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INTRODUCTORY PAPER

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Employment creation in the framework of decentralized cooperation
and the role of the economic and social interest groups

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I. INTRODUCTION

May I first set out the plan for my paper:

- an analysis of recent developments in the economies of the ACP States;
- the reasons for the slowdown in growth in the ACP States:
 - population growth;
 - political stability;
 - the context of the implementation of the Structural Adjustment Programmes.

The factors listed above will lead me on to explore the role of economic and social operators in creating national programmes for growth and, consequently, providing new jobs.

1.1. Recent developments in the economies of the ACP States

The ACP States are up against tremendous difficulties. They are unable to service their external debt as a result of their failure to secure sufficient new funds.

Private banks are scaling down their commitments and multilateral bodies are less and less inclined to come up with significant financial assistance.

The indebtedness indicators have worsened and the servicing of the debt represents an intolerable burden. The indebted ACP States are unable to secure access to the international capital markets. And their external debts are continually being rescheduled in a manner which is more and more difficult to accept.

The proposed solution to the problem involving an increase in trade has yet to take off and does not seem likely to provide an answer.

The considerable deterioration in the terms of trade has gathered pace in the last ten years and the endeavours which have been made to breathe new life into the agreements on basic commodities have been to no avail. In my view, we are about to witness a wholesale renunciation of international agreements on basic commodities:

- the agreement on tin has lapsed;
- the agreement on rubber no longer exists;
- the agreement on sugar is no longer functioning;
- the agreement on cocoa has not had any positive results;
- and the agreement on coffee does not promise a better outcome.

During this period the world economy has been restructured into a number of major blocs :

- the Asian economic area with Japan as the focus;
- the newly established North American Free Trade Area (NAFTA) (USA, Canada and Mexico);
- the European Economic Community.

Pressure for protectionism is building up. A great economic battle on a world scale is in preparation and the success or failure of the GATT Uruguay-Round is at stake. Powerless to act, the ACP States are left to wonder about their economic future and perhaps even their future existence as territorial units. The more dynamic developing countries are finding the major international markets closed to them by blind protectionism. This situation is leading to a terrible spiral of indebtedness and there are no obvious ways of resolving it.

Despite the adoption of structural adjustment programmes designed to increase growth, most ACP States are thus still unable to embark upon expansion or to bring about a lasting improvement in their capacity to service their debts.

1.2. Population growth and development in the ACP States

In the period 1970 to 1982, GDP in Sub-Saharan Africa rose by some 3% per year, i.e. it kept pace grosso modo with the increase in population. Per capita income thus remained more or less fixed in the ACP States as a whole. In actual fact there was, however, a reduction in income since the terms of trade of the African States generally deteriorated during this period. GDP increased at an even slower rate in the poorest States.

In other regions of the developing world which had comparable rates of economic growth but a slower rate of population increase, per capita income moved upwards. In 1982 average per capita income in Sub-Saharan Africa was less than \$500. In half of the ACP States, however, per capita income was barely \$250.

In other developing countries the rate of population increase is declining. In Africa, however, the rate of increase has recently gathered pace: during the period 1970 to 1982 the average annual rate of increase was 2.8%, whereas it now stands at 3.1%, the highest rate of increase in the world. Rates of population growth vary from one state to another. In approximately half of the countries recording a lower level of increase, e.g. Guinea, Sierra Leone, Somalia and Chad, the rate of population increase has, however, been slower not because of a lower level of fertility, but rather because of an even higher rate of mortality remains at a higher level.

Furthermore, unless specific measures are taken to curb birth rates, the rate of population increase could rise still higher in a number of states. Despite the fact that the mortality rate

fell by approx. one-third between 1960 and 1980 - which is a real achievement - the figure remains in excess of 15 deaths per 1,000 in most African States. Unless some catastrophe occurs, the rate should continue to decline as food supplies are improved and progress takes place in the fields of education, supplies of drinking water, sanitation and health services. Birth rates could also increase in some countries with the improvement in the health of mothers. Birth rates only appear to be going down in four countries (Botswana, Zimbabwe, Mauritius and Kenya).

It is therefore possible that the rates of population growth will increase for a time in a number of countries; it is unlikely that the rates of increase will level off and still less likely that there will be a reduction in the rate of increase before the middle of the next century. The World Bank forecasts that the population of the whole of Sub-Saharan Africa, for example, is likely to continue to increase by 3% per year until the end of the century, which means that the overall population will increase from some 460 million in 1985 to 1,581 million by the year 2025. (These forecasts are based on the hypotheses that socio-economic progress will be maintained and that there will be increased efforts to encourage family planning, thereby making it possible to reduce fertility levels in five or ten years time. If measures taken to promote family planning were better coordinated, there could be a more rapid reduction in the fertility levels, thereby stemming population growth to a much more significant degree, particularly after the year 2000).

I would now like to turn to the reasons why this rapid increase in population constitutes a problem. Irrespective of the country concerned, per capita income can only increase if productivity can be stepped up, if human capital (i.e. the health and qualifications of the workforce), physical capital and natural resources can be accumulated at a faster rate than the rate of population growth or if technical progress enables the available resources to be used more effectively. As things stand at present, the population of the ACP States is increasing at such a rate that, even if human resources and other resources in those countries were utilized to a comparable degree to that witnessed in the developed countries over the last 50 years, there would still be no significant increase in per capita income.

Since achieving independence, many states of Sub-Saharan Africa have undertaken large-scale development programmes. Despite this, the initial situation in these newly-independent states - hallmarked by a lack of infrastructure and educational facilities and poor health care facilities - has restricted the productivity of the additional investments made. Over the last ten years the impact of the international economic downturn has exacerbated the consequences of economic policies which in a number of states have been ill-conceived. The rapid rate of population growth has further added to these difficulties.

Countries with a rapidly increasing population do not have to contend only with a temporary slow-down in the rate of increase in per capita income. In the long term, they may also have a reduced potential for stepping up the rate of economic growth and improving living standards as rapid population growth may bring about an increase in both maternal and infant mortality and illness, increased environmental damage in areas already suffering from considerable population

pressure, a worsening of the situation prevent the development of basic education and health services beyond the current rudimentary levels, and a reduction in wage levels since the increase in the working population is outstripping new investment.

According to an FAO Study (drawn up by Higgins and associates in 1982), the territory of Africa could in theory provide adequate food for several times the current population. That would, however, require a considerable volume of migration both within and between states with large numbers of people migrating from the more densely populated areas to the areas of lower population density. It would also be necessary to make investments in irrigation and new techniques and to provide small holders with a level of aid incomparably greater than that which can be provided in the immediate future.

If we are simply to maintain current levels of nutrition - which are inadequate - agricultural production in Africa will have to increase by more than 3% per year every year for the next 20 years. A reappraisal of the central objectives of agricultural policies would certainly help to achieve this goal and such a rate of growth could be achieved in a number of countries. It is unlikely to be achieved over the region as a whole, however. Only a small number of states - none of which are in Africa - have achieved rates of growth of agricultural production in excess of 3% per year over long periods. Agricultural production in Sub-Saharan Africa rose by 2.5% per annum during the 1960s and the figure reached 14% per year during the 1970s. If the other sectors of the economy fail to develop at a still faster rate in order to enable African states to finance imports of foodstuffs, Africa will become more and more dependent on food aid.

In the meantime, population pressure is one of the factors leading to the permanent destruction of forests and other over-exploited resources. Communal resources are particularly vulnerable to such over-exploitation. The steadily rising cost of firewood in urban areas is a consequence of this problem and it is placing a heavy burden on the meagre budgets of poor people; in some towns and cities in Africa up to 20% of the income of poor households currently has to be spent on firewood.

