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Problems of Sub-Saharan Africa's Renewal in the Era of Globalisation[1]

Mammo Muchie[2]

Neo-liberal Globalisation vs. Sustainable Globalisation: The Conceptual Context for Financial Transfer

A new international settlement is in the process of being worked out to replace the post cold war order. The term which has gained currency after the neo-liberal episode of the 80s is globalisation.[1] It is barely a decade since this term has become fashionable. Views range from those who say there is no distinct globalisation from earlier forms to those who claim globalisation has touched if not transformed everything. The sceptics emphasise continuity while the transformists emphasise discontinuity from earlier histories of global orders. The former considers the whole hype of globalisation as a myth,[2] asserting no essential difference to history. The transformists assert that the on-going globalisation is a multidimensional process affecting every aspect of the human condition.[3] This difference suggests that the term will remain controversial. Invariably issues of definitions betray value differences and disciplinary emphases. What I wish to do here is not to engage in the debate on whether there is or there is not such a phenomenon called globalisation.[4] What I want

[1] This paper is based on a keynote lecture held by professor Mammo Muchie at the DIR seminar on Critical and Inter-disciplinary Perspectives on Globalization and Social Change held on 18-19 May 1999 at Dronninglund Slot. Acknowledgments to Jacques Hersh who served as discussant for the paper; also thanks to DIR's staff who attended the seminar and to my research assistant Kelvin Harewood; and finally Nuffield Foundation for awarding me a grant, SPRU and CERES (Center for Environment and Renewable Energy in (Nairobi), Environment Department, DFID; Professionals from UNEP, UNIDO and UNCTAD who provided me with information, and to an anonymous referee for helpful comments.

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to do is to understand how policy driven differences for directing political and economic change on the global scale impact in potentiating opportunities for lifting up Sub-Saharan African economies from their current state of fragility and marginality. There are different actors with their own policy outlooks to influence the emerging post-cold war order. There is a global process which is being pushed by the major multilateral institutions. Such a process call it globalisation or something else is admittedly a transformative process connected with the spread of liberal democracy, the extension of the market, the increased transnational linkages of the world economy, the speed of financial transfers, the rupturing of industrial from financial capital from its earlier fusion due to the differential impact on the productivities of both industrial and financial systems, the creation of an electronic global economy by sheer changing speed of technological change, flexibility of labour and production activities and markets, the communication revolution and the spread of consumerism.[5] The IMF view which has direct impact on Africa associates such a process of globalisation with: open and liberalised trade policy, privatisation, foreign exchange and financial liberalisation, deregulation, increased access to international markets; a reduced role for the state in the economy, less import substitution industrialisation and more emphasis on export-led growth; and comprehensive adjustment and reform programmes.[6] The agencies of globalisation include transnational corporations, banks, multilateral bodies like the G7, IMF, IBRD, WTO, the OECD and many business and political leaders in the world. Though the powers who have rooted for the liberal approach is considerable, various actors from NGOs to a number of countries in the developing countries contest neo-liberal ideas for settling a post-cold war international system.

Developing countries fear a liberal process of globalisation in a world already deeply furrowed by uneven development and disparities of wealth and power which will inevitably come with losers and winners. I assume that there is as yet no agreed pattern to the new international settlement in spite of the dominance of the liberal ideas pushed by the "Washington Consensus." In principle if not in practice the ideas which have emerged from the Rio Summit in 1992 point to a rather different form of globalisation than the neo-liberal variant. Though potentially different the UNCED approach itself is still framed within the broad-liberal paradigm. It is a different shade of it and potentially suggests a socially and environmentally anchored globalising settlement. Thus within the broad liberal framework, there are two distinct trends for settling the architecture for a new global settlement roughly emerging from the so-called "Washington Consensus" and UNCED processes. Two different assumptions seem implicit in the conception for authoring a new global economic constitution. The UNCED approach suggests adding social co-operation and consensus to the liberal dimension while the multilateral bodies which manage investment, finance and trade emphasise competition and a Darwinian vision of survival through struggle. In fact the UNCED approach is sufficiently different from the pure liberal approach to merit reading a sort of veiled internalist "critique" of the latter. Sub-Saharan Africa's opportunities for industrial development, in the long-term, will be influenced on how this implicit difference between the UNCED approach and the neo-liberal globalisation is resolved. If the UNCED conception of global order moves from an internalist critique (though implicit) to an imminent critique, it will emerge no doubt with a distinct agenda for forging a global settlement potentially drawing the agreement and participation of developing countries.

The UNCED globalisation is implicit in the action document which emerged through Rio in 1992 chiefly in the form of Agenda 21. To date no one has dared to imagine and propose a process of globalisation from it different from the dominant neo-liberal globalising paradigm. Though all nation-states, businesses and civil society organisations have agreed to twin social-economic transformation with due concern for environmental security, the dominant conception renders the combination largely within and not against orthodox economic parables. Alternative ideas enjoining thinkers to suggest how a new global order combining political economy with environmental security might be made remain to be articulated systematically. One can build from the evident world recognition that environmental security is a common responsibility of all peoples, countries, stakeholders and nation states. What needs adding is an equal recognition that without some clear principles for international solidarity above and beyond the self-interest of each actor in international public affairs, the synergy between social economic priorities and environmental ones will not be forged with any degree of stability and coherence. The market and private interests are instruments and not principles for organising a global order. They cannot serve to circumvent the need to uptake the challenges of a more than instrumentalist and substantive moral and intellectually interrogated value site from which the knowledge, the tradition, culture and policy for integrating human aspirations with nature protection can be constructed.

