seems unwise, for example, for a local community or a national government to spend \$1 000 to pay an external contractor to dig a borehole when the community, with minimal external inputs, can dig its own protected well. It seems unwise to build a hospital in every village when village health workers or a clinic affiliated with a regional hospital can serve the health needs. It seems unwise to consider indoor plumbing with flush toilets in rural areas instead of sanitary outdoor toilets or to consider overhead sprinkler systems instead of other simpler, effective irrigation systems. It seems unwise to advocate the use of diesel water pumps rather than hand pumps if the fuel is not available or there is no money to buy it. It seems unwise to buy tractors if there is no fuel or spare parts or mechanics.

There are many situations and circumstances in which low-level technologies are clearly the most sensible strategy. However, small may not always be beautiful. Failure of developing countries to participate in high technology will handicap them in relation to developed countries in important ways. For example, technology creates an information processing and analysis capacity that is important in providing knowledge for decision-making. Knowledge is power, and to have less capacity to create information assures a weaker position.

The report of the Independent Commission on International Development Issues (1980), popularly known as the Brandt Commission, recommended an international division of labour between North and South whereby the less productive sectors of the economy would be shifted from the North to the South and replaced in the North by more productive activities, namely high technology production and the growing 'service' arena. In short, the technology development, engineering, design, and training competences

would be controlled by the North while the more labour intensive, less productive, low technology, and low return sectors would shift to the South. Thus the frontiers of knowledge, the braintrust, the technology, the power will be the prerogative of the North and the manual labour will come from the South. It sounds like a global plantation.

Thus appropriate technology creates *opportunities* for increasing productivity within the means of local people and within the means of nations which have constraints on their foreign exchange. But appropriate technology creates *constraints* on the kinds of production in which nations can engage and, in some cases makes them non-competitive in the regional or world markets. This suggests that priority should be given to appropriate technology, but that higher technologies should not be ruled out altogether, but rather only chosen selectively and on carefully developed criteria.

Regional economic interdependence

Economic development in developing countries requires regional economic co-operation among developing countries. This has been recognised and acknowledged by the creation of regional bodies such as SADCC (Southern Africa Development Co-ordinating Conference) and PTA (the Preferential Trade Area covering eastern and southern Africa). It will be difficult for developing countries to break into the markets of developed countries. But lower transportation costs and the chance to pay for goods with exports rather than cash (that is, via barter agreements) make trade among neighbouring countries attractive. Regional economic co-operation creates the opportunity for markets not otherwise available, for reducing the need for foreign exchange, and for making better use of the technical expertise that exists in the region.

However, there are many difficulties and constraints in building new trade allegiances. It takes extended discussions and negotiations to build a system of equitable exchanges and it requires depending on sources of goods that have not been well developed or have not demonstrated their reliability in the past. There are many risks.

There are also many barriers to breaking old trade linkages with the North or with South Africa. For one thing, the rich countries are able to provide many incentives, both covert and overt. The covert incentives are often in the form of bribes or threats. The overt incentives are sometimes related to foreign aid. For example, since much aid comes in the form of tied aid, a developing country is not given the funds to buy goods from the country of its choosing. Instead, the aid comes in the form of credit for the purchase of that donor nation's goods. Thus it is imperative that goods be bought from the country that is 'granting' the aid if the government is to receive the benefits of the aid. It is clearly not

possible for a non-aid-giving country to compete for the sale of goods available as part of a foreign aid package.

A further barrier is the direct or indirect assistance governments give to industries to make them more competitive in international markets. Pig producers in the US, for example, have complained about Canadian government subsidies to its pig producers, which have resulted in lower prices for Canadian pigs and consequent increases in the importation of Canadian pigs. Similar accusations are made daily among the competing industries of developed countries, and this has led to a recent increase in protectionist legislation.

These same factors threaten effective regional co-operation in developing countries. When producers in developing countries compete for contracts in other developing countries, often their neighbours and regional economic partners, they face tremendous odds from competitors from developed countries whose governments may provide various forms of tax breaks and other economic benefits to companies who gain foreign contracts. Poor countries want to get the best deal, so they take the best bid rather than give the business to a company in the country with whom they have an economic partnership.

Two cases in point will illustrate this problem. It has not been possible to trace the factors that led to these decisions, so the illustrations must be of the problem in general and not of specific factors that influenced the outcome. The first illustration has to do with a recent contract by a SADCC country for the purchase of sixteen locomotive engines worth \$24 million. A manufacturing firm in another SADCC country had bid for the contract, but lost to General Motors (GM) of Canada. Reports indicated that the prices at which the two bidders offered the locomotives were roughly the same. But GM of Canada offered a 'lucrative financial package' that was said to have included a twenty-five per cent soft loan element and a grant to rehabilitate a section of rail track in the country seeking the locomotives. One could safely assume that the GM offer was made possible by some form of subsidy to GM by the Canadian government or by a linkage between the contract with a private firm and the aid agreements of the Canadian government.

The second illustration has to do with the purchase, by a country with membership in both SADCC and PTA, of imported wine and beer for sale in its duty-free shops. Though a neighbouring country, also a member of SADCC and PTA, is a major producer of quality wines and beers, the first country chose to purchase South African products. Again, it is difficult to trace the nature or form of the economic incentives that are involved in the bids and the choices, but they are obviously complex.