Even in those states where there is no shortage of land, where natural resources are adequate in the short term and where the prospects for agriculture are relatively good, rapid population growth may slow down development since it makes it difficult to finance the necessary investment in education and health facilities. In most of the countries of Sub-Saharan Africa, the school-age population is set to at least double over the next 20 years.

Many of these countries, such as Benin and the Ivory Coast, currently devote 40% of their administrative budgets to education, even though no more than 75% of children attend school at the primary level and less than 25% attend secondary school. In several countries, approximately 30% of state expenditure goes on education. Estimates indicate that no less than 50% of the anticipated level of total state income in a large number of African states would have to be spent on education and health in order to make it possible to provide universal primary education and basic

health facilities within 15 years. This rate of expenditure is twice that currently devoted to health and education.

The situation as regards employment and wage levels is also far from satisfactory. Even a modest increase in average incomes would require annual rates of growth of at least 3% in the agricultural sector and over 7% in industry over the next 20 years. A number of countries could achieve these figures if they carried out short-term economic reforms but the best they could achieve would be only a slight improvement in average living standards over the next 20 years.

As it would seem to be impossible to stem the rapid growth in population in the short term, any overall demographic policy pursued in the ACP States must seek not only to slow down population growth but must also include an action programme to deal with the consequences of this increase. Such policies would, to a large extent, form part of the general development policies designed to promote optimal utilization of agricultural resources, the development of urban areas, etc.

Many of the problems caused by rapid population growth are exacerbated for the very reason that the changes which have to be made in other sectors are hampered by the pursuit of policies which lead economic agents to take the wrong decisions. The rapid increase in population simply underlines the need for across-the-board implementation of economic and social policies which promote growth as effectively as possible.

1.3. The impact of AIDS on development in the ACP States: the African example

1.3.1. Loss of skilled industrial workforce

Industries needing a skilled workforce which is in short supply will be hardest hit by the HIV/AIDS epidemic.

HIV is also prevalent in industries depending on migrant labour, e.g. mining, transport and defence, and in industries depending on itinerant agricultural labour.

1.3.2. HIV/AIDS poses a growing problem in the agricultural sector

Given the major role played by agriculture in most African economies, its vulnerability to the HIV/AIDS epidemic is a crucial problem.

Agriculture is a source of food and income for local people, but also provides many African countries with vital export earnings. In 1990, food and other agricultural products accounted for more than 90% of the exports of Burundi, Rwanda, Malawi and Uganda, between 80 and 89% of those of Côte d'Ivoire and Tanzania, and 70% of Kenya's.

As most Africans live in rural areas, the number of HIV infections and deaths from AIDS will be higher here than in the cities, although there is evidence that HIV at present affects a higher proportion of the urban population.

The impact of the AIDS incidence on agriculture depends on five factors:

- the seasonal nature of the demand for labour;
- the sex and age profile;
- labour force economies of scale;
- interdependence of labour inputs;
- possible use of labour-saving technologies.

Contraction of the rural labour force will mean lower agricultural output than would otherwise be achieved. Affected families are expected to transfer from labour-intensive crops (legumes) to tubers, potatoes, sweet potatoes and manioc. If labour shortages force households to concentrate on subsistence crops, export revenues will fall. Small farmers can also be expected to concentrate on crops requiring a more regular supply of labour throughout the year.

Agricultural loan programmes may also be affected, with the number of farmers defaulting on loans rising as they are forced to borrow to finance medical care. Caught in a vicious circle, the survivors may be forced to sell their remaining assets to repay these loans.

1.3.3. The macro-economic impact: slowdown in growth of per capita income

A number of models and simulations have been used to measure the impact of the epidemic on per capita income. But the number and complexity of macro-economic factors makes a precise evaluation impossible.

It is probable, however, that AIDS will mean slower per capita GDP growth.

Although the decline may be slight, the background against which it occurs makes the problem more serious. Having seen per capita income decline in the 1980s, the African countries are now recovering; the AIDS epidemic will make recovery even more difficult however.

1.3.4. Demographic impact of AIDS

Let us suppose that in an East African country with a population of 10 million, the rate of HIV infection among adults increased from 0% in 1975 to 5% in 1985, then to 8% in 1990, climbing to around 20% of the adult population in 2020. (In many African countries the infection rate has already reached these levels in certain population groups.)

What would be the demographic impact of such a scenario?

- **Mortality rate:** Instead of falling from 15 per thousand to 8 per thousand by 2020 in the absence of AIDS, the gross mortality rate would reach 21 per thousand in 2000, before falling back to 17 per thousand in 2020. In 2020 half of all deaths would be from AIDS.
- **Life expectancy:** Instead of rising from 51 in 1985-90 to around 62 in 2015-20, life expectancy at birth would fall to less than 40 in 2000-2005. Life expectancy would climb back to about 43 only in 2015-20.
- **Dependency ratio:** Paradoxically there would be no significant change in projections of 1.024 dependent persons per adult in 2000. Adult deaths would be balanced by infant deaths.
- **Birth rate:** The scenario assumes that the birth rate would decline at the same rate as in the absence of AIDS.

However the impact of AIDS on the birth rate is very uncertain and depends on reactions to the epidemic. The number of seropositive couples might mean fewer pregnancies, which would reduce the birth rate.

However, non HIV-positive couples might have more children as an insurance against deaths and infections in childhood and early adulthood.

- **Population growth rate:** Between 1985 and 2020 the epidemic would reduce the annual population growth rate by between 0.5% and 0.8%. However, in 2015-2020 the population growth rate would still top 1.5%. In 2020 the country's population would thus be 23 million, compared with 28 million in the absence of AIDS. If a vaccine is developed, or if there are significant behavioural changes after 1995, the country in question will have a population of 27 million in 2020 - only one million fewer than in the absence of AIDS.

1.4. Productivity levels in the ACP States

In the ACP countries in general, and the African countries in particular, the population of working age (15-60) totalled some 200 million in 1980. It is currently growing at about 3.2% per annum, and by 2000 it will have practically doubled to 378 million. By 2020 it could have reached 700 million. Even in the event of low population growth, projections indicate that the population of working age will slightly exceed 600 million in 2020.

How can this additional workforce be employed productively? What increase in the demand for labour will be required if a fall in labour productivity, and thus wages, is to be prevented?

- a) **AGRICULTURE:** Agriculture currently employs some 70% of the active population in most ACP countries. In the rest of the world, economic development has caused a gradual shift

of labour to more productive sectors. In much of East Asia and Latin America, the agricultural labour force began to shrink in absolute terms in the 1960s and 70s. In the Philippines and Malaysia, for example, about 50% of the labour force works in agriculture; in Korea and Brazil, the proportion has fallen to 30%.

In most African countries this process will not begin until the 21st century is well advanced. Despite the major exodus from the land currently underway, the agricultural workforce of the ACP countries will continue to grow rapidly in absolute terms and will double over the next 20-30 years. In Kenya it will probably triple by 2025, even if the number of jobs in other sectors of the economy grows rapidly. It is forecast that by the middle of the 21st century, nearly half (43%) of the world's agricultural labour force will live in sub-Saharan Africa.

Rural population growth means that by the end of this century land area per agricultural worker will for the first time fall below the world average.