Values and visions to forestall conflict and foster harmony and solidarity based on a willingness of the industrialised powers grouped mainly around the G7 to take responsibility to assist those least able to embark autonomously in economic and political life need to be agreed upon. A global order which combines the well being of human lives, preservation of cultural creations and the conservation and protection of natural life requires conscious modelling. In this sense the Rio Summit is doubly interesting. It affirmed proactive policy intervention to guide the 21st century along environmentally and developmentally sensitive trajectories. It produced a set of specific action plans in the form of Agenda 21 which together can be read to constitute the initial premise to span a process of globalisation different from the neo-liberal variant. If the ideas implicit in the Rio Summit process expressed in Agenda 21 as action plans are given currency and powerful actors begin to own them, there would be no doubt that an alternative global order to the on-going globalisation will begin to take shape both in theory and practice.

What makes the ideas for global order implicit in Agenda 21 attractive? Agenda 21 assumes consensual partnership between the various actors whether they are small or big, poor or rich and weak or strong. It tries to organise the political resource and good will to promote social and inter-generational equity based on a common and differentiated responsibility to protect the earth. It advocates public policy which can help to govern the market in socially and environmentally desirable directions.

The powerful countries which have signed up for Agenda 21 are the same countries which push the neo-liberal globalisation through their dominant role in the IMF, WB and GATT-WTO. They seem to want to have the cake and eat it. They promote their ideas via the various conventions which emerged from the Rio process while subscribing to the liberal globalisation based increasingly on a broad extension of free market regulation to services, investment and intellectual property rights. An example is the way the Convention on Biodiversity in according intellectual property to indigenous communities differs with the Trade Related Intellectual Property Rights (TRIPS) of the WTO rules. The latter rules assist the transnational corporations to expand and deepen their operations on a global scale. As it appears, the promotion of free trade, free market, reduction in state intervention and the pricing of environmental costs represents a distinct approach to international co-operation rewarding the strong and the efficient, and punishing the weak and the less competitive. In the WTO approach Cupertino/partnership is largely a consequence of competition and not of public policy. In the Rio Summit cum CBD approach the recommendation is public policy to protect the intellectual property rights of indigenous communities. Here is a graphic case of the Rio Summit terms in-tension with the terms of the WTO. The question is whether the Rio terms or the WTO terms win to shape the emerging political-economic geography of the process of globalisation. There appears to be three likely trajectories to the on-going processes of globalisation. It can be mainly policy driven in which case certain key principles may emerge to underpin the globalisation thrust. It may be mainly market and private interest especially corporate driven in which case losers and winners will be a direct consequence of the process. There may be a market and policy negotiated process which appears to be what the UNCED approach is at the moment.

The tension within the UNCED approach will be resolved in a progressive direction if principles of international solidarity become the anchor for an environmentally and socially sensitive global order. If the liberal tendency of the UNCED approach dominates, assistance to developing countries will be imposed as a conditionality. If the principle of international solidarity dominates, assistance will be freed from punitive measures and is likely to be provided to bolster incentives.

Thus for UNCED to remain distinctive both as an idea and a new model for global partnership, the concessionary grants and non-commercial credit disbursements have to flow from principles of international solidarity, human and environmental rights. If charity is the principle for aid, it will go to those whom the charity giver defines as "most deserving." And often those who may qualify for charity may be those most willing to conform and accept the existing social and economic arrangements no matter how unjust or unworthy of support these may be. In addition the quantity of aid is often far short of those who need assistance. Beggars cannot be choosers. They have to accept terms and conditions which may be unacceptably punishing.

If continued restructuring on neo-liberal terms dominate globalisation, the process may not release resources to make good commitments freely entered by signing Agenda 21. The potential for Agenda 21 to suggest a different model of globalisation would have been spent. The difference between UNCED and neo-liberal globalisations becomes evident when countries have to release the funds they signed up freely at the Rio Summit in 1992. The neo-liberal instinct questions the worthiness of any financial resources transfer as stipulated in Agenda 21. Assuming funds were to be released, will they amount to a scale to meet the expected developmental needs of the poorer world? If the funds fail to be transferred, would not Agenda 21 be said to have raised false expectations? To what extent are the periodic meetings of the conference of the parties help to narrow the gap between current allocation and actual needs.

