

Debates and Think Pieces

The Dilemma of African Development: Making Policy Choices for Sub-Saharan Africa

The economic performance of Sub-Saharan countries is determined by external influences in many ways which affect politics, trade, policies, and education, among other sectors. This article focuses on the external influence on trade and policies, showing how they are interrelated and how they influence the economic performance of Sub-Saharan countries. Where demand and supply are freely left out to adjust themselves, the economy tends to correct itself and performance is enhanced. However, governments are also said to interfere with the ‘invisible hand’ of the economy running itself without much intervention. This is said to slow down growth rather than when demand and supply justify the right and appropriate market for an economy (Collier and Gunning 1999). Based on the Theory of International Trade, the advantages of trade where a country produces what it can with ease, and sells it to others that are less efficient in production are supposed to make countries use international trade to allow economic growth for all countries since they are endowed with different natural resources. This has not been implemented with the intention of economic development, but rather it is politics. Import-export restrictions hence control what countries are exporting and importing without the consideration of efficiency.

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When other motives are formed in the name of trade restrictions, then countries are likely to lose the benefits of trading with each other, thus increasing the costs of production of what would have been imported easily. There are some trade restrictions that do not improve the economic performance of African countries but instead stagnate trade development (Rodrik 1998).

In relation to this, there is a chain of reaction that is traced back to the Structural Adjustment Programmes (SAPs) that affect the current policy making of governments in Africa today. SAPs are economic policies for developing countries that were promoted by the World Bank and the IMF from the early 1980s, and countries had to adopt them in order to secure loans for socio-economic development. Most countries today lack autonomy due to conditions that have been rooted in their economies emanating from SAPs. Most of the affected countries are those that were developing and needed foreign assistance/aid for growth and development. Conditions would be set by the aid or loan issuing institutions or countries for management purposes. This

eventually created many restrictions on these countries, with resultant detrimental effects on economic development in Africa. According to Marc et al. (1995), economic deterioration emerged in the 1980s as a result of set objectives that were meant to alleviate poverty. Some of these interventions included SAPs. These challenges affected the poor and vulnerable more and hence set negative social development tones in these countries. Mkandawire and Soludo (1995), in their book *Our Continent, our Future: African Perspectives on Structural Adjustment*, clearly analyse the impact of structural adjustment policies and how they were meant to improve economic performance but ended up with more impoverished countries than before the reforms; their argument being that it was only Africans who would understand the economic challenges that existed and offer the solutions that are African-tailored, rather than foreign advice which left the continent with many problems.

SAPs represented much of the external influences that affect developing countries’ economic performance. They are still affecting today’s way of doing business due to their influence in the 1980s. African countries are now changing the sources of their importation due to global changes and external influences (Broadman 2007).

Africa's trade with Asia grew by 22 per cent during 2001–10 while trade with Europe grew by only 15 per cent. As an example of this trend, there has been more increase in trade activities between Kenya and Asian countries than between the USA and European countries. The demand for sugar being higher than the rate of production in the country has seen the commodity being imported from Brazil. Recently, the government changed that and is planning to import sugar from Uganda (a country with which Kenya shares membership in the East African Community). This is a decision that brought uproar from civil society, opposition parties and other stakeholders. Kenya has been importing sugar due to scarcity, as production in the country is far less than consumption. Various sugar producing factories in Kenya are hampered by challenges that render them inefficient. This leads to unfair competition from the imported sugar and also poor management of company resources (Owiye 1999). Therefore, the imported sugar at some point became cheaper than the local sugar, as Wanyande (2001) puts it, and Kenya could not supply sufficient sugar locally. With industries in the country requiring sugar for their manufacturing, Kenya has no choice but to have a temporary importation of the commodity, as companies are expected to regain their efficient production sooner or later. It is this importation of sugar that has brought uproar because the sugar farmers might become redundant when the imported sugar is cheaper than that produced locally. This is made even worse by the fact that local sugar companies, more often than not, bear the brunt of political interference and mismanagement of resources.

The dilemma revolves around the question of the importation of sugar from countries such as Brazil instead of empowering Kenyan farmers for local production, which takes time, to meet demand. The government started implementing strategies to support financially sugar companies in the country but this might take time to revert the sugar companies to sustainable levels of efficiency and production. Meanwhile, the government continued to import sugar in 2016 which was an anomaly in the eyes of some stakeholders in the sugar industry. It is the responsibility of the government to ensure that farmers have ease in production and their factories are efficient and preferably produce sufficient sugar locally. This leaves the government with difficult decision making in order to have efficient economic activities in line with the needs of the citizens.