In the rest of the world the redeployment of agricultural workers has always led to a sharp rise in primary sector labour productivity, and thus incomes. Thus, the agricultural labour force has shrunk, without any deterioration in overall agricultural output. Given a rapidly growing agricultural population in Africa, however, the sector's output will need to rise sharply over the next ten years merely to maintain current labour productivity levels and thus average incomes. New land will need to be brought into cultivation, or more capital-intensive methods used on existing land if the sector is to absorb a larger workforce without a fall in output per worker. If the new land is of comparable quality to the land already farmed, it will be possible for employment to rise at the same rate as production.

In areas where land is in short supply, more intensive farming can be expected to slow down the growth in employment. A recent study (Hansen 1984) concluded that, given a constant level of mechanization, a 10% increase in agricultural output will be matched by a 7.7% increase in the labour force employed.

The FAO estimates that some 30% of Africa's active population live in countries with unfarmed land capable of producing yields comparable with existing farmland. Assuming further that these countries also account for 30% of the agricultural workforce, primary sector employment could keep pace with production in these countries, at least until 2000. The other 70% live in countries which would have to resort to more intensive agriculture; a 1% rise in agricultural production would thus lead to a 0.77% increase in employment. Wages are assumed to remain constant as a proportion of production costs.

If the agricultural output of all these countries were to grow at 2.5% per annum until the end of the century - a growth rate achieved in the 1970s - primary sector employment would grow at approximately 2% per annum. Another 70 million workers could be absorbed, but average wages

would, at best, rise only marginally. The 70 million would amount to some 40% of the forecast overall rise in the active population.

These estimates do not take account of the rise in agricultural output which could be obtained with a reorientation of price and trade policies. The developed and developing countries could, for example, relax protectionist measures (customs duties and quotas) affecting the main export crops, although this would be politically difficult.

The ACP countries could increase production prices and improve farmers' access to credit, technology and markets.

If in this way agricultural output were able to grow by 3.5% p.a. or more (a rate which has only been achieved on a sustained basis by a number of East Asian countries) jobs could be created for some 115 million more workers and the proportion of the active population working in agriculture would remain more or less the same as it is today. In other words, over the next twenty years production needs to grow rapidly, at a rate never yet achieved in Africa, if, at best, there is to be a modest improvement in today's very low wages.

b) **INDUSTRY.** Only 12% of the active population of sub-Saharan Africa is today employed in modern industry, and the rate of growth of employment has been falling for ten years. A study carried out in Côte d'Ivoire - one of the best performing African countries in recent years - shows that in 1968 a 10% increase in industrial output meant a 7.7% increase in the number of jobs. In 1974, however, the same increase in output produced only 1.6% more jobs. This change can in part be attributed to a rise in industrial labour productivity, but also to price distortions (caused by minimum wage laws, capital subsidies and an over-valued exchange rate which made capital cheaper than labour) and the concentration of economic activity in capital-intensive import-substitution industries. Let us suppose that these distortions in African industry are eliminated and that the ratio of output to employment growth is approximately the same as that recorded in Côte d'Ivoire in 1968. Then, if industrial output were to increase at a steady rate of 7.7% p.a. (in Africa it averaged only 3.9% in the 1970s) for 20 years, the number of jobs in industry would grow by 6% p.a. and the sector would be able to absorb 50 million extra workers between 1980 and 2000. The average wage would increase by a modest 1.8% p.a.

Thus, together, agriculture and industry could create anything between 120 and 165 m. new jobs (50 m. + 70 or 115 m.). The remainder of the additional 180 million workers forecast (between 15 and 60 million) could be absorbed by the traditional sector of the urban economy, the public sector or modern services. As wages in agriculture and industry would at best rise only modestly, pay rises in the other sectors would also have to be very modest.

Thus, whilst not hopeless, the outlook is far from promising. Even a modest rise in average wages will only be possible if agricultural and industrial output grows at a much higher rate than in the recent past. Significant growth of average wages is very unlikely, even in the event of

economic policy reforms in the short term. But if the birth rate were to begin falling in Africa now, one might hope to see an improvement in wages from 2000, all other things being equal.

Africa would then be in the same situation as most of the East Asian and Latin American countries, where the birth rate began to fall 15 or 20 years ago.

II. DEVELOPMENT AND POLITICAL STABILITY

2.1. Development and political stability

Democratization, in the sense of a continuous expansion and deepening of democratic institutions and values, means protecting and extending citizens' rights, reinforcing pluralism, developing economic democracy and establishing a participation culture.

In the ACP states, the following fundamental tasks should be carried out simultaneously: restructuring the economy, democratizing the political system and setting up free and autonomous institutions to guarantee civil rights.

Some of these tasks overlap and complement each other, inasmuch as democratization cannot successfully be achieved without sustained economic development and popular participation, and thus an improvement in the quality of life.

The economic difficulties of the ACP states are being exacerbated by the worldwide recession, instability in certain sectors of the economy, the slump in world commodity prices, the increase in the cost of production factors and the growing attraction of other regions for investors.

This situation is made even worse by the increasing burden of debt, as well as the obligations imposed on these countries by the Bretton Woods institutions under structural adjustment programmes.

✓ This is in addition to ethnic and religious conflicts which contribute to social instability in various countries.

✓ The lack of democracy and a disregard for human rights are two of the major obstacles to development in the ACP countries. The decline in living standards, the rise in unemployment and even famine highlight the failure of current policies. Precious resources and financial aid are often wasted or used to feed bloated military budgets or non-productive investments, instead of being channelled into economic development.

At the same time, popular movements in some countries have pushed forward the democratization process, often in the face of enormous obstacles. The new democracies are all frequently under threat and the support of the international community is needed to strengthen them.

In many other countries, the struggle for democracy is far from over; pro-democracy movements are still subjected to repression and to daily violations of their fundamental rights: they too need international support.

Most importantly, the democratization of society must have a local dimension: local initiatives should be supported as much as possible and local communities given a hearing. This requires the devolution of certain powers to grass-roots urban and rural communities and the creation of structures to provide representation and official forums for contacts between the highest and the lowest echelons of administrative and political power.

A clear distinction between politicians and economic agents is a prerequisite for democratization.

In order to stimulate economic and social activity, groups on the fringes of society must also be integrated into the overall social structure. The informal sector has a great deal of economic and social potential which, if integrated into the formal sector in the course of democratic renewal, could benefit society as a whole. Economic and social interest groups could play an important role in this respect acting as intermediaries and initiators, and may broaden their social base in the process.

The linkage between reducing poverty and bolstering democracy means that special efforts must be made to help disadvantaged social groups. Political liberalization alone is meaningless for the poorest in society if it does not go hand-in-hand with economic improvements; by the same token, long-term economic progress will not be possible if its benefits are confined to a minority. In other words, there can be no development without political stability.

2.2. The role of the EC States in maintaining peace in the ACP States

In view of the overlap between democratization and economic and social development, any cooperation policy should be humanitarian and should encourage participation. A coherent development strategy should at the same time protect human rights, create structures for participation, and promote local initiatives and economic viability.

Although the exact form taken by multi-party democracy may vary from country to country, the international community should encourage and support the democratization process by trade and by other means. Furthermore, the Lomé Convention should be exploited to the full in order to create the conditions for lasting economic growth and to promote human rights and democracy.

That being said, we need to think about a new Community development cooperation policy encompassing the various aspects of relations between the ACP countries and the industrialized nations (debt, environment, international trade, security policy etc.). Lomé IV is a valuable step forward but it does not preclude the conclusion of a new contract between the EEC and the ACP

countries which would involve all forces in civilian society. Most of the ACP countries come under the Structural Adjustment Programme (SAPs). So we cannot talk about job creation without analyzing the results of the SAPs, which often have adverse effects on political stability in the ACP countries.