The incipient ideas to work into full-fledged principles of globalisation along sustainable directions are contained in Agenda 21's "common and differentiated responsibility." The latter enjoined all nations to become communities of commitment to protect the earth and undertake development at the same time. Developing countries agreed to integrate environmental concerns with their specific poverty eradication strategies, while the industrialised world agreed to transfer ODA and other concessionary finance to assist them. This additional ODA was to be calculated on the basis of recognition that a disproportionate share of pollution accompanied the process of industrial countries' pursuit to attain their current imminent industrial status. In addition the specific conventions on biodiversity and climate change have strengthened the obligation of the industrialised countries not to back-track on a commitment to transfer finance and technology. However, the gap between acknowledged need and actual concessionary grant continues to diverge. For example, while agenda-21's chapter 16 on biotechnology estimated the total cost for developing countries at 20 billion dollars per year, grant actually allocated is 197 million dollars per year. Similarly chapter 18's fresh water is estimated to cost 54,455,000,000 dollars per year while the annual concessionary grant is 17,040,000,000 dollars. Similar discrepancies are recorded for chapter 19 on toxic chemicals, chapter 20 on hazardous waste, chapter 21 on solid wastes, chapter 22 on radioactive wastes, and chapter 38 on education, public awareness and training.[7]

In some sense more than the scale of finance, it would have been more interesting had the conventional concept of ODA's changed as a consequence of the addition of an environmental criterion to the aid-giving industry. Traditionally aid-giving is tied to the provision of goods and services in bilateral aid to the nationals and products of the donor country. The input of the recipient is practically minimal. The donor drives the aid industry and the process and the relationship between aid giver and aid receiver lack reciprocal conversation, negotiation and dialogue. It is a one way monologue with the giver controlling the text, sub-text and context. Tendering procedures for technical assistance, commodity aid, product purchases, export credits, financial services, shipping and insurance involve the professionals, businesses, and financial houses of the donor nation. Tied goods cost the recipient country by making it a condition of the aid that it purchases at a price fixed by the donor supplier. It has been variously estimated that tied aid arrangements cost the recipient on the average 20-25percent for goods higher than lowest cost competitive market prices.[8] There is no evidence that Agenda 21 has helped to loosen the tied aid arrangement. Liberalisation may change the form but not the abolition of tying arrangements. Tying arrangements involve often administrative and technical import of donor personnel when there are often-unemployed highly qualified local human resources. The fear of the group of 77 is that Agenda 21 may be used by the industrialised North as yet another plan to put stringent conditions without changing the tied arrangements of the ODAs. If that happens the benefits are more for the donor rather than the aid receivers.

There are thus real differences in the perception of problems, priorities and interests between the industrialising and industrialised countries in spite of all of them putting their signature to the UNCED ideas of common responsibility for the environment. While the group of 77 plus China acknowledge that they are bound by the Rio agreements, they complain that the donor group of countries work through various channels such as G7, OECD. IBRD, IMF, and WTO-GATT. They say that agreements reached within the latter bodies do not sit easily with the UNCED terms. It appears that while there is common understanding on the need for international co-operation with regard to the question of the integration of environment and development in national policy-making, there seems to be conflicts over the differentiated responsibility over such issues as the transfer of finance and technology, intellectual property and other broader issues like controls over the rate of population growth in less developed countries and consumption in the developed countries. These issues remain unresolved between the rich and poor world.

The real test is whether co-operation will win over conflict and assertion of national (private) interest over collective interest to preserve the global commons freely expressed at Rio, 1992 at the highest levels by most of the States in the world. Will the political commitments expressed at the head of state level by each country in favour of promoting sustainable development, buttressed by continued NGO pressure and growing public awareness reduce the existing conflict threshold in favour of furthering the improvement of the quality of international co-operation?

Agenda 21 is written with a constructive and open spirit. Its overall tone has an optimistic ring assuming that industrialising countries will be helped to grow in a sustainable way in part by the financial and technology transfers of the industrialised countries. The rich industrialised countries and the relatively less rich developing countries have different approaches to, perceptions and values with respect to the issues of global sustainable development. Very often the latter group of countries represented in the negotiations by the group of 77 plus China are apprehensive that demands to protect the earth may be sought at the expense of their legitimate development needs and specially by possibly diluting the urgent priority to eradicate poverty. While such apprehensions exist, there were expectations that the growing public awareness, varied forms of pressure from organisations in civil society and the momentum from the Rio process which got most of the world' s nation-states to join the environmental bandwagon, will make industrialised country actors to assist with financial and technology transfers rather than imposing punitive conditions over developing countries.

If the industrialised countries are not merely paying lip service but are concerned about the environmental implications of the industrialisation of countries in Asia, Latin America and Africa, they should assist development rather than put conditions which may obstruct the achievement of environmental benefits. The industrialisation of the now -rich countries was at the expense of the preservation of their own and in fact the global environment by creating pollution, effluent and other hazardous waste. If the now relatively less rich countries were to industrialise they cannot afford to squander their environmental spaces and the spaces of others globally. Pollution does not respect borders. Commitment to sustainable development should involve the preservation of the environment everywhere, specially in countries where the task of development is still pressing. Access to obtain finance, investment, technology, markets, relief from debt and increased concessionary grants follows logically from the world commitment willingly entered to support the sustainable development of human, natural and cultural resources.