So the opportunities for economic development through regional economic linkages are truly great, but so are the barriers. It requires not only the complex regional economic planning that is currently underway, but also the commitment of developing countries to those regional linkages. It means that individual purchase decisions cannot be separated from—that is, must be seen in the context of—a larger plan for the economic benefit of and the long-term economic gains for the nation, as well as those of neighbouring developing nations. This may require regional protectionist policies, differential duties to regional economic partners, and perhaps even government subsidies to export contractors or contracts.

Conclusion

We have not addressed many of the issues of concern to people involved in social development, for example, illiteracy, malnutrition, health, family, women, children, disabilities, housing, education, and refugees. We could not do justice to these diverse issues in this short paper. What we affirm is that economic development is critical to all other forms of development. We do not believe that economic development can or should be separated from human development. Economic development must happen in ways that empower, that build human capacities, that decrease dependence and reinforce self-reliance, and that assure equitable distribution of national wealth and income. Social development cannot occur without economic development. It is incumbent upon us to acquire the knowledge and skills needed to facilitate economic development, while retaining the values that reject the oversimplified and reactionary view that economic growth, by itself, can be equated with development.

REFERENCES

- | | |
|--------------|---|
| ANDERSON D | 1982 Small Industry in Developing Countries: Some Issues , World Bank, Washington, D.C. |
| ASHE J | 1985 PISCES II Experience: Local Efforts in Micro-Enterprise Development , Vols 1 & 2 USAID, Washington, D.C. |
| BROOKFIELD H | 1975 Interdependent Development , Methuen, London |
| BROWN A K | 1985 Partnership for Productivity Burkino Faso (A Manual for Credit Training, Credit Administration, and Management Assistance) , Second Edition, Partnership for Productivity (PfP), Washington, D.C. |
| CARR M | 1984 Blacksmith, Baker, Roofing-sheet Maker... Employment for Rural Women in Developing Countries , Intermediate Technology Publications, London. |

- CHILD F C 1977 **Small-Scale Rural Industry in Kenya**. Occasional Paper No. 17, UCLA African Studies Centre, Los Angeles.
- CHUTA E & SETHURAMAN S 1984 **Rural Small-Scale Industries and Employment in Africa and Asia: A Review of Programmes and Policies**, ILO, Geneva.
- ELSE J F 1986 **Planning Income Generating Projects: A Training Handbook for Conducting Feasibility Studies**, VOICE, Harare.
- FAO 1982 "Rural Poverty in Developing Countries and Means of Poverty Alleviation," in **The State of Food and Agriculture**, FAO, Rome.
- GACHUGI A K W 1985 **Area Opportunity Studies for the National Christian Council of Kenya**, NCKK, Nairobi.
- GOLDMARK S *et al* 1982 **Aid to Entrepreneurs: An Evaluation of the PFP Project in Upper Volta**, USAID, Washington.
- GOLDMARK S & ROSENGARD J 1985 **A Manual for Evaluating Small-Scale Enterprise Development Projects**, USAID,
- HARPER M 1984a **Entrepreneurship for the Poor**, Intermediate Technology Publications, London.
- HARPER M 1984b **Small Business in the Third World**, John Wiley and Sons, Chichester.
- HOSKINS L A 1982 **The New International Economic Order: A Bibliographic Handbook**, Howard University Press, Washington, D C
- HUNT R W 1985 **Private Voluntary Organisations and the Promotion of Small-Scale Enterprise**, USAID, Washington, D C
- ICKIS J C 1983 "Structural Responses to New Rural Development Strategies," in **Bureaucracy and the Poor**, ed by D C Korten and F B Alfonso, Kumarian Press, West Hartford, Connecticut.
- INDEPENDENT COMMISSION ON INTERNATIONAL DEVELOPMENT ISSUES 1980 **North-South: A Programme for Survival**, MIT Press, Cambridge, Massachusetts.
- INTERNATIONAL PLANNED PARENTHOOD 1980 "Report of the Regional Seminar on Population Education, with Emphasis on Out-of-School Youth Programmes, 6-10 October 1980, Bombay", International Planned Parenthood, Colombo, Sri Lanka
- KILBY P & D'ZMURA D 1985 **Searching for Benefits**, USAID, Washington, D C
- KORTEN D C 1983 "Social Development: Putting People First," in **Bureaucracy and the Poor**, ed by D C Korten and F B Alfonso, Kumarian Press, West Hartford, Connecticut.
- LOUTFI M *et al* 1984 **Rural Development and Women in Africa**, ILO, Geneva

- | | |
|---------------------------|--|
| NECK P A | 1977 Small Enterprise Development: Policies and Programmes , ILO, Geneva. |
| NORCLIFFE G <i>et al.</i> | 1980 Rural Industrialisation and Employment Project: Rural Industrialisation Policies and Programmes in Kenya , ILO, Geneva |
| PAGE J M & STEEL W F | 1984 Small Enterprise Development: Economic Issues from African Experience , World Bank, Washington, D C |
| ROSTOW W W | 1963 The Economics of Take Off into Sustained Growth , Macmillan/St. Martin's Press, New York. |
| TENDLER J | 1982 Turning Voluntary Organisations into Development Agencies: Questions for Evaluation , USAID, Washington, D C |
| | 1983 Ventures in the Informal Sector and How They Worked out in Brazil , USAID, Washington, D C |
| THE HERALD | 1983a "219 New jobs a Day in Zimbabwe," The Herald , 20 March |
| | 1983b "Develop Industry for More Jobs – President," The Herald , 20 May. |
| THE SUNDAY MAIL | 1983 "Time to Revitalise Technical Training," The Sunday Mail , 2 February |