2.3. The social dimension of the Adjustment Programmes

When the first structural adjustment plans were devised, the social aspects were not given serious consideration. Neither the IMF nor the World Bank takes account of social aspects or changes in income distribution in their financing models. These models, which are relatively simple, are geared to situations where reliable data is hard to come by and an urgent response is needed. In most developing countries, social indicators and data on income distribution are inadequate, if indeed they exist at all. Moreover, the IMF and the World Bank maintained that structural adjustment plans had a positive overall impact on social questions and income distribution, as they were instrumental in channelling resources towards agriculture and boosting the agricultural producer prices, to the benefit of farmers.

In the second half of the eighties, a large number of developing countries, as well as some United Nations agencies began to criticize this disregard for the social dimension in classic adjustment projects, and new adjustment formulas were proposed. UNICEF's call for "adjustment with a human face" was one of the most important proposals. Another was the alternative "African solution" put forward by the United Nations' Economic Commission for Africa (ECA).

UNICEF recognizes the need for adjustment but makes it very clear that traditional adjustment policies have made things worse for the poorest members of society. UNICEF calls for economic policy to be geared to directly improving the productivity and income of the poorest people, while maintaining and strengthening essential services and subsidies, instead of cutting them. In addition, since social sectors contribute to the creation of human capital, areas such as health, education, water, etc. should not be seen as pure "consumption", but rather as an investment in the future growth potential of productivity. Instead of concentrating exclusively on reducing macroeconomic imbalances, adjustment "with a human face" would be an integral part of a long-term development strategy.

UNICEF advocates maintaining production and employment levels, while meeting needs during the adjustment period; this adjustment period should therefore be longer (five to ten years) than that originally envisaged by the IMF and the World Bank. UNICEF also feels that many structural adjustment projects have not been adequately financed by outside sources, and that more external aid should be provided, particularly for the poorest groups. For their part, the beneficiary countries should make a start on channelling their social spending towards low-cost services, basic general training, essential health care and other basic public services.

The United Nations Economic Commission for Africa wants adjustment to be seen as part of a continuous and independent process of structural transformation leading to self-sufficiency.

in development. It has been pointed out that the thrust of traditional structural adjustment plans was not appropriate for the situation in Africa, which is hallmarked by weak production structures, defective markets and a limited ability to cope with price fluctuations. The ECA stresses the importance of the social dimension and the position of the poorest people, two things which traditional structural adjustment plans have failed to respond to adequately. In fact, they have been instrumental in making the situation worse.

The United Nations Economic Commission for Africa does not present its alternative solution as a universal model, but rather, it puts forward a flexible framework for use by governments in working out their own national programmes. The most important objectives and key strategies are: (i) strengthening and diversifying the production base, (ii) boosting income and improving income distribution, (iii) giving priority to social sector spending in the national budget and reducing public spending on defence, (iv) bolstering institutions which play a key role in the transformation process.

It is worth noting that the ECA heavily emphasizes the need for greater democratization and broad participation in the decision-making process. It is generally agreed that the democratic deficit makes it difficult to mobilize national energies and to achieve broader participation, two prerequisites if reforms are to be successful.

2.4. The Lomé Conventions and the Adjustment Programmes

To halt the disastrous effects of structural adjustment programmes and to kick-start the growth and development which was interrupted in the eighties in the ACP countries, the EEC should assist them in various areas; after all, it has already been involved in the creation of the Bank for the reconstruction and development of Eastern European countries with a funding of 14 thousand million US dollars, even though its relations with Eastern Europe were not as close as those which it has traditionally had with the ACP countries. To help the adjustment process in the ACP countries, the EEC could take action in the following areas:

- writing off indefinitely the unsustainable debts, both public and private, which the ACP countries have contracted with EEC Member States. The argument that these debts are not repayable to the EC as a single unit, is merely a delaying tactic which should not hold up this act of solidarity any longer. The fact is that, as long as the ACP countries have to service these crippling foreign debts, their efforts towards adjustment will be doomed to failure. This was the reasoning behind the writing-off of Latin America's foreign debt in the thirties;
- implementing measures immediately to halt the slump in the ACP countries' import and export activities. This requires:
 - a) reinstating the economic clauses of international agreements on coffee, cocoa, etc., which have been suspended or cancelled;

- b) eliminating tariff and non-tariff barriers to ACP exports to the EC;
- c) taking immediate action to implement the common position adopted by the African countries on the Frazier report on African trade in basic commodities;
- helping to implement urgently the Alternative to existing structural adjustment programmes put forward by developing countries, particularly the ACP countries, which is more relevant than traditional structural adjustment programmes. The EC ought to put pressure on the IMF and the World Bank to support this Alternative instead of imposing their own parallel programmes, which have been shown to be ineffective and which are doomed to failure;
- sending an EC fact-finding mission to certain ACP countries to gather first-hand information on the disastrous effects of the SAPs;
- providing EC support to develop the role of the social partners in the SAPs, particularly to guarantee that no agreement on a SAP is signed or implemented without the consent of the relevant social partners;
- guaranteeing the involvement of ACP experts from regional organizations like ECA and ECLA, alongside national experts and those from the World Bank and the IMF, in the negotiations or discussions on SAPs for each country;
- working for the necessary adjustment in the North to complete the structural adjustment process undertaken by the ACP countries. This can be done by liberalizing the Northern economies along the lines being pursued in the South, by stepping-up imports from the ACP countries; by transferring the enormous trade surpluses from the North to the ACP countries under favourable conditions in order to alleviate the foreign currency and other constraints on them.

The fact is, if the countries of the North do not adjust their own economies to help ACP countries to adjust, the recession may never end:

- setting out simplified procedures for tapping the funds made available by Lomé IV. Cumbersome and restrictive drawing procedures prevented a high proportion of the Lomé III funds being used;
- expanding the aid provision of Lomé IV, as the proposed aid package cannot cope with the considerable adjustment needs in the ACP countries;
- adopting special measures to deal with the specific problems of trade, currency and migration which the Single European Market, European Economic and Monetary Union (EMU) and the European Monetary System (EMS) will create for the ACP countries.

III. COOPERATION AND DEVELOPMENT

3.1. The role of economic and social interest groups in Structural Adjustment - their current role and the role which it is desirable for them to play in future

In view of the considerable scope and impact of the SAPs, the actual and potential role of social groups is vital in the following areas of structural adjustment:

- Philosophy;
- Negotiation;
- Design;
- Implementation;
- Follow-up;
- Burden-sharing and
- Reaction to impact.

The interest groups have played, usually involuntarily, an active role in two of these areas: sharing the costs of programmes and reacting to their impact. The brunt of the structural adjustment burden in economic, social and political terms is borne by the weakest and most deprived social groups; in most countries they also react very vigorously to its adverse impact.

As regards the five other positive aspects of SAPs, the role of these groups is very limited at best: these aspects are monopolized by those responsible at government level and by the institutions of Bretton Woods.

The social interest groups are hardly asked at all for their views on the nature of structural adjustment or the paths it should take; the Fund and the Bank monopolize all the strategic thinking and the negotiation of the SAPs. Economic and social interest groups such as workers and their unions, employers, women, farmers' groupings, NGOs etc. are deprived, so to speak, of any influence. The private sector (chambers of commerce) and trade associations are not involved in these matters, even marginally. Indeed, the SAP documents sent by the Bank or the Fund to many ACP countries are kept secret in those countries. So, the role or input of the local population is almost non-existent.