Just as the ideas of globalisation along sustainable path remain to be developed, the additional financial mechanism created to sustain this globalisation is at a very low scale.

The Limits of the Additional Financial Mechanism to Enhance Sustainable Globalisation

In 1992 the Rio Summit endorsed an additional financial mechanism earmarked to enable countries to protect the global commons. It remains to be seen whether the additional finance is on a scale to make a difference in cushioning specially vulnerable regions such as SSA from the disruptive impacts of neo-liberal globalisation. The relevant provisions of additional finance are spelt out in

Agenda 21 and the separate conventions which are reviewed periodically by the meetings of the specific conference of the parties.

Chapter 33 of Agenda 21 deals with the mechanism of financial transfers. Article 11 of the Framework Convention on Climate Change and articles 20 and 21 of the Convention on Biodiversity state financial mechanisms to support developing countries in their sustainable development efforts.[9] The NGOs and environmentalists suggested the setting up of a separate "green fund." This was not acceptable to the major donors. Instead they agreed to supplement ODAs with a related but additional mechanism called- the Global Environmental Facility.[3] Thus the major addition to existing ODAs regarding financial transfer to stimulate projects with environmental components became the Global Environmental Facility (GEF). The latter fell in the safe hands of one of the Bretton Woods Institutions. The World Bank became the lead agency for GEF and to date has worked with UNDP and UNEP for the specific purpose of supporting environmentally sound projects which can bring global environmental benefits. GEF funding is above and over ODA funding based on recognition that new and additional funds were recognised as necessary to support developing countries contribution to meet their treaty commitments. The GEF was supposed to pay the "agreed full incremental costs" of projects to protect the global environment. This concept has been contentious in that the major donors wanted to include new financial transfers as part of their ODAs. "New funding" may not include additional funding earmarked for environmental purposes. GEF became a new and additional funding mechanism to the already existing ODAs. The negotiations clarified that the principle of incremental costs means that the GEF is complementary to regular development

[3] Much of the discussion on GEF was personally communicated to from the relevant officers at UNEP, Nairobi, 1997.

assistance but additional to it allocated as a grant for the purposes of encouraging countries to have the opportunity to incorporate environmentally sensitive programmes.[4]

GEF funds are therefore meant to cover a portion of a project's entire costs. The available GEF funds are based on voluntary contributions. During the first 1991-94 phase of GEF grants, a total of $800,000.00 was contributed by Governments. GEF has been restructured to be more transparent and increase participation from the recipients of grants and the finance has been replenished. The money has increased to $2 billion subsequently and will probably increase as time passes. Malaysia considered the replenishment of GEF as a mere fraction of figures estimated at Rio.[10] GEF supports projects proposed by countries based on national priorities that support sustainable development. Projects from the focal areas of climate change, biological diversity, international waters and protection of the ozone layer are fundable. Desertification and deforestation and other activities of Agenda 21 can be funded in so far as they achieve environmental benefits related to the designated focal areas. GEF is said to support various enabling activities aimed at building national institutional capacities for developing and carrying out strategies and projects.[5] In addition UNEP administers a small grants scheme for supporting grass units actions. Funding proposals are submitted through any one of the funding bodies: UNEP, UNDP and World Bank. The GEF Secretariat examines project specifications are within GEF' s programmes and policies. GEF has a status as "the interim funding mechanism for the Conventions and for the relevant 'Global environmental issues' in Agenda 21"[11] GEF funding though significant is still too low compared to the magnitude and needs of developing

[4] ibidem.

[5] ibidem.

countries. The bifurcation between needs and actual disbursements and spending continues to diverge. GEF funding is very limited and falls far short of stimulating a consensual globalisation which Agenda 21 promises.

If it fails far short to be a factor of an enlightened globalisation, can it serve as an add on to existing ODA's to promote the good wish lists of Agenda 21? Unfortunately actual disbursement as a consequence of the additional mechanism of Agenda 21 has not prevented the decline in ODAs. On average ODA as a percentage of GNP seemed to have declined in the post-Rio period, from 0.34 percent of GDP in 1992 to 0.27 percent GDP in 1995.[12] In the year after Rio, ODA declined by 10 percent.[13] The industrialised world have not succeeded to reach the UN target of 0.7 percent of their ODA to GNP ratio. In fact financial transfer promised at Rio in 1992 has also been reported disappointing. It has been reported that OECD countries aid fell from US $61 billion in 1992 to $56 billion in 1993, and 14 of 21 donors decreased the share of aid as a ratio of GNP.[14] The situation is getting worse at a bilateral level with further cuts by Sweden, U.S.A. and Canada.[15] Except for Denmark and the Netherlands, none of the other donors have reached the UN target of 0.7 percent. In 1997 the net official aid disbursements of the USA and Italy were 0.1 percent while Britain, Canada, Germany and Japan disbursed 0.3 percent of their GDP. (*Economist* February 13, 1999)

Funds for the soft loan IDA of the World Bank have been decreased twice since Rio.[16]