Decision making may also be impacted by external influences. When there are decisions made for less developed countries, there seems to be an imbalance due to the relationship and interest of the countries. Large economies have higher economic power than less developed nations to shape the agendas and outcomes of their economies. Most less developed countries suffer from this type of suppression when they have no autonomy from the developed nations. This makes other countries influence decisions that are not suitable for the growth and development of a country. In most cases, the less developed countries in need of assistance have to obey or agree to the conditions set for them by external sources.

With the globalisation and integration of so many functions of the world, countries are supposed

to follow directives in order to be at par with global development. Financial liberalisation is meant to be of importance towards enhancing advancement in developing countries. There has been contention as to whether integration would bring good practices that support the development of good institutions with low levels of corruption, good corporate governance, transparency and good supervisory frameworks. Governments follow these international development programmes in order to improve their countries. These may not be directly involved in development. According Prasad et al. (2005) it becomes difficult to trace the impact of the external recommendation and the actual impact of growth and development.

In East Africa, Tanzania and Kenya were two of the countries that emphasised implementation of the adjustments (Mkandawire and Soludo 1995). In Kenya, for example, some of the conditions given by the Bretton Wood – institutions such as higher interest rates, liberalisation of foreign exchanges, deregulation, privatisation, flexible labour markets (wage flexibility), abolishing price controls and abolishing subsidies affected the manufacturing sector, small farmers, wages and conditions of working people, the delivery of social services, health and education spending, and poverty and inequality eradication budgets in the country. Their share of the country's Gross Domestic Product (GDP) fell below expectation, hence the rate of industrialisation in relation to GDP per capita was low (ibid.). This led to difficulties in farmers' operations, particularly of sugar production in Western Kenya consequently leading to low production of sugar, hence the resultant importation of the same from other countries.

Case Study: Sugar Importation in Kenya

Sugar importation in Kenya is justified due to high demand of the commodity compared to supply. Over the years, Kenya has experienced deficits in local sugar production due to a number of factors, including the politics of sugarcane farming and its regulation and widespread inefficiency in the production and marketing process. But deficits are also occasioned artificially to facilitate importation of cheap Sugar to the local market. This brings about a deficit, a gap which has to be filled. This can only be done through importation as a short-term solution. Kenya imports Sugar duty free from the Common Market for Eastern and Southern Africa (COMESA), but recent years have seen Brazil emerge as an alternative source market for cheap sugar. It is the responsibility of the government to ensure the smooth running of the industries which use sugar as raw material; this is through sustenance of sugar availability from local companies and through importation too. However, there has been uproar from opposition parties since the government announced the importation of sugar from Uganda in 2016. It is also the responsibility of the government to ensure the steady supply of locally produced sugar through by boosting the farmers and factories that produce sugar. This is to allow development through the farmers who produce sugarcane and enhance value addition, hence maintaining their economic development in the regions where sugarcane is grown. The welfare of Kenyan citizens, particularly those involved in sugarcane farming, would improve if the government showed concern and improved the situation in the sugar sector. This has been seen in Kenya where the government has bailed out Mumias

Sugar Company, one of the largest sugar producing companies in the country. However, this was done in 2016, hence the real impact of the bailout would take some time to be felt. This called for importation before the companies in Kenya and farmers got ready for ultimate production. Eventually, the bailed-out companies would be able to support demand through production and this is the objective of supporting farmers and sugar companies with such initiatives. Meanwhile, through International Trade Theory, the government has to continue with importation due to the demand that surpasses supply, and thus stabilise the industries that use sugar in the country.

Historically, for over a decade now, Kenya has been a heavy producer of sugar, but consumption has always been higher than production. There is an argument put forward by Chisanga et al. (2014) that countries such as Kenya and Tanzania should import sugar from the best producing countries in the region such as Zambia and South Africa. From the statistics put forward by Chisanga et al. (2014) this can be seen in Table 1 below.

The rate of sugar consumption in Kenya is higher than production. This

means that at any given time, there is demand for sugar in Kenya that needs to be met, therefore justifying the importation of sugar into the country to ensure industries and household consumers are catered for. From the information provided in Table 1, the domestic production and consumption ratio is less than one in the country while in Zambia and South Africa it is more than three. This shows that the latter two countries can export their sugar to Kenya.