During the implementation phase, social groups are often invited to "make sacrifices" for a policy, measure or project. Even here their role is assigned to them by bureaucrats - and only then when the latter cannot monopolize the implementation of measures, such as in squeezing expenditure or, in some cases, removing subsidies for essential foodstuffs.

The main examples of social groups being systematically involved in the implementation of SAPs (apart from isolated projects financed by the World Bank) are the

PAMSCAD in Ghana and the DSA in other countries. As these cover social activities intended for local grass-roots organizations, the social groups are given a say.

The social groups are generally not consulted or asked to play any part in monitoring the implementation of SAP policies unless implementation meets with political opposition, such as riots or demonstrations. When this happens, a policy of containing public opinion can lead to an official dialogue with leaders of social groups. Otherwise follow-up work is monopolized by local bureaucrats controlled by the Bank or the Fund.

The role of social groups in implementing SAPs has been stressed by the quotations in the preamble, which come from the 1988 ACP-EC trade union conference in Dakar. The NGO working party on the World Bank opinion issued in December 1989 also thought it necessary to submit the SAPs to a "social audit".

In order for development projects and policies to answer the needs of the poor, the programmes supported by the Bank and other development aid agencies should be implicitly geared not only to economic management but also to the population. For all projects and policies a "social budget" report should be drawn up at an early stage showing clearly which sectors of the population will be affected directly or indirectly, positively or negatively. It should consider carefully which social groups will derive the greatest benefit and if the project or policy would help to further improve the standard of living of the better-off at the expense of the rest.

The involvement of professional organizations, chambers of commerce and industry, etc. and popular organizations in policy discussions is also crucial, both to encouraging the democratic process and ensuring that the resulting policies are appropriate and effective.

Professional organizations, chambers of commerce and industry and trade unions should be involved in more of the projects financed by the Bank; in the vast majority of cases these groups have operated under project guidelines defined by a government and the Bank. Rare are the cases in which local-level organizations have identified, designed, implemented and managed a project financed by the Bank.

3.2. Cooperation and the organization of the private sector

Cooperation measures are intended to assist, set up or revitalize autonomous bodies representing the private sector (chambers of commerce and industry, chambers of agriculture, employers' associations, trade associations, etc.) and provide training for those responsible for running such bodies.

This must be done without state interference. In several countries there has been over-hasty intervention by the state and even the disbanding of chambers of commerce, trade, etc. Such

an attitude, which tends to politicize bodies representing the private sector, takes away their autonomy.

The state should instead try and develop consultations with such bodies in order to ensure that the positions worked out are accepted by economic operators and form the basis of an economic programme which really takes account of their concerns.

This means the government must first ascertain the views of bodies representing a sector before taking any important decisions affecting the business life of the country. Under these conditions the State must, as well as giving its support to such bodies, create a formal and regulatory consultative framework.

Since the chambers and employers' organizations are a forum for synthesizing ideas, the State will set up joint committees enabling problems of cooperation with the private sector to be tackled more specifically. Such committees may be organized by sector of activity so that the real concerns of operators in a sector are better targeted.

These committees are the most important and determinant factor for revitalizing a sector. They cover institutional rationalization measures (such as the non-existence of commercial courts in certain countries), taxation measures (cutting taxes, setting up an attractive investment code) and financial rationalization measures (easier access to credit at favourable interest rates).

It is therefore necessary here to review all the regulations governing business so as to take account of the real situation of firms.

For certain countries it will be a question of reducing the administrative formalities involved in setting up businesses and regrouping the services for state intervention in the private sector. This may lead, as is the case already in some countries, to a one-stop office system.

Similarly, aid from the international community to the ACP countries will have to be made subject to laws and tax rules which attract capital from foreign investors.

Investment codes will have to be improved and harmonized. Thought must also be given to the possible benefits of setting up industrial free zones in each country.

On the other hand the State must develop an incentive price policy concerning consumables (electricity, water, telephone) and gear its actions to developing communications infrastructures.

In most ACP countries the ground is full of potential riches. The state must help businessmen to maximize this potential.

Finally, the State must adopt a policy which favours the competitiveness of local firms over that of foreign firms.

3.3. The role of the private sector

States have long pursued a policy of developing large nationalized corporations. The failure of these "white elephants" is acknowledged by all for various reasons, among them the unorthodox way in which they are run. During this period national private initiative has been suffocated and private firms pushed to the sidelines when they have not been nationalized. The institutional and regulatory environment is hostile or unattractive to private initiative. This state of affairs should be put right to give the private sector an equal chance of development.

The principle of "equality for participants" must be analyzed on two levels:

- On the internal level : States have long accorded sometimes exorbitant advantages to state corporations, confusing the role of administration with that of economic agent. Monopolies are granted in most economic activities to nationalized bodies. State corporations are given a more advantageous investment code. At the same time, restrictions are imposed on the activities of private firms (such as the repatriation of profits). The state, through the device of nationalizing the banks, totally controls credit and intervenes irrationally and rashly in commercial matters. Additional taxes are created and policy measures destroy any possibility of developing partnerships with firms in the developed countries.
- On the external level : Firms from the developed countries compete fiercely with ACP firms. Substitute products are sought (sunflower oil instead of groundnut oil). ACP products like coconut butter are replaced by vegetable oils, which causes imports to plummet. Regional and national small business support schemes in the developed countries introduce subsidies into the production chain, making products from African countries totally uncompetitive. The African countries then become merely consumers of imports, which aggravates their trade imbalances.

The recession which seems to be at the root of the democracy movements requires enormous sacrifices from all economic agents. What is more, it is not possible to talk about democracy without a scheme for consulting with and involving each actor in decision-making. But the economic operators' role has long been simply to receive political and economic directives given by government.

In economic matters the economic operators have had to follow the orders of a centralized planning system which determined the priority sectors for investment. Private initiative has thus been directed by the government.

This has naturally discouraged many businessmen who have resigned themselves to putting things on hold and relocating their firms to countries offering more guarantees and greater freedom of action. Even in sectors designated as essential by the government, no real incentives have been introduced.

The lack of any forum for consultations between the different interests in the economy is inevitably leading to a total breakdown. The situation is made worse by sacrifices being imposed which are not understood or accepted by everyone. It is easy to see why the State is having such difficulty in pushing through measures which, if not taken, will lead to social unrest and the failure of structural adjustment programmes.

From all this one can see there is a need to restore the confidence of private businessmen and help them grow if they are to assume their role as the locomotive of economic and social development. Otherwise the democratization under way in the African countries will only be a side issue.

The previous long-standing business-hostile environment must therefore be put right.

The few firms which have managed to come through this period are having enormous difficulties in getting moving again and the businessmen who have disentangled themselves from those systems which have devastated democratic values in our countries could resume their activities if favourable conditions were restored.

Democratic renewal is often accompanied by an economic renewal marked by a rationalization of public finances and structural adjustment measures accompanied by substantial financial aid from the international community.

This aid is often devoted almost entirely to solving state problems. An effort must be made to boost the private sector because of its importance today in developing democracy.

IV. DECENTRALIZED COOPERATION

The 1988 and 1990 annual meetings broached the issue of economic, social and cultural organizations' involvement in implementing ACP/EC cooperation.

The many new components of the fourth Lomé Convention, of which several are innovative, include the project set out below, designed to encourage all economic, social and cultural organizations in ACP countries and the Community to submit and implement measures for fostering development and democratization in ACP countries as part of decentralized cooperation.