The overall picture is that in spite of the creation of new mechanisms for financial transfer, the new foreign aid after the onset of Agenda 21 has been largely limited. If there is no additional mechanism on how the shortfall might be filled, the Agenda 21-action plan will become severely compromised in delivering all the laudable aims it has set out in the document. It is because of the scepticism over ODA transfers that some commentators have expressed alarm. Those who doubt such transfers may not take place as set out by Agenda 21 have read in the UNCED approach a "nightmare scenario." As D. Wallace said, "The outcome of the UNCED is a nightmare scenario in which developing countries are encouraged to follow the industrial, economic model, massively inflating environmental pressures, while the industrialised world ponderously develops technologies to treat its symptoms. Money to help developing countries to acquire these technologies earlier than they otherwise would will not be forthcoming in meaningful amounts."[17] Such analysts have wondered whether it is not misguided to advise developing countries to expect ODA financial transfers when it may have been prudent to advise them to throw themselves in the deep end of the liberalisation process to compete and attract trade, investment and access to industrial country markets. There is also the additional problem that some developing countries may be tempted to dilute their commitment to the Rio terms should the expected ODA financial transfers fail to come through. In fact Algeria on behalf of the group of 77 countries and China spoke of disappointments on the lack of translation of the principle of common and differentiated responsibility specially the lack of signs for new and additional funding and transfer of environmentally sensitive technologies.[18]

Impact of Shortfalls of Financial Transfer on Sub-Saharan Africa

If financial transfers have not increased globally, it would be surprising if Sub-Saharan African countries (SSA) would not be the worst affected from such a negative trend. Most SSA economies depend heavily for their survival on ODAs and foreign borrowing. "Aid, mainly from Governments, but also from humanitarian donors, has become an essential feature of Africa's political economy." [19]

The World Bank has projected the aid needs of SSA to grow. Assuming a yearly 4-5 percent growth rate for SSA, the World Bank forecasts that the aid need for the region will rise from $15 billion a year in 1990 to $22 billion by the year 2000 at 1990 prices.[20]

What is significant is that ODAs to SSA continue to be the destination for the largest financial flows amongst all varieties of financial flows. SSA is thus a donor-addicted zone. According to the OECD between 1980 and 1987, as a proportion of total resource flow, ODAs increased from 57 percent to 67 percent for the SSA region. For the lower income countries of the SSA region the share of ODAs grew from 60 percent to about 85 percent.[21] This trend has not been reversed in the 90s and the need for further assistance is expected to grow beyond the millennium.

In 1990 Africa received 30 percent of all aid funding in the world.[22] In 1994, international aid represented 12.4 percent of GNP in Africa, compared to 1.1 percent for all low and middle income countries.[23] In Mozambique and Somalia, aid has accounted for 65.7 percent and 45.9 percent of their respective GNP's.[24] In 1997 net official aid as percent of GDP for Mozambique was still high being at 37.4 percent, for Uganda it stood at 12.8 percent, for Ethiopia at 10.1 percent, for Tanzania at 13 percent, for Senegal at 9.6 percent and so on. (*The Economist* March 13, 1999)

If one includes foreign direct investment as part of ODA, its flow to Sub-Saharan Africa is slower and smaller than any region in the world. Foreign direct investment is the lowest in Africa compared to other regions of the world.[25] According to IBRD, of the total US$65,141 billion foreign direct investment (FDI) flows to developing countries in 1993, SSA attracted only US$1,714 billion or 2.6 percent of the total.[26] In 1998 out of a net private capital inflow of $152 billion, only 5.2 percent went to Africa and the Middle East while the percentage for Latin America was 57.7 percent and Asia/Pacific was 10.4 percent. (*The Economist* February 6-12, 1999) Most of this FDI in SSA has gone into oil, gas and mineral extraction rather than manufacturing. These are areas of investment which are regarded as valuable resources by international business and foreign Governments. Thus FDI cannot be assumed to flow evenly to the different SSA countries. For example, oil rich countries like Nigeria attract more FDI than other SSA's without such resources. In 1987/88, Nigeria and Egypt attracted together 85 percent of all FDI flows.[27] The rate of growth of FDI remains at a little more than 2 percent going to developing countries.

Bilateral investment is no different from multilateral assistance. British FDI declined from 4 percent UK world wide net industrial investment to Africa in the mid-1970s to 0.5 percent in 1986.[28] Most worrying is the perception of SSA as a region of "political instability and disintegrating roads, airports and telephone networks and other disincentives." This can scare away potential investors in a world where the investors are in a position of price givers and not takers.[29] Colombia and Czech Republic each received more FDI in 1995 than all of Sub-Saharan Africa combined.[30]

Though the perception of high-risk for investors is considerable an IMF study has estimated that returns for investment average 24 to 30 percent from Africa while the figure of such returns is 16-18 percent for the developing countries as whole.[31] In 1995, South Africa was the destination for 94 percent of portfolio investment to SSA. Between 1994 and 1996 more than half the FDI going to Africa went to only two major oil producers: Angola and Nigeria.[32] SSA savings were 18 percent of GDP between 1995-1997 compared with 32 percent in the newly industrialising Asian economies.[33] With declining foreign aid since 1989, low saving ratio and high investment requirement- the prospects for sustained economic revival are not favourable. (See Table 1)