In 2016, there were trade rows between Kenya and Uganda related to the importation of Sugar from Uganda to Kenya under the COMESA tariff-free trade rules of origin. An investigation was done and it was discovered that Uganda had surplus sugar which it would export to Kenya. This is described by the *Monitor* newspaper thus:

The findings by the Kenyan team, which *Daily Monitor* has seen, shows, the country has been registering, on average a surplus of 36,000 metric tonnes (MT) of sugar since the year 2014/15. 'In the year 2014, Uganda's sugar production stood at 400,499.05MT and out of that, consumption was 342,325.14 MT. 84,603.3MT were exported leaving a balance of 26,429.29MT,' Ms Nakakande said. She continued: 'In 2015,

Table1: Domestic Consumption and Domestic Production of Sugar, 2005–12

YEAR	Kenya		South Africa		Tanzania		Zambia	
	Volume (tons)	Volume/ Domestic consumption	Volume (tons)	Volume/ Domestic consumption	Volume (tons)	Volume/ Domestic consumption	Volume (tons)	Volume/ Domestic consumption
2005	488997	0.70	2226869	1.76	229617	0.70	248222	2.01
2006	475670	0.66	2500504	1.88	263317	0.77	263451	2.43
2007	520404	0.70	2226853	1.65	192095	0.52	266347	2.23
2008	517667	0.69	2273499	1.67	265434	0.69	261713	1.84
2009	548207	0.72	2260244	1.58	279850	0.71	219444	1.53
2010	523652	0.68	2178450	1.45	263461	0.66	333304	2.27
2011	490210	0.63	1909236	1.23	304135	0.89	407326	2.48
2012	578615	0.72	1822488	1.08	262879	0.60	398694	2.35

Source: Chisanga et al. (2014)

Uganda produced 396,310.95MT of sugar while consumption stood at 329,896MT. And 49,810.55MT were exported leaving a balance of 16,604.4MT of sugar.' Out of the average surplus of 16,000MT, it was agreed that Uganda exports an average of 9000MT quarterly to the Kenyan market. According to the trade minister Amelia Kyambadde, the data collected by the verification mission clearly indicates that Uganda has surplus sugar, expunging all claims that Uganda is used as a conduit to export cheap sugar to Kenya. She said: 'The two countries have agreed to work closely to ensure good trade relations. Subsequent meetings will be held involving all players in the sugar sector' (Ismail Musa Ladu 2016).

Other African trade institutions such as the Common Market of East and South Africa (COMESA) support this sustenance and importation of products that have deficits in international trade. Citing the *East Africa* newspaper:

Kenya has been pushed to open its market to more sugar from the Common Market for Eastern and Southern Africa in exchange for an extension to 2019 for the importation of duty-free sugar from outside the 19-member bloc. During the just concluded COMESA Summit in Antananarivo, Madagascar, members successfully negotiated for Kenya to allow more sugar to be imported from the region outside the country quotas during shortages. This quota allocation criterion was backdated to August 2016, giving COMESA members who produce sugar more unfettered access into the Kenyan market. The Summit also required Kenya to expedite the privatisation of sugar factories among other measures that improve the industry's competitiveness in order to end reliance on the COMESA safeguards. Kenya is now expected to give a scorecard on the status of

its sugar industry at the end of the safeguard. (Barigaba 2016)

Making economic decisions becomes difficult for a government when its intentions are perceived in different ways by stakeholders. When the government's intention is long-term, its short-term initiatives to allow smooth growth and development usually have challenges. This makes such governments vulnerable to local and external influences in order to avoid misunderstandings, hence a dilemma in decision making on policy development.

Summary and Conclusion

Developing countries have been under pressure when dealing with decision making for their growth and development. This is because they have internal and external influences that affect their decisions. Locally, opposition parties may be fronting their interests which may be different from those of the government. Production of primary commodities such as sugar may not be able to meet demand locally, and importation seems to be of disadvantage to local companies, farmers and the country at large. This makes decision making for the government difficult, thus affecting growth and development. Moreover, external influences also affect growth and development in developing countries. This is because external forces might have interests in these countries and thus control the way decisions are made in order to suit their own interests. In world institutions and organisations, developed countries have a greater chance of influencing decision making over their less developed and developing counterparts. This ultimately affects the way planning is done and the way decisions are made in those countries, resulting in sluggish development.

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