Given the overlap between democratization processes and economic and social development, cooperation policy must be based on an approach which is both humanitarian and

participative. Any coherent development strategy must encompass protection of human rights, the establishment of structures to allow such involvement, the promotion of local initiatives and economic viability.

Economic and social interest groups should be represented on consultative bodies and be consulted on development policy and its implementation.

The principle of decentralized cooperation must be endorsed and the means found to implement it.

4.1. The framework for decentralized cooperation

If economic and social interest groups are to be able to play an appropriate role in structural adjustments in ACP countries, the following conditions must be met:

- 1) A platform for national consultation should be set up between the government and social partners (trade union and employers' organizations, farmers, women and representatives of the professions) on structural adjustment;
- 2) Preparatory meetings should be held prior to negotiations between the government and social partners to ensure that each country is prepared to sit down at the negotiating table with the IMF and the World Bank, speaking with one voice, well informed and able to take effective action;
- 3) Representatives of the social partners should be present at negotiations with the Bretton Woods institutions;
- 4) A wide-ranging debate should be held with the social partners on each policy framework document defining SAP guidelines, so as to ensure grass-roots involvement in the formulation and implementation of SAPs. No SAPs should be signed or applied without the social partners' consent;
- 5) Social partners' development resources should be consolidated via funding for training and human resources' development;
- 6) The social partners should call for foreign loans to be used for productive investment so that they contribute to national development and so that they can be repaid;
- 7) The economic and social interest groups should ask businesses to organize in-house training schemes so as to cope with job cutbacks;

- 8) The social partners advocate speedier, easier access to funds provided under Lomé IV, such as the counterpart funds; this presupposes a) a simplification of the cumbersome procedures for making withdrawals from these funds, and b) the abolition of barriers to using the counterpart funds. All the above require new financing methods for the social partners in Lomé IV;
- 9) The social partners should take specific action on issues such as writing off foreign debt, democratic involvement of the general public in the development process and sharing its benefits, exposure of corruption amongst officials who must be required to give an effective and transparent account of their actions in ACP countries, etc.

The "growing consensus" on the need to give a boost to ACP countries should therefore focus on the preparation and development of these alternative programmes with all parties concerned being fully involved.

4.2. Support for decentralized cooperation

The IVth Lomé Convention provides (in Articles 20 to 22) for the implementation of decentralized cooperation, allowing economic and social organizations in ACP countries and EC Member States to work together to achieve the above-mentioned objectives. This involves social, economic and cultural operators in ACP and EC countries pooling their means, skills and resources so as to devise original ideas for taking action.

These operators are the trade unions, businesses, cooperatives, decentralized local public bodies, rural and village groups, education and research centres and all other associations, groups and operators likely to contribute to development in ACP countries.

These Articles provide the economic and social organizations in ACP and EC countries with a framework for implementing any actions they wish to undertake jointly in the field.

Given that there has been little or no decentralized cooperation to date, economic and social organizations must harness their energies to putting decentralized cooperation into practice quickly and ensuring it becomes an instrument for joint undertakings. It is recommended to this end that the Commission draw up annual progress reports on decentralized cooperation.

Despite the EC Commission's efforts along these lines, it would itself admit that the information on the various cooperation possibilities on offer has not yet reached enough of the people concerned. ACP and EC economic and social organizations therefore have a dual role to play: it falls to them a) to identify the key economic and social actors in civilian society who can provide back-up for information dissemination, publicity campaigns and monitoring procedures; and b) to ensure that information is available in a form geared to the specific circumstances of target groups and is circulated on a three-way basis involving the EC, ACP partners and European partners.

To underpin the establishment of these spheres of communication and consultation, networks should be set up bringing together the respective representatives of social bodies and economic operators. These networks should include representatives from various backgrounds so as to cover the whole of a country and not only its large towns and cities. Over and above their information role, they must also provide a counterbalance to the danger a) of any drift away from democracy or b) from pressure groups, they should lean towards actions considered as valuable and necessary for achieving the above-mentioned aims. Swift action could be taken to bring together four or five countries on an experimental basis with support from the EC Commission. Using indicative programmes specific to each of these countries, a table could be drawn up setting out guideline criteria for identifying grass-roots organizations which should be involved in the decision-making process; in addition, communication channels and dialogue structures should be set up, allowing communities themselves to become the principal subjects of cooperation action. With this in mind, the aim is to bring together the operators concerned and ensure flexible implementation procedures.

To this end, contact should be made with the CID so that the outposts it has established in the various ACP countries are linked up to this network.

In this way synergies may be triggered which could prove highly valuable in attaining the various objectives outlined above.

In the same vein, ACP economic and social organizations, with support from their European counterparts and the EC Commission should act as pressure groups to ensure that legislation is adopted in their respective countries which encourages, strengthens and protects pro-participation structures in economic and social activities.

The results of these experiments should be disseminated widely amongst ACP economic and social interest groups and should fuel cooperation between ACP countries.

It would also be logical for economic and social organizations to be linked up with Community bodies responsible for the assessment procedures and methods for projects and programmes. The Lomé IV Convention attributes more importance to assessment work than previous Conventions; the aim is to learn lessons from such assessment, which can improve the effectiveness of cooperation policies and development operations (Articles 320 to 323). It is regrettable that such joint ACP-EC analyses have not been carried out properly in the past, if at all, and thus a whole series of lessons which could have been learnt have been passed by. The involvement of economic and social organizations could ensure the effectiveness, success and wide dissemination of the results of these analyses. In fact these results could also be valuable in consolidating relations between ACP countries. This wish was already expressed regarding SAPs at the 1991 annual meeting.

The problem of refugees and subsequently their reintegration in their home country has assumed dramatic proportions in a variety of areas in Africa, the consequences in terms of training and employment are considerable, and this problem merits special attention from EC and

ACP economic and social organizations. As proposed above, consultations should be organized between representatives of these organizations and NGOs working on the spot so as to strengthen and broaden any action being taken.

So as not to dissipate efforts, all possibilities for synergy between a) economic and social organizations, and b) joint action between European NGOs and ACP NGOs which are, in the field, helping to make these new forms of cooperation a reality, should be explored and put into practice.

The economic and social organizations could encourage systematic implementation in ACP countries of tripartite consultation units involving employers' and workers' representatives and training and education officials, so as to ensure that the content of education programmes is geared as closely as possible to the qualifications required for employment.

Finally representatives from ACP and EC economic and social interest groups should do all they can to ensure the full application of point 7 of the above-mentioned resolution of the Joint Assembly which states that the Assembly deems it vital to expand on and consolidate the periodical meetings of ACP-EC socio-economic partners.

In their final declaration participants at the 15th annual meeting called for national liaison committees to be set up in ACP countries, so as to maintain contacts with the Commission and socio-economic organizations.

4.3. Establishment of decentralized cooperation

Social and economic interest groups in ACP countries should be able to benefit from the advisory and training skills of their EC counterparts, so as to ensure that development progresses under decentralized cooperation. To this end the Commission should ensure that the rules and conditions governing co-financing of projects are suitable for the developing countries.

The Commission should be asked to strengthen existing links and promote the development of networks linking up ACP and EC representatives of economic and social interest groups, non-government organizations and economic operators in ACP and Community countries, so as to improve the coordination of development-cooperation activities.

At an international level, European socio-economic organizations should jointly lobby the Commission to look into how they could act in concert, using their own resources and networks to ensure that decentralized cooperation is more extensively implemented in ACP countries. Initially an experimental programme should be envisaged, limited to four or five ACP countries and financed by the EC.