To reverse Transnational disinterest in investing in Africa, UNCTAD suggests that despite structural adjustment, most African countries need to see "a much better performance in attracting FDI."[34] UNCTAD recommends various reforms to complement structural adjustment: removing cumbersome authorisation procedures in approving investment applications, eliminating burdensome regulation and operational restrictions, increasing the transparency of legal requirements, providing greater access for investment and equal treatment for entry to industries with nationals, expanding privatisation-related FDI, improving investment-incentives schemes, further easing of transfer of funds restrictions, creating the facilities and the skill-base for competitiveness, increased promotion in resisting negative perceptions and so on.[35]

Though foreign investment and assistance are lower in Africa, degree of African indebtedness is the highest in the world. Since the 1980s collapse of many African economies, SSA has become "the most indebted area of the world."[36] As a percentage of GNP, total external debt has risen from 30.6 percent in 1980 to 78.7 percent in 1994.[37] As a percentage of the value of exports, it went up from 97 percent in 1980 to 324 percent in 1990.[38] According to IBRD, 20.8 percent of export earnings of SSA countries were spent to service debt payments in 1988 compared with 9.8 percent in 1980. Arrears on long-term debt jumped from US$1.4 billion in 1980 to US$20.1 billion in 1988 as SSA countries were not able to meet the mounting debt payments.[39] Among the 32 countries which are severely indebted countries, 25 belong to SSA.[6] In 1995 more than 18 percent of SSA's income was spent on debt servicing.[40] To date, diverse debt forgiveness agreements have brought no tangible and real relief. The rate of development of the debt is faster than that of major economic variables. Such levels of debt and debt servicing ratio reckoned as total debt service as percent of exports of goods and services are known to impact adversely on imports, and funds for new investment for industry. They are not only unsustainable but also they have created their own peculiar political economy contributing to the weakening of the African state to manage and lead industrialisation. Debt service payments have imposed a political economy of dereliction and despair complicating the region's development future.

It is not only physical, financial, technical personnel resources which flow into SSA, but also ideas and intellectual technologies for modelling the region's developmental trajectories. Though African countries had produced the Lagos plan of action with a fundamentally different prognosis of the continent's social-economic decline, it was the World Bank's commissioned report to E. Berg's who produced the now well-known Report on Accelerated Development in Sub-Saharan Africa[41] which was taken up providing the intellectual justification for structural adjustment packages (SAP).

The Lagos Plan of action was a 20-year plan to see the continent's transition into the 21st century (1980-2000). It was shelved and was not taken up despite the fact that it was approved by an Organisation of African Unity head of states

[6] Severely indebted countries are defined as countries with a debt-to-GNP and debt to export ratios larger than 80 percent and 220 percent respectively; and GNP per capita less than US$675 (ODI May 1995).

meeting. The blue print was based on four principles: a) making the well-being of people as the centre-piece of policy, b) eradication of poverty, c) structural industrial transformation and diversified production, d) self-reliance by building strong national economies, dynamic regional and continental co-operation and integration, and e) integration into the world economy on the basis of antecedental national, regional and even continental integrations. "Up to this day, this blue-print contains valid analysis and the right prescriptions for African countries to transform their economies."[42] Thus the lending institutions bring not only loans to Africa but also their own ideas on what will work to improve SSA's economic growth. They attributed poor SSA economic performance to inappropriate macroeconomic policies and state intervention, protection, subsidies which were said to have resulted in the inefficiency of industry. The medicine to cure this malaise is a structural adjustment package known by the acronym SAPs.

The package consists of: currency devaluation, deregulation of prices, privatisation of parastatal, trade liberalisation, removal of subsidies on food, petrol, health, education, transport and other goods essential for human well-being. Thus SAP consists a set of prescriptions based on a double reduction, the problems of SSA's development to the economic, and the economic to neo-classical economic theory. The ideas are presented in the form of an "ultimatum" take these prescriptions, if a country wants loans; ignore them at the risk of losing eligibility to IBRD/IMF finance. If a country is refused IMF/World Bank loans, other banks will not be interested to lend it. Countries may lose credit worthiness. Under the SAP the African state faced a catch 22 dilemma. It was forced to retreat from the provision of public services by its deep cuts to social programmes such as education, health, support to manufacturing, transport and communication, and subsidies for food and agricultural produce; while it was also blamed for failing to provide services. The pressure to pay debt, to re-negotiate new terms and take new loans to pay and service debts over old loans-weakened the state to a point of virtual ineffectiveness. At the nadir of the SSA crises in 1985, the Vice-president of the World Bank's African Bureau said that Sub-Saharan African countries, "were in an economic free fall: no goods on shelves, no spare parts, no chalk in the classrooms, no drugs in the clinics and so on. Budgets were out of control, debt was piling up, institutions were decaying, social indicators were falling, and, in substantial parts of Africa, famine stalked the land."[43] The UN Economic Commission for Africa said, "With output at barely 2 percent per annum..., Africa's chronic economic ills of the 1980s seem unabated. Continued low growth and resulting austerity has badly hit social spending."[44]