Regional cooperation - which should also be subsidized from the counterpart fund - could substantially increase the scope for training, research, self-sufficiency in food, energy independence and environmental protection.

In the future, economic and social interest groups should be assigned a more active and decisive role in negotiating, designing, implementing and monitoring development projects, because businessmen, workers, farmers, women and other social groupings are more conversant with the problems and possible solutions in their own spheres of economic activity.

In this connection government bodies on both sides should make it easier for women to participate actively in society.

So as to allow ACP economic and social interest groups to carry these tasks through to a successful conclusion, they should first of all be briefed on the indicative programmes which are of interest to them and be provided with support for developing their analytical capacities, this would entail technical assistance and training and channelling resources and equipment via bodies such as the ACT.

Social programmes, with assistance from the EC should be implemented to a large extent in cooperation with social interest groups, trade unions, non-government organizations and grass-roots organizations which should play a more active role as implementing agencies.

Every ACP state should set up national liaison committees comprising a representative of the ACP government, the EC Commission delegate and representatives from ACP socio-economic organizations (employers, trade unions and farmers), so as to maintain effective contact between the Commission and socio-economic organizations. These liaison committees would be responsible for ensuring the design, drafting and monitoring of measures to implement the Lomé Convention in ACP countries, and for submitting recommendations. They should also be involved in the negotiations with the World Bank and the IMF.

4.4. Financing decentralized operation

The ACP countries recognize that in incurring foreign debts they have taken on commitments which they must attempt to honour. Because of their special situation in relation to other developing regions, these countries need more time and more funds, on favourable terms, if they are to return to a situation of economic growth and thus be in a position to service their debts. Hence, specific short-, medium- and long-term measures must be taken at national, sub-regional, regional, continental and international level within the framework of decentralized cooperation:

- Projects should be examined as a matter of urgency in order to identify the ones which must be abandoned and renegotiate those whose poor results are due to the bad conditions laid down when the initial contract was awarded;

- Every effort must be made to mobilize local financial resources, especially national savings, so that foreign (borrowed) resources merely serve to top up national resources.

An intensive programme for increasing productivity in all sectors must be drawn up and implemented.

The countries of Africa should monitor the external borrowing policies pursued by transnational commercial banks, rediscount houses, insurance companies and local commercial banks so as to put a stop to the draining of resources by multinationals.

If necessary, legislation should be urgently adopted specifying that, prior to contracting foreign loans, these companies must consult the public authorities.

- ✓ As a gesture of African solidarity, African countries with net reserves should recycle part of their surplus funds elsewhere in Africa.

- ✓ Sub-regional payment and compensation arrangements should be bolstered in order to promote intra-African trade, thereby reducing the need for foreign currencies and the dependence on foreign loans.

The ACP countries should press for the urgent convening of an international conference on African countries' indebtedness. This conference would give international creditors and African borrowers the chance to discuss Africa's foreign indebtedness with a view to reaching agreement on short-, medium- and long-term measures conducive to alleviating this debt problem.

The African representativeness on the World Bank's Development Committee and the IMF Interim Committee, as well as the African groups attached to these institutions should point out that structural adjustments are not possible without the effective transfer of additional resources to secure a rapid revival of economic growth in Africa.

The developed donor countries should immediately apply UNCTAD Resolution 165 (S-IX) on the problems of African countries' indebtedness and development. This resolution calls on these donor countries (a) to adopt measures with a view to adjusting the terms of past official development assistance and bringing these into line with the more flexible terms now in force and (b) to adopt other equivalent measures as a means of improving the net flows of official development assistance in order to enhance the African countries' development efforts, in the light of internationally agreed objectives and conclusions on aid.

The developed donor countries are also urged to give immediate non-discriminatory effect to the provisions of paragraph 17 of the Annex to Resolution 39/23 of the General Assembly of the United Nations on the Declaration on the Critical Economic Situation in Africa which, *inter alia*, calls for the total or partial conversion of official assistance debts into grants.

Semi-public bodies in Africa must be given suitable encouragement to participate in regional co-enterprises - something which would help to increase the countries' liquid assets and thus reduce their need to resort to foreign loans.

Sub-regional and regional institutions in Africa are also requested to provide more funds for sub-regional projects so as to lighten the member countries' foreign debt burden, and they should likewise play a greater role in selecting and formulating profitable investment projects within the Member States.

South-South cooperation should be stepped up, especially in monetary matters.

The international community is requested to implement UNCTAD Resolution 222 (XXX) on the renegotiation of practical debt arrangements and Resolution 39/29 of the General Assembly of the United Nations containing the Declaration on the Critical Economic Situation in Africa.

4.5. Prerequisites for the success of decentralized cooperation and for job-creation

In the 1980s, numerous ACP countries implemented structural adjustment and stabilization programmes with the assistance of the two Bretton Woods agencies - the World Bank and the IMF. In Sub-Saharan Africa, two-thirds of the countries applied economic stabilization and/or restructuring programmes, and it is against this backdrop that structural adjustment will be analyzed so as to see to what extent a new approach within the framework of economic cooperation might help to improve the economies of the ACP countries, and especially the countries of Sub-Saharan Africa.

The IMF programmes are generally called stabilization programmes whereas the World Bank's are known as structural adjustment (or economic recovery) programmes.

The aim of the stabilization programmes is to re-establish a balance between aggregate supply and demand so as to eliminate the balance-of-payments deficit relatively quickly. The parameters determining the economic response to the macro-economic policy instruments are regarded as self-evident.

The approach adopted is financial/monetary and the main policy instruments used are the adjustment of exchange rates (mainly devaluation) and the control of the money supply by introducing ceilings on credit, adjusting interest rates and reducing the State's budgetary deficit. The main emphasis is therefore placed on curbing demand.

The structural adjustment programmes, in turn, generally place the emphasis on the growth in production, the country's competitiveness and the effective use of resources in order to forestall long-term equilibrium problems, a multitude of domestic and foreign trade policy instruments, institutional reforms and measures designed to boost the use of domestic resources.

As has been stated above, these are the programmes which have been applied in most ACP countries since the 1980s. However, as the World Bank Report states, Africa is the only region in the world where pro capita income is likely to fall incessantly. If it does, a fall in employment will no doubt be one of the direct consequences.

The question here is whether the solution should not be to introduce decentralized cooperation involving socio-economic groups in the planning and implementation of national programmes.

Socio-economic groups can and must play a more important, more active role in planning and implementing structural adjustment programmes. In the past the negotiation of programmes was often a matter for a number of key civil servants in the finance and planning ministries and there was no consultation of socioeconomic groups - or even, in some cases, of the specialist ministries responsible for health, education, etc. This occasionally resulted in a lack of popular support for the reform programmes and hence the failure of the structural adjustment programmes in question.

The main thrust of the structural adjustment plans is to win the support of industrialists, farmers, farmworkers and other social groups; it is therefore difficult to understand why these potential partners have been excluded from discussions about measures which have a considerable impact on their daily activities and their role in the economy. Farmers and industrialists are the persons best acquainted with the obstacles confronting them and the possible ways of surmounting these obstacles. In certain countries, investors' limited faith is due in part to what has happened in the past, when sudden political changes have frequently taken place without economic groups being consulted.

Generally speaking, the non-participation in the drafting of the structural adjustment plans is due to the democratic deficit in certain countries and the approach adopted by the IMF and the World Bank, for whom time, far from permitting the extension of participation to the programme drafting phase, is seen as a handicap. During the initial stage of development, numerous governments have adopted a top-down approach, with the State instigating, carrying out and supervising the development process. These governments considered that the private sector possessed neither sufficient entrepreneurial spirit nor the capital necessary for the rapid development of production. This viewpoint is fortunately in the process of changing. Government are appreciating more and more the entrepreneurial spirit of the private sector and the future growth potential of a vigorous informal sector.

Micro-enterprises and one-man firms account for some 20% of the GDP of Sub-Saharan African countries, according to ILO estimates; furthermore, some 40% of these enterprises from the informal sector pay government taxes in one form or another - a fact which contradicts the generally held belief that these firms generally operate on the black market and defraud the taxman.

However, the tax arrangements should be made more flexible and the setting-up of businesses should be made easier for the benefit of would-be SMEs.

Encouragement should be given to the development of farmers' associations, cooperatives, chambers of commerce and industry, trade unions and organizations to represent the informal sector so that they can defend the interests of their respective members. However, a bottom-up and democratic approach should be adopted which is free from the cumbersome bureaucratic checks which often occurred in the past.

If socio-economic groups are to participate in the drafting and planning of macro-economic and sectoral policies and are to make a significant contribution to these policies, especially within the framework of the structural adjustment programmes, they must have access to information on the relevant programmes and policies and they must be able to develop their analytical skills. In the European Community, most socio-economic organizations have set up high-calibre secretariats which are capable of carrying out macro-economic and sectoral analyses and planning work. This is why these organizations are taken seriously by governments and political leaders. The Committee, with a view to encouraging a similar development in the ACP countries, suggests that the Community should provide greater support, under the Lomé Convention, for the development of socio-economic organizations' analytical skills. This support could take the form of technical assistance or training measures as well as the supply of material, equipment and additional finance.

Socio-economic interest groups must also be given greater responsibilities with regard to the implementation of economic and social policies and the structural adjustment programmes. Chambers of commerce and industry, agricultural organizations, cooperatives and other organizations from the traditional sector could be given the task of administering the credit and development programmes and helping their members overcome problems with regard to capital and knowhow. These organizations are closer to the target groups than the governments and - even if they are not run democratically - they are in a better position to provide farmers and industrialists with assistance. The European Community could play an important role by lending its support to a large range of programmes administered by economic groups.

Enterprises from the informal sector possess that flexibility which is often important when making the rapid adjustments required by the structural adjustment programmes.

These enterprises respond rapidly to the changes taking place around them and employ a large workforce; furthermore, the setting-up and closing-down of these enterprises does not involve vast amounts of capital. However, enterprises from the informal sector generally do not have organizations to lend them support and represent their interests; also, the lack of capital and knowhow generally represents a very serious obstacle to their future development. Furthermore, they do not have the securities necessary to give them access to traditional forms of credit. The Community could contribute towards the development of the informal sector by giving its support to credit programmes

aimed at micro-enterprises and to the establishment of associations for the informal sector which would circulate technical and other information amongst their members.

Because of adjustment's social dimension, social groups, NGOs and grass-roots organizations are often the most effective channels for the implementation of the programmes. They are in close contact with the poorest sections of society and the most vulnerable groups. And they often have a less bureaucratic and more flexible structure than government organizations. This is why the Committee thinks that the social programmes which benefit from the European Community's assistance should be implemented, to a large measure, in liaison with these non-government groups and organizations.

It is in this context that the creation of jobs can be envisaged. The object here is to create lasting employment and not simply to do just enough to enable the population to survive.

In other words, socio-economic organizations should be closely involved in the discussion of points of detail, for they are the ones who experience the everyday economic realities.

Decentralized cooperation represents a new approach. But it will require a change in mentality: the ACP States will have to understand that the socio-economic partners' greater involvement must also mean closer consultation when future strategies are examined. Governments cannot continue to consult socio-economic organizations merely on problems which arise after they have taken all the decisions by themselves.

Finally, decentralized cooperation could guarantee the industrial peace which is vital for any economic recovery, for it establishes the consensus needed for the success of any national programme.

V. CONCLUSION

5.1. Boosting capacity in the ACP development process

At the end of the colonial era, the ACP countries clearly lacked the necessary ability, particularly at institutional level, to manage the economies of the newly independent countries. This is a legacy of the past, and since then, their ability in this area has not been expanded quickly enough to respond to the needs of the population, and in many cases, it has diminished still further - we only have to look at the state of universities in the ACP countries today. We see that they no longer have the resources to create new capacity to continue to manage people and institutions as before. Take the civil service in most of the ACP countries: the situation leaves a lot to be desired. The civil service is demoralized and underpaid and the number of staff is enormous. In these conditions "performance" is a myth.

This situation has led to an exodus of executives trained at great expense. Often this is just the result of very poor economic performance, which means that governments cannot afford to pay executives who are not prepared to spend their life working for a pittance, without even the satisfaction of working in a dynamic, forward-looking society. The brain-drain has reached incredible levels.

Investors often seek technical assistance from expatriates to solve all kinds of problems. But the problems remain unsolved, and furthermore, this way of doing things systematically thwarts any attempt to utilize human resources in the ACP countries.

ACP governments and investors prefer to pay high salaries to expatriates to the detriment of local executives. As a result, local executives leave the workforce to join international institutions or to move to countries where salaries are higher. So it is that, in most ACP countries, all technical advisers and general managers are expatriates. Local executives put up with second-rank jobs. This kind of human resources policy is even more prevalent in the multinationals where all management positions are given to expatriates earning salaries which are out of proportion to the companies' level of activity. This leads to poor productivity, making companies unable to compete with their European counterparts.

Because of widespread unemployment in Europe, many EC governments operate a policy of discrimination to halt the flood of immigrant workers into the labour market.

These governments blame immigrant workers for the difficulties, whereas EC countries have been exporting their executives to the ACP countries in droves, either as technical assistants or as management executives in companies with a European majority shareholding.

EC governments have never been concerned about utilizing human resources in the ACP countries. As for the ACP governments, they have never had the choice owing to financial constraints. This has led executives from ACP countries to turn to overseas job markets. Executives who manage to find a niche in EC job markets are few and far between, and the number who do is tiny compared to the ever-increasing number of expatriates employed in administrations (as assistants under cooperation agreements) and multinationals. If we compare the figures, it is clear that the number of expatriates in the ACP countries is far greater than the number to be found in the EC.

From this point of view, it is clear that present policy on immigrant workers in the EC is unfair. EC governments should encourage the utilization of local expertise.

Under decentralized cooperation the following action should be taken:

1. Investors

- Economic reform programmes should be set up by governments using local expertise. Investors should avoid bringing in expatriates.
- Financial resources should be made available for training executives and bolstering institutions (e.g. the economic management support programme in Côte d'Ivoire).
- Universities and research institutes should be involved in drafting economic programmes.

2. Universities

- There should be an exchange of training programmes and research findings.
- Laboratory and research material should be provided and maintained.
- The registration fees paid by ACP students at EC universities should be brought closer into line with those paid by their EC counterparts. There should be a reversal of the present trend where non-scholarship students from ACP countries pay three to four times, or even ten times, as much as their EC counterparts.
- A joint EC/ACP fund should be set up to train tutors for ACP universities.
- All the administrative obstacles preventing ACP students from getting into European universities should be abolished.

3. Joint ACP/EC companies

- Staff should move in both directions rather than always from the EC to the ACP countries.
- A fund should be created for continuous training of executives in ACP countries. Companies' contributions to this could be deducted from the cooperation tax payable by the parent company in Europe.

4. Immigrant workers

- Financial assistance should be provided for immigrant workers who wish to return to their countries of origin.