Thus far from SAP fostering a lean state, lean bureaucracy and lean production, it appears to have accelerated the "free fall" of SSA economies ushering in the so-called lost decade syndrome. Had economic growth been purchased at the expense of human suffering, the sacrifice or pain could have been understood. As it happened a double negative penalty which is neither tolerable and nor justifiable occurred: decline in economic growth and increase in human suffering. IMF/WB policy commentators justify SAP by saying the free fall could have gone madder, had it not been for SAP. They appear to blackmail the "governing" post-African elite that if they fail to follow IMF-World Bank prescriptivities they will fall further behind. Hersh made the important historical point of catching up countries and asked whether the ideas which emerged from the Lagos Plan of Action would not have served to build the industrial pre-conditions for African integration in the world economy. The answer to this is that the World Bank and IMF were fully aware of the Lagos Plan of Action and chose to undermine it by making one African state after another to pull out from it and follow their prescriptions. Africa needs to organise itself into viable regional associations in order to cushion itself from the disarming financial inducement and ideas of the international bankers. Admittedly had IMF/World Bank supported the Lagos Plan of action for long-term sustainable economic recovery and transformation, a positive trend could not be ruled out of court. However, such a counter- factual is difficult to demonstrate one way or the other. The strategy of export-orientation for Africa which the SAP regime invariably enforces makes them to concede that the experience of countries such as Germany and Japan which established an industrial structure through economic nationalism is not relevant to their case. Given the fact export orientation makes them trade mainly their primary commodity resources, it is extremely difficult how they can bring structural transformation by relying from the ideas and credits of the international banking system.

Conventional foreign assistance (e.g. ODA's and foreign direct investment) appears to have declined since the 70s in Africa. The new and additional facilities for assistance after Rio are earmarked mostly for developing and transitional economies. SSA has to compete to attract for the funds which fell far short of the combined needs of all developing countries. In addition while Agenda 21 is a significant advance, it nevertheless does not specify mechanisms for the flow of finance and technology. There is no timetable. There is also no clarity on how the financial resources could be raised and how they would be distributed among the numerous developing countries. The finance is also severely limited in relation to the problem that needs to be addressed.

In addition, the additional ODA finance may not always be directed in areas where productive results may be gained. ODA inputs often come in small doses tied to donor suppliers. Amount of funds is no measure of aid effectiveness and performance. However important the dosage level, the effectiveness of its absorption is not guaranteed by the mere access to it. Agenda 21 fails to give any direction on procedures for deciding among varied options, designing specific projects, laying institutional centres for the translation of agenda into action. It recognises the wish that, "new and additional financial resources will have to be channelled to developing countries in order to ensure their full participation in global efforts for environmental protection." The insufficient funds to go round amongst the numerous developing countries would result in competition for the funds and possible conflict between developing countries and the industrialised countries. I was able to witness the debate at Rio plus five meeting in New York between June 23-28, 1997 on setting the funding mechanism. Those from the north were indifferent. They neither said yes nor no, which frustrated negotiators from the group of 77 and China. They felt some reaction was better than such stony silence. This is due in part desertification was seen as an African problem, at any rate not a major concern for the industrialised countries. A financial mechanism without the approval of the donors who are supposed to fund it would have been a non-starter.

To be sure, Agenda 21 did not and perhaps could not specify in any greater detail what level of financial assistance each country needs. That information may be gathered and communicated best by the periodic national reports of the countries wishing to attract new and additional funding. Follow up meetings seem to stiffen donors not to come up with an increased scale of financial assistance.

On the positive side new and additional financial mechanisms have been produced; and these have complemented traditional ODA funding. On the negative side the scale of finance earmarked for the purpose is too little and fails markedly to match the growing needs. ODAs have declined since the ascendancy of neo-liberalism. In spite of the additional finance due to Agenda 21 the overall trend is towards a decrease rather than an increase of concessionary assistance.

At best, Agenda 21's financial provisions may fill in shortfalls in traditional ODAs, but are not sufficient to reverse or complement the decline in ODA financing to Africa. There is a danger that Agenda 21 may have raised false expectations. The UNCED approach can remain distinctive both as an idea and a new model for global partnership if it crystallises new principles of international solidarity for assisting countries to contribute to the protection of the global environment. It is difficult to match identified needs with actual concessionary grant disbursements with a conception of sustainable globalisation under the overall liberal framework. Thus for UNCED to pioneer a new direction to globalisation, the principle of concessionary assistance should come from international solidarity combining the well being and freedom of humans and nature. Only then may the potential condition for new and additional funds and ODAs to grow and make a difference to meet the development needs of many of the SSA countries obtain.

Concluding Remark: Preventing SSA's Free Fall

Neo-liberal globalisation is inherently against financial transfers to support even successful economies let alone fragile ones. Given the dominance and the real and effective participation of the powers that matter in UNCED, its ideas unfortunately remain trapped within the liberal framework. There is a real risk that agencies for liberal globalisation may wake up to its potential subversive ideas and extinguish it before it becomes an independent idea worthy to follow and settle a new internationalism with it. There is as yet a new globalisation to emerge from it and assert itself. In the absence of even social-democratic and other ideas for a global order, the UNCED ideas need to be promoted to crystallise a distinctive trend from liberal globalisation. Such a break from the liberal framework would help to pluralise the debate on globalisation and provide a critique based on a suggested globalising order consisting international solidarity for human and nature-well being and freedom.

In practical terms had such ideas from the UNCED process underpinned the on-going globalisation, SSA could have expected considerable scale of foreign assistance in the form of ODAs, support for environmental protection and FDI flows. The concept of tied aid might have been questioned in the ensuing process.

At the moment globalisation is associated with liberalisation of the global electronic economy. Alternative ideas remain pale in significance relative to the dominant neo-liberal path-setter. IMF tries to regulate world finance by trying to discipline all anti-deregulation private and state actors. The World Bank insists on macro-economic reform, free market, privatisation and removal of state intervention as conditions for recipients to qualify for its commercial and non-commercial credits. WTO is proving its role as the guardian of international commerce. For example the EU preferential quotas and tariffs for banana regime for some 12 specific African, Caribbean and Pacific States was found to contravene the free trade rules of WTO. And the panel of WTO arbitrators recommended scrapping the EU regime.[45] WTO is market led as opposed to policy led in preferring guidance for expanding the rules of world trade. For SSA to expect from such globalisation some financial windfall would be unrealistic. There will be no massive transfer of funds to assist SSA recovery, renewal or renaissance from an international regime which does not look at charitably at such steps.

There has not been nor is it likely that a massive FDI and foreign aid into SSA will occur in spite of the well-meaning intentions contained in Agenda 21's new and additional facilities to transfer funds. SSA policy makers should not simply ask for a large-scale financial transfer as it is unlikely to happen; and it takes away focus from what needs to be done. Agenda 21 has put an additional conditionality for SSA region. The aid from it is too little to matter in changing the political economy of the SSA region.

The peculiar political economy of SSA is the dominance of foreign aids and foreign ideas to shape Africa's future. This political economy has to change from dependence to self-reliance. Africa must implement the ideas it has generated and should be committed to its own ideas. There was no reason to barter the Lagos Plan of Action for the Berg report. After a decade of IMF-WB induced SAPs the continent is in a much sorrier state that it has been. This has to change by focusing to create a conducive internal social-economic reform by firmly re-capturing regional and Pan-African directions for the continent's industrial transformation. SSA region needs to change the often-unreliable institutional environment, correcting the weak production and communication infrastructure, constructing and training human capital, and adjusting government industrial and economic policies which are heavily influenced by the intellectual orientation and priorities of major donors. As a consequence, SSA's development has been misdirected with leadership which guide it unable to overcome the limitation of the "political economy of their own belly," often privatising the state to maintain political support. The continent can and will develop if it can maintain a relative autonomy from the global economy by cushioning itself through self-reliance by means of regional and continentaleconomic linkages.

The main policy problem is thus to build internal linkages by mobilising the requisite political and social capital rather than relying from external donor funds and ideas. It should address the problem of how the SSA region can and should re-organise in order to build knowledge, skills, learning, capabilities, institutions, incentives and resources to address economic and environmental problems. External sources however generous can assist a process, but the main impetus must come from the inside dynamics of the SSA themselves. This is not to undervalue the importance of foreign assistance. It is to direct attention on what would make even foreign funds to be attracted to SSA in the long term. Internal social-economic reform to prepare a self-reliant capacity for an effective utilisation of foreign assistance however small is preferable to expecting concessionary commercial and non-commercial assistance. In the end SSA internal reform will prepare it to deal with an increasingly liberalising and globalising world than expectation for a massive inflow of funds, which are unlikely to come. Sustainable globalisation is still an idea which has not emerged from the shadows of liberalisation. Neither the additional finances to ODAs nor the conventional tied arrangement to aid have changed as a consequence of the sustainable globalisation agenda. The real point is for thinkers to explore further and try to draw out the potentially progressive ideas from the Rio agreements to supersede the liberal agenda for a global order. There does not seem to be a new deal neither in liberal globalisation nor in the sustainable one to come to the assistance and even rescue to a marginal and fragile region such as SSA just for the moment.

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Table

Table I: Showing the Relative Importance of FDI inflows to GDP: Africa, Asia and Latin America and the Caribbean, 1970-1993

Year	Africa	Asia	Latin America & Caribbean
1970	5.2	2.6	7.4
1975	3.2	3.9	10.7
1980	1.0	3.7	8.3
1990	6.7	12.8	8.1
1991	8.5	12.4	13.1
1993	9.6	23.1	13.2

Source: UNCTAD Division on Transnational Corporations and Investment: FDI database, and UN, National Accounts Statistics: Analysis of Main Aggregates (New York, UN, various Years), and UNCTAD data bank, FDI in Africa, 1995: 80